2022
Annual Report

WESTON GEORGE WESTON LIMITED

ESTABLISHED 1882

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Report to Shareholders

Fellow Shareholders,

Looking back on a year in which most of us settled into a new post-pandemic reality, George Weston Limited and its businesses continued to serve Canadians with a sense of pride and purpose.

At Loblaw, a focus on retail excellence contributed to another year of strong performance as the business helped Canadians Live Life Well® while navigating the challenges emerging from the pandemic. The acquisition of Lifemark, growing adoption of PC Health, and a step change in the expanded scope of practice provided by pharmacists all brought care closer to patients in their local communities. At the same time, a commitment to providing value on everyday food and wellness essentials supported customers during a period of global inflation. Underpinned by the country's leading loyalty program, rewarding no-fee financial services, and most convenient e-commerce network, Loblaw enhanced its core businesses while driving growth for the future.

Choice Properties also had an excellent year as it successfully navigated the challenges of rising interest rates and post-pandemic uncertainty. Through an active capital recycling program that drove $1.2 billion in transactions, Choice Properties continued to increase the quality of its portfolio, all while maintaining an industry-leading balance sheet. This included the strategic sale of six office properties in

the first half of the year and the ground breaking for a new 1.2 million square foot distribution centre site as part of the Choice Eastway Industrial Centre. With strong conviction in necessity-based retail, industrial, and residential – supported by operational excellence and prudent balance sheet management – Choice Properties delivered stability and growth in 2022, and remains well-positioned to generate enduring value.

As we reflect upon 2022, we are proud of how our businesses performed and the value that George Weston Limited provided through world-class shared services across the group. Our success is the result of the hard work of remarkable people across the country, and it is with their support that we will continue to create value through market-leading businesses that serve their communities and stakeholders well.

Our success is the result of the hard work of remarkable people across the country, and it is with their support that we will continue to create value through market-leading businesses.

Sincerely,

[signed]

Galen Weston
Chairman and Chief Executive Officer

[signed]

Richard Dufresne
President and Chief Financial Officer

Toronto, Canada
February 28, 2023

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes on pages 91 to 171 of this Annual Report. The Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). The audited annual consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except where otherwise noted.

Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 13, "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

The Company operates through its two reportable operating segments: Loblaw Companies Limited ("Loblaw") and Choice Properties Real Estate Investment Trust ("Choice Properties"). Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as net interest expense, corporate activities and administrative costs are included in Other and Intersegment. See note 35, "Segment Information" in the Company's audited annual consolidated financial statements and the accompanying notes of this Annual Report for details.

In 2021, the Company completed the sale of the Weston Foods bakery business. The impacts of the sale of Weston Foods and the results of Weston Foods, net of intersegment eliminations, have been presented separately as discontinued operations in the Company's results. See note 7, "Discontinued Operations" in the Company's audited annual consolidated financial statements and the accompanying notes of this Annual Report for details.

Unless otherwise indicated, all financial information in this MD&A represents the Company's results from continuing operations[5].

In this MD&A, unless otherwise indicated, "Consolidated" refers to the consolidated results of GWL including its subsidiaries under continuing operations, while "GWL Corporate" refers to the non-consolidated financial results and metrics of GWL, such as dividends paid by GWL to its shareholders or cash flows received by GWL from its operating businesses. GWL Corporate is a subset of Other and Intersegment.

The information in this MD&A is current to March 1, 2023, unless otherwise noted.

Table of Contents

FOOTNOTE LEGEND

1 See Section 13, "Non-GAAP Financial Measures", of the Company's 2022 Management's Discussion and Analysis.
2 GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
3 To be read in conjunction with "Forward-Looking Statements" beginning on page 88.
4 For financial definitions and ratios refer to Glossary beginning on page 174.
5 In 2021, the Company completed the sale of the Weston Foods bakery business. The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's results. See note 7, "Discontinued Operations".

At a Glance

Key financial highlights

As at or for the year ended December 31, 2022
($ millions except where otherwise indicated)

Unless otherwise indicated, all financial information represents the Company's results from continuing operations[5].

Consolidated

REVENUE

$57,048

+6.1%
vs. 2021

OPERATING INCOME

$4,553

+13.1%
vs. 2021

ADJUSTED EBITDA[1]

$6,551

+9.3%
vs. 2021

ADJUSTED EBITDA MARGIN[1] (%)

11.5%

+30bps
vs. 2021

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS

$1,778

+150.8%
vs. 2021

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS[1] FROM CONTINUING OPERATIONS

$1,432

+16.2%
vs. 2021

DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS ($)

$12.20

+161.8%
vs. 2021

ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE[1] FROM CONTINUING OPERATIONS ($)

$9.81

+20.5%
vs. 2021

GWL Corporate[2]

CASH FLOW FROM OPERATING BUSINESSES[1] FROM CONTINUING OPERATIONS

$602

+4.0%
vs. 2021

GWL CORPORATE[2] FREE CASH FLOW[1] FROM CONTINUING OPERATIONS

$893

-8.7%
vs. 2021

ANNUALIZED DIVIDENDS DECLARED PER SHARE ($)

$2.64

+10.0%
vs. 2021

GWL CORPORATE[2] CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

$818

-38.9%
vs. 2021

1 See Section 13, "Non-GAAP Financial Measures", of the Company's 2022 Management's Discussion and Analysis.
2 GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
5 In 2021, the Company completed the sale of the Weston Foods bakery business. The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's results. See note 7, "Discontinued Operations".

Our Business

Our history as a family business

In 1882, a young Toronto bread salesman and former baker's apprentice named George Weston went into business for himself when he bought a bread route from his employer. By the turn of the century, Weston's Bread was known throughout the city and George Weston had become Canada's biggest baker.

In 1924, George's eldest son, Garfield Weston, followed in his father's footsteps and became president of George Weston Limited. In spite of war and the depression, Garfield transformed his father's Toronto bakery into a commercial food empire with holdings on several continents.

In 1953, George Weston Limited expanded its grocery business, acquiring majority control of Loblaws Inc. In 1956, Loblaw Companies Limited was incorporated, and over the next two decades, Loblaw continued to expand its operations throughout Canada and the United States.

In the early 1970s, a third generation took charge as W. Galen Weston successfully consolidated the large conglomerate, reinventing Loblaw in the process and transforming it into Canada's largest grocery chain and GWL's largest asset.

In 2006, Galen G. Weston assumed responsibility for Loblaw and guided Loblaw through a period of transformation and growth in response to a rapidly changing business environment, including the creation and initial public offering of Choice Properties Real Estate Investment Trust in 2013 and the acquisition of Shoppers Drug Mart shortly thereafter. In 2017, Galen G. Weston was appointed CEO of George Weston Limited.

In 2018, as part of GWL's transformation initiative and long-term commitment to create shareholder value, the Company completed a reorganization where Loblaw spun out its majority interest in Choice Properties to GWL. GWL's acquisition of a majority ownership of Choice Properties was a critical milestone in the recent history of the Company. With the addition of Choice Properties to the portfolio, the Company became more balanced, with three strong and well-positioned businesses in retail, real estate and consumer goods.

In 2021, George Weston Limited made the decision to sell its Weston Foods bakery business. The business had been the foundation for the Weston Group in Canada since its establishment in 1882. The sale of the business was completed at the end of 2021, positioning the Company to focus on its market-leading retail and real estate businesses.

For more than a century and a quarter, thousands of employees of George Weston Limited and its subsidiaries have built an enterprise that has persevered and prospered through good times and bad to become one of Canada's most successful companies.

What we do

George Weston Limited is a Canadian public company, founded in 1882 and listed on the Toronto Stock Exchange (TSX:WN) since January 1928. The Company owns two businesses in retail and real estate.

WESTON
GEORGE WESTON LIMITED

Loblaw

Loblaw (TSX: L) is Canada's food and pharmacy leader and the nation's largest retailer. Loblaw provides Canadians with grocery, pharmacy and healthcare services, health and beauty products, apparel, general merchandise and financial services, through its grocery banners, Shoppers Drug Mart, Joe Fresh and President's Choice Bank.

Choice Properties

Choice Properties REIT (TSX: CHP.UN) is a leading Real Estate Investment Trust that creates enduring value through the ownership, operation and development of high-quality commercial and residential properties. The Choice Properties portfolio is comprised of retail properties, primarily leased to necessity-based tenants, and high quality industrial, mixed use and residential assets, concentrated in attractive markets across Canada.

Our Operating and Value Creation Strategy

George Weston Limited's mission is to build generational value with actively managed market-leading businesses in retail and real estate through expertise in strategy, mergers and acquisitions, capital allocation and talent development.

Over the years, the Company has successfully executed strategic transactions and has tightly managed its leverage and capital structure.

The Company is a leader in each of its operating segments, retail and real estate, with market-leading brands in retail and coveted locations in real estate.

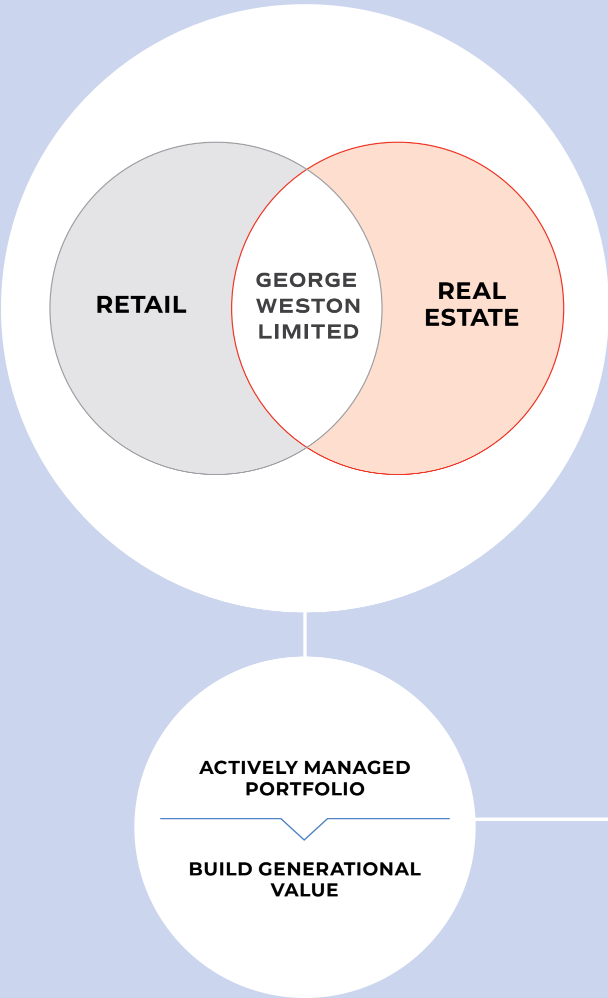
The Company is committed to supporting its portfolio of companies, providing expertise and decision support. This includes support in areas such as strategy, talent development, capital allocation and mergers and acquisitions.

The Company brings a unique perspective to the operating business level, having a viewpoint that spans across the retail and real estate categories, enabling the identification of opportunities and the sharing of best practices.

By accumulating capital from its existing businesses and prudently leveraging its debt capacity, the Company supports investments in strategic transactions that create value at its portfolio of companies. The Company also considers strategic initiatives where it can leverage its existing capabilities and expertise to create long-term value for shareholders.

The Company has a track record of providing stability and maintaining a long-term outlook. The Company seeks to deploy its capital optimally, including returning capital to shareholders and re-investing capital in its portfolio of companies, where it can further enhance earnings capability.

Our Operating and Value Creation Strategy



Built on what we have in common

Together, these four concepts unite our operating companies and are core to our identity:

CORE VALUES
Our actions are shaped by a set of CORE Values, which express a shared commitment to Care, Ownership, Respect and Excellence across the group of companies.

ETHICS & COMPLIANCE
Throughout our interactions, our decisions are grounded in a strong sense of Ethics & Compliance.

BLUE CULTURE
Represents how our values come to life every day in our interactions with our businesses, each other and our customers.

SOCIAL RESPONSIBILITY
As a generational investor, long-term trends, whether social, demographic, or environmental matter and underpin the importance we place on Social Responsibility.

Impacting

Through active management and by leveraging our culture and values we seek to positively impact:

SHAREHOLDERS
We create value for our shareholders by enhancing the value of our market-leading businesses, supporting operational excellence, investing in strategic transactions and by distributions in the form of dividends.

COLLEAGUES
Our talent is central to achieving our long-term goals. Our focus on attracting and developing exceptional leaders is a strategic imperative and we are proud to offer challenging and rewarding careers.

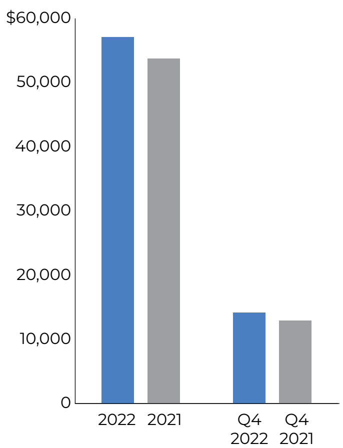
COMMUNITIES
Consistent with our heritage and values, we are focused on improving the quality of life in the communities where we live and work.

Key Performance Indicators

As at or for the unaudited quarters and audited years ended December 31
($ millions except where otherwise indicated)

Unless otherwise indicated, all financial information represents the Company's results from continuing operations[5].

REVENUE

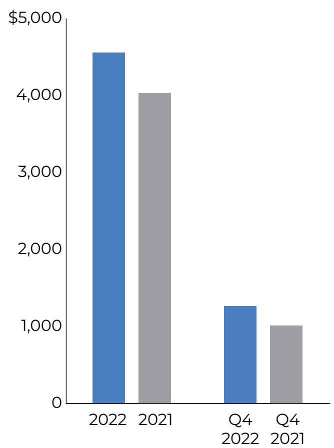


2022	57,048	+6.1%
2021	53,748	
Q4 2022	14,142	+9.6%
Q4 2021	12,902	

Performance in 2022

Revenue growth of $3,300 million driven by Loblaw.

OPERATING INCOME

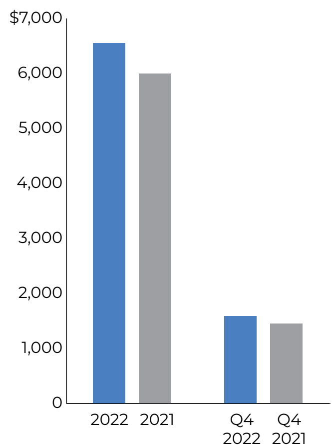


2022	4,553	+13.1%
2021	4,027	
Q4 2022	1,264	+25.3%
Q4 2021	1,009	

Performance in 2022

Operating income increased by $526 million. The increase was mainly attributable to the underlying operating performance of Loblaw and the favourable year-over-year net impact of adjusting items.

ADJUSTED EBITDA[1]



2022	6,551	+9.3%
2021	5,995	
Q4 2022	1,590	+9.4%
Q4 2021	1,453	

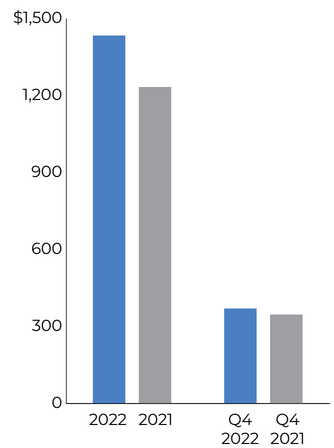
Performance in 2022

Adjusted EBITDA[1] increased by $556 million, primarily driven by an improvement in the underlying operating performance of Loblaw.

ADJUSTED EBITDA MARGIN[1] (%)

11.5%	+30bps
2022	vs. 2021
11.2%	-10bps
Q4 2022	vs. Q4 2021

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS[1] FROM CONTINUING OPERATIONS



2022	1,432	+16.2%
2021	1,232	
Q4 2022	369	+6.3%
Q4 2021	347	

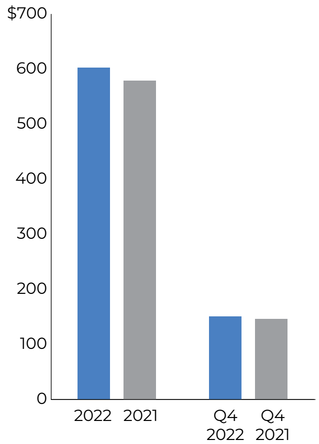
Performance in 2022

Adjusted net earnings available to common shareholders from continuing operations[1] increased by $200 million, due to an increase in the underlying operating performance of Loblaw, and a decrease in adjusted net interest expense and other financing charges[1], partially offset by an increase in tax expense and the unfavourable year-over-year impact of asset impairments recorded on consolidation.

ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE[1] FROM CONTINUING OPERATIONS ($)

$9.81	+20.5%
2022	vs. 2021
$2.59	+11.6%
Q4 2022	vs. Q4 2021

GWL CORPORATE[2] CASH FLOW FROM OPERATING BUSINESSES[1] FROM CONTINUING OPERATIONS

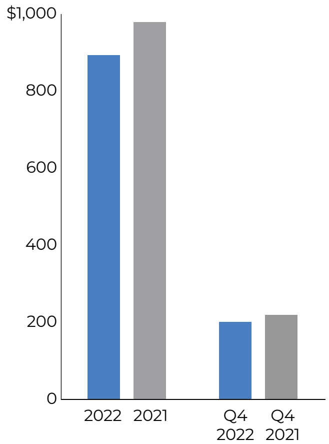


2022	**602**	**+4.0%**
2021	579	
Q4 2022	**151**	**+3.4%**
Q4 2021	146	

Performance in 2022

GWL Corporate[2] cash flow from operating businesses[1] from continuing operations were higher due to the increase in dividends received from Loblaw.

GWL CORPORATE[2] FREE CASH FLOW[1] FROM CONTINUING OPERATIONS



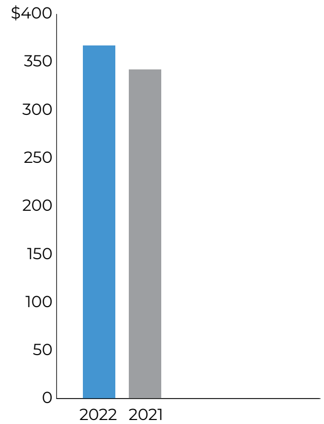
2022	**893**	**-8.7%**
2021	978	
Q4 2022	**201**	**-5.6%**
Q4 2021	213	

Performance in 2022

GWL Corporate[2] free cash flow[1] from continuing operations decreased, primarily due to higher income taxes paid, partially offset by an increase in dividends received from Loblaw.

See page 11 of this MD&A for a calculation of this metric.

GWL CORPORATE[2] DIVIDENDS PAID



2022	**367**	**+7.3%**
2021	342	

Performance in 2022

GWL Corporate[2] dividends paid were higher due to an increase in the dividend per common share of 10.0% in the third quarter of 2022.

See page 11 of this MD&A for a history of GWL's dividend increases.

GWL CORPORATE[2] CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

$818 **-38.9%**

2022 vs. 2021

$1,338

2021

Performance in 2022

GWL Corporate[2] cash and cash equivalents and short-term investments included the proceeds received from the disposal of Weston Foods in 2021. The decrease since 2021 year end was primarily due to the repurchase of shares under the Company's Normal Course Issuer Bid, partially offset by the proceeds from GWL's participation in Loblaw's Normal Course Issuer Bid.

See Section 3.2 "Liquidity" of this MD&A for a calculation of this metric.

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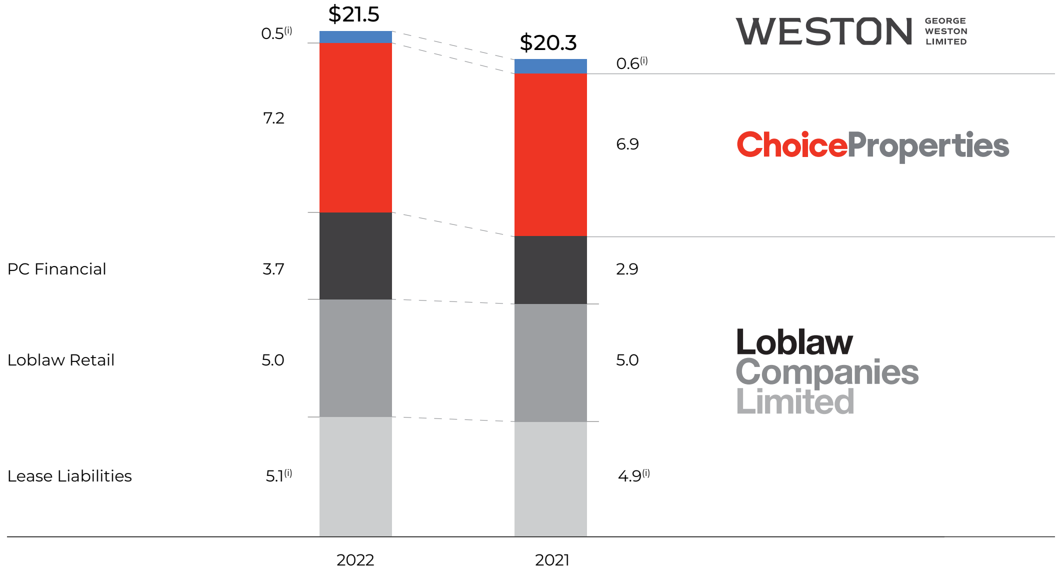
2 GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
5 In 2021, the Company completed the sale of the Weston Foods bakery business. The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's results. See note 7, "Discontinued Operations".

Total Debt

The Company manages its debt on a segmented basis to ensure that each of its businesses is employing leverage that is appropriate. The following chart presents total consolidated debt by reportable operating segment as at December 31, 2022 and 2021. There is no recourse to the Company for debt incurred by its operating segments.

The consolidated debt for the group as at December 31, 2022 was $21.5 billion. Indebtedness of Loblaw and Choice Properties is fully serviced by their respective operating cash flows. Indebtedness of GWL Corporate[(2)(i)] is comprised of $450 million of senior unsecured debentures.

TOTAL DEBT
As at December 31
($ billions)



(i) In 2022, the Company recognized lease liabilities of $5.1 billion (2021 – $4.9 billion) on its consolidated balance sheet, which was fully attributable to Loblaw. Lease liabilities are recognized primarily for leases of real estate, vehicles and equipment.

GWL Corporate[2] Free Cash Flow[1] from Continuing Operations

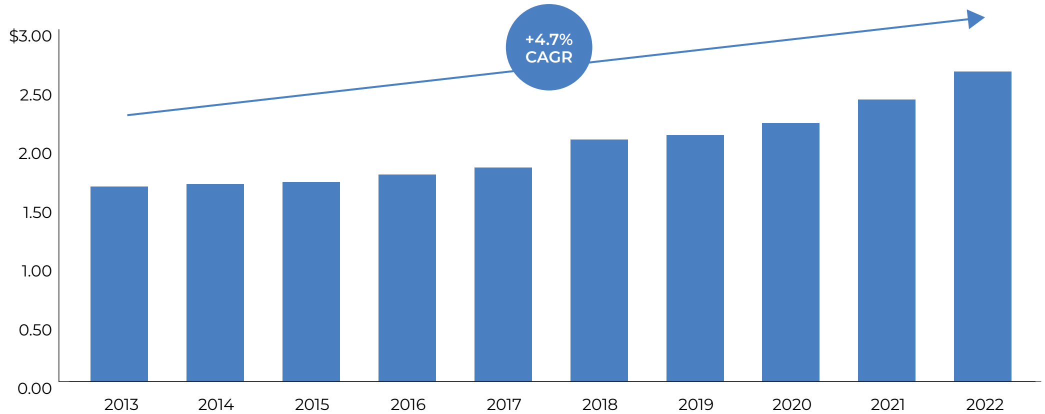
GWL Corporate[2] free cash flow[1] from continuing operations is generated from the dividends received from Loblaw, distributions received from Choice Properties, and proceeds from participation in Loblaw's Normal Course Issuer Bid, less corporate expenses, interest and income taxes paid.

For the quarters and years ended December 31	Quarters ended		Years ended	
($ millions)	**2022**	**2021**	**2022**	**2021**
Dividends from Loblaw	**69**	64	**272**	249
Distributions from Choice Properties	**82**	82	**330**	330
GWL Corporate[2] cash flow from operating businesses[1] from Continuing Operations	**151**	146	**602**	579
Proceeds from participation in Loblaw's Normal Course Issuer Bid	**49**	89	**558**	563
GWL Corporate[2], financing, and other costs[i]	**2**	14	**(114)**	(101)
Income taxes paid	**(1)**	(36)	**(153)**	(63)
GWL Corporate[2] free cash flow[1] from Continuing Operations	**201**	213	**893**	978

(i) Included in Other and Intersegment. GWL Corporate[2] includes all other company level activities that are not allocated to the reportable operating segments such as net interest expense, corporate activities and administrative costs. Also included are preferred share dividends.

Dividends

GWL increased its annualized dividend to $2.64 per common share in 2022. The Company's objective is to increase the dividend per common share over time while retaining appropriate free cash flow to finance future growth. Since 2013, the dividend per common share has increased at a 4.7% CAGR.



1 See Section 13, "Non-GAAP Financial Measures", of the Company's 2022 Management's Discussion and Analysis.
2 GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.

Loblaw

Loblaw (TSX: L) provides Canadians with grocery, pharmacy and healthcare services, health and beauty products, apparel, general merchandise and financial services.

Strategy

Loblaw is driven by its purpose to help Canadians *Live Life Well*® which guides its strategic framework. This framework centres around a passion for customers and drives investments in three key strategic priorities: Everyday Digital Retail, Payments and Rewards, and Connected Healthcare. Enabling these investments comes from a sharp focus on leveraging data driven insights and process efficiency excellence to deliver strong financial performance. 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.

Loblaw strives to be the "best in food, health and beauty" and with its focus on retail excellence, it is constantly improving its retail operations to differentiate its customer offerings and deliver scale through its national logistics infrastructure. Building for the future, its purpose guides its investments in strategic growth initiatives to further differentiate its portfolio of assets, generate competitive advantages in products, services and price, improve its operational efficiencies, and create new areas of growth.

Loblaw's purpose-led approach to addressing environmental, social and governance issues focuses on two priorities: *Fighting Climate Change* and *Advancing Social Equity.* Environmental, social and governance ("ESG") considerations are central to decisions made across Loblaw. By integrating consideration of environmental and social risks and good governance practices in its day-to-day business activities, implementing robust compliance and ethics programs and supporting its colleagues and the communities in which it operates, Loblaw aims to be a leading contributor to Canadian society both today and for generations to come.

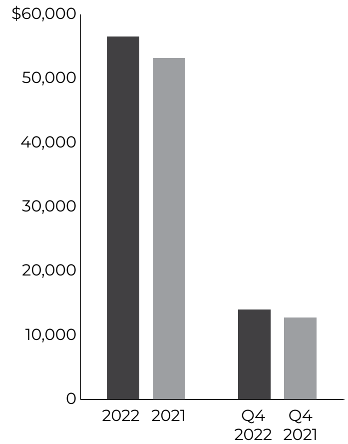
Key highlights for the year

Loblaw continued to deliver strong and consistent financial and operating results in retail and financial services in 2022. Global inflationary pressures and a lessened impact from COVID-19 influenced consumer behaviours and positively impacted retail sales. Loblaw's portfolio of best in class assets was well positioned to meet customer's everyday needs across food, health and wellness, further bolstered by its acquisition of Lifemark Health Group ("Lifemark") during the year. Loblaw's relentless focus on retail excellence leveraged these assets to deliver strong sales growth, gross margin improvements, and operating cost leverage.

Key performance indicators

As at or for the unaudited quarters and audited years ended December 31
($ millions except where otherwise indicated)

REVENUE

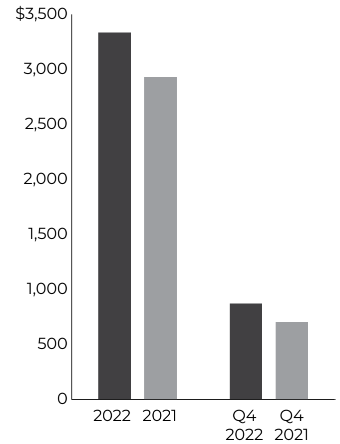


2022	**56,504**	**+6.3%**
2021	53,170	
Q4 2022	**14,007**	**+9.8%**
Q4 2021	12,757	

Performance in 2022

Revenue increased by $3,334 million driven by an increase in retail sales and an improvement in financial services revenue. The increase in retail sales was primarily due to positive same-store sales growth and Lifemark revenue since the date of acquisition.

OPERATING INCOME



2022	**3,334**	**+13.8%**
2021	2,929	
Q4 2022	**869**	**+23.6%**
Q4 2021	703	

Performance in 2022

Operating income increased by $405 million compared to 2021. The increase was driven by an improvement in the underlying operating performance of retail, partially offset by a decline in financial services and the unfavourable year-over-year impact of certain adjusting items.

Loblaw Offerings

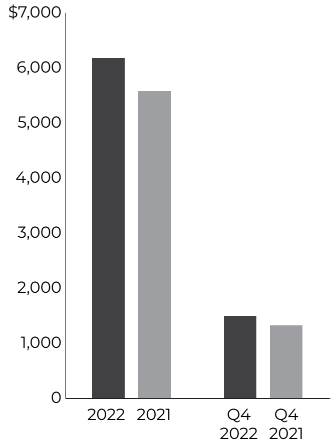
DIVISIONS:

Discount
Market
Shoppers Drug Mart
PC Financial
Joe Fresh

TOP BRANDS:

President's Choice
No Name
Farmer's Market
T&T
Life Brand
PC Optimum
PC Money

ADJUSTED EBITDA[1]



2022	6,173	+10.6%
2021	5,579	
Q4 2022	1,491	+12.8%
Q4 2021	1,322	

Performance in 2022

Adjusted EBITDA[1] increased by $594 million compared to 2021, primarily due to an increase in retail, partially offset by a decrease in financial services.

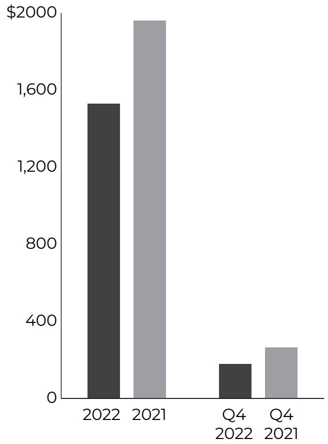
Adjusted EBITDA margin[1] increased due to an increase in retail adjusted gross profit percentage[1] driven by growth in higher margin drug retail front store categories, and a decrease in selling, general and administrative expenses ("SG&A") as a percentage of sales due to operating leverage gained from higher sales and lower COVID-19 related expenses. Compared to 2021, when inflation started to accelerate, food retail gross margins were flat.

ADJUSTED EBITDA MARGIN[1] (%)

10.9% **+40bps**
2022 vs. 2021

10.6% **+20bps**
Q4 2022 vs. Q4 2021

FREE CASH FLOW[1][i]



2022	1,528	-22.0%
2021	1,959	
Q4 2022	179	-31.9%
Q4 2021	263	

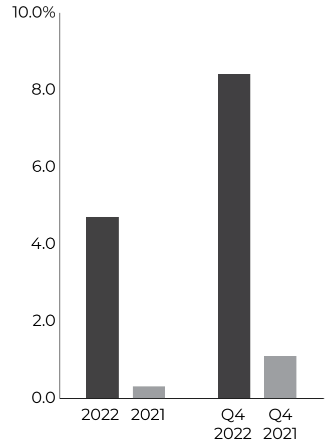
Performance in 2022

Free cash flow[1][i] decreased primarily due to an unfavourable change in non-cash working capital, the growth in credit card receivables from an increase in the active customer base and a rise in customer spending and higher capital expenditures, partially offset by higher cash earnings and lower income taxes paid.

CAPITAL EXPENDITURES

1.6 billion **+32.8%**
2022 vs. 2021

FOOD RETAIL SAME-STORE SALES GROWTH[i] (%)

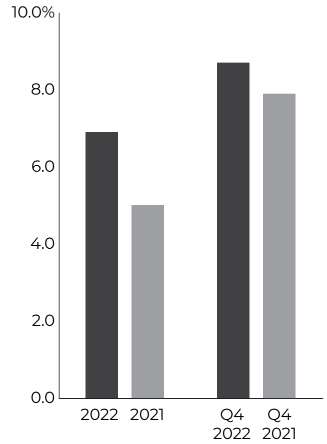


2022	4.7%	+440bps
2021	0.3%	
Q4 2022	8.4%	+730bps
Q4 2021	1.1%	

Performance in 2022

Food retail same-store sales growth[i] was 4.7%, mainly due to higher than normal inflation levels. Food retail traffic increased and basket size decreased slightly.

DRUG RETAIL SAME-STORE SALES GROWTH[i] (%)



2022	6.9%	+190bps
2021	5.0%	
Q4 2022	8.7%	+80bps
Q4 2021	7.9%	

Performance in 2022

Drug retail same-store sales growth was 6.9%. Pharmacy and healthcare services same-store sales growth benefited from an increase in acute and chronic prescription volumes from the continued economic re-opening. Front store same-store sales growth benefited from the economic re-opening and higher consumer spending.

RETAIL DEBT TO RETAIL ADJUSTED EBITDA[1][i]

2.4x **-0.2x**
2022 vs. 2021

1 See Section 13, "Non-GAAP Financial Measures", of the Company's 2022 Management's Discussion and Analysis.
(i) For more information on these measures, see the 2022 Annual Report filed by Loblaw, which is available on sedar.com or at loblaw.ca.

Choice Properties

Choice Properties REIT (TSX: CHP.UN) is a leading Real Estate Investment Trust that creates enduring value through the ownership, operation and development of high-quality commercial and residential properties.

Strategy

The combination of stability and growth is at the core of Choice Properties' commitment to creating enduring value for its stakeholders and the communities in which it operates. Choice Properties' business strategy aims to provide net asset value appreciation, stable net operating income ("NOI") growth and capital preservation, all with a long term focus.

Key highlights for the year

2022 was another year of positive momentum for Choice Properties demonstrated by its strong operating results, stability of its portfolio, and the strength of its balance sheet. In 2022, Choice Properties made the strategic decision to exit office as an asset class, and significantly increased the size and scale of its industrial development pipeline by taking advantage of market opportunities. Choice Properties continues to deliver operational excellence by remaining focused on its best-in-class operating platform of managing its income producing portfolio. In addition, Choice Properties took steps to ensure it maintained an industry leading balance sheet in a rising interest rate environment. Choice Properties continues to lead the way in sustainability and made significant advancements on its two pillars of *Fighting Climate Change* and *Advancing Social Equity*. As part of its efforts, Choice Properties built a pathway to net zero and a social equity framework to guide their approach and drive impact in the years to come.

Top Retail tenants

1. Loblaw
2. Canadian Tire
3. TJX Companies
4. Dollarama
5. Goodlife
6. Staples
7. Lowe's
8. Wal-Mart
9. Sobeys
10. Liquor Control Board of Ontario (LCBO)

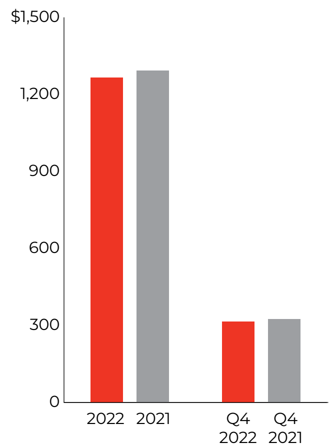
Top Industrial tenants

1. Loblaw
2. Amazon
3. Canada Cartage
4. Wonder Brands Inc.
5. Uline Canada Corporation
6. Canadian Tire

Key performance indicators

As at or for the unaudited quarters and audited years ended December 31
($ millions except where otherwise indicated)

REVENUE



2022	**1,265**	**-2.1%**
2021	1,292	
Q4 2022	**315**	**-3.1%**
Q4 2021	325	

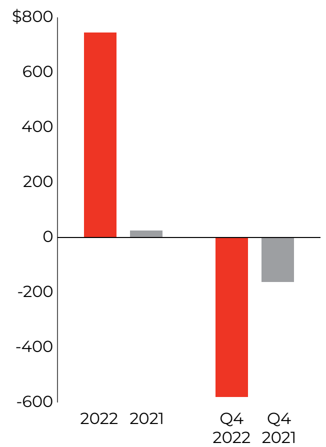
Performance in 2022

Revenue decreased by $27 million, primarily driven by foregone revenue following the disposition of six office assets (the "Office Asset Sale") to Allied Properties Real Estate Investment Trust ("Allied") in the second quarter of 2022 , partially offset by improved occupancy and higher rental rates in the retail and industrial portfolios, and higher recoveries.

OCCUPANCY RATE

97.8% **+70bps**
vs. 2021

NET INCOME (LOSS)

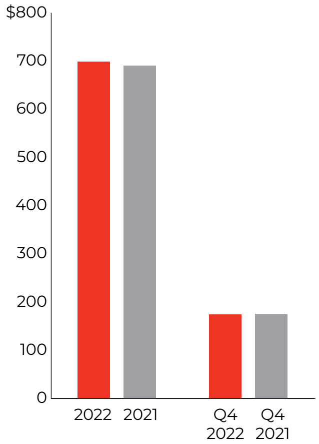


2022	**744**	**+3,000%**
2021	24	
Q4 2022	**(579)**	**-257.4%**
Q4 2021	(162)	

Performance in 2022

Net income increased by $720 million compared to 2021 due to the favourable year-over-year impact of the fair value adjustment of its Class B LP units ("Exchangeable Units") as a result of the decrease in Choice Properties' Trust Unit price, partially offset by the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied as a result of a decrease in Allied's unit price since the close of the Office Asset Sale to the end of 2022, and the unfavourable year-over-year impact of the fair value adjustment of investment properties.

FUNDS FROM OPERATIONS [1]

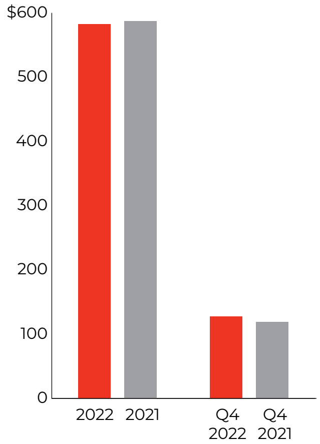


2022	698	+1.2%
2021	690	
Q4 2022	174	-0.6%
Q4 2021	175	

Performance in 2022

FFO[1] increased by $8 million compared to 2021 primarily due to increased rental revenue from the retail and industrial portfolios, partially offset by increases in interest and general and administrative expenses and the impact of the Office Asset Sale.

ADJUSTED FUNDS FROM OPERATIONS [i]

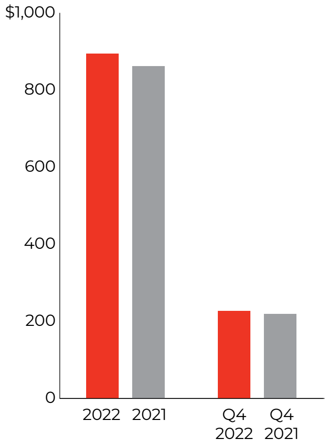


2022	582	-0.9%
2021	587	
Q4 2022	127	+6.7%
Q4 2021	119	

Performance in 2022

AFFO[i] decreased by $5 million primarily due to an increase in capital spending, partially offset by the increase in FFO[1].

SAME-ASSET NOI, CASH BASIS [i]

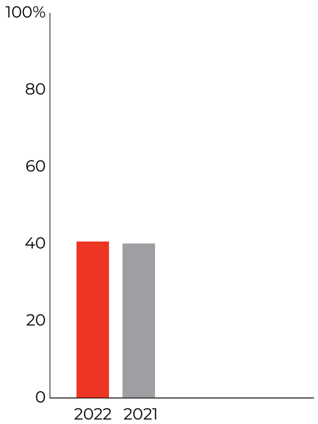


2022	894	+3.8%
2021	861	
Q4 2022	227	+3.7%
Q4 2021	219	

Performance in 2022

Same-asset NOI, cash basis[i] increased compared to 2021 mainly due to an increase in revenue from improved occupancy, contractual rent steps, higher recovery revenues, and a decrease in expected credit loss provisions.

ADJUSTED DEBT TO TOTAL ASSETS [i]



2022	40.6%	+50bps
2021	40.1%	

Performance in 2022

Adjusted debt to total assets[i] increased due to an increase in overall level of debt as advances on the credit facility and construction loans were used to fund development projects and acquisitions.

ADJUSTED DEBT TO EBITDAFV [i]

7.5x **+0.3x**

2022 vs. 2021

DEBT SERVICE COVERAGE [i]

3.1x **-0.2x**

2022 vs. 2021

1 See Section 13, "Non-GAAP Financial Measures", of the Company's 2022 Management's Discussion and Analysis.
(i) For more information on these measures, see the 2022 Annual Report filed by Choice Properties, which is available on sedar.com or at choicereit.ca.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President's Choice
Loblaws

Financial Highlights[(4)]

As at or for the years ended December 31 ($ millions except where otherwise indicated)		2022		2021	% Change
CONSOLIDATED OPERATING RESULTS					
Revenue	**$**	**57,048**	$	53,748	6.1%
Operating income		**4,553**		4,027	13.1%
Adjusted EBITDA[(ii)]		**6,551**		5,995	9.3%
Depreciation and amortization[(iii)]		**2,407**		2,307	4.3%
Net interest expense and other financing charges		**913**		1,650	(44.7)%
Adjusted net interest expense and other financing charges[(ii)]		**1,022**		1,050	(2.7)%
Income taxes		**831**		630	31.9%
Adjusted income taxes[(ii)]		**989**		851	16.2%
Net earnings (loss)		**2,803**		1,425	96.7%
Continuing operations		**2,809**		1,747	60.8%
Discontinued operations		**(6)**		(322)	(98.1)%
Net earnings attributable to shareholders of the Company[(iv)] from continuing operations		**1,822**		753	142.0%
Net earnings (loss) available to common shareholders of the Company		**1,772**		387	357.9%
Continuing operations		**1,778**		709	150.8%
Discontinued operations		**(6)**		(322)	(98.1)%
Adjusted net earnings available to common shareholders of the Company[(ii)] from continuing operations		**1,432**		1,232	16.2%
GWL CORPORATE[(v)]					
Cash flow from operating businesses[(ii)] from continuing operations	**$**	**602**	$	579	4.0%
CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS					
Cash and cash equivalents, short-term investments and security deposits	**$**	**2,852**	$	3,938	(27.6)%
Cash flows from operating activities[(i)(vi)]		**4,877**		5,119	(4.7)%
Capital investments from continuing operations		**1,893**		1,381	37.1%
Free cash flow[(i)(ii)] from continuing operations		**1,417**		2,090	(32.2)%
Total debt including lease liabilities		**21,523**		20,309	6.0%
Total equity attributable to shareholders of the Company		**6,841**		6,959	(1.7)%
Total equity		**13,180**		13,137	0.3%
CONSOLIDATED PER COMMON SHARE ($)					
Diluted net earnings (loss) per common share	**$**	**12.16**	$	2.52	382.5%
Continuing operations		**12.20**		4.66	161.8%
Discontinued operations		**(0.04)**		(2.14)	(98.1)%
Adjusted diluted net earnings per common share[(ii)] from continuing operations	**$**	**9.81**	$	8.14	20.5%
CONSOLIDATED FINANCIAL MEASURES AND RATIOS					
Adjusted EBITDA margin[(ii)] (%)		**11.5%**		11.2%	
Adjusted return on average equity attributable to common shareholders of the Company[(ii)] (%)		**23.5%**		18.7%	
Adjusted return on capital[(ii)] (%)		**13.8%**		12.6%	
REPORTABLE OPERATING SEGMENTS					
Loblaw					
Revenue	**$**	**56,504**	$	53,170	6.3%
Operating income		**3,334**		2,929	13.8%
Adjusted EBITDA[(ii)]		**6,173**		5,579	10.6%
Adjusted EBITDA margin[(ii)] (%)		**10.9%**		10.5%	
Depreciation and amortization[(iii)]		**2,795**		2,664	4.9%
Choice Properties					
Revenue	**$**	**1,265**	$	1,292	(2.1)%
Net income		**744**		24	3,000.0%
Funds from operations[(ii)]		**698**		690	1.2%

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) See Section 13, "Non-GAAP Financial Measures", of the Company's 2022 Management's Discussion and Analysis.
(iii) Depreciation and amortization includes $497 million (2021 – $506 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation and Lifemark Health Group, recorded by Loblaw.
(iv) Includes net earnings available to common shareholders of the Company from continuing operations and preferred dividends.
(v) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
(vi) Inclusive of discontinued operations.

Management's Discussion and Analysis

1. Overall Financial Performance

1.1 Consolidated Results of Operations

The Company's results reflect the year-over-year impact of the fair value adjustment of the Trust Unit liability as a result of the significant changes in Choice Properties' unit price, recorded in net interest expense and other financing charges. The Company's results are impacted by market price fluctuations of Choice Properties' Trust Units on the basis that the Trust Units held by unitholders, other than the Company, are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet. The Company's financial results are positively impacted when the Trust Unit price declines and negatively impacted when the Trust Unit price increases.

In 2021, the Company completed the sale of the Weston Foods bakery business. The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information reflects the Company's results from continuing operations.

($ millions except where otherwise indicated) **For the years ended as indicated**		**2022**		2021		$ Change	% Change
Revenue	**$**	**57,048**	**$**	**53,748**	**$**	**3,300**	**6.1%**
Operating income	**$**	**4,553**	**$**	**4,027**	**$**	**526**	**13.1%**
Adjusted EBITDA[(1)]	**$**	**6,551**	$	5,995	$	556	9.3%
Adjusted EBITDA margin[(1)]		**11.5%**		11.2%			
Depreciation and amortization[(i)]	**$**	**2,407**	**$**	**2,307**	**$**	**100**	**4.3%**
Net interest expense and other financing charges	**$**	**913**	**$**	**1,650**	**$**	**(737)**	**(44.7)%**
Adjusted net interest expense and other financing charges[(1)]	**$**	**1,022**	$	1,050	$	(28)	(2.7)%
Income taxes	**$**	**831**	**$**	**630**	**$**	**201**	**31.9%**
Adjusted income taxes[(1)]	**$**	**989**	$	851	$	138	16.2%
Adjusted effective tax rate[(1)]		**27.3%**		27.1%			
Net earnings attributable to shareholders of the Company from continuing operations	**$**	**1,822**	**$**	**753**	**$**	**1,069**	**142.0%**
Net earnings (loss) available to common shareholders of the Company	**$**	**1,772**	**$**	**387**	**$**	**1,385**	**357.9%**
Continuing operations	**$**	**1,778**	**$**	**709**	**$**	**1,069**	**150.8%**
Discontinued operations	**$**	**(6)**	**$**	**(322)**	**$**	**316**	**98.1%**
Adjusted net earnings available to common shareholders of the Company[(1)] from continuing operations	**$**	**1,432**	$	1,232	$	200	16.2%
Diluted net earnings (loss) per common share ($)	**$**	**12.16**	**$**	**2.52**	**$**	**9.64**	**382.5%**
Continuing operations	**$**	**12.20**	**$**	**4.66**	**$**	**7.54**	**161.8%**
Discontinued operations	**$**	**(0.04)**	**$**	**(2.14)**	**$**	**2.10**	**98.1%**
Adjusted diluted net earnings per common share[(1)] from continuing operations ($)	**$**	**9.81**	$	8.14	$	1.67	20.5%

(i) Depreciation and amortization includes $497 million (2021 – $506 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation and Lifemark Health Group, recorded by Loblaw.

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS

Net earnings available to common shareholders of the Company from continuing operations in 2022 were $1,778 million ($12.20 per common share), an increase of $1,069 million ($7.54 per common share) compared to $709 million ($4.66 per common share) in 2021. The increase was due to the favourable year-over-year net impact of adjusting items totaling $869 million ($5.87 per common share) and an improvement in the Company's consolidated underlying operating performance of $200 million ($1.67 per common share) described below.

- The favourable year-over-year net impact of adjusting items totaling $869 million ($5.87 per common share) was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $699 million ($4.68 per common share) as a result of the decrease in Choice Properties' unit price during 2022;
  - the favourable year-over-year impact of the fair value adjustment on investment properties of $375 million ($2.65 per common share) driven by Choice Properties, net of consolidation adjustments in Other and Intersegment;
  - the favourable year-over-year impact of the prior year fair value adjustment of the forward sale agreement of Loblaw common shares of $163 million ($1.09 per common share). The Company settled the net debt associated with the forward sale agreement in the fourth quarter of 2021; and
  - the income tax recovery related to the remeasurement of deferred tax balances for the Choice Properties' disposition of six office assets (the "Office Asset Sale") to Allied Properties Real Estate Investment Trust ("Allied") of $46 million ($0.32 per common share). Refer to Section 2.2, "Choice Properties Operating Results" of this MD&A for more information;

  partially offset by,
  - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of $228 million ($1.57 per common share) as a result of a decrease in Allied's Class B Unit price since the closing of the Office Asset Sale on March 31, 2022 to the end of 2022;
  - the unfavourable year-over-year impact of the prior year recovery related to a favourable Court ruling regarding a Glenhuron Bank Limited ("Glenhuron") matter at Loblaw of $142 million ($0.94 per common share); and
  - the unfavourable year-over-year impact of the charge related to the commodity tax matter at Loblaw of $45 million ($0.31 per common share). Refer to Section 2.1, "Loblaw Operating Results" of this MD&A for more information.

- The improvement in the Company's consolidated underlying operating performance of $200 million ($1.67 per common share) was due to:
  - the favourable underlying operating performance of Loblaw; and
  - a decrease in adjusted net interest expense and other financing charges[(1)];

  partially offset by,
  - the unfavourable year-over-year impact of Other and Intersegment, primarily driven by the year-over-year impact of asset impairments, net of recoveries recorded on consolidation of $18 million, net of tax; and
  - an increase in the adjusted effective tax rate[(1)] primarily attributable to an increase in tax expense as a result of GWL's participation in Loblaw's Normal Course Issuer Bid ("NCIB") program.

- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months ($0.35 per common share) pursuant to the Company's NCIB.

Adjusted net earnings available to common shareholders of the Company[(1)] from continuing operations in 2022 were $1,432 million, an increase of $200 million, or 16.2%, compared to 2021. The increase was due to the improvement in the Company's consolidated underlying operating performance described above.

Adjusted diluted net earnings per common share[(1)] from continuing operations in 2022 were $9.81 per common share, an increase of $1.67 per common share, or 20.5%, compared to 2021. The increase was due to the favourable performance in adjusted net earnings available to common shareholders[(1)] from continuing operations and the favourable impact of share repurchases.

REVENUE

($ millions except where otherwise indicated) For the years ended as indicated	2022	2021	$ Change	% Change
Loblaw	**$ 56,504**	$ 53,170	$ 3,334	6.3%
Choice Properties	**$ 1,265**	$ 1,292	$ (27)	(2.1)%
Other and Intersegment(i)	**$ (721)**	$ (714)		
Consolidated	**$ 57,048**	$ 53,748	$ 3,300	6.1%

(i) Other and Intersegment includes intercompany eliminations.

The Company's 2022 consolidated revenue was $57,048 million, an increase of $3,300 million, or 6.1%, compared to 2021. The Company's consolidated revenue was impacted by each of the Company's reportable operating segments as follows:

- Positively by 6.2% due to revenue growth of 6.3% at Loblaw, primarily driven by an increase in retail sales of $3,223 million, or 6.2%, and an improvement in financial services revenue of $156 million, or 13.2%. The increase in retail sales was due to positive same-store sales growth and Lifemark Health Group ("Lifemark") revenues of $279 million.

- Negatively by a nominal amount due to decline in revenue of 2.1% at Choice Properties. The decrease of $27 million was mainly due to foregone revenue following the Office Asset Sale, partially offset by an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates and increased capital recoveries.

OPERATING INCOME

($ millions except where otherwise indicated) For the years ended as indicated	2022	2021	$ Change	% Change
Loblaw	**$ 3,334**	$ 2,929	$ 405	13.8%
Choice Properties	**$ 1,083**	$ 1,400	$ (317)	(22.6)%
Other and Intersegment	**$ 136**	$ (302)		
Consolidated	**$ 4,553**	$ 4,027	$ 526	13.1%

The Company's 2022 operating income was $4,553 million compared to $4,027 million in 2021, an increase of $526 million, or 13.1%. The increase was mainly attributable to the improvement in underlying operating performance of $447 million and the favourable year-over-year net impact of adjusting items totaling $79 million, as described below:

- the improvement in underlying operating performance of $447 million was due to:
  - the favourable underlying operating performance of Loblaw due to the improvement in retail, partially offset by a decline in financial services;

  partially offset by,
  - an increase in depreciation and amortization at Loblaw;
  - the unfavourable underlying operating performance at Choice Properties; and
  - the unfavourable year-over-year impact of Other and Intersegment, primarily due to the year-over-year impact of asset impairments, net of recoveries recorded on consolidation of $25 million.

- the favourable year-over-year net impact of adjusting items totaling $79 million was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of investment properties of $405 million driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and
  - the favourable year-over-year impact from the gains on the sale of non-operating properties of $43 million mainly at Loblaw;

  partially offset by,
  - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of $248 million; and
  - the unfavourable impact of the charge related to the commodity tax matter at Loblaw of $111 million.

ADJUSTED EBITDA[1]

($ millions except where otherwise indicated) For the years ended as indicated	2022	2021	$ Change	% Change
Loblaw	**$ 6,173**	$ 5,579	$ 594	10.6%
Choice Properties	**$ 897**	$ 903	$ (6)	(0.7)%
Other and Intersegment	**$ (519)**	$ (487)		
Consolidated	**$ 6,551**	$ 5,995	$ 556	9.3%

The Company's 2022 adjusted EBITDA[1] was $6,551 million compared to $5,995 million in 2021, an increase of $556 million, or 9.3%. The increase was impacted by each of the Company's reportable operating segments as follows:

- Positively by 9.9% due to growth of 10.6% in adjusted EBITDA[1] at Loblaw driven by an increase in Loblaw retail, partially offset by a decrease in financial services. The increase in Loblaw retail adjusted EBITDA[1] was driven by an increase in retail gross profit, partially offset by an increase in retail selling, general and administrative expenses ("SG&A").
- Negatively by 0.1% due to a decrease of 0.7% in adjusted EBITDA[1] at Choice Properties, primarily driven by the decline in revenue described above and higher general and administrative expenses, partially offset by distribution income from the investment in real estate securities of Allied and a decline in expected credit loss provisions.

DEPRECIATION AND AMORTIZATION

($ millions except where otherwise indicated) For the years ended as indicated	2022	2021	$ Change	% Change
Loblaw	**$ 2,795**	$ 2,664	$ 131	4.9%
Choice Properties	**$ 3**	$ 3	$ –	–%
Other and Intersegment	**$ (391)**	$ (360)		
Consolidated	**$ 2,407**	$ 2,307	$ 100	4.3%

Depreciation and amortization in 2022 was $2,407 million, an increase of $100 million compared to 2021. Depreciation and amortization in 2022 included $497 million (2021 – $506 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark, recorded by Loblaw. Excluding these amounts, depreciation and amortization increased by $109 million primarily driven by an increase in depreciation of information technology ("IT") and leased assets at Loblaw.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

($ millions except where otherwise indicated) For the years ended as indicated		2022		2021		$ Change	% Change
Net interest expense and other financing charges	$	913	$	1,650	$	(737)	(44.7)%
Add (deduct) impact of the following:							
Fair value adjustment of the Trust Unit liability		98		(601)		699	116.3%
Recovery related to Glenhuron		11		189		(178)	(94.2)%
Fair value adjustment of the forward sale agreement of Loblaw common shares		–		(188)		188	100.0%
Adjusted net interest expense and other financing charges[1]	$	1,022	$	1,050	$	(28)	(2.7)%

Net interest expense and other financing charges in 2022 were $913 million, a decrease of $737 million compared to 2021. The decrease was due to the favourable year-over-year net impact of adjusting items totaling $709 million, itemized in the table above and a decrease in adjusted net interest expense and other financing charges[1] of $28 million. Included in the adjusting items in 2022 was the favourable year-over-year fair value adjustment of the Trust Unit liability of $699 million, as a result of the decrease in Choice Properties' unit price during 2022. The Company is exposed to market price fluctuations as a result of units held by unitholders other than the Company which are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet.

Adjusted net interest expense and other financing charges[1] in 2022 decreased by $28 million, primarily driven by:

- an increase in interest income on certain short-term investments due to higher interest rates, and on mortgages and loans receivable at Choice Properties due to a higher outstanding balance;
- lower interest expense in Other and Intersegment adjustments, primarily due to the full settlement of the net debt associated with the equity forward sale agreement in the fourth quarter of 2021; and
- a reduction in interest expense from post-employment and other employee benefits;

partially offset by,

- an increase in interest expense at Loblaw and Choice Properties mainly due to higher interest rates and an increase in long-term debt, including an early repayment premium of $7 million at Loblaw recorded in 2022.

INCOME TAXES

($ millions except where otherwise indicated) For the years ended as indicated		2022		2021		$ Change	% Change
Income taxes	**$**	**831**	$	630	$	201	31.9%
Add (deduct) impact of the following:							
Tax impact of items excluded from adjusted earnings before taxes[(i)]		**83**		99		(16)	(16.2)%
Remeasurement of deferred tax balances		**46**		–		46	100.0%
Recovery related to Glenhuron		**33**		128		(95)	(74.2)%
Outside basis difference in certain Loblaw shares		**(4)**		(6)		2	33.3%
Adjusted income taxes[(1)]	**$**	**989**	$	851	$	138	16.2%
Effective tax rate applicable to earnings before taxes		**22.8%**		26.5%			
Adjusted effective tax rate applicable to adjusted earnings before taxes[(1)]		**27.3%**		27.1%			

(i) See the adjusted EBITDA[(1)] table and the adjusted net interest expense and other financing charges[(1)] table included in Section 13, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes[(1)].

The effective tax rate in 2022 was 22.8%, compared to 26.5% in 2021. The decrease was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, partially offset by the recovery of income taxes related to Glenhuron in 2021 and the impact of the reversal of the non-deductible interest related to Glenhuron in 2021.

The adjusted effective tax rate[(1)] in 2022 was 27.3%, compared to 27.1% in 2021. The increase was primarily attributable to an increase in current tax expense related to GWL's participation in Loblaw's NCIB, partially offset by the impact of certain recoveries realized for prior taxation periods.

Between 2015 and 2019, Loblaw was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. In the fourth quarter of 2021, the Supreme Court of Canada ("Supreme Court") ruled in favour of Loblaw on the Glenhuron matter and Loblaw reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds. As a result of related reassessments received during the first quarter of 2022, Loblaw reversed another $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

DISCONTINUED OPERATIONS Net loss available to common shareholders of the Company from discontinued operations in 2022 of $6 million ($0.04 per common share) pertains to final closing adjustments. For further details of the sale, refer to Note 7, "Discontinued Operations" in the annual consolidated financial statements of this Annual Report.

1.2 Selected Annual Information

The selected information presented below has been derived from and should be read in conjunction with the annual consolidated financial statements of the Company dated December 31, 2022, 2021 and 2020. The analysis of the data contained in the table focuses on the trends and significant events or items affecting the results of operations and financial condition of the Company over the latest three year period.

Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

For the years ended December 31 ($ millions except where otherwise indicated)		2022 (52 weeks)		2021 (52 weeks)		2020 (53 weeks)
Revenue	**$**	**57,048**	**$**	**53,748**	**$**	**53,270**
Operating income	**$**	**4,553**	**$**	**4,027**	**$**	**2,875**
Adjusted EBITDA[1]	**$**	**6,551**	$	5,995	$	5,356
Adjusted EBITDA margin[1]		**11.5%**		11.2%		10.1%
Depreciation and amortization[i]	**$**	**2,407**	$	2,307	$	2,254
Net interest expense and other financing charges	**$**	**913**	$	1,650	$	829
Adjusted net interest expense and other financing charges[1]	**$**	**1,022**	$	1,050	$	1,115
Income taxes	**$**	**831**	$	630	$	470
Adjusted income taxes[1]	**$**	**989**	$	851	$	648
Adjusted effective tax rate[1]		**27.3%**		27.1%		26.0%
Net earnings (loss)	**$**	**2,803**	**$**	**1,425**	**$**	**1,582**
Continuing operations	**$**	**2,809**	**$**	**1,747**	**$**	**1,576**
Discontinued operations	**$**	**(6)**	**$**	**(322)**	**$**	**6**
Net earnings attributable to shareholders of the Company	**$**	**1,816**	**$**	**431**	**$**	**963**
Net earnings (loss) available to common shareholders of the Company	**$**	**1,772**	**$**	**387**	**$**	**919**
Continuing operations	**$**	**1,778**	**$**	**709**	**$**	**913**
Discontinued operations	**$**	**(6)**	**$**	**(322)**	**$**	**6**
Adjusted net earnings available to common shareholders of the Company[1] from continuing operations	**$**	**1,432**	$	1,232	$	993
Net earnings (loss) per common share ($) - diluted	**$**	**12.16**	**$**	**2.52**	**$**	**5.96**
Continuing operations	**$**	**12.20**	**$**	**4.66**	**$**	**5.92**
Discontinued operations	**$**	**(0.04)**	**$**	**(2.14)**	**$**	**0.04**
Adjusted diluted net earnings per common share[1] from continuing operations	**$**	**9.81**	$	8.14	$	6.44
Dividends declared per share ($):						
Common shares	**$**	**2.580**	$	2.300	$	2.125
Preferred shares – Series I	**$**	**1.45**	$	1.45	$	1.45
Preferred shares – Series III	**$**	**1.30**	$	1.30	$	1.30
Preferred shares – Series IV	**$**	**1.30**	$	1.30	$	1.30
Preferred shares – Series V	**$**	**1.1875**	$	1.1875	$	1.1875
Total Assets and Long-Term Financial Liabilities						
Total assets	**$**	**48,958**	**$**	**47,083**	**$**	**48,078**
Total long-term debt	**$**	**14,784**	$	14,010	$	14,443
Financial liabilities		**668**		664		666
Lease liabilities		**5,158**		4,984		5,005
Trust Unit liability		**4,112**		4,209		3,600
Total long-term financial liabilities	**$**	**24,722**	$	23,867	$	23,714

(i) Depreciation and amortization includes $497 million (2021 – $506 million; 2020 – $509 million) of amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

REVENUE The Company's reportable operating segments had the following sales trends over the last three years:

- Loblaw's retail sales have continued to grow despite the pressure of a competitive retail market, impacts of global economic uncertainties and regulatory environment over the last three years. In 2020, the COVID-19 pandemic had a significant impact on Loblaw's colleagues, customers, suppliers and other stakeholders. Loblaw experienced sales volatility and changes in sales mix as the pandemic impacted consumer behaviour throughout the year. In 2021, COVID-19 continued to have a significant impact on Loblaw, continuing to accelerate some long-term trends, enabling Loblaw to advance its strategic growth areas of Everyday Digital Retail, Connected Healthcare and Payments and Rewards. In food retail, sales remained strong as eat-at-home trends remained elevated even in a period where social restrictions loosened. In drug retail, sales benefited from growth in pharmacy services as COVID-19 testing and vaccinations ramped up throughout the year. Higher margin front-store categories within drug retail, that had previously negatively impacted earnings, increased sales momentum as the economy opened up. In 2022, COVID-19 continued to impact retail sales through the first half of the year. Food retail benefited from elevated eat-at-home trends, and drug retail from strong cosmetics and over-the-counter ("OTC") product sales, as customers returned to pre-pandemic activities, while COVID-19 related testing and vaccines continued at elevated levels. Retail sales growth in second half of 2022 benefited from global inflationary pressures and reflected continued strength in cosmetics and OTC sales in drug retail.

  During 2020, Loblaw's financial services revenue was negatively impacted by the COVID-19 pandemic from lower credit card related revenues from lower customer spending and lower sales attributable to the partial closure of *The Mobile Shop* kiosks during the second quarter of 2020. Loblaw's financial services also launched the *PC Money* Account in the third quarter of 2020. In 2021, the underlying operating performance of Loblaw's financial services improved as it benefited from an increase in customer spending and higher sales attributable to *The Mobile Shop* kiosks. In 2022, Loblaw's financial services revenue continued to benefit from an increase in customer spending. Further, Loblaw financial services benefited from growing credit card receivables in 2022 driven by growth in the active customer base.

- Choice Properties revenue decreased in 2020 primarily due to the foregone revenue from a disposition of a portfolio of properties in the third quarter of 2019, partially offset by additional revenue generated from properties acquired in 2019 and 2020 and from tenant openings in newly developed leasable space. Choice Properties revenue increased in 2021 primarily due to the contribution from acquisition and development transfers completed in 2020 and 2021, partially offset by foregone revenue from dispositions and vacancies in select office assets. In 2022, Choice Properties revenue declined due to foregone revenue following the Office Asset Sale, partially offset by an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates and increased capital recoveries.

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS AND DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS Net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations for the last three years were impacted by certain adjusting items as described in Section 13, "Non-GAAP Financial Measures", of this MD&A and by the underlying operating performance of each of the Company's reportable operating segments.

Over the last three years, the Company's underlying operating performance was impacted by the following:

- changes in the underlying operating performance of Loblaw due to:
  - the impact of the 53rd week in fiscal year 2020;
  - changes in the underlying operating performance of Loblaw's retail due to COVID-19. Loblaw's financial results for the years 2022 and 2021 had higher revenue and cost of sales when compared to 2020. In addition, SG&A increased in 2020 as a result of the incremental cost of COVID-19 related investments to benefit and protect colleagues and customers which stabilized in 2021 and 2022;
  - cost savings and operating efficiencies and investments in and benefits from strategic initiatives; and
  - fluctuations in the performance of Loblaw's financial services segment driven by the impact of the increase in customer spending, the reversal of certain commodity taxes accrued and year-over-year movement of the expected credit loss provision.

- changes in the underlying operating performance of Choice Properties due to:
  - the impact of COVID-19 resulting in an increase in expected credit losses in 2020 which stabilized in 2021 and 2022;
  - fluctuations in rental income from the unfavourable impact of dispositions of properties in 2019, partially offset by rental income generated from properties acquired in 2019 and 2020 and from tenant openings in newly developed leasable space, and the favourable impact of contributions from acquisition and development transfers completed in 2020 and 2021, which were partially offset by foregone rental income form dispositions and vacancies in select office assets in 2021; and
  - in 2022, the underlying operating performance was unfavourably impacted by foregone rental income following the Office Asset Sale and higher general and administrative expenses, which was partially offset by distribution income from Choice Properties' investment in real estate securities of Allied.

- the impact of asset impairments, net of recoveries and certain one-time gains related to Choice Properties' transactions recorded on consolidation in Other and Intersegment;

- changes in adjusted net interest and other financing charges[(1)] as follows:

  - lower adjusted net interest and other financing charges[(1)] in 2022 due to:
    - an increase in interest income on certain short-term investments due to higher interest rates, and on mortgages and loans receivable at Choice Properties due to a higher outstanding balance;
    - lower interest expense in Other and Intersegment adjustments, primarily due to the full settlement of the net debt associated with the equity forward sale agreement in the fourth quarter of 2021; and
    - a reduction in interest expense from post-employment and other employee benefits;

    partially offset by,
    - an increase in interest expense at Loblaw and Choice Properties mainly due to higher interest rates and an increase in long-term debt, including an early repayment premium of $7 million at Loblaw recorded in 2022.

  - lower adjusted net interest and other financing charges[(1)] in 2021 due to:
    - lower interest expense at Loblaw financial services;
    - a reduction in interest expense from lease liabilities at Loblaw, including Other and Intersegment adjustments; and
    - a decrease in interest expense in Choice Properties, including Other and Intersegment adjustments, primarily related to the special distribution in the fourth quarter of 2020, a decline in fees incurred on early repayment of senior unsecured debentures, lower overall debt levels compared to the prior year and the completion of refinancing activity over the past year at lower interest rates;

    partially offset by,
    - higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties' dispositions.

  - higher adjusted net interest expense and other financing charges[(1)] in 2020 due to:
    - an increase in interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties' dispositions; and
    - higher interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions.

- higher adjusted income taxes[(1)] primarily attributable to:
  - an increase in tax expense related to temporary differences in respect of GWL's investment in certain Loblaw shares as a result of GWL's participation in Loblaw's NCIB;
  - the unfavourable year-over-year impact of the non-taxable portion of the gain from Choice Properties' transactions in 2020 and 2021; and
  - the impact of certain other non-deductible items in 2020 and 2021;
  - in 2022, the increase was partially offset by the impact of certain recoveries realized for prior taxation periods.

- in 2022 and 2021, diluted net earnings per common share included the favourable impact of shares purchased for cancellation; and

- an increase in GWL's ownership interest in Loblaw in 2020 as a result of share repurchases at Loblaw. GWL's ownership of Loblaw has remained stable at approximately 52.6% as at the end of 2022, 2021 and 2020.

TOTAL ASSETS AND LONG-TERM FINANCIAL LIABILITIES

In 2022, total assets of $48,958 million increased by 4.0% as compared to 2021. The increase was primarily driven by an increase in inventory, credit card receivables, goodwill and equity accounted joint venture. This was partially offset by a decrease in cash and cash equivalents and short-term investments, and a decrease in income tax recoverable due to collection of income tax refunds from Glenhuron. Total long-term financial liabilities of $24,722 million increased by 3.6% compared to 2021 driven by higher long-term debt due to an increase in guaranteed investment certificates ("GIC") at Loblaw and debt drawn on Choice Properties credit facility.

In 2021, total assets of $47,083 million decreased by 2.1% as compared to 2020. The decrease was primarily driven by the decrease in fixed assets and intangible assets as a result of the disposal of the Weston Foods business, partially offset by higher cash and cash equivalents and an increase in investment properties. Total long-term financial liabilities of $23,867 million increased by 0.6% compared to 2020 driven by an increase in the Trust Unit liability as a result of the significant changes in Choice Properties' unit price, partially offset by a decrease in long-term debt driven by George Weston Series A debenture repayments.

The Trust Unit liability is recognized at fair value on the consolidated balance sheets and fluctuates due to issuances and changes in the fair value of Choice Properties' Trust Units. As at December 31, 2022, 277,109,734 Units were held by unitholders other than the Company (2021 – 276,927,432; 2020 – 276,280,248) and the Company held an approximate 61.7% (2021 – 61.7%; 2020 – 61.8%) effective ownership interest in Choice Properties.

1.3 Consolidated Other Business Matters

GWL CORPORATE[2] FINANCING ACTIVITIES The Company completed the following financing activities during the periods indicated below. The cash impacts of these activities are set out below:

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2022**	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021
GWL's NCIB – purchased and cancelled	**$ (276)**	$ (167)	**$ (994)**	$ (744)
GWL's participation in Loblaw's NCIB	**49**	89	**558**	563
GWL's credit facility drawdown (repayment)	**–**	121	**(121)**	121
Settlement of net debt associated with equity forward sale agreement	**–**	(275)	**–**	(790)
Net cash flow used in above activities	**$ (227)**	$ (232)	**$ (557)**	$ (850)

GWL's NCIB - Purchased and Cancelled Shares In the fourth quarter and year-to-date 2022, the Company purchased and cancelled 1.7 million shares (2021 – 1.0 million shares) and 6.4 million shares (2021 – 5.9 million shares), respectively, under its NCIB. As at December 31, 2022, the Company had 140.6 million shares issued and outstanding, net of shares held in trusts (December 31, 2021 – 146.6 million shares).

In the fourth quarter of 2022, the Company entered into an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market.

Refer to Section 3.6, "Share Capital" of this MD&A for more information.

GWL's Participation in Loblaw's NCIB The Company participates in Loblaw's NCIB in order to maintain its proportionate percentage ownership interest. During the fourth quarter and year-to-date 2022, GWL received proceeds of $49 million (2021 – $89 million) and $558 million (2021 – $563 million), respectively, from the sale of Loblaw shares.

GWL's Credit Facility In 2021, GWL entered into a $350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. The credit facility contains certain financial covenants. As at December 31, 2021, $121 million was drawn on the facility which was repaid in the first quarter of 2022. As at December 31, 2022, no amounts were drawn on the facility.

2. Results of Reportable Operating Segments

The following discussion provides details of the 2022 results of operations of each of the Company's reportable operating segments.

2.1 Loblaw Operating Results

($ millions except where otherwise indicated) For the years ended as indicated	2022	2021	$ Change	% Change
Revenue	**$ 56,504**	$ 53,170	$ 3,334	6.3%
Operating income	**$ 3,334**	$ 2,929	$ 405	13.8%
Adjusted EBITDA[1]	**$ 6,173**	$ 5,579	$ 594	10.6%
Adjusted EBITDA margin[1]	**10.9%**	10.5%		
Depreciation and amortization[i]	**$ 2,795**	$ 2,664	$ 131	4.9%

(i) Depreciation and amortization includes $497 million (2021 – $506 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

REVENUE Loblaw revenue in 2022 was $56,504 million, an increase of $3,334 million, or 6.3%, compared to 2021, driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales were $55,492 million, an increase of $3,223 million, or 6.2%, compared to 2021.

- food retail sales were $39,398 million (2021 – $37,481 million) and retail same-store sales growth was 4.7% (2021 – 0.3%).
  - the Consumer Price Index ("CPI") as measured by The Consumer Price Index for Food Purchased from Stores was 9.7% (2021 – 2.2%), which was generally in line with Loblaw's internal food inflation; and
  - food retail traffic increased and basket size decreased.

- drug retail sales were $16,094 million (2021 – $14,788 million) and drug retail same-store sales growth was 6.9% (2021 – 5.0%);
  - pharmacy same-store sales growth was 5.7% (2021 – 8.4%). Pharmacy and healthcare services same-store sales growth benefited from an increase in acute and chronic prescription volumes from the economic re-opening. The number of prescriptions dispensed increased by 2.5% (2021 – 0.9%). On a same-store basis, the number of prescriptions dispensed increased by 2.6% (2021 – 2.7%) and the average prescription value increased by 2.4% (2021 – 4.7%);
  - pharmacy and healthcare services sales included Lifemark revenue of $279 million. Lifemark revenues are excluded from same-store sales; and
  - front store same-store sales growth was 8.2% (2021 – 2.1%). Front store same-store sales growth benefited from the economic re-opening and higher consumer spending.

In 2022, 13 food and drug stores were opened, and 10 food and drug stores were closed, and net retail square footage has remained constant at 71.2 million square feet.

Financial services revenue increased by $156 million, or 13.2%, compared to 2021, primarily driven by higher interest income from growth in credit card receivables and higher interchange income and credit card related fees due to an increase in customer spending. This was partially offset by lower sales attributable to *The Mobile Shop.*

OPERATING INCOME Loblaw operating income in 2022 was $3,334 million, an increase of $405 million, or 13.8%, compared to 2021. The increase was driven by an improvement in underlying operating performance of $454 million, partially offset by an unfavourable year-over-year net impact of adjusting items totaling $49 million, as described below:

- the improvement in underlying operating performance of $454 million was primarily due to the following:
  - an improvement in the underlying operating performance of retail due to an increase in retail gross profit, partially offset by an increase in SG&A and depreciation and amortization;

  partially offset by,
  - a decline in financial services primarily due to the year-over-year impact of the expected credit loss provision from lapping a larger prior year release versus the current year increase and from lapping a prior year reversal of certain commodity tax accrued.

- the unfavourable year-over-year net impact of adjusting items totaling $49 million was primarily due to:
  - the unfavourable year-over-year impact of the charge related to a President's Choice Bank ("PC Bank") commodity tax matter of $111 million; and
  - the unfavourable year-over-year impact of the Lifemark transaction costs of $16 million;

  partially offset by,
  - the favourable year-over-year impact from the gains on the sale of non-operating properties of $45 million; and
  - the favourable year-over-year change in restructuring and other related costs of $28 million.

ADJUSTED EBITDA(1) Loblaw adjusted EBITDA(1) in 2022 was $6,173 million, an increase of $594 million, or 10.6%, compared to 2021. The increase was primarily due to an increase in retail of $617 million, partially offset by a decrease in financial services of $23 million.

Retail adjusted EBITDA(1) increased by $617 million driven by an increase in retail gross profit of $1,124 million, partially offset by an increase in retail SG&A of $507 million.

- Retail gross profit percentage of 30.9% increased by 20 basis points compared to 2021, driven by growth in higher margin drug retail front store categories. Compared to 2021, when inflation started to accelerate, food retail gross margins were flat.

- Retail SG&A as a percentage of sales was 20.2%, a decrease of 30 basis points compared to 2021. The favourable decrease was primarily due to operating leverage gained from higher sales and lower COVID-19 related expenses.

Financial services adjusted EBITDA(1) decreased by $23 million compared to 2021, primarily driven by higher loyalty program costs, operating costs, and contractual charge-off from an increase in customer spending, the prior year reversal of certain commodity tax accrued in the amount of $37 million, and the impact of the expected credit loss provision from lapping a larger prior year release of $32 million versus the current year increase of $1 million. This decrease was partially offset by higher revenue as described above.

DEPRECIATION AND AMORTIZATION Loblaw's depreciation and amortization in 2022 was $2,795 million, an increase of $131 million compared to 2021. The increase in depreciation and amortization in 2022 was primarily driven by an increase in IT and leased assets, and accelerated depreciation of $24 million (2021 – nil) due to the reassessment of the estimated useful life of certain IT assets. Depreciation and amortization in 2022 included $497 million (2021 – $506 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and Lifemark.

CONSOLIDATION OF FRANCHISES Loblaw has more than 500 franchise food retail stores in its network. Non-controlling interests at Loblaw represents the share of earnings that relates to Loblaw's food retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements. Loblaw's net earnings attributable to non-controlling interests were $73 million in 2022. When compared to 2021, this represented a decrease of $28 million or 27.7%. The decrease in non-controlling interests at Loblaw was primarily driven by the normalizing of franchisee earnings after profit sharing.

LOBLAW OTHER BUSINESS MATTERS

Lifemark Health Group On May 10, 2022, Loblaw acquired all of the outstanding common shares of Lifemark for total cash purchase consideration of $829 million. Lifemark is the Canadian leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. The acquisition of Lifemark adds to Loblaw's growing role as a healthcare service provider, with a network of health and wellness solutions, accessible in-person and digitally. In the fourth quarter of 2022, revenue of $110 million and nominal net earnings were contributed by Lifemark. Net earnings included amortization related to the acquired intangible assets of $3 million in the fourth quarter of 2022. Year-to-date revenue of $279 million and nominal net earnings were contributed by Lifemark from the date of acquisition. Year-to-date net earnings included amortization related to the acquired intangible assets of $8 million.

PC Bank Commodity Tax Matter In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of Loblaw. 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 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, Loblaw believes in the merits of its position, it recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. Loblaw believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Network Optimization In the fourth quarter of 2022, Loblaw finalized network optimization plans that will result in banner conversions and right-sizing of an additional 34 underperforming retail locations across a range of banners and formats. Charges associated with network optimization will be recorded as incurred and are expected to include equipment, severance, lease related and other costs, and will not be considered an adjusting item. Loblaw expects to realize approximately $40 million in annualized EBITDA run-rate savings related to these plans. In the fourth quarter of 2022, Loblaw recorded charges of $11 million as a result of this network optimization project and expects to record additional charges of approximately $50 million to $60 million as they are incurred throughout 2023.

2.2 Choice Properties Operating Results

($ millions except where otherwise indicated) For the years ended as indicated	2022	2021	$ Change	% Change
Revenue	**$ 1,265**	$ 1,292	$ (27)	(2.1)%
Net interest expense and other financing charges[i]	**$ 339**	$ 1,377	$ (1,038)	(75.4)%
Net income	**$ 744**	$ 24	$ 720	3,000.0%
Funds from Operations[1]	**$ 698**	$ 690	$ 8	1.2%

(i) Net interest expense and other financing charges includes a fair value adjustment on Exchangeable Units.

REVENUE Revenue was $1,265 million in 2022, a decrease of $27 million, or 2.1%, compared to 2021 and included $728 million (2021 – $722 million) generated from tenants within Loblaw retail. The decrease in revenue was primarily driven by:

- foregone revenue following the Office Asset Sale as described below in Choice Properties Other Business Matters;

partially offset by,

- an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates; and
- higher recoveries.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES Net interest expense and other financing charges in 2022 were $339 million compared to $1,377 million in 2021. The decrease of $1,038 million was primarily driven by the favourable year-over-year impact of the fair value adjustment on the Class B LP units ("Exchangeable Units") of $1,033 million as a result of the decrease in the unit price.

NET INCOME Net income in 2022 was $744 million, compared to $24 million in 2021. The increase of $720 million was primarily driven by:

- lower net interest expense and other financing charges as described above;

partially offset by,

- the unfavourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures, driven by capitalization rate expansion in the retail portfolio as a result of rising interest rates, partially offset by achieved milestones in development and leasing and cash flow growth in the industrial portfolios;
- the unfavourable change in the adjustment to fair value of investment in real estate securities as a result of a decrease in Allied's unit price; and
- the decline in revenue described above.

FUNDS FROM OPERATIONS[1] Funds from Operations[1] in 2022 was $698 million, an increase of $8 million compared to 2021. The increase was primarily due to an increase in rental revenues from the retail and industrial portfolios, which was partially offset by increases in interest expense and general and administrative expenses and the impact of the Office Asset Sale. The impact of the Office Asset Sale includes foregone rental income, partially offset by the distributions from Choice Properties' investment in real estate securities of Allied and interest income from the consideration received in exchange for assets sold.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

Strategic Disposition On March 31, 2022, Choice Properties completed the Office Asset Sale. The consideration received consisted of 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Allied Class B Units"), an affiliated entity of Allied, with a fair value of $551 million on the transaction date, and a promissory note with a fair value of $193 million (face value of $200 million). See note 21, "Other Assets" in the Company's consolidated financial statements and the accompanying notes of this Annual Report.

Subsequent Events On February 16, 2023, Choice Properties announced that it agreed to issue, on a private placement basis, $550 million aggregate principal amount of series S senior unsecured debentures that will bear interest at a rate of 5.4% per annum and will mature on March 1, 2033.

On February 15, 2023, Choice Properties announced an increase in the annual distribution by 1.4% to $0.75 per unit. The increase will be effective for Choice Properties' unitholders of record on March 31, 2023.

On January 18, 2023, Choice Properties paid in full upon maturity, at par, plus accrued and unpaid interest thereon, the $125 million aggregate principal amount of the Series D-C senior unsecured debentures outstanding. The repayment of the Series D-C senior unsecured debenture was funded by an advance on Choice Properties' credit facility.

Subsequent to year end, Choice Properties entered into commitments for approximately $162 million of mortgage financing.

3. Liquidity and Capital Resources

3.1 Cash Flows

The following Cash Flow components are inclusive of continuing and discontinued operations.

($ millions) For the years ended as indicated	2022	2021[i]	$ Change
Cash and cash equivalents, beginning of year	**$ 2,984**	$ 2,581	$ 403
Cash flows from operating activities	**$ 4,877**	$ 5,119	$ (242)
Cash flows used in investing activities	**$ (2,540)**	$ (291)	$ (2,249)
Cash flows used in financing activities	**$ (3,011)**	$ (4,426)	$ 1,415
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 3**	$ 1	$ 2
Cash and cash equivalents, end of year	**$ 2,313**	$ 2,984	$ (671)

(i) Certain comparative figures have been restated to conform with current year presentation.

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were $4,877 million in 2022, a decrease of $242 million compared to 2021. The decrease in cash flows from operating activities was primarily driven by an unfavourable change in non-cash working capital and growth in credit card receivables from a rise in customer spending, partially offset by higher cash earnings and net lower income taxes paid due to the recovery of cash taxes related to Glenhuron.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were $2,540 million in 2022, an increase of $2,249 million compared to 2021. The increase in cash flows used in investing activities was primarily due to the net consideration from the disposal of Weston Foods business received in the prior year, the acquisition of Lifemark and higher capital investments, partially offset by the decrease in short-term investments.

The following table summarizes the Company's capital investments by each of its reportable operating segments:

($ millions) For the years ended as indicated	2022	2021
Loblaw[i]	**$ 1,571**	$ 1,183
Choice Properties	**321**	196
Other and Intersegment	**1**	2
Capital investments from continuing operations	**$ 1,893**	$ 1,381
Discontinued operations	**–**	76
Total capital investments	**$ 1,893**	$ 1,457

(i) During 2022, there were no additions to Loblaw fixed assets related to prepayments that were made in 2021 and transferred from other assets. During 2021, additions to Loblaw fixed assets included prepayments that were made in 2020 and transferred from other assets of $1 million.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were $3,011 million in 2022, a decrease of $1,415 million compared to 2021. The decrease in cash flows used in financing activities was primarily driven by the higher net issuances of long-term debt and an increase in short-term debt, the settlement of the net debt associated with the equity forward sale agreement in the prior year, partially offset by higher GWL and Loblaw repurchases of common shares under their respective NCIB programs.

The Company's significant long-term debt transactions are set out in Section 3.3, "Components of Total Debt".

FREE CASH FLOW[1]

($ millions) For the years ended as indicated		2022		2021[i]		$ Change
Cash flows from operating activities	**$**	**4,877**	$	5,119	$	(242)
Less: Cash flows from operating activities from discontinued operations		**–**		–		–
Cash flows from operating activities from continuing operations	**$**	**4,877**	$	5,119	$	(242)
Less: Interest paid		**818**		853		(35)
Capital Investments		**1,893**		1,381		512
Lease payments, net		**749**		795		(46)
Free cash flow[1] from continuing operations	**$**	**1,417**	$	2,090	$	(673)

(i) Certain comparative figures have been restated to conform with current year presentation.

Free cash flow[1] from continuing operations in 2022 was $1,417 million, a decrease of $673 million compared to 2021. The decrease in free cash flow[1] was primarily driven by growth in credit card receivables from an increase in the active customer base and a rise in customer spending, an unfavourable change in non-cash working capital and higher capital investments, partially offset by higher cash earnings and lower income taxes paid.

3.2 Liquidity

The Company (excluding Loblaw and Choice Properties) expects that cash and cash equivalents, short-term investments, future operating cash flows and the amounts available to be drawn against its committed credit facility will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding requirements and financial obligations, over the next 12 months. The Company (excluding Loblaw and Choice Properties) does not foresee any impediments in obtaining financing to satisfy its long-term obligations.

Loblaw expects that cash and cash equivalents, short-term investments, future operating cash flows and the amounts available to be drawn against committed credit facilities will enable it to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital, pension plan funding requirements and financial obligations. PC Bank expects to obtain long-term financing for its credit card portfolio through the issuance of *Eagle* notes and Guaranteed Investment Certificates ("GICs").

Choice Properties expects to obtain long-term financing for the acquisition of properties primarily through the issuance of unsecured debentures and equity.

For details on the Company's cash flows, see Section 3.1 "Cash Flows", of this MD&A.

TOTAL DEBT The following table presents total debt, as monitored by management:

	As at							
				Dec. 31, 2022				Dec. 31, 2021
($ millions)	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total
Bank indebtedness	**$ 8**	**$ –**	**$ –**	**$ 8**	$ 52	$ –	$ –	$ 52
Demand deposits from customer	**125**	**–**	**–**	**125**	75	–	–	75
Short-term debt	**700**	**–**	**–**	**700**	450	–	–	450
Long-term debt due within one year	**727**	**656**	**–**	**1,383**	1,002	518	–	1,520
Long-term debt	**7,056**	**5,896**	**449**	**13,401**	6,211	5,709	570	12,490
Certain other liabilities[i]	**80**	**668**	**–**	**748**	74	664	–	738
Total debt excluding lease liabilities	**$ 8,696**	**$ 7,220**	**$ 449**	**$ 16,365**	$ 7,864	$ 6,891	$ 570	$ 15,325
Lease liabilities due within one year[ii]	**$ 1,401**	**$ 2**	**$ (568)**	**$ 835**	$ 1,297	$ 1	$ (556)	$ 742
Lease liabilities[ii]	**$ 7,714**	**$ 2**	**$ (3,393)**	**$ 4,323**	$ 7,542	$ 1	$ (3,301)	$ 4,242
Total debt including total lease liabilities	**$ 17,811**	**$ 7,224**	**$ (3,512)**	**$ 21,523**	$ 16,703	$ 6,893	$ (3,287)	$ 20,309

(i) Includes financial liabilities of $668 million (December 31, 2021 – $664 million) recorded primarily as a result of Choice Properties' transactions.

(ii) Lease liabilities due within one year of $2 million (December 31, 2021 – $2 million) and lease liabilities of $5 million (December 31, 2021 – $7 million) relating to GWL Corporate are included in Other and Intersegment.

Management targets credit metrics consistent with those of an investment grade profile. GWL Corporate holds cash and cash equivalents and short-term investments and as a result monitors its leverage on a net debt basis. GWL Corporate has total debt including lease liabilities of $456 million (December 31, 2021 – $579 million) and cash and cash equivalents and short-term investments of $818 million (December 31, 2021 – $1,338 million), resulting in a net cash position of $362 million (December 31, 2021 – net cash of $759 million).

Loblaw's management is focused on managing its capital structure on a segmented basis to ensure that each of its operating segments is employing a capital structure that is appropriate for the industry in which it operates.

- Loblaw targets maintaining retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the retail segment's debt to retail adjusted EBITDA[1] ratio as a measure of the leverage being employed. Loblaw retail segment debt to adjusted EBITDA[1] ratio decreased compared to 2021 primarily due to an improvement in adjusted EBITDA[1].

- 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 requirements as defined by the Office of the Superintendent of Financial Institutions.

Choice Properties targets maintaining credit metrics consistent with those of investment grade Real Estate Investment Trusts ("REIT"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio.

COVENANTS AND REGULATORY REQUIREMENTS The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at year end 2022 and throughout the year, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at year end 2022 and throughout the year, PC Bank and Choice Properties met all applicable regulatory requirements.

3.3 Components of Total Debt

DEBENTURES The following table summarizes the debentures issued in the years ended as indicated:

($ millions)	Interest Rate	Maturity Date	2022 Principal Amount	2021 Principal Amount
Loblaw				
– Senior unsecured note	5.01%	September 13, 2032	**$ 400**	$ –
– Senior unsecured note	5.34%	September 13, 2052	**400**	–
Choice Properties senior unsecured debentures				
– Series Q	2.46%	November 30, 2026	**–**	350
– Series R	6.00%	June 24, 2032	**500**	–
Total debentures issued			**$ 1,300**	$ 350

The following table summarizes the debentures repaid in the years ended as indicated:

($ millions)	Interest Rate	Maturity Date	2022 Principal Amount	2021 Principal Amount
George Weston debenture – Series A	7.00%	November 10, 2031 (i)	**$ –**	$ 466
Loblaw senior unsecured note	4.86%	September 12, 2023 (ii)	**800**	–
Choice Properties senior unsecured debentures				
– Series 9	3.60%	September 20, 2021	**–**	200
– Series 10	3.84%	September 20, 2022 (iii)	**300**	–
– Series I	3.01%	March 21, 2022	**–**	300
Total debentures repaid			**$ 1,100**	$ 966

(i) In 2021, the Company settled the net debt associated with the equity forward sale agreement. As a result, the 9.6 million Loblaw shares securing the net debt were released from security and the Company's economic interest in Loblaw is now equal to its voting interest. In aggregate, $790 million was paid to settle the net debt, resulting in the extinguishment of the Series A Debentures ($466 million), Series B Debentures ($784 million), plus accrued interest, and the settlement of the equity forward sale agreement ($464 million gain).

(ii) Loblaw senior unsecured debenture was redeemed on September 21, 2022.

(iii) Choice Properties senior unsecured Series 10 debenture was redeemed on June 26, 2022.

COMMITTED CREDIT FACILITIES The components of the committed lines of credit available as at year end 2022 and 2021 were as follows:

		As at			
		Dec. 31, 2022		Dec. 31, 2021	
($ millions)	Maturity Date	Available Credit	Drawn	Available Credit	Drawn
George Weston	September 13, 2024	**$ 350**	**$ –**	$ 350	$ 121
Loblaw	July 15, 2027	**1,000**	**–**	1,000	–
Choice Properties	September 1, 2027	**1,500**	**260**	1,500	–
Total committed credit facilities		**$ 2,850**	**$ 260**	$ 2,850	$ 121

George Weston In 2021, GWL entered into a $350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. As at December 31, 2021, $121 million was drawn on the facility which was repaid in the first quarter of 2022. As at December 31, 2022, no amounts were drawn on the facility.

Loblaw Loblaw has a $1 billion committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. Loblaw extended the maturity date during 2022 with all other terms and conditions remaining substantially the same. As at December 31, 2022, there were no amounts drawn under the facility (December 31, 2021 – no amounts were drawn).

Choice Properties Choice Properties has a $1.5 billion senior unsecured committed revolving credit facility maturing September 1, 2027, provided by a syndicate of lenders. During 2022, the maturity date of the credit facility was extended to September 1, 2027 with all other terms and conditions remaining substantially the same. As at December 31, 2022, $260 million was drawn under the facility (December 31, 2021 – no amounts were drawn).

INDEPENDENT SECURITIZATION TRUSTS Loblaw, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The following table summarizes the amounts securitized to independent securitization trusts:

	As at	
($ millions)	Dec. 31, 2022	Dec. 31, 2021
Securitized to independent securitization trusts:		
Securitized to *Eagle Credit Card Trust* ®	**$ 1,350**	$ 1,350
Securitized to Other Independent Securitization Trusts	**700**	450
Total securitized to independent securitization trusts	**$ 2,050**	$ 1,800

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at year end 2022 and throughout the year.

During 2022, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to $1.25 billion of notes over a 25-month period.

During 2022, *Eagle* issued $250 million (2021 – $300 million) of senior and subordinated term notes with a maturity date of July 17, 2027 (2021 – June 17, 2026) at a weighted average interest rate of 4.89% (2021 - 1.61%). In connection with this issuance, $140 million (2021 – $175 million) of bond forward agreements were settled, resulting in a realized fair value gain of $8 million (2021 – loss of $1 million) before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The gain will be reclassified to the consolidated statements of earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 4.24% (2021 – 1.65%) on the *Eagle* notes issued.

During 2022, $250 million of senior and subordinated term notes at weighted average interest rate of 2.71%, previously issued by *Eagle*, matured and were repaid on October 17, 2022. As a result, during 2022, there was no net change in the balances related to *Eagle* notes.

There were no repayments of notes issued by *Eagle* in 2021.

INDEPENDENT FUNDING TRUSTS As at year end 2022, the independent funding trusts had drawn $574 million (2021 – $570 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at year end 2022, Loblaw has agreed to provide a credit enhancement of $64 million (2021 – $64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (2021 – not less than 10%) of the principal amount of the loans outstanding.

Loblaw has a $700 million revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of April 14, 2025. Loblaw extended the maturity date during 2022 with all other terms and conditions remaining substantially the same.

GUARANTEED INVESTMENT CERTIFICATES The following table summarizes PC Bank's GIC activity, before commissions, for the years ended as indicated:

($ millions)	2022	2021
Balance, beginning of year	**$ 996**	$ 1,185
GICs issued	**764**	414
GICs matured	**(193)**	(603)
Balance, end of year	**$ 1,567**	$ 996

As at year end 2022, $477 million in GICs were recorded as long-term debt due within one year (2021 – $182 million).

The following table summarizes the Company's (excluding Loblaw and Choice Properties) debt in Other and Intersegment:

		As at	
($ millions)	Maturity Date	Dec. 31, 2022	Dec. 31, 2021
Debentures	2024 - 2033	**$ 450**	$ 450
George Weston credit facility	2024	**–**	121
Transaction costs and other	n/a	**(1)**	(1)
Other and Intersegment debt		**$ 449**	$ 570

Associate Guarantees Loblaw has arranged for its pharmacist owners of corporations licensed to operate retail drug stores at specific location using Loblaw's trademarks ("Associates") to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at year end 2022, Loblaw's maximum obligation in respect of such guarantees was $580 million (2021 – $580 million) with an aggregate amount of $473 million (2021 – $469 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2022, the Associates had drawn an aggregate amount of $8 million (2021 – $52 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse, in the event that any payments are made under the guarantees, Loblaw holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

3.4 Financial Condition

	As at	
	Dec. 31, 2022	Dec. 31, 2021
Adjusted return on average equity attributable to common shareholders of the Company(1)	**23.5%**	18.7%
Adjusted return on capital(1)	**13.8%**	12.6%

The adjusted return on average equity attributable to common shareholders of the Company(1) increased as at year end 2022 compared to 2021, primarily due to an increase in adjusted net earnings available to common shareholders of the Company(1) from continuing operations and a decrease in average equity attributable to common shareholders of the Company(1).

The adjusted return on capital(1) increased as at year end 2022 compared to 2021, primarily due to an increase in adjusted operating income(1) as a result of an improvement in the Company's consolidated underlying performance.

3.5 Credit Ratings

The following table sets out the current credit ratings of GWL:

	DBRS		S&P	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB-	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Preferred shares	Pfd-3	Stable	P-3 (high)	n/a

During 2022, S&P Global Ratings ("S&P") confirmed the above ratings and outlook of GWL, and Dominion Bond Rating Service Morningstar ("DBRS") confirmed the above ratings and trend of GWL.

The following table sets out the current credit ratings of Loblaw:

	DBRS		S&P	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB (high)	Stable	BBB	Stable
Medium term notes	BBB (high)	Stable	BBB	n/a
Other notes and debentures	BBB (high)	Stable	BBB	n/a
Second Preferred shares, Series B	Pfd-3 (high)	Stable	P-3 (high)	n/a

During 2022, S&P confirmed the above ratings and outlook of Loblaw, and DBRS confirmed the above ratings and trend of Loblaw.

The following table sets out the current credit ratings of Choice Properties:

	DBRS		S&P	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB (high)	Stable	BBB	Stable
Senior unsecured debentures	BBB (high)	Stable	BBB	n/a

During 2022, S&P confirmed the above ratings and outlook of Choice Properties, and DBRS confirmed the above ratings and trend of Choice Properties.

3.6 Share Capital

OUTSTANDING SHARE CAPITAL AND CAPITAL SECURITIES GWL's outstanding share capital is comprised of common shares and preferred shares. The following table details the authorized and outstanding common shares and preferred shares as at December 31, 2022:

(number of common shares)		Authorized	Outstanding
Common shares		Unlimited	140,737,942
Preferred shares	– Series I	10,000,000	9,400,000
	– Series II	10,600,000	–
	– Series III	10,000,000	8,000,000
	– Series IV	8,000,000	8,000,000
	– Series V	8,000,000	8,000,000

COMMON SHARE CAPITAL Common shares issued are fully paid and have no par value. The following table summarizes the activity in the Company's common shares issued and outstanding for the years ended December 31, 2022 and December 31, 2021:

		2022		2021
($ millions except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	**146,789,503**	**$ 2,714**	152,374,416	$ 2,786
Issued for settlement of stock options	**337,615**	**41**	323,461	36
Purchased and cancelled[(i)(ii)]	**(6,389,176)**	**(136)**	(5,908,374)	(108)
Issued and outstanding, end of year	**140,737,942**	**$ 2,619**	146,789,503	$ 2,714
Shares held in trusts, beginning of year	**(141,106)**	**$ (2)**	(254,525)	$ (4)
Purchased for future settlement of RSUs and PSUs	**(99,000)**	**(2)**	–	–
Released for settlement of RSUs and PSUs	**79,641**	**1**	113,419	2
Shares held in trusts, end of year	**(160,465)**	**$ (3)**	(141,106)	$ (2)
Issued and outstanding, net of shares held in trusts, end of year	**140,577,477**	**$ 2,616**	146,648,397	$ 2,712
Weighted average outstanding, net of shares held in trusts	**144,244,034**		149,893,834	

(i) Number of common shares repurchased and cancelled as at December 31, 2022 does not include shares that may be repurchased subsequent to year end under the ASPP as described below.

(ii) Includes 1,930 shares cancelled during 2021 in a private transaction and are excluded from the Company's Normal Course Issuer Bid.

PREFERRED SHARE CAPITAL GWL may, at its option, redeem for cash, in whole or in part, the preferred shares Series I, Series III, Series IV and Series V outstanding on or after the redemption dates specified by the terms of each series of preferred shares. GWL may at any time after issuance give the holders of these preferred shares the right, at the option of the holder, to convert the holder's preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Management's Discussion and Analysis

DIVIDENDS The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Company's Board of Directors ("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 2022 and in the third quarter of 2021, the Board raised the quarterly common share dividend by $0.060 to $0.66 and $0.050 to $0.60 per share, respectively. The Board declared dividends for the years ended as follows:

($)		**2022**		2021
Dividends declared per share[(i)]:				
Common share	**$**	**2.58**	$	2.30
Preferred share:				
Series I	**$**	**1.45**	$	1.45
Series III	**$**	**1.30**	$	1.30
Series IV	**$**	**1.30**	$	1.30
Series V	**$**	**1.1875**	$	1.1875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on January 1, 2023. Dividends declared on Preferred Shares, Series I were paid on December 15, 2022.

The following table summarizes the Company's cash dividends declared subsequent to year end 2022:

($)			
Dividends declared per share[(i)]	– Common share	$	0.660
	– Preferred share:		
	Series I	$	0.3625
	Series III	$	0.3250
	Series IV	$	0.3250
	Series V	$	0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2023. Dividends declared on Preferred Shares, Series I are payable on March 15, 2023.

At the time such dividends are declared, GWL identifies on its website (www.weston.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency.

NORMAL COURSE ISSUER BID PROGRAM The following table summarizes the Company's activity under its NCIB for the years ended as follows:

($ millions except where otherwise indicated)	2022	2021
Purchased for future settlement of RSUs and PSUs (number of shares)	**99,000**	–
Purchased for current settlement of RSUs and DSUs (number of shares)	**15,716**	10,862
Purchased and cancelled (number of shares)	**6,389,176**	5,906,444
Cash consideration paid		
Purchased and held in trusts	**$ (14)**	$ –
Purchased and settled	**(2)**	–
Purchased and cancelled(i)	**(994)**	(744)
Premium charged to retained earnings		
Purchased and held in trusts	**$ 12**	$ –
Purchased and settled	**1**	–
Purchased and cancelled(ii)	**1,002**	642
Reduction in share capital(iii)	**$ 136**	$ 108

(i) Included in 2022 is a net cash timing adjustment of $6 million (2021 – $(6) million) of common shares repurchased under the NCIB for cancellation.

(ii) Includes $133 million (2021 – nil) related to the ASPP, as described below.

(iii) Includes $17 million (2021 – nil) related to the ASPP, as described below.

In 2022, GWL renewed its NCIB to purchase on the TSX or through alternative trading systems up to 7,304,927 of its common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

From time to time, the Company participates in an ASPP with a broker in order to facilitate the purchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at December 31, 2022, an obligation to repurchase shares of $150 million was recognized under the ASPP in trade payables and other liabilities.

As of December 31, 2022, 4,786,792 common shares were purchased under the Company's current NCIB.

3.7 Off-Balance Sheet Arrangements

The following is a summary of the Company's off-balance sheet arrangements. Certain significant arrangements have also been discussed in Section 3.3, "Components of Total Debt".

LETTERS OF CREDIT Standby and documentary letters of credit are used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and other performance guarantees, surety bond, securitization of PC Bank's credit card receivables, letters of credit and third-party financing made available to Loblaw's franchisees. As at year end 2022, the aggregate gross potential liability related to the Company's letters of credit was approximately $551 million (2021 – $629 million).

GUARANTEES In addition to the letters of credit mentioned above, the Company has entered into various guarantee arrangements including obligations to indemnify third parties in connection with leases, business dispositions and other transactions in the normal course of the Company's business. Additionally, Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2022, the guarantee on behalf of PC Bank to MasterCard® was U.S. dollars $190 million (2021 – U.S. dollars $190 million).

LEASE OBLIGATIONS In connection with historical dispositions of certain of its assets, Loblaw has assigned leases to third parties. Loblaw remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. Loblaw has guaranteed lease obligations of a third-party distributor in the amount of $4 million (2021 – $2 million).

CASH COLLATERALIZATION As at year end 2022, GWL had no agreements to cash collateralize uncommitted credit facilities (2021 – $45 million) and had no deposits with major financial institutions (2021 – $45 million) and classified as security deposits on the consolidated balance sheets. As at year end 2022, Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of $93 million (2021 – $93 million), of which a nominal amount (2021 – nominal) was deposited with major financial institutions and classified as security deposits on the consolidated balance sheets.

3.8 Contractual Obligations

The following table summarizes certain of the Company's significant contractual obligations and other obligations as at year end 2022:

SUMMARY OF CONTRACTUAL OBLIGATIONS

	Payments due by year						
($ millions)	2023	2024	2025	2026	2027	Thereafter	Total
Total debt(i)	$ 2,802	$ 2,786	$ 2,301	$ 1,341	$ 1,536	$ 9,197	$ 19,963
Foreign exchange forward contracts	543	157	–	–	–	–	700
Financial liabilities(ii)	49	50	54	49	47	174	423
Lease payments	850	782	716	565	467	1,930	5,310
Contracts for purchases of real property and capital investment projects(iii)	561	180	137	40	157	47	1,122
Purchase obligations(iv)	900	707	554	523	16	16	2,716
Total contractual obligations	$ 5,705	$ 4,662	$ 3,762	$ 2,518	$ 2,223	$ 11,364	$ 30,234

(i) Includes short-term debt, bank indebtedness, demand deposits, and Loblaw's certain other liabilities. Total debt also includes fixed interest payments on long-term debt which are based on the maturing face values and annual interest for each instrument, including GICs, and an independent funding trust, as well as annual payment obligations for consolidated structured entities and mortgages. Variable interest payments are based on the forward rates as at year end 2022.

(ii) Represents the contractual payments that Loblaw is committed to related to the Choice Properties' dispositions.

(iii) Includes agreements for the purchase of real property and capital commitments for construction, expansion and renovation of buildings. These agreements may contain conditions that may or may not be satisfied. If the conditions are not satisfied, it is possible the Company will no longer have the obligation to proceed with the underlying transactions.

(iv) Includes contractual obligations of a material amount to purchase goods or services where the contract prescribes fixed or minimum volumes to be purchased or payments to be made within a fixed period of time for a set or variable price. These are only estimates of anticipated financial commitments under these arrangements and the amount of actual payments will vary. The purchase obligations do not include purchase orders issued or agreements made in the ordinary course of business which are solely for goods that are meant for resale, nor do they include any contracts which may be terminated on relatively short notice or with relatively insignificant cost or liability to the Company.

As at year end 2022, the Company had additional long-term liabilities which included post-employment and other long-term employee benefit plan liabilities, deferred vendor allowances, deferred income tax liabilities, Trust Unit liability and provisions, including insurance liabilities. These long-term liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

4. Quarterly Results of Operations

4.1 Quarterly Financial Information

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. Each of the years ended December 31, 2022 and December 31, 2021 contained 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year contains 53 weeks, the fourth quarter is 13 weeks in duration.

Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters.

					2022					2021
($ millions except where otherwise indicated)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)
Revenue	$ 12,407	$ 12,979	$ 17,520	$ 14,142	$ 57,048	$ 12,017	$ 12,637	$ 16,192	$ 12,902	$ 53,748
Operating income	$ 1,166	$ 649	$ 1,474	$ 1,264	$ 4,553	$ 828	$ 1,065	$ 1,125	$ 1,009	$ 4,027
Adjusted EBITDA[1]	$ 1,422	$ 1,588	$ 1,951	$ 1,590	$ 6,551	$ 1,300	$ 1,462	$ 1,780	$ 1,453	$ 5,995
Depreciation and amortization[i]	$ 549	$ 552	$ 729	$ 577	$ 2,407	$ 525	$ 541	$ 704	$ 537	$ 2,307
Net earnings from continuing operations	$ 615	$ 874	$ 1,185	$ 135	$ 2,809	$ 118	$ 361	$ 513	$ 755	$ 1,747
Net earnings (loss) attributable to shareholders of the Company from continuing operations	$ 373	$ 650	$ 903	$ (104)	$ 1,822	$ (52)	$ 125	$ 252	$ 428	$ 753
Net earnings (loss) available to common shareholders of the Company	$ 363	$ 634	$ 889	$ (114)	$ 1,772	$ (62)	$ 108	$ 124	$ 217	$ 387
Continuing operations	$ 363	$ 640	$ 889	$ (114)	$ 1,778	$ (62)	$ 115	$ 238	$ 418	$ 709
Discontinued operations	$ –	$ (6)	$ –	$ –	$ (6)	$ –	$ (7)	$ (114)	$ (201)	$ (322)
Net earnings (loss) per common share ($) - basic	$ 2.47	$ 4.35	$ 6.20	$ (0.81)	$ 12.29	$ (0.41)	$ 0.71	$ 0.83	$ 1.48	$ 2.59
Continuing operations	$ 2.47	$ 4.39	$ 6.20	$ (0.81)	$ 12.33	$ (0.41)	$ 0.75	$ 1.59	$ 2.84	$ 4.73
Discontinued operations	$ –	$ (0.04)	$ –	$ –	$ (0.04)	$ –	$ (0.04)	$ (0.76)	$ (1.36)	$ (2.14)
Net earnings (loss) per common share ($) - diluted	$ 2.45	$ 4.32	$ 6.14	$ (0.83)	$ 12.16	$ (0.41)	$ 0.70	$ 0.82	$ 1.44	$ 2.52
Continuing operations	$ 2.45	$ 4.36	$ 6.14	$ (0.83)	$ 12.20	$ (0.41)	$ 0.74	$ 1.58	$ 2.80	$ 4.66
Discontinued operations	$ –	$ (0.04)	$ –	$ –	$ (0.04)	$ –	$ (0.04)	$ (0.76)	$ (1.36)	$ (2.14)
Adjusted diluted net earnings per common share[1] from continuing operations ($)	$ 1.90	$ 2.23	$ 3.12	$ 2.59	$ 9.81	$ 1.60	$ 1.80	$ 2.43	$ 2.32	$ 8.14

(i) Depreciation and amortization includes amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

REVENUE Over the last eight quarters, consolidated revenue was impacted by each of the Company's reportable operating segments as follows:

- Loblaw's revenue was impacted by various factors including the following:
  - COVID-19 pandemic related impacts;
  - seasonality, which was greatest in the fourth quarter and least in the first quarter;
  - the timing of holidays;
  - macro-economic conditions impacting food and drug retail prices; and
  - changes in net retail square footage. Over the past eight quarters, net retail square footage has increased by 0.2 million square feet to 71.2 million square feet.

- Choice Properties revenue was impacted by the following:
    - foregone revenue from dispositions;
    - increased capital recoveries;
    - higher rental rates on renewals in the retail and industrial portfolio;
    - contribution from acquisitions, and development transfers;
    - vacancies in select office assets; and
    - increase in lease surrender revenue.

NET EARNINGS (LOSS) AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS AND DILUTED NET EARNINGS (LOSS) PER COMMON SHARE FROM CONTINUING OPERATIONS Net earnings (loss) available to common shareholders of the Company from continuing operations and diluted net earnings (loss) per common share from continuing operations for the last eight quarters were impacted by the underlying operating performance of each of the Company's reportable operating segments and certain adjusting items as described in Section 13.1, "Non-GAAP Financial Measures - Selected Comparative Reconciliation", of this MD&A.

The Company's underlying operating performance for the last eight quarters included the following:

- change in Loblaw's underlying operating performance was driven by:
    - COVID-19 pandemic related impacts;
    - seasonality, which was greatest in the fourth quarter and least in the first quarter;
    - the timing of holidays;
    - cost savings, operating efficiencies and benefits from strategic initiatives; and
    - the 2021 reversal of certain commodity taxes accrued.

- change in Choice Properties' underlying operating performance was driven by:
    - distributions from the investment in real estate securities of Allied;
    - the change in revenue as described above; and
    - a decline in expected credit loss provisions.

- the impact of asset impairments, net of recoveries and certain one-time gains related to Choice Properties' transactions recorded on consolidation in Other and Intersegment;

- diluted net earnings (loss) per common share included the favourable impact of shares purchased for cancellation.

4.2 Fourth Quarter Results

Loblaw continued to deliver strong financial and operating results in the fourth quarter. Retail sales grew 9.7% reflecting strong growth in both food and drug businesses. Drug retail sales growth was driven by continued strong demand for cough and cold products and strength in high margin beauty and cosmetics categories. Food retail sales reflected Loblaw's efforts to provide value to its customers. Loblaw's discount stores outperformed, benefiting from an increased consumer focus on price. Market stores extended strong performance relative to peers with impactful promotional strategies. Gross margins were slightly lower largely related to the no name® price freeze and increased commitment to promotional activity, partially offset by continued strength in higher margin front-store sales in the drug business. Higher sales and leverage from focused cost control measures drove earnings growth in the quarter.

Choice Properties delivered solid operating and financial results in the fourth quarter. Choice Properties' performance was driven by the strength of its grocery anchored and necessity-based retail portfolio, the realization of embedded rent growth in its well located generic industrial portfolio and its growing mixed-use and residential platform. In addition to its strong results, Choice Properties continued to focus on improving the quality of its portfolio and driving growth through development. In 2022, Choice Properties completed over $1.2 billion of real estate transactions and made significant advances in its industrial and mixed-use development pipelines. Subsequent to the end of the quarter, Choice Properties announced a distribution increase which reflects the confidence it has in its portfolio to continue to deliver steady and growing cash flows, and its strong financial position.

The following is a summary of selected consolidated unaudited financial information for the fourth quarter. The analysis of the data contained in the table focuses on the results of operations and changes in the financial condition and cash flows in the fourth quarter.

Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

The Company's results reflect the year-over-year impact of the fair value adjustment of Trust Unit liability.

	Quarters Ended			
($ millions except where otherwise indicated)	Dec. 31, 2022	Dec. 31, 2021	$ Change	% Change
Revenue	**$ 14,142**	**$ 12,902**	**$ 1,240**	**9.6%**
Operating income	**$ 1,264**	**$ 1,009**	**$ 255**	**25.3%**
Adjusted EBITDA[1]	**$ 1,590**	$ 1,453	$ 137	9.4%
Adjusted EBITDA margin[1]	**11.2%**	11.3%		
Depreciation and amortization[i]	**$ 577**	**$ 537**	**$ 40**	**7.4%**
Net interest expense and other financing charges	**$ 916**	**$ 190**	**$ 726**	**382.1%**
Adjusted net interest expense and other financing charges[1]	**$ 254**	$ 253	$ 1	0.4%
Income taxes	**$ 213**	**$ 64**	**$ 149**	**232.8%**
Adjusted income taxes[1]	**$ 235**	$ 204	$ 31	15.2%
Adjusted effective tax rate[1]	**26.9%**	26.2%		
Net (loss) earnings attributable to shareholders of the Company from continuing operations	**$ (104)**	**$ 428**	**$ (532)**	**(124.3)%**
Net (loss) earnings available to common shareholders of the Company	**$ (114)**	**$ 217**	**$ (331)**	**(152.5)%**
Continuing operations	**$ (114)**	**$ 418**	**$ (532)**	**(127.3)%**
Discontinued operations	**$ –**	**$ (201)**	**$ 201**	**100.0%**
Adjusted net earnings available to common shareholders of the Company[1] from continuing operations	**$ 369**	$ 347	$ 22	6.3%
Diluted net (loss) earnings per common share ($)	**$ (0.83)**	**$ 1.44**	**$ (2.27)**	**(157.6)%**
Continuing operations	**$ (0.83)**	**$ 2.80**	**$ (3.63)**	**(129.6)%**
Discontinued operations	**$ –**	**$ (1.36)**	**$ 1.36**	**100.0%**
Adjusted diluted net earnings per common share[1] from continuing operations ($)	**$ 2.59**	$ 2.32	$ 0.27	11.6%
Dividends declared per share ($):				
Common shares	**$ 0.660**	$ 0.600		
Preferred shares – Series I	**$ 0.3625**	$ 0.3625		
Preferred shares – Series III	**$ 0.3250**	$ 0.3250		
Preferred shares – Series IV	**$ 0.3250**	$ 0.3250		
Preferred shares – Series V	**$ 0.296875**	$ 0.296875		

(i) Depreciation and amortization includes $115 million (2021 – $117 million) of amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

NET (LOSS) EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS

In the fourth quarter of 2022, the Company recorded net loss available to common shareholders of the Company from continuing operations of $114 million ($0.83 per common share), a decrease of $532 million ($3.63 per common share) compared to the same period in 2021. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling $554 million ($3.90 per common share), partially offset by an improvement of $22 million ($0.27 per common share) in the consolidated underlying operating performance of the Company described below.

- The unfavourable year-over-year net impact of adjusting items totaling $554 million ($3.90 per common share) was primarily due to:
    - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $540 million ($3.86 per common share) as a result of the increase in Choice Properties' unit price in the fourth quarter of 2022;
    - the unfavourable impact of the prior year recovery related to a favourable Court ruling regarding a Glenhuron matter at Loblaw of $165 million ($1.12 per common share); and
    - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of $18 million ($0.13 per common share) as a result of a decrease in Allied's Class B Unit price in the fourth quarter of 2022;

  partially offset by,
    - the favourable year-over-year impact of the fair value adjustment on investment properties of $153 million ($1.12 per common share) driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and
    - the favourable year-over-year impact from the gains on the sale of non-operating properties at Loblaw of $17 million ($0.12 per common share).

- The improvement in the Company's consolidated underlying operating performance of $22 million ($0.27 per common share) was primarily due to:
    - the favourable underlying operating performance of Loblaw;

  partially offset by,
    - the unfavourable year-over-year impact of Other and Intersegment, primarily driven by the year-over-year impact of asset impairments, net of recoveries recorded on consolidation of $18 million, net of tax.

- Diluted net loss per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months ($0.11 per common share) pursuant to the Company's NCIB.

Adjusted net earnings available to common shareholders of the Company[1] from continuing operations in the fourth quarter of 2022 were $369 million, an increase of $22 million, or 6.3%, compared to the same period in 2021 due to the improvement in the Company's consolidated underlying operating performance described above.

Adjusted diluted net earnings per common share[1] from continuing operations were $2.59 per common share in the fourth quarter of 2022, an increase of $0.27 per common share, or 11.6%, compared to the same period in 2021. The increase was due to the favourable performance in adjusted net earnings available to common shareholders[1] from continuing operations and the favourable impact of share repurchases.

REVENUE

($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2022	Dec. 31, 2021	$ Change	% Change
Loblaw	**$ 14,007**	$ 12,757	$ 1,250	9.8%
Choice Properties	**$ 315**	$ 325	$ (10)	(3.1)%
Other and Intersegment[(i)]	**$ (180)**	$ (180)		
Consolidated	**$ 14,142**	$ 12,902	$ 1,240	9.6%

(i) Other and Intersegment includes intercompany eliminations.

Revenue in the fourth quarter of 2022 was $14,142 million, an increase of $1,240 million, or 9.6%, compared to the same period in 2021. The increase in revenue in the fourth quarter of 2022 was impacted by each of its reportable operating segments as follows:

- Positively by 9.7% due to revenue growth of 9.8% at Loblaw, primarily driven by an increase in retail sales of $1,208 million, or 9.7%, and an improvement in financial services revenue of $57 million. The increase in retail sales was due to positive same-store sales growth and Lifemark revenues of $110 million.
- Negatively by 0.1% due to a decline in revenue of 3.1% at Choice Properties. The decrease of $10 million was mainly due to foregone revenue following the Office Asset Sale, partially offset by an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates, and higher recoveries.

OPERATING INCOME

($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2022	Dec. 31, 2021	$ Change	% Change
Loblaw	**$ 869**	$ 703	$ 166	23.6%
Choice Properties	**$ 404**	$ 336	$ 68	20.2%
Other and Intersegment	**$ (9)**	$ (30)		
Consolidated	**$ 1,264**	$ 1,009	$ 255	25.3%

Operating income in the fourth quarter of 2022 was $1,264 million compared to $1,009 million in the same period in 2021, an increase of $255 million, or 25.3%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling $160 million and the improvement in underlying operating performance of $95 million described below:

- the favourable year-over-year net impact of adjusting items totaling $160 million was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of investment properties of $139 million driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and
  - the favourable year-over-year impact from the gains on the sale of non-operating properties of $48 million;

  partially offset by,
  - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of $20 million.
- the improvement in underlying operating performance of $95 million was due to:
  - the favourable underlying operating performance of Loblaw due to the improvement in retail;

  partially offset by,
  - an increase in depreciation and amortization at Loblaw;
  - the unfavourable underlying operating performance of Choice Properties; and
  - the unfavourable year-over-year impact of Other and Intersegment, primarily due to the year-over-year impact of asset impairments, net of recoveries recorded on consolidation of $25 million.

ADJUSTED EBITDA[1]

($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2022	Dec. 31, 2021	$ Change	% Change
Loblaw	**$ 1,491**	$ 1,322	$ 169	12.8%
Choice Properties	**$ 223**	$ 229	$ (6)	(2.6)%
Other and Intersegment	**$ (124)**	$ (98)		
Consolidated	**$ 1,590**	$ 1,453	$ 137	9.4%

Adjusted EBITDA[1] in the fourth quarter of 2022 was $1,590 million compared to $1,453 million in the same period in 2021, an increase of $137 million, or 9.4%. The increase was impacted by each of the Company's reportable operating segments as follows:

- Positively by 11.6% due to an increase of 12.8% in adjusted EBITDA[1] at Loblaw, primarily driven by improvements in Loblaw retail, partially offset by a decline in Loblaw financial services. The improvements in Loblaw retail were driven by an increase in retail gross profit, partially offset by an unfavourable increase in retail SG&A.
- Negatively by 0.4% due to a decrease of 2.6% in adjusted EBITDA[1] at Choice Properties, primarily driven by the decline in revenue described above and higher general and administrative expenses, partially offset by distribution income from the investment in real estate securities of Allied.

DEPRECIATION AND AMORTIZATION

($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2022	Dec. 31, 2021	$ Change	% Change
Loblaw	**$ 667**	$ 623	$ 44	7.1%
Choice Properties	**$ 1**	$ –	$ 1	100.0%
Other and Intersegment	**$ (91)**	$ (86)		
Consolidated	**$ 577**	$ 537	$ 40	7.4%

Depreciation and amortization in the fourth quarter of 2022 was $577 million, an increase of $40 million compared to the same period in 2021. Depreciation and amortization in the fourth quarter included $115 million (2021 – $117 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and Lifemark, recorded by Loblaw. Excluding these amounts, depreciation and amortization increased by $42 million primarily driven by an increase in depreciation of IT and leased assets at Loblaw.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2022	Dec. 31, 2021	$ Change	% Change
Net interest expense and other financing charges	**$ 916**	$ 190	$ 726	382.1%
(Deduct) add impact of the following:				
Fair value adjustment of the Trust Unit liability	**(662)**	(122)	(540)	(442.6)%
Recovery related to Glenhuron	**–**	189	(189)	(100.0)%
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	(4)	4	100.0%
Adjusted net interest expense and other financing charges[1]	**$ 254**	$ 253	$ 1	0.4%

Net interest expense and other financing charges in the fourth quarter of 2022 were $916 million, an increase of $726 million compared to the same period in 2021. The increase was primarily due to the unfavourable year-over-year impact of adjusting items totaling $725 million. Included in the adjusting items was the unfavourable year-over-year fair value adjustment of the Trust Unit liability of $540 million, as a result of the increase in Choice Properties' unit price during the fourth quarter of 2022 and the unfavourable year-over-year recovery of interest expense related to Glenhuron of $189 million.

In the fourth quarter of 2022, adjusted net interest expense and other financing charges[1] increased by $1 million primarily driven by:

- an increase in interest expense at Loblaw and Choice Properties mainly due to higher interest rates and an increase in long-term debt;

partially offset by,

- an increase in interest income on certain short-term investments due to higher interest rates, and on mortgages and loans receivable at Choice Properties' due to a higher outstanding balance; and
- a reduction in interest expense from post-employment and other employee benefits.

INCOME TAXES

	Quarters Ended			
($ millions except where otherwise indicated)	**Dec. 31, 2022**	**Dec. 31, 2021**	**$ Change**	**% Change**
Income taxes	**$ 213**	$ 64	$ 149	232.8%
Add (deduct) impact of the following:				
Tax impact of items excluded from adjusted earnings before taxes[i]	**25**	11	14	127.3%
Recovery related to Glenhuron	**–**	128	(128)	(100.0)%
Outside basis difference in certain Loblaw shares	**(3)**	1	(4)	(400.0)%
Adjusted income taxes[1]	**$ 235**	$ 204	$ 31	15.2%
Effective tax rate applicable to earnings before taxes	**61.2%**	7.8%		
Adjusted effective tax rate applicable to adjusted earnings before taxes[1]	**26.9%**	26.2%		

(i) See the adjusted EBITDA[1] table and the adjusted net interest expense and other financing charges[1] table included in Section 13, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes[1].

The effective tax rate in the fourth quarter of 2022 was 61.2%, compared to 7.8% in the same period in 2021. The increase was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, the recovery of income taxes related to Glenhuron in 2021 and the impact of the non-deductible interest related to Glenhuron in 2021.

The adjusted effective tax rate[1] for the fourth quarter of 2022 was 26.9%, compared to 26.2% in the same period in 2021. The increase was primarily attributable to the impact of certain non-deductible items.

Between 2015 and 2019, Loblaw was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. In the fourth quarter of 2021, the Supreme Court ruled in favour of Loblaw on the Glenhuron matter and Loblaw reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds.

CASH FLOWS The following Cash Flow components are inclusive of continuing and discontinued operations.

	Quarters Ended		
($ millions)	**Dec. 31, 2022**	**Dec. 31, 2021[i]**	**Change**
Cash and cash equivalents, beginning of period	**$ 2,078**	$ 2,013	$ 65
Cash flows from operating activities	**$ 1,268**	$ 1,146	$ 122
Cash flows (used in) from investing activities	**$ (444)**	$ 696	$ (1,140)
Cash flows used in financing activities	**$ (592)**	$ (872)	$ 280
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 3**	$ 1	$ 2
Cash and cash equivalents, end of period	**$ 2,313**	$ 2,984	$ (671)

(i) Certain comparative figures have been restated to conform with current year presentation.

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were $1,268 million in the fourth quarter of 2022, an increase of $122 million compared to the fourth quarter of 2021. The increase in cash flows from operating activities was primarily due to higher cash earnings and lower income taxes paid, partially offset by an unfavourable change in non-cash working capital.

CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES Cash flows used in investing activities were $444 million in the fourth quarter of 2022 compared to cash flows from investing activities of $696 million in the fourth quarter of 2021. The change of $1,140 million in cash flows used in investing activities was primarily due to the net consideration from the disposal of the Weston Foods business received in the prior year and higher capital investments in the current year, partially offset by the release of $250 million in security deposits to repay *Eagle* notes maturing in the fourth quarter of 2022 and a decrease in short-term investments.

The following table summarizes the Company's capital investments by each of its reportable operating segments for the quarters ended as indicated:

	Quarters Ended			
($ millions)		**Dec. 31, 2022**		Dec. 31, 2021
Loblaw	**$**	**651**	$	392
Choice Properties		**149**		95
Capital Investments from continuing operations	**$**	**800**	$	487

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were $592 million in the fourth quarter of 2022, a decrease of $280 million compared to the fourth quarter of 2021. The decrease in cash flows used in financing activities was primarily driven by the settlement of net debt associated with the equity forward sale agreement in the prior year, lower repayment of bank indebtedness and higher net issuances of long-term debt, partially offset by higher repurchases of the Company's common shares under its NCIB.

FREE CASH FLOW[1]

	Quarters Ended					
($ millions)		**Dec. 31, 2022**		Dec. 31, 2021[i]		Change
Cash flows from operating activities	**$**	**1,268**	$	1,146	$	122
Less: Cash flows from operating activities from discontinued operations		**–**		12		(12)
Cash flows from operating activities from continuing operations	**$**	**1,268**	$	1,134	$	134
Less: Interest paid		**195**		173		22
Capital Investments		**800**		487		313
Lease payments, net		**139**		202		(63)
Free cash flow[1] from continuing operations	**$**	**134**	$	272	$	(138)

(i) Certain comparative figures have been restated to conform with current year presentation.

Free cash flow[1] from continuing operations in the fourth quarter of 2022 was $134 million, a decrease of $138 million compared to the fourth quarter of 2021. The decrease in free cash flow[1] is primarily due to an increase in capital investments and an unfavourable change in non-cash working capital, partially offset by higher cash earnings and lower net lease payments.

5. Fourth Quarter Results of Reportable Operating Segments

The following discussion provides details of the 2022 fourth quarter results of operations of each of the Company's reportable operating segments.

5.1 Loblaw Fourth Quarter Operating Results

	Quarters Ended			
($ millions except where otherwise indicated)	**Dec. 31, 2022**	Dec. 31, 2021	$ Change	% Change
Revenue	**$ 14,007**	$ 12,757	$ 1,250	9.8%
Operating income	**$ 869**	$ 703	$ 166	23.6%
Adjusted EBITDA[(1)]	**$ 1,491**	$ 1,322	$ 169	12.8%
Adjusted EBITDA margin[(1)]	**10.6%**	10.4%		
Depreciation and amortization[(i)]	**$ 667**	$ 623	$ 44	7.1%

(i) Depreciation and amortization includes $115 million (2021 – $117 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

REVENUE Loblaw revenue in the fourth quarter of 2022 was $14,007 million, an increase of $1,250 million, or 9.8%, compared to the same period in 2021, driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales in the fourth quarter of 2022 were $13,694 million, an increase of $1,208 million, or 9.7%, compared to the same period in 2021. The increase was primarily driven by the following factors:

- food retail sales were $9,514 million (2021 – $8,742 million) and food retail same-store sales grew by 8.4% (2021 – 1.1%) for the quarter;
  - the CPI as measured by The Consumer Price Index for Food Purchased from Stores was 11.2% (2021 – 4.8%) which was generally in line with Loblaw's internal food inflation; and
  - food retail traffic increased and basket size decreased slightly.

- drug retail sales were $4,180 million (2021 – $3,744 million) and drug retail same-store sales grew by 8.7% (2021 – 7.9%) for the quarter;
  - pharmacy and healthcare services same-store sales growth was 5.4% (2021 – 10.2%), benefiting from an increase in prescription volumes from the economic re-opening. The number of prescriptions dispensed increased by 2.0% (2021 – decreased by 0.5%). On a same-store basis, the number of prescriptions dispensed increased by 2.2% (2021 – 8.8%) and the average prescription value increased by 2.3% (2021 – 1.1%);
  - pharmacy and healthcare services sales included Lifemark revenues of $110 million. Lifemark revenues are excluded from same-store sales; and
  - front store same-store sales increased by 11.5% (2021 – 6.1%), benefiting from the economic re-opening and higher consumer spending.

Financial services revenue in the fourth quarter of 2022 increased by $57 million compared to the same period in 2021. The increase was primarily driven by higher interest income from growth in credit card receivables and higher interchange income and credit card related fees from an increase in customer spending.

OPERATING INCOME Loblaw operating income in the fourth quarter of 2022 was $869 million, an increase of $166 million, or 23.6%, compared to the same period in 2021. The increase included improvements in the underlying operating performance of $123 million and the favourable year-over-year net impact of adjusting items totaling $43 million, as described below:

- the improvements in underlying operating performance of $123 million was primarily due to an increase in retail gross profit, partially offset by an increase in retail SG&A and depreciation and amortization;

- the favourable year-over-year net impact of adjusting items totaling $43 million was primarily due to:
  - the favourable impact of the net gain on sale of non-operating properties of $50 million;

  partially offset by,
  - the unfavourable impact of prior year restructuring and other related recoveries of $8 million.

ADJUSTED EBITDA[(1)] Loblaw adjusted EBITDA[(1)] in the fourth quarter of 2022 was $1,491 million, an increase of $169 million, or 12.8%, compared to the same period in 2021. The increase was primarily due to an increase in retail of $174 million, partially offset by a decrease in financial services of $5 million.

Retail adjusted EBITDA[(1)] in the fourth quarter of 2022 increased by $174 million driven by an increase in retail gross profit of $329 million, partially offset by an unfavourable increase in retail SG&A of $155 million.

- Retail gross profit percentage of 30.6% decreased by 30 basis points (2021 – increased by 150 basis points) compared to the same period in 2021, primarily driven by a decrease in food retail margin, partially offset by growth in higher margin drug retail front store categories.
- Retail SG&A as a percentage of sales was 20.2%, a favourable decrease of 70 basis points compared to the same period in 2021. The favourable decrease was primarily due to operating leverage from higher sales.

Financial services adjusted EBITDA[(1)] decreased by $5 million compared to the same period in 2021, primarily driven by higher loyalty program costs, operating costs and contractual charge-off from an increase in consumer spending and the prior year reversal of certain commodity tax accrued in the amount of $27 million, partially offset by higher revenue as described above.

DEPRECIATION AND AMORTIZATION Loblaw depreciation and amortization in the fourth quarter of 2022 was $667 million, an increase of $44 million compared to the same period in 2021. The increase in depreciation and amortization in the fourth quarter of 2022 was primarily driven by an increase in IT and leased assets, and accelerated depreciation of $10 million (2021 – nil) due to the reassessment of the estimated useful life of certain IT assets. Depreciation and amortization in the fourth quarter of 2022 included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $115 million (2021 – $117 million).

CONSOLIDATION OF FRANCHISES Loblaw's net loss attributable to non-controlling interests was $14 million in the fourth quarter of 2022, a decrease of $14 million, or 50.0% when compared to net loss attributable to non-controlling interests of $28 million in the same period in 2021. The change in non-controlling interests were primarily driven by the normalizing of franchisee earnings after profit sharing.

LOBLAW OTHER BUSINESS MATTERS

For details see Section 2.1, "Loblaw Operating Results", of this MD&A.

5.2 Choice Properties Fourth Quarter Operating Results

	Quarters Ended			
($ millions except where otherwise indicated)	**Dec. 31, 2022**	Dec. 31, 2021	$ Change	% Change
Revenue	**$ 315**	$ 325	$ (10)	(3.1)%
Net interest expense and other financing charges[i]	**$ 983**	$ 499	$ 484	97.0%
Net (loss) income	**$ (579)**	$ (162)	$ (417)	(257.4)%
Funds from Operations[1]	**$ 174**	$ 175	$ (1)	(0.6)%

(i) Net interest expense and other financing charges includes a fair value adjustment on Exchangeable Units.

REVENUE Revenue in the fourth quarter of 2022 was $315 million, a decrease of $10 million, or 3.1%, compared to the same period in 2021. Revenue included $181 million (2021 – $183 million) generated from tenants within Loblaw. The decrease in revenue was primarily driven by:

- foregone revenue following the Office Asset Sale;

partially offset by,

- an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates; and
- higher recoveries.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES Net interest expense and other financing charges in the fourth quarter of 2022 were $983 million compared to $499 million in the same period in 2021. The increase of $484 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on the Class B LP units ("Exchangeable Units") of $487 million as a result of the increase in the unit price.

NET LOSS Net loss in the fourth quarter of 2022 was $579 million, compared to net loss of $162 million in the same period in 2021. The change of $417 million was primarily driven by:

- higher net interest expense and other financing charges as described above; and
- the unfavourable change in the adjustment to fair value of investment in real estate securities as a result of the decrease in Allied's unit price;

partially offset by,

- the favourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures, primarily driven by leasing and cash flow growth in the industrial portfolio.

FUNDS FROM OPERATIONS[1] Funds from Operations[1] in the fourth quarter of 2022 declined slightly by $1 million to $174 million compared to the same period in 2021. Increases in rental revenue from the retail and industrial portfolios were largely offset by an increase in interest expense, higher general and administrative expenses and the impact of the Office Asset Sale. The impact of the Office Asset Sale includes foregone rental income, partially offset by the distributions from Choice Properties' investment in real estate securities of Allied and interest income from the consideration received in exchange for assets sold. In addition, a non-recurring gain recognized in the prior year due to the reversal of an expected credit loss related to a specific mortgage receivable contributed to the decline in Funds from Operations[1].

CHOICE PROPERTIES OTHER BUSINESS MATTERS

For details see Section 2.2, "Choice Properties Operating Results", of this MD&A.

6. Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109") the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2022.

7. Internal Control Over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

As required by NI 52-109, the Chairman and CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control - Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2022.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING There were no changes in the Company's internal controls over financial reporting in 2022 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

8. 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 both inherent and residual 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[i] • 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[ii] • 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 • Completed for each operating business and aggregated where appropriate
Mitigation of risks[ii]	Risk Owners	• Managing risk and implementation of risk mitigation strategies for Operating and Financial Risks

(i) 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.

(ii) 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.

8.1 Operating Risks and Risk Management

OPERATING RISKS 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. The COVID-19 pandemic may continue to affect the operations and financial performance of the Company and its operating segments, including as a result of uncertain economic conditions, volatile debt and equity markets, and impacts to its workforce, supply chain, and distribution channels that affect the products and services it is able to offer and/or its ability to engage in cross-border commerce.

The following risks are a subset of the key risks identified through the ERM program. They should be read in conjunction with the full set of risks inherent in the Company's business, as included in the Company's Annual Information Form ("AIF") for the year ended December 31, 2022, which is hereby incorporated by reference:

Economic Conditions	Legal Proceedings
Colleague Attraction, Development and Succession Planning	Competitive Environment and Strategy
Cybersecurity, Privacy and Data Breaches	Electronic Commerce and Disruptive Technologies
Distribution and Supply Chain	Change Management, Process and Efficiency
Healthcare Reform	IT Systems Implementations and Data Management
Regulatory Compliance	
Property Development and Construction	Inventory Management
Property Valuation	Service Providers
Capitalization Rate Risk	Franchisee Relationships
Business Continuity	Associate-owned Drug Store Network and Relationships with Associates
Food, Drug, Product and Services Safety	
Environmental and Social	Tenant Concentration
Labour Relations	Execution of Strategic Initiatives

ECONOMIC CONDITIONS The Company's revenue and profitability are impacted by general economic conditions. These economic conditions include inflation, 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 or financial performance.

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.

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.

Management's Discussion and Analysis

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.

DISTRIBUTION AND SUPPLY CHAIN Loblaw's ability to satisfy its customers' demands and achieve its cost objectives depends on its ability to maintain key logistic and transport arrangements. Loblaw'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 Loblaw's ability to attract and retain customers, and could adversely affect the Company's operations or financial performance.

HEALTHCARE REFORM Loblaw 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 Loblaw's business, sales and profitability. In addition, Loblaw could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs 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.

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.

Loblaw 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.

Choice Properties is currently classified as a "unit trust" and a "mutual fund trust" under the Income Tax Act (Canada). It also qualifies for the Real Estate Investment Trust Exception under the Income Tax Act (Canada) and as such is not subject to specified investment flow-through rules. There can be no assurance that the Canadian federal income tax laws will not be changed in a manner which adversely affects Choice Properties. If Choice Properties ceases to qualify for these and other classifications and exceptions, the taxation of Choice Properties and unitholders, including the Company, could be materially adversely different in certain respects, which could in turn materially adversely affect the trading price of the Trust Units.

PROPERTY DEVELOPMENT AND CONSTRUCTION Choice Properties engages in development, redevelopment and major renovation activities with respect to certain properties. It is subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or availability at all; (b) the availability and timely receipt of zoning, occupancy, land use and other regulatory and governmental approvals; (c) changes in zoning and land use laws; (d) the ability to achieve an acceptable level of occupancy upon completion; (e) the potential that Choice Properties may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (f) the potential that Choice Properties may expend funds on and devote management time to projects which are not completed; (g) construction or redevelopment costs of a project, including rising construction costs and development charges and shortages of experienced labour in certain construction related trades, may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (h) the time required to complete the construction or redevelopment of a project or to lease-up the completed project may be greater than originally anticipated, thereby adversely affecting Choice Properties' cash flows and liquidity; (i) the cost and timely completion of construction (including risks beyond Choice Properties' control, such as weather, labour conditions or material shortages); (j) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) Choice Properties' ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund Choice Properties' development activities on favourable terms or availability at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of development activities or the completion of development activities once undertaken. In addition, development projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its accompanying risks) with contractors, subcontractors, suppliers, partners and others. Any failure by Choice Properties to develop quality assets and effectively manage all development, redevelopment and major renovation initiatives may negatively impact the reputation and financial performance of the Company.

PROPERTY VALUATION Choice Properties conducts a valuation assessment of its properties on a quarterly basis. As property values fluctuate over time in response to market factors, or as underlying assumptions and inputs to the valuation model change, the fair value of Choice Properties' portfolio could change materially. Choice Properties is responsible for the reasonableness of the assumptions and for the accuracy of the inputs into the property valuation model. Errors in the inputs to the valuation model or inappropriate assumptions may result in an inaccurate valuation of the properties. In addition to a market activity report that is tailored to Choice Properties' portfolio, management uses the market information obtained in external appraisals, across multiple firms, commissioned during the reporting period to assess whether changes to market-related assumptions are required for the balance of the portfolio. Choice Properties is responsible for monitoring the value of its portfolio going forward and evaluating the impact of any changes in property value over time. Any changes in the value of the properties may impact unitholder value.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the above-mentioned valuations.

CAPITALIZATION RATE RISK The fair market property valuation process is dependent on several inputs, including the current market capitalization rate. Risks associated with Choice Properties' property valuation model include fluctuations in the current market capitalization rate which can significantly impact the value of Choice Properties' overall real estate portfolio. In addition, Choice Properties is subject to certain financial and non-financial covenants in Choice Properties' existing financial instruments that include maintaining certain leverage ratios. Changes in the market capitalization rate could impact Choice Properties' property valuation which in turn could impact financial covenants.

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 Loblaw'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. Loblaw 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. Loblaw 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 Loblaw's ability to be effective in a recall situation. Loblaw 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 Loblaw's 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.

ENVIRONMENTAL AND SOCIAL The Company and its operating segments are 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 and its operating segments face 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 and its operating segments are confronted with issues relating to climate change. The Company has the opportunity to make a significant positive impact on the environment. To address this opportunity, the Company and its operating segments are 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 and its operating segments 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 and its operating segments maintain a portfolio of real estate and other facilities and are 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, Loblaw 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. Loblaw 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.

Loblaw 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 and its operating segments face risks associated with social issues and have 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.

LABOUR RELATIONS Loblaw'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 Loblaw and the 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.

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.

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 licensed 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 judgment 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. Loblaw is still assessing the Decision and has not yet determined whether it plans to appeal any aspect of it. Accordingly, Loblaw has not recorded any amounts related to the potential liability associated with this lawsuit. Loblaw 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 Loblaw 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 Loblaw as well as a number of other major grocery retailers and another bread wholesaler. In December 2019, a proposed class action on behalf of independent distributors was commenced against the Company. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's and Loblaw's cash balances far exceed any realistic damages scenario and therefore the Company and Loblaw do not anticipate any impacts on the Company's or Loblaw's dividend, dividend policy or share buyback plan. The Company and Loblaw have not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2022 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company and Loblaw 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 Loblaw will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw 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 Companies Limited 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 Loblaw. 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. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

Between 2015 and 2019, Loblaw was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. In the fourth quarter of 2021, the Supreme Court ruled in favour of Loblaw on the Glenhuron matter and Loblaw reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds. As a result of related reassessments received during the first quarter of 2022, Loblaw reversed another $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

In July 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of Loblaw. 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. Although Loblaw believes in the merits of its position, Loblaw recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. Loblaw believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

COMPETITIVE ENVIRONMENT AND STRATEGY The Company operates in highly competitive industries.

Loblaw 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, Loblaw is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery and retail drug markets and those offering e-commerce retail platforms. Loblaw'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 Loblaw's loyalty program must be well managed and coordinated to preserve positive customer perception. Loblaw 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.

Loblaw'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 Loblaw is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be adversely affected. Loblaw's failure to effectively respond to customer trends may adversely impact Loblaw's relationship with its customers. Loblaw closely monitors market developments and market share trends.

Choice Properties competes with other investors, developers, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Competitors may have newer or better located properties, greater financial or other resources, or greater operating flexibility than Choice Properties. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on the investment. Increased competition to lease properties could adversely impact Choice Properties' ability to find suitable tenants at the appropriate rent and may negatively impact the financial performance of Choice Properties.

Failure by Loblaw or Choice Properties to sustain their competitive position could adversely affect the Company's financial performance.

ELECTRONIC COMMERCE AND DISRUPTIVE TECHNOLOGIES Loblaw'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 Loblaw'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. Loblaw 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 Loblaw is unable to identify and adapt to technological efficiencies, such as artificial/cognitive intelligence or automation in a timely manner, Loblaw's ability to grow its e-commerce business could be adversely affected. Loblaw has increased its investment in improving the digital customer experience, but there can be no assurances that Loblaw will be able to recover the costs incurred to date.

A large portion of Choice Properties' existing real estate portfolio is comprised of necessity-based retail tenants. Shifting consumer preferences toward e-commerce may result in a decrease in the demand for physical space by retail tenants. The failure of Choice Properties to adapt to changes in the retail landscape, including finding new tenants to replace any lost income stream from existing tenants that reduce the amount of physical space they rent from Choice Properties, could adversely affect Choice Properties' operations or financial performance.

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.

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.

INVENTORY MANAGEMENT Loblaw is subject to risks associated with managing its inventory. 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 Loblaw has implemented new IT systems, which are intended to provide increased visibility to integrated inventory and sales information at store level, Loblaw'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.

Loblaw'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 Loblaw's ability to implement longer term system solutions and achieve efficiencies across its retail divisions. Any failure to effectively deliver this enterprise core solution could negatively impact Loblaw's operations 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.

Loblaw 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 Loblaw'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 *President's Choice Financial 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.

FRANCHISEE RELATIONSHIPS Loblaw 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 Loblaw'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 Loblaw's control. If franchisees do not operate their stores in accordance with Loblaw's standards or otherwise in accordance with good business practices, franchisee fees and rent paid to Loblaw 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 Loblaw for products, fees or rent.

Loblaw's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could adversely affect operations and could add administrative costs and burdens, any of which could affect Loblaw's relationship with its franchisees.

Supply chain or system changes by Loblaw 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 Loblaw and the reputation of its brands are closely tied to the performance of the Shoppers Drug Mart Associate-owned drug stores. Accordingly, Loblaw relies on Associates to successfully operate, manage and execute retail programs and strategies at their respective drug store locations. Associates are independent business operators that have entered into agreements with Loblaw 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 Loblaw's control. In addition, Associates are subject to franchise legislation. Disruptions to Loblaw's relationships with Shoppers Drug Mart Associate-owned drug stores or changes in legislation could negatively affect revenue from Associates, which in turn, could adversely affect the reputation, operations or financial performance of the Company.

TENANT CONCENTRATION Investment properties generate income through rent payments made by tenants, and particularly rent payments made by Loblaw as Choice Properties' largest tenant. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease, including the addition of restrictive covenants. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates. Choice Properties' cash flows and financial position would be adversely affected if its tenants (and especially Loblaw) were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, Choice Properties may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. In addition, restrictive covenants and the terms of a strategic alliance agreement may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants.

Choice Properties' net income could also be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of Loblaw, as Choice Properties' largest tenant. Choice Properties derives a large majority of its annual base minimum rent from Loblaw. Consequently, revenues are dependent on the ability of Loblaw to meet its rent obligations and Choice Properties' ability to collect rent from Loblaw. The future financial performance and operating results of Loblaw are subject to inherent risks, uncertainties, and other factors. If Loblaw were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on Choice Properties' financial condition or results of operations and its ability to make distributions to unitholders.

The closing of an anchor store at a property could also have a material adverse effect on the value of that property. Vacated anchor tenant space also tends to adversely affect the entire property because of the loss of the departed anchor tenant's power to draw customers to the property, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. No assurance can be given that Choice Properties will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. In addition, certain leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, and there can be no assurance that such tenants will continue to occupy such premises. Furthermore, at any time, an anchor tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in Choice Properties' cash flows, financial condition or results of operations and its ability to make distributions to unitholders.

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

8.2 Financial Risks and Risk Management

FINANCIAL RISKS The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses OTC 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.

The following is a summary of the Company's financial risks which are discussed in detail below:

Liquidity	Trust Unit Prices
Commodity Prices	Interest Rates
Currency Exchange Rates	Credit Ratings
Credit	

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 GIC deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short-term investments, 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 Loblaw 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 Loblaw. To manage a portion of this exposure, Loblaw 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 U.S. dollar denominated purchases in trade payables and other liabilities. A depreciating Canadian dollar relative to the U.S. dollar 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 U.S. dollar 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, Loblaw's finance lease receivable, pension assets held in the Company's defined benefit plans, and Loblaw's 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, short-term investments and security deposits 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.

Choice Properties mitigates the risk of credit loss relating to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant, except Loblaw. Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

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.

Loblaw's finance lease receivable and Loblaw's accounts receivable including amounts due from government 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.

Despite the mitigation strategies described above, it is possible that the Company's financial performance could be negatively impacted by the failure of a counterparty to fulfill its obligations.

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

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 Loblaw, Choice Properties and their respective affiliates. In addition, the Company, Loblaw, 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.

9. Related Party Transactions

Galen G. Weston beneficially owns or controls, directly and indirectly, through Wittington Investments, Limited ("Wittington"), a total of 78,650,662 of GWL's common shares, representing approximately 55.9% of GWL's outstanding common shares (2021 – 53.6%).

In the ordinary course of business, the Company enters into various transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. Transactions between the Company and its consolidated entities have been eliminated on consolidation and are not disclosed below.

In 2022, inventory purchases from Associated British Foods plc, a related party by virtue of a common director of such entity's parent company and GWL's parent company, amounted to $39 million (2021 – $42 million). As at year end 2022, $6 million (2021 – $1 million) was included in trade payables and other liabilities relating to these inventory purchases.

TRANSACTION BETWEEN LOBLAW AND CHOICE PROPERTIES In the second quarter of 2022, Loblaw announced that it intends to build an industrial facility on part of a property in East Gwillimbury, Ontario owned by a joint venture in which Choice Properties has an ownership interest. Loblaw expects to bring the industrial facility into its operations in the first quarter of 2024. For the first phase of the development, Loblaw entered into a 25-year land lease with the joint venture. Loblaw took possession of the land on October 1, 2022, and as a result recorded a right-of-use asset and lease liability of $120 million. The land lease includes a 15-month construction period with lease payments commencing in 2024.

VENTURE FUNDS During the second quarter of 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund I"). A wholly owned subsidiary of Wittington is the general partner of Venture Fund I, which hired an external fund manager to oversee it. The purpose of Venture Fund I is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in Venture Fund I. The Company has a consolidated capital commitment of $66 million over a 10-year period. To date, the Company has invested $45 million in the Venture Fund I, of which $14 million was invested in 2022 (2021 – $18 million) and recorded in Other Assets.

During the third quarter of 2022, Loblaw became a limited partner in another limited partnership formed by Wittington ("Venture Fund II"). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the general purpose of Venture Fund II is consistent with Venture Fund I. Loblaw has a 50% interest in Venture Fund II and has a total capital commitment of $60 million over a 10-year period. To date, Loblaw has invested nil in Venture Fund II.

POST-EMPLOYMENT BENEFIT PLANS The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in the notes to the consolidated financial statements.

INCOME TAX MATTERS From time to time, the Company and Wittington may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

COMPENSATION OF KEY MANAGEMENT PERSONNEL The Company's key management personnel is comprised of certain members of the executive team of GWL, Loblaw and Wittington, as well as members of the Boards of GWL, Loblaw and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Annual compensation of key management personnel that is directly attributable to the Company was as follows:

($ millions)	2022	2021
Salaries, director fees and other short-term employee benefits	$ 12	$ 14
Equity-based compensation	6	12
Total compensation	$ 18	$ 26

10. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of this MD&A, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

BASIS OF CONSOLIDATION
Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

BUSINESS COMBINATIONS - VALUATION OF INTANGIBLE ASSETS
Key Estimations The Company applies significant judgment in estimating the fair value of intangible assets. In determining the fair value of customer relationships and brands, various valuation techniques are used. Specifically, the Company used the multi-period excess earnings method to fair value customer relationships and the royalty relief method to fair value brands using a discounted cash flow model. Under these valuation approaches, the Company developed assumptions related to revenue and gross margin forecasts, attrition rate, royalty rate and discount rates.

INVENTORIES
Key Estimations Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

IMPAIRMENT OF NON-FINANCIAL ASSETS (GOODWILL, INTANGIBLE ASSETS, FIXED ASSETS AND RIGHT-OF-USE ASSETS)
Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining cash generating units ("CGUs") for the purpose of testing fixed assets, right-of-use assets and intangible assets for impairment. Judgment is also used to determine the goodwill CGUs for the purpose of testing goodwill for impairment. The Company has determined that each retail location is a separate CGU. Intangible assets are allocated to the CGUs (or groups of CGUs) to which they relate. Goodwill is allocated to CGUs (or groups of CGUs) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation of goodwill is made to CGUs (or groups of CGUs) that are expected to benefit from the synergies and future growth of the business combination from which they arose. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In applying this judgment management considers profitability of the CGU and other qualitative factors. If the company cannot estimate the recoverable amount of an individual tangible or intangible asset because it does not generate independent cash inflows, the Company is required to test the entire CGU to which it belongs for impairment.

Key Estimations In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, discount rates and capitalization rates. The Company determines value in use by using estimates including projected future sales and earnings, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

IMPAIRMENT OF CREDIT CARD RECEIVABLES

Judgments Made in Relation to Accounting Policies Applied and Key Estimations In each stage of the expected credit loss ("ECL") model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risk based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions, namely the unemployment rate. Management uses an average of unemployment rate forecasts published by major Canadian Chartered Banks and the Conference Board of Canada to establish the base case scenario and other representative ranges of possible forecast scenarios.

FAIR VALUE OF INCOME PRODUCING PROPERTIES

Key Estimations The fair value of income producing properties is dependent on future cash flows over the holding period, terminal capitalization rates, and discount rates applicable to those assets. The review of future cash flows involves assumptions relating to occupancy, rental rates, and residual value. In addition to reviewing future cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

INCOME AND OTHER TAXES

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments including expectations about future operating results, the timing and reversal of temporary differences, and the interpretation of tax rules in jurisdictions where the Company performs activities. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery.

PROVISIONS

Judgments made in Relation to Accounting Policies Applied and Key Estimations The recording of provisions requires management to make certain judgments regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of restructuring, environmental and decommissioning liabilities, certain onerous costs on leased properties and legal claims. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

LEASES

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances and past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and statements of earnings.

Key Estimations In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

11. Future Accounting Standard

IFRS 17 In 2017, the IASB issued IFRS 17, "Insurance Contracts" ("IFRS 17") replacing IFRS 4. IFRS 17 introduces consistent accounting for all insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to these contracts. Additionally, IFRS 17 requires an entity to recognize profits as it delivers insurance services, rather than when it receives premiums. The standard is effective for annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has assessed the impact of the standard on its consolidated financial statements and determined that the impact will not be material.

12. Outlook[(3)]

For 2023, the Company expects adjusted net earnings[(1)] from continuing operations to increase due to the results from its operating segments, and to use excess cash to repurchase shares.

Loblaw Loblaw will continue to execute on retail excellence while advancing its growth initiatives in 2023. Loblaw's businesses remain well placed to service the everyday needs of Canadians. However, Loblaw cannot predict the precise impacts of global economic uncertainties, including the inflationary environment, on its 2023 financial results.

For the full year 2023, Loblaw expects:
- its retail business to grow earnings faster than sales;
- adjusted net earnings per common share[(1)] growth in the low double digits;
- to increase investments in its store network and distribution centres by investing a net amount of $1.6 billion in capital expenditures, which reflects gross capital investments of approximately $2.1 billion offset by approximately $500 million of proceeds from real estate dispositions; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Choice Properties Choice Properties is focused on capital preservation, delivering stable and growing cash flows and net asset value appreciation, all with a long-term focus. Choice Properties' high-quality portfolio is primarily leased to necessity-based tenants and logistics providers, who are less sensitive to economic volatility and therefore provide stability to its overall portfolio. Choice Properties continues to experience positive leasing momentum across its portfolio and is well positioned to handle its 2023 lease renewal exposure. Choice Properties also continues to advance its development program, with a focus on industrial opportunities, which provides it with the best opportunity to add high-quality real estate to its portfolio at a reasonable cost and drive net asset value appreciation over time.

Choice Properties is confident that its business model, stable tenant base, strong balance sheet and disciplined approach to financial management will continue to position it well for future success. However, Choice Properties cannot predict the precise impacts of the broader economic environment on its 2023 financial results. In 2023, Choice Properties will continue to focus on its core business of essential retail and industrial, its growing residential platform and its robust development pipeline, and is targeting:
- stable occupancy across the portfolio, resulting in 2-3% year-over-year growth in Same-Asset NOI, Cash Basis[(i)];
- annual FFO[(1)] per Unit Diluted[(i)] in a range of $0.98 to $0.99, reflecting 2-3% year-over-year growth; and
- stable leverage metrics, targeting Adjusted Debt to EBITDAFV[(i)] of approximately 7.5x.

(i) For more information on these measures, see the 2022 Annual Report filed by Choice Properties, which is available on sedar.com or at choicereit.ca.

13. Non-GAAP Financial Measures

The Company uses non-GAAP financial measures and ratios in this document, such as: adjusted EBITDA and adjusted EBITDA margin, adjusted net earnings attributable to shareholders of the Company, adjusted net earnings available to common shareholders of the Company, adjusted diluted net earnings per common share, adjusted return on average equity attributable to common shareholders of the Company, adjusted return on capital, GWL Corporate free cash flow, free cash flow and Choice Properties funds from operations, among others. In addition to these items, the following measures are used by management in calculating adjusted diluted net earnings per common share: adjusted operating income, adjusted net interest expense and other financing charges, adjusted earnings before income taxes, adjusted income taxes and adjusted effective tax rate. The Company believes these non-GAAP financial measures and ratios provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition for the reasons outlined below.

Further, certain non-GAAP measures of Loblaw and Choice Properties are included in this document. For more information on these measures, refer to the materials filed by Loblaw and Choice Properties, which are available on sedar.com or at loblaw.ca or choicereit.ca, respectively.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying consolidated and segment operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company adjusts for these items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP. Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

ADJUSTED EBITDA The Company believes adjusted EBITDA is useful in assessing and making decisions regarding the underlying operating performance of the Company's ongoing operations and in assessing the Company's ability to generate cash flows to fund its cash requirements, including its capital investment program.

The following table reconciles adjusted EBITDA to operating income, which is reconciled to GAAP net earnings attributable to shareholders of the Company from continuing operations reported for the periods ended as indicated.

	Quarters Ended							
	Dec. 31, 2022				Dec. 31, 2021			
($ millions)	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Other & Intersegment	Consolidated
Net (loss) earnings attributable to shareholders of the Company from continuing operations				$ (104)				$ 428
Add (deduct) impact of the following:								
Non-controlling interests				239				327
Income taxes				213				64
Net interest expense and other financing charges				916				190
Operating income	$ 869	$ 404	$ (9)	$ 1,264	$ 703	$ 336	$ (30)	$ 1,009
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	$ 111	$ –	$ –	$ 111	$ 117	$ –	$ –	$ 117
Amortization of intangible assets acquired with Lifemark	4	–	–	4	–	–	–	–
Fair value adjustment of investment in real estate securities	–	20	–	20	–	–	–	–
Restructuring and other related recoveries	–	–	–	–	(8)	–	–	(8)
Fair value adjustment on investment properties	–	(202)	(24)	(226)	–	(107)	20	(87)
Gain on sale of non-operating properties	(50)	–	–	(50)	–	–	(2)	(2)
Fair value adjustment on non-operating properties	(6)	–	–	(6)	(2)	–	–	(2)
Fair value adjustment of derivatives	11	–	–	11	6	–	–	6
Adjusting items	$ 70	$ (182)	$ (24)	$ (136)	$ 113	$ (107)	$ 18	$ 24
Adjusted operating income	$ 939	$ 222	$ (33)	$ 1,128	$ 816	$ 229	$ (12)	$ 1,033
Depreciation and amortization excluding the impact of the above adjustments[(i)]	552	1	(91)	462	506	–	(86)	420
Adjusted EBITDA	$ 1,491	$ 223	$ (124)	$ 1,590	$ 1,322	$ 229	$ (98)	$ 1,453

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes $115 million (2021 – $117 million) of amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

($ millions)	Dec. 31, 2022 Loblaw	Choice Properties	Other & Intersegment	Consolidated	Dec. 31, 2021 Loblaw	Choice Properties	Other & Intersegment	Consolidated
	Years Ended							
Net earnings attributable to shareholders of the Company from continuing operations				**$ 1,822**				$ 753
Add (deduct) impact of the following:								
Non-controlling interests				**987**				994
Income taxes				**831**				630
Net interest expense and other financing charges				**913**				1,650
Operating income	**$ 3,334**	**$ 1,083**	**$ 136**	**$ 4,553**	$ 2,929	$ 1,400	$ (302)	$ 4,027
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 486**	**$ –**	**$ –**	**$ 486**	$ 506	$ –	$ –	$ 506
Amortization of intangible assets acquired with Lifemark	**11**	**–**	**–**	**11**	–	–	–	–
Fair value adjustment of investment in real estate securities	**–**	**248**	**–**	**248**	–	–	–	–
Charge related to PC Bank commodity tax matter	**111**	**–**	**–**	**111**	–	–	–	–
Transaction costs and other related expenses	**16**	**5**	**–**	**21**	–	–	–	–
Restructuring and other related (recoveries) costs	**(15)**	**–**	**19**	**4**	13	–	–	13
Fair value adjustment on investment properties	**–**	**(442)**	**(286)**	**(728)**	–	(500)	177	(323)
Gain on sale of non-operating properties	**(57)**	**–**	**–**	**(57)**	(12)	–	(2)	(14)
Fair value adjustment on non-operating properties	**(6)**	**–**	**–**	**(6)**	(2)	–	–	(2)
Fair value adjustment of derivatives	**(5)**	**–**	**–**	**(5)**	(13)	–	–	(13)
Foreign currency translation and other company level activities	**–**	**–**	**3**	**3**	–	–	–	–
Adjusting items	**$ 541**	**$ (189)**	**$ (264)**	**$ 88**	$ 492	$ (500)	$ 175	$ 167
Adjusted operating income	**$ 3,875**	**$ 894**	**$ (128)**	**$ 4,641**	$ 3,421	$ 900	$ (127)	$ 4,194
Depreciation and amortization excluding the impact of the above adjustments(i)	**2,298**	**3**	**(391)**	**1,910**	2,158	3	(360)	1,801
Adjusted EBITDA	**$ 6,173**	**$ 897**	**$ (519)**	**$ 6,551**	$ 5,579	$ 903	$ (487)	$ 5,995

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes $497 million (2021 – $506 million) of amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

The following items impacted adjusted EBITDA in 2022 and 2021:

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in 2014 included approximately $6 billion of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangible assets will be approximately $500 million until 2024 and will decrease thereafter.

Amortization of intangible assets acquired with Lifemark The acquisition of Lifemark in the second quarter of 2022 included approximately $299 million of definite life intangible assets, which are being amortized over their estimated useful lives.

Fair value adjustment of investment in real estate securities Choice Properties received Allied Class B Units as part of the consideration for the Office Asset Sale on March 31, 2022. Choice Properties recognized these units as investments in real estate securities. The investment in real estate securities is exposed to market price fluctuations of Allied trust units. An increase (decrease) in the market price of Allied trust units results in income (a charge) to operating income.

Charge related to PC Bank commodity tax matter In the second quarter of 2022, Loblaw recorded a charge of $111 million, inclusive of interest. On July 19, 2022, the Tax Court released its decision and 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.

Transaction costs and other related expenses In connection with the acquisition of Lifemark, Loblaw recorded acquisition costs of $16 million in operating income during 2022.

During the first quarter of 2022, Choice Properties recorded advisory, legal, personnel, and other costs related to the Office Asset Sale totaling $5 million.

Restructuring and other related (recoveries) costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Only restructuring activities that are publicly announced related to these initiatives are considered adjusting items.

In the fourth quarter of 2022, Loblaw did not record any restructuring and other related recoveries or charges (2021 – recovery of $8 million). Year-to-date, Loblaw recorded approximately $15 million (2021 – charges of $13 million) of restructuring and other related recoveries mainly in connection to the previously announced closure of two distribution centres in Laval and Ottawa. In the first quarter of 2022, Loblaw disposed of one of the distribution centres for proceeds of $26 million and recognized a gain of $19 million, which was partially offset by $4 million of restructuring and other related charges. Loblaw invested to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec and volumes have been transferred.

Included in Loblaw's restructuring and other related recoveries was a gain of $19 million related to the disposition of a property to Choice Properties. On consolidation, the $19 million recovery recorded by Loblaw was reversed as it was an intercompany transaction.

Fair value adjustment on investment properties The Company measures investment properties at fair value. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

Gain on sale of non-operating properties In the fourth quarter of 2022, Loblaw recorded a gain related to the sale of non-operating properties of $50 million (2021 – nil). Year-to-date, Loblaw disposed of non-operating properties and recorded a gain of $57 million (2021 – $12 million).

During 2021, Choice Properties disposed of properties and incurred a gain or loss for each property which was recognized in fair value adjustment of investment properties. On consolidation, the Company recorded these properties as fixed assets and were recognized at cost less accumulated depreciation. As a result, during 2021, on consolidation, a net gain of $2 million was recognized in Other and Intersegment.

Fair value adjustment on non-operating properties Loblaw measures non-operating properties, which are investment properties and assets held for sale that were transferred from investment properties, at fair value. Under the fair value model, non-operating properties are initially measured at cost and subsequently measured at fair value. Fair value using the income approach include assumptions as to market rental rates for properties of similar size and condition located within the same geographical areas, recoverable operating costs for leases with tenants, non-recoverable operating costs, vacancy periods, tenant inducements and terminal capitalization rates. Gains and losses arising from changes in the fair value are recognized in operating income in the period in which they arise.

Fair value adjustment of derivatives Loblaw is exposed to commodity price and U.S. dollar exchange rate fluctuations. In accordance with Loblaw's commodity risk management policy, Loblaw enters into exchange traded futures contracts and forward contracts to minimize cost volatility related to fuel prices and the U.S. dollar exchange rate. These derivatives are not acquired for trading or speculative purposes. Pursuant to Loblaw's derivative instruments accounting policy, changes in the fair value of these instruments, which include realized and unrealized gains and losses, are recorded in operating income. Despite the impact of accounting for these commodity and foreign currency derivatives on Loblaw's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

Foreign currency translation and other company level activities The Company's consolidated financial statements are expressed in Canadian dollars. A portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars and as a result, the Company is exposed to foreign currency translation gains and losses. The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and cash equivalents and short-term investments held by foreign operations, is recorded in SG&A and the associated tax, if any, is recorded in income taxes. Other company level activities include fair value adjustments related to certain investments and certain financial assets and liabilities held by the Company.

ADJUSTED NET INTEREST EXPENSE AND OTHER FINANCING CHARGES The Company believes adjusted net interest expense and other financing charges is useful in assessing the ongoing net financing costs of the Company.

The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2022**	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021
Net interest expense and other financing charges	**$ 916**	$ 190	**$ 913**	$ 1,650
(Deduct) add impact of the following:				
Fair value adjustment of the Trust Unit liability	**(662)**	(122)	**98**	(601)
Recovery related to Glenhuron	**–**	189	**11**	189
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	(4)	**–**	(188)
Adjusted net interest expense and other financing charges	**$ 254**	$ 253	**$ 1,022**	$ 1,050

In addition to certain items described in the "Adjusted EBITDA" section above, the following items impacted adjusted net interest expense and other financing charges in 2022 and 2021:

Fair value adjustment of the Trust Unit liability The Company is exposed to market price fluctuations as a result of the Choice Properties Trust Units held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holder, subject to certain restrictions. This liability is recorded at fair value at each reporting date based on the market price of Trust Units at the end of each period. An increase (decrease) in the market price of Trust Units results in a charge (income) to net interest expense and other financing charges.

Recovery related to Glenhuron Between 2015 and 2019, Loblaw was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. In the fourth quarter of 2021, the Supreme Court ruled in favour of Loblaw on the Glenhuron matter and Loblaw reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds. As a result of related reassessments received during the first quarter of 2022, Loblaw reversed another $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

Fair value adjustment of the forward sale agreement for Loblaw common shares The fair value adjustment of the forward sale agreement for Loblaw common shares is included in net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw common shares. An increase (decrease) in the market price of Loblaw common shares results in a charge (income) to net interest expense and other financing charges. The Company settled the net debt associated with the forward sale agreement in the fourth quarter of 2021.

ADJUSTED INCOME TAXES AND ADJUSTED EFFECTIVE TAX RATE The Company believes the adjusted effective tax rate applicable to adjusted earnings before taxes is useful in assessing the underlying operating performance of its business.

The following table reconciles the effective tax rate applicable to adjusted earnings before taxes to the GAAP effective tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ millions except where otherwise indicated)	**Dec. 31, 2022**	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021
Adjusted operating income(i)	**$ 1,128**	$ 1,033	**$ 4,641**	$ 4,194
Adjusted net interest expense and other financing charges(i)	**254**	253	**1,022**	1,050
Adjusted earnings before taxes	**$ 874**	$ 780	**$ 3,619**	$ 3,144
Income taxes	**$ 213**	$ 64	**$ 831**	$ 630
Add (deduct) impact of the following:				
Tax impact of items excluded from adjusted earnings before taxes(ii)	**25**	11	**83**	99
Remeasurement of deferred tax balances	**–**	–	**46**	–
Recovery related to Glenhuron	**–**	128	**33**	128
Outside basis difference in certain Loblaw shares	**(3)**	1	**(4)**	(6)
Adjusted income taxes	**$ 235**	$ 204	**$ 989**	$ 851
Effective tax rate applicable to earnings before taxes	**61.2%**	7.8%	**22.8%**	26.5%
Adjusted effective tax rate applicable to adjusted earnings before taxes	**26.9%**	26.2%	**27.3%**	27.1%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges above.
(ii) See the adjusted EBITDA table and the adjusted net interest expense and other financing charges table above for a complete list of items excluded from adjusted earnings before taxes.

In addition to certain items described in the "Adjusted EBITDA" and "Adjusted Net Interest Expense and Other Financing Charges" sections above, the following items impacted adjusted income taxes and the adjusted effective tax rate in 2022 and 2021:

Remeasurement of deferred tax balances In the second quarter of 2022, the Company revalued certain deferred tax balances as a result of the Office Asset Sale which resulted in an income tax recovery of $46 million.

Recovery related to Glenhuron In the fourth quarter of 2021, as a result of the Supreme Court ruling in favour of Loblaw on the Glenhuron matter, Loblaw reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds. As a result of related reassessments received during the first quarter of 2022, Loblaw reversed another $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

Outside basis difference in certain Loblaw shares The Company recorded deferred tax expense of $3 million in the fourth quarter of 2022 (2021 – $1 million recovery) and deferred tax expense of $4 million in 2022 (2021 – $6 million) on temporary differences in respect of GWL's investment in certain Loblaw shares that are expected to reverse in the foreseeable future as a result of GWL's participation in Loblaw's NCIB.

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS AND ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS The Company believes that adjusted net earnings available to common shareholders from continuing operations and adjusted diluted net earnings per common share from continuing operations are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

The following table reconciles adjusted net earnings available to common shareholders of the Company from continuing operations and adjusted net earnings attributable to shareholders of the Company from continuing operations to net (loss) earnings attributable to shareholders of the Company and then to net (loss) earnings available to common shareholders of the Company from continuing operations reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ millions except where otherwise indicated)	**Dec. 31, 2022**	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021
Net (loss) earnings attributable to shareholders of the Company	**$ (104)**	$ 227	**$ 1,816**	$ 431
Less: Net loss from discontinued operations	**–**	(201)	**(6)**	(322)
Net (loss) earnings attributable to shareholders of the Company from continuing operations	**$ (104)**	$ 428	**$ 1,822**	$ 753
Less: Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(44)**	(44)
Net (loss) earnings available to common shareholders of the Company from continuing operations	**$ (114)**	$ 418	**$ 1,778**	$ 709
Less: Reduction in net earnings due to dilution at Loblaw	**(3)**	(5)	**(11)**	(9)
Net (loss) earnings available to common shareholders from continuing operations for diluted earnings per share	**$ (117)**	$ 413	**$ 1,767**	$ 700
Net (loss) earnings attributable to shareholders of the Company from continuing operations	**$ (104)**	$ 428	**$ 1,822**	$ 753
Adjusting items (refer to the following table)	**483**	(71)	**(346)**	523
Adjusted net earnings attributable to shareholders of the from continuing operations	**$ 379**	$ 357	**$ 1,476**	$ 1,276
Less: Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(44)**	(44)
Adjusted net earnings available to common shareholders of the Company from continuing operations	**$ 369**	$ 347	**$ 1,432**	$ 1,232
Less: Reduction in net earnings due to dilution at Loblaw	**(3)**	(5)	**(11)**	(9)
Adjusted net earnings available to common shareholders for diluted earnings per share from continuing operations	**$ 366**	$ 342	**$ 1,421**	$ 1,223
Diluted weighted average common shares outstanding (in millions)	**141.3**	147.6	**144.8**	150.2

The following table reconciles adjusted net earnings available to common shareholders of the Company from continuing operations and adjusted diluted net earnings per common share from continuing operations to GAAP net (loss) earnings available to common shareholders of the Company from continuing operations and diluted net (loss) earnings per common share from continuing operations as reported for the periods ended as indicated.

	Quarters Ended			
		Dec. 31, 2022		Dec. 31, 2021
($ except where otherwise indicated)	**Net (Loss) Earnings Available to Common Shareholders of the Company ($ millions)**	**Diluted Net (Loss) Earnings Per Common Share**	Net Earnings Available to Common Shareholders of the Company ($ millions)	Diluted Net Earnings Per Common Share
Continuing Operations	**$ (114)**	**$ (0.83)**	$ 418	$ 2.80
Add (deduct) impact of the following[i]:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 40**	**$ 0.28**	$ 47	$ 0.31
Amortization of intangible assets acquired with Lifemark	**1**	**0.01**	–	–
Fair value adjustment of investment in real estate securities	**18**	**0.13**	–	–
Restructuring and other related recoveries	**–**	**–**	(4)	(0.03)
Fair value adjustment on investment properties	**(225)**	**(1.60)**	(72)	(0.48)
Gain on sale of non-operating properties	**(19)**	**(0.13)**	(2)	(0.01)
Fair value adjustment of non-operating properties	**(2)**	**(0.01)**	–	–
Fair value adjustment of derivatives	**5**	**0.03**	1	0.01
Fair value adjustment of the Trust Unit liability	**662**	**4.69**	122	0.83
Recovery related to Glenhuron	**–**	**–**	(165)	(1.12)
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	**–**	3	0.02
Outside basis difference in certain Loblaw shares	**3**	**0.02**	(1)	(0.01)
Adjusting items Continuing Operations	**$ 483**	**$ 3.42**	$ (71)	$ (0.48)
Adjusted Continuing Operations	**$ 369**	**$ 2.59**	$ 347	$ 2.32

(i) Net of income taxes and non-controlling interests, as applicable.

	Years Ended			
	Dec. 31, 2022		Dec. 31, 2021	
($ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company ($ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company ($ millions)	Diluted Net Earnings Per Common Share
Continuing Operations	**$ 1,778**	**$ 12.20**	$ 709	$ 4.66
Add (deduct) impact of the following[i]:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 187**	**$ 1.29**	$ 196	$ 1.30
Amortization of intangible assets acquired with Lifemark	**4**	**0.03**	–	–
Fair value adjustment of investment in real estate securities	**228**	**1.57**	–	–
Charge related to PC Bank commodity tax matter	**45**	**0.31**	–	–
Transaction costs and other related expenses	**12**	**0.08**	–	–
Restructuring and other related costs	**10**	**0.07**	5	0.03
Fair value adjustment on investment properties	**(645)**	**(4.45)**	(270)	(1.80)
Gain on sale of non-operating properties	**(22)**	**(0.15)**	(7)	(0.04)
Fair value adjustment on non-operating properties	**(2)**	**(0.01)**	–	–
Fair value adjustment of derivatives	**(2)**	**(0.01)**	(6)	(0.04)
Fair value adjustment of the Trust Unit liability	**(98)**	**(0.68)**	601	4.00
Recovery related to Glenhuron	**(23)**	**(0.16)**	(165)	(1.10)
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	**–**	163	1.09
Remeasurement of deferred tax balances	**(46)**	**(0.32)**	–	–
Outside basis difference in certain Loblaw shares	**4**	**0.03**	6	0.04
Foreign currency translation and other company level activities	**2**	**0.01**	–	–
Adjusting items Continuing Operations	**$ (346)**	**$ (2.39)**	$ 523	$ 3.48
Adjusted Continuing Operations	**$ 1,432**	**$ 9.81**	$ 1,232	$ 8.14

(i) Net of income taxes and non-controlling interests, as applicable.

FREE CASH FLOW FROM CONTINUING OPERATIONS The Company believes free cash flow is useful in assessing the Company's cash available for additional financing and investing activities.

The following table reconciles free cash flow to GAAP measures reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ millions)	Dec. 31, 2022	Dec. 31, 2021[i]	Dec. 31, 2022	Dec. 31, 2021[i]
Cash flows from operating activities	**$ 1,268**	$ 1,146	**$ 4,877**	$ 5,119
Less: Cash flows from operating activities from discontinued operations	**–**	12	**–**	–
Cash flows from operating activities from continuing operations	**$ 1,268**	$ 1,134	**$ 4,877**	$ 5,119
Less: Interest paid	**195**	173	**818**	853
Capital investments[ii]	**800**	487	**1,893**	1,381
Lease payments, net	**139**	202	**749**	795
Free cash flow from continuing operations	**$ 134**	$ 272	**$ 1,417**	$ 2,090

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) During 2022, there were no additions to Loblaw fixed assets related to prepayments that were made in 2021 and transferred from other assets. During 2021, additions to Loblaw fixed assets included prepayments that were made in 2020 and transferred from other assets of $1 million.

ADJUSTED RETURN ON AVERAGE EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS OF THE COMPANY AND ADJUSTED RETURN ON CAPITAL The Company uses the following metrics to measure its leverage and profitability. The definitions of these ratios are presented below.

Adjusted Return on Average Equity Attributable to Common Shareholders of The Company Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company. Refer to Section 3.4, "Financial Condition", of this MD&A.

Adjusted Return on Capital Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments. Refer to Section, 3.4 "Financial Condition", of this MD&A.

CHOICE PROPERTIES' FUNDS FROM OPERATIONS Choice Properties considers Funds from Operations to be a useful measure of operating performance as it adjusts for items included in net income that do not arise from operating activities or do not necessarily provide an accurate depiction of its performance.

Funds from Operations is calculated in accordance with the Real Property Association of Canada's Funds from Operations & Adjusted Funds from Operations for IFRS issued in January 2022.

The following table reconciles Choice Properties' Funds from Operations to net income for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2022**	Dec. 31, 2021	**Dec. 31, 2022**	Dec. 31, 2021
Net (Loss) Income	**$ (579)**	$ (162)	**$ 744**	$ 24
Add (deduct) impact of the following:				
Amortization of intangible assets	**–**	–	**1**	1
Transaction costs and other related expenses	**–**	–	**5**	–
Other fair value losses (gains), net	**2**	(1)	**1**	1
Fair value adjustment on Exchangeable Units	**859**	372	**(170)**	863
Fair value adjustment on investment properties	**(193)**	(96)	**(113)**	(459)
Fair value adjustment on investment property held in equity accounted joint ventures	**(14)**	(13)	**(329)**	(43)
Fair value adjustment of investment in real estate securities	**21**	–	**248**	–
Capitalized interest on equity accounted joint ventures	**3**	–	**9**	3
Unit distributions on Exchangeable Units	**73**	73	**293**	293
Internal expenses for leasing	**2**	3	**9**	8
Income tax recovery	**–**	(1)	**–**	(1)
Funds from Operations	**$ 174**	$ 175	**$ 698**	$ 690

13.1 Non-GAAP Financial Measures - Selected Comparative Reconciliation

ADJUSTED EBITDA The following table provides a reconciliation of adjusted EBITDA to operating income, which is reconciled to GAAP net earnings attributable to shareholders of the Company from continuing operations reported for the periods ended as indicated.

($ millions)	2022 First Quarter (12 weeks)	2022 Second Quarter (12 weeks)	2022 Third Quarter (16 weeks)	2022 Fourth Quarter (12 weeks)	2022 Total (52 weeks)	2021 First Quarter (12 weeks)	2021 Second Quarter (12 weeks)	2021 Third Quarter (16 weeks)	2021 Fourth Quarter (12 weeks)	2021 Total (52 weeks)	2020 Total (53 weeks)
Net earnings (loss) attributable to shareholders of the Company from continuing operations	**$ 373**	**$ 650**	**$ 903**	**$ (104)**	**$ 1,822**	$ (52)	$ 125	$ 252	$ 428	$ 753	$ 957
Add (deduct) impact of the following:											
Non-controlling interests	**$ 242**	**$ 224**	**$ 282**	**$ 239**	**$ 987**	$ 170	$ 236	$ 261	$ 327	$ 994	$ 619
Income taxes	**$ 229**	**$ 113**	**$ 276**	**$ 213**	**$ 831**	$ 165	$ 201	$ 200	$ 64	$ 630	$ 470
Net interest expense (income) and other financing charges	**$ 322**	**$ (338)**	**$ 13**	**$ 916**	**$ 913**	$ 545	$ 503	$ 412	$ 190	$ 1,650	$ 829
Operating income	**$ 1,166**	**$ 649**	**$ 1,474**	**$ 1,264**	**$ 4,553**	$ 828	$ 1,065	$ 1,125	$ 1,009	$ 4,027	$ 2,875
Add (deduct) impact of the following:											
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 117**	**$ 111**	**$ 147**	**$ 111**	**$ 486**	$ 117	$ 117	$ 155	$ 117	$ 506	$ 509
Amortization of intangible assets acquired with Lifemark	**–**	**3**	**4**	**4**	**11**	–	–	–	–	–	–
Fair value adjustment of investment in real estate securities	**–**	**159**	**69**	**20**	**248**	–	–	–	–	–	–
Charge related to PC Bank commodity tax matter	**–**	**111**	**–**	**–**	**111**	–	–	–	–	–	–
Transaction costs and other related expenses	**8**	**13**	**–**	**–**	**21**	–	–	–	–	–	2
Restructuring and other related costs (recoveries)	**4**	**–**	**–**	**–**	**4**	4	8	9	(8)	13	38
Fair value adjustment on investment properties	**(291)**	**102**	**(313)**	**(226)**	**(728)**	(46)	(149)	(41)	(87)	(323)	185
Gain on sale of non-operating properties	**–**	**(4)**	**(3)**	**(50)**	**(57)**	(3)	–	(9)	(2)	(14)	(9)
Fair value adjustment on non-operating properties	**–**	**–**	**–**	**(6)**	**(6)**	–	–	–	(2)	(2)	9
Fair value adjustment of derivatives	**(14)**	**4**	**(6)**	**11**	**(5)**	(8)	(3)	(8)	6	(13)	5
Foreign currency translation and other company level activities	**–**	**2**	**1**	**–**	**3**	–	–	–	–	–	(3)
Adjusting items	**$ (176)**	**$ 501**	**$ (101)**	**$ (136)**	**$ 88**	$ 64	$ (27)	$ 106	$ 24	$ 167	$ 736
Adjusted operating income	**$ 990**	**$ 1,150**	**$ 1,373**	**$ 1,128**	**$ 4,641**	$ 892	$ 1,038	$ 1,231	$ 1,033	$ 4,194	$ 3,611
Depreciation and amortization excluding the impact of the above adjustments(i)	**$ 432**	**$ 438**	**$ 578**	**$ 462**	**$ 1,910**	$ 408	$ 424	$ 549	$ 420	$ 1,801	$ 1,745
Adjusted EBITDA	**$ 1,422**	**$ 1,588**	**$ 1,951**	**$ 1,590**	**$ 6,551**	$ 1,300	$ 1,462	$ 1,780	$ 1,453	$ 5,995	$ 5,356

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes the amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

ADJUSTED NET INTEREST EXPENSE AND OTHER FINANCING CHARGES The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

	Years Ended		
($ millions)	**Dec. 31, 2022 (52 weeks)**	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 (53 weeks)
Net interest expense and other financing charges	**$ 913**	$ 1,650	$ 829
Add (deduct) impact of the following:			
Fair value adjustment of the Trust Unit liability	**98**	(601)	239
Recovery related to Glenhuron	**11**	189	–
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	(188)	47
Adjusted net interest expense and other financing charges	**$ 1,022**	$ 1,050	$ 1,115

ADJUSTED INCOME TAXES AND ADJUSTED EFFECTIVE TAX RATE The following table reconciles the effective tax rate applicable to adjusted earnings before taxes to the GAAP effective tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

	Years Ended		
($ millions except where otherwise indicated)	**Dec. 31, 2022 (52 weeks)**	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 (53 weeks)
Adjusted operating income[(i)]	**$ 4,641**	$ 4,194	$ 3,611
Adjusted net interest expense and other financing charges[(i)]	**1,022**	1,050	1,115
Adjusted earnings before taxes	**$ 3,619**	$ 3,144	$ 2,496
Income taxes	**$ 831**	$ 630	$ 470
Add (deduct) impact of the following:			
Tax impact of items excluded from adjusted earnings before taxes[(ii)]	**83**	99	173
Remeasurement of deferred tax balances	**46**	–	7
Recovery related to Glenhuron	**33**	128	–
Outside basis difference in certain Loblaw shares	**(4)**	(6)	(2)
Adjusted income taxes	**$ 989**	$ 851	$ 648
Effective tax rate applicable to earnings before taxes	**22.8%**	26.5%	23.0%
Adjusted effective tax rate applicable to adjusted earnings before taxes	**27.3%**	27.1%	26.0%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges above.
(ii) See the adjusted EBITDA table and the adjusted net interest expense and other financing charges table above for a complete list of items excluded from adjusted earnings before taxes.

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS AND ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS The following tables reconcile adjusted net earnings available to common shareholders of the Company from continuing operations and adjusted diluted net earnings per common share from continuing operations to GAAP net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations as reported for the periods ended as indicated.

($ millions)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	2022 Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	2021 Total (52 weeks)	2020 Total (53 weeks)
Continuing Operations	$ 363	$ 640	$ 889	$ (114)	$ 1,778	$ (62)	$ 115	$ 238	$ 418	$ 709	$ 913
Add (deduct) impact of the following[i]:											
Amortization of intangible assets acquired with Shoppers Drug Mart	$ 46	$ 43	$ 58	$ 40	$ 187	$ 45	$ 46	$ 58	$ 47	$ 196	$ 195
Amortization of intangible assets acquired with Lifemark	–	1	2	1	4	–	–	–	–	–	–
Fair value adjustment of investment in real estate securities	–	146	64	18	228	–	–	–	–	–	–
Charge related to PC Bank commodity tax matter	–	45	–	–	45	–	–	–	–	–	–
Transaction costs and other related expenses	5	7	–	–	12	–	–	–	–	–	2
Restructuring and other related costs (recoveries)	10	–	–	–	10	2	2	5	(4)	5	14
Fair value adjustment on investment properties	(243)	85	(262)	(225)	(645)	(38)	(125)	(35)	(72)	(270)	155
Gain on sale of non-operating properties	–	(2)	(1)	(19)	(22)	–	–	(5)	(2)	(7)	(4)
Fair value adjustment on non-operating properties	–	–	–	(2)	(2)	–	–	–	–	–	4
Fair value adjustment of derivatives	(6)	2	(3)	5	(2)	(3)	(1)	(3)	1	(6)	2
Fair value adjustment of the Trust Unit liability	93	(576)	(277)	662	(98)	239	188	52	122	601	(239)
Recovery related to Glenhuron	(23)	–	–	–	(23)	–	–	–	(165)	(165)	–
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	–	–	–	–	46	50	64	3	163	(41)
Remeasurement of deferred tax balances	–	(46)	–	–	(46)	–	–	–	–	–	(7)
Outside basis difference in certain Loblaw shares	37	(18)	(18)	3	4	16	–	(9)	(1)	6	2
Foreign currency translation and other company level activities	–	1	1	–	2	–	–	–	–	–	(3)
Adjusting items Continuing Operations	$ (81)	$ (312)	$ (436)	$ 483	$ (346)	$ 307	$ 160	$ 127	$ (71)	$ 523	$ 80
Adjusted Continuing Operations	$ 282	$ 328	$ 453	$ 369	$ 1,432	$ 245	$ 275	$ 365	$ 347	$ 1,232	$ 993

($)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	2022 Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	2021 Total (52 weeks)	2020 Total (53 weeks)
Continuing Operations	**$ 2.45**	**$ 4.36**	**$ 6.14**	**$ (0.83)**	**$ 12.20**	$ (0.41)	$ 0.74	$ 1.58	$ 2.80	$ 4.66	$ 5.92
Add (deduct) impact of the following[i]:											
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 0.31**	**$ 0.30**	**$ 0.41**	**$ 0.28**	**$ 1.29**	$ 0.29	$ 0.30	$ 0.39	$ 0.31	$ 1.30	$ 1.28
Amortization of intangible assets acquired with Lifemark	**–**	**0.01**	**0.01**	**0.01**	**0.03**	–	–	–	–	–	–
Fair value adjustment of investment in real estate securities	**–**	**0.99**	**0.45**	**0.13**	**1.57**	–	–	–	–	–	–
Charge related to PC Bank commodity tax matter	**–**	**0.31**	**–**	**–**	**0.31**	–	–	–	–	–	–
Transaction costs and other related expenses	**0.03**	**0.05**	**–**	**–**	**0.08**	–	–	–	–	–	0.01
Restructuring and other related costs	**0.08**	**–**	**–**	**–**	**0.07**	0.01	0.01	0.03	(0.03)	0.03	0.09
Fair value adjustment on investment properties	**(1.65)**	**0.58**	**(1.82)**	**(1.60)**	**(4.45)**	(0.25)	(0.81)	(0.24)	(0.48)	(1.80)	1.02
Gain on sale of non-operating properties	**–**	**(0.02)**	**(0.01)**	**(0.13)**	**(0.15)**	–	–	(0.03)	(0.01)	(0.04)	(0.03)
Fair value adjustment on non-operating properties	**–**	**–**	**–**	**(0.01)**	**(0.01)**	–	–	–	–	–	0.03
Fair value adjustment of derivatives	**(0.04)**	**0.01**	**(0.02)**	**0.03**	**(0.01)**	(0.02)	(0.01)	(0.02)	0.01	(0.04)	0.01
Fair value adjustment of the Trust Unit liability	**0.63**	**(3.94)**	**(1.92)**	**4.69**	**(0.68)**	1.57	1.24	0.35	0.83	4.00	(1.56)
Recovery related to Glenhuron	**(0.16)**	**–**	**–**	**–**	**(0.16)**	–	–	–	(1.12)	(1.10)	–
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	**–**	**–**	**–**	**–**	0.30	0.33	0.43	0.02	1.09	(0.27)
Remeasurement of deferred tax balances	**–**	**(0.31)**	**–**	**–**	**(0.32)**	–	–	–	–	–	(0.05)
Outside basis difference in certain Loblaw shares	**0.25**	**(0.12)**	**(0.13)**	**0.02**	**0.03**	0.11	–	(0.06)	(0.01)	0.04	0.01
Foreign currency translation and other company level activities	**–**	**0.01**	**0.01**	**–**	**0.01**	–	–	–	–	–	(0.02)
Adjusting items Continuing Operations	**$ (0.55)**	**$ (2.13)**	**$ (3.02)**	**$ 3.42**	**$ (2.39)**	$ 2.01	$ 1.06	$ 0.85	$ (0.48)	$ 3.48	$ 0.52
Adjusted Continuing Operations	**$ 1.90**	**$ 2.23**	**$ 3.12**	**$ 2.59**	**$ 9.81**	$ 1.60	$ 1.80	$ 2.43	$ 2.32	$ 8.14	$ 6.44
Diluted weighted common shares (in millions)	**147.3**	**146.3**	**144.1**	**141.3**	**144.8**	152.1	151.8	149.7	147.6	150.2	153.5

(i) Net of income taxes and non-controlling interests, as applicable.

14. Forward-Looking Statements

This Annual Report, including this MD&A, 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 Annual Report 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 IT systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 8, "Enterprise Risks and Risk Management", Section 12, "Outlook", and Section 13, "Non-GAAP Financial Measures" of this MD&A. 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 "Enterprise Risks and Risk Management" of the Company's 2022 Annual Report and the Company's AIF for the year ended December 31, 2022. Such risks and uncertainties include:

- changes in economic conditions, including inflation, 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;
- failure to attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- 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;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- 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;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- failure by Choice Properties to realize the anticipated benefits associated with its strategic priorities and major initiatives, including failure to develop quality assets and effectively manage development, redevelopment, and renovation initiatives and the timelines and costs related to such initiatives;
- 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 adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- 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 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;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business and located in both advanced and developing markets; and
- the inability of the Company to effectively develop and execute its strategy.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 2022. 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 MD&A. 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.

15. Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

This Annual Report includes selected information on Loblaw, a public company with shares trading on the TSX. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw on SEDAR from time to time. These filings are also maintained on Loblaw’s website at www.loblaw.ca.

This Annual Report also includes selected information on Choice Properties, a public real estate investment trust with units trading on the TSX. For information regarding Choice Properties, readers should also refer to the materials filed by Choice Properties on SEDAR from time to time. These filings are also maintained on Choice Properties’ website at www.choicereit.ca.

Toronto, Canada
February 28, 2023

Financial Results

Management's Statement of Responsibility for Financial Reporting

Management of George Weston Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. It also includes ensuring that the financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal controls over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis.

PricewaterhouseCoopers LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are independent, are responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with senior and financial management, internal auditors and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the Annual Report based on the review and recommendation of the Audit Committee.

[signed]
Galen G. Weston
Chairman and
Chief Executive Officer

[signed]
Richard Dufresne
President and
Chief Financial Officer

Toronto, Canada
February 28, 2023

Independent Auditor's Report

To the Shareholders of George Weston Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of George Weston Limited and its subsidiaries (together, the Company) as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:
- the consolidated statement of earnings for the year ended December 31, 2022;
- the consolidated statement of comprehensive income for the year ended December 31, 2022;
- the consolidated balance sheet as at December 31, 2022;
- the consolidated statement of changes in equity for the year ended December 31, 2022;
- the consolidated statement of cash flows for the year ended December 31, 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of fixed assets and right-of-use assets for retail locations

Refer to note 2 – Significant Accounting Policies, note 3 – Critical Accounting Estimates and Judgments, note 16 – Fixed Assets and note 30 – Leases to the consolidated financial statements.

As at December 31, 2022, the Company had fixed assets of $11,130 million and right-of-use assets of $4,208 million. At each balance sheet date, management reviews the carrying amounts of its fixed assets and right-of-use assets at the Cash Generating Unit (CGU) level to determine whether there is any indication of impairment. Judgment is used to determine whether an indication of impairment exists; if any such indication exists, the CGU is then tested for impairment. In applying this judgment, management considers profitability of the CGU and other qualitative factors. Management determined that each retail location is a separate CGU for purposes of fixed asset and right-of-use asset impairment testing. The fixed assets and right-of-use assets related to the retail location CGUs represent a significant portion of the Company's fixed assets and right-of-use assets.

Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. An impairment loss is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount.

The recoverable amount of each CGU is the higher of its value in use and its fair value less costs to sell (FVLCTS). Value in use is based on the estimated future cash flows from the CGU discounted to their present value using a pre-tax discount rate (discounted cash flow model). The FVLCTS reflects the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

Assumptions utilized by management to determine the recoverable amount based on value in use include discount rates, projected future sales and earnings. Assumptions utilized by management to determine the recoverable amount based on FVLCTS include market rental rates, discount rates and capitalization rates.

For the year ended December 31, 2022, the Company recorded $21 million of impairment losses on fixed assets and $8 million of impairment losses on right-of-use assets in respect of 15 retail location CGUs.

We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment and developing the assumptions to determine the recoverable amounts of the retail location CGUs. This resulted in significant audit effort and subjectivity in performing procedures to assess the indications of impairment and to test the recoverable amounts of the retail location CGUs. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated management's assessment of indications of impairment, which included the following:
  - Assessed the reasonableness of the profitability of the CGUs on a sample basis by considering the actual historical performance of the CGUs.
  - Assessed other qualitative factors by considering evidence obtained in other areas of the audit.
  - Tested the underlying data used in the indications of impairment assessment on a sample basis by tracing to supporting documentation and testing the mathematical accuracy.
  - Performed a sensitivity analysis over indications of impairment.
- Tested how management determined the recoverable amounts for a sample of retail location CGUs that had indications of impairment, which included the following:
  - Evaluated the appropriateness of the methods used by management.
  - Tested underlying data used in the recoverable amount calculations and tested the mathematical accuracy.
  - Evaluated the reasonableness of the projected future sales and earnings used in the discounted cash flow models by (i) comparing to actual historical sales and earnings generated by the retail location CGUs; and (ii) considering management's budget and strategic plans.
  - Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rates, the market rental rates and capitalization rates.
- Tested the disclosures made in the consolidated financial statements with regards to the impairment assessments of the retail location CGUs.

Valuation of customer relationships and brands acquired in the Lifemark Health Group business combination

Refer to note 2 – Significant Accounting Policies, note 3 – Critical Accounting Estimates and Judgments and note 6 – Business Acquisitions to the consolidated financial statements.

The Company acquired Lifemark Health Group ("Lifemark") for a total consideration of $829 million during 2022. The fair value of the identifiable assets acquired included $564 million of intangible assets, which included customer relationships and brands. Management applied significant judgment in estimating the fair value of the customer relationships and brands. Management used the multi-period excess earnings method to fair value customer relationships and the royalty relief method to fair value brands using discounted cash flow models. Management developed assumptions which included revenue and gross margin forecasts, royalty rate and discount rates.

We considered this a key audit matter due to the significant judgment by management in estimating the fair value of the customer relationships and brands, including the development of assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management estimated the fair value of the acquired customer relationships and brands, which included the following:
  - Read the purchase agreement.
  - Tested the underlying data used by management in the multi-period excess earnings and royalty relief discounted cash flow models.
  - Evaluated the reasonableness of the revenue and gross margin forecasts by considering the past performance of Lifemark, as well as economic and industry data.
  - Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of the multi-period excess earnings and royalty relief methods, as well as the reasonableness of certain assumptions such as the royalty rate and discount rates.
  - Tested the mathematical accuracy of the discounted cash flow models.

Valuation of investment properties

Refer to note 2 – Significant Accounting Policies, note 3 – Critical Accounting Estimates and Judgments and note 17 – Investment Properties to the consolidated financial statements.

The Company measures its income producing properties at fair value and, as at December 31, 2022, these assets were valued at $4,981 million. The fair values of these assets are prepared by the Company's internal valuations team and reviewed by management. As part of management's internal valuation program, the Company considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Company's portfolio. Income producing properties are valued primarily using the discounted cash flow method. The assumptions under this method include the discount rates and terminal capitalization rates applicable to those assets.

We considered this a key audit matter due to: i) significant audit effort required to assess the fair values of income producing properties; ii) critical judgments by management when determining the fair values of the income producing properties including the development of the assumptions; and iii) a high degree of complexity in assessing audit evidence related to the assumptions developed by management. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of real estate valuations.

Our approach to addressing the matter included the following procedures, among others:

- Developed a point estimate of the fair value of each individual income producing property using external market data and compared each independent point estimate to management's estimate of each property to evaluate the reasonableness of management's estimate.
- For the individual estimates that fell outside of the expected range established from the point estimate, we tested how management determined the fair value estimate of the income producing property which included the following:
  - Evaluated the appropriateness of the valuation methodology used.
  - Evaluated the reasonableness of the discount rates and terminal capitalization rates by comparing to externally available market data. For certain properties, professionals with specialized skill and knowledge in the field of real estate valuations assisted in evaluating the reasonableness of the discount rates and terminal capitalization rates.
  - Tested the underlying data used in the discounted cash flow method.

Independent Auditor’s Report

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 1, 2022.

Other information

Management is responsible for the other information. The other information comprises the Management’s Discussion and Analysis and the information, other than the consolidated financial statements and our auditor’s report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Anita McOuat.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 28, 2023

Consolidated Statements of Earnings

For the years ended December 31 (millions of Canadian dollars except where otherwise indicated)	2022	2021
Revenue	**$ 57,048**	$ 53,748
Operating Expenses		
Cost of inventories sold (note 14)	**38,528**	36,435
Selling, general and administrative expenses	**13,967**	13,286
	52,495	49,721
Operating Income	**4,553**	4,027
Net Interest Expense and Other Financing Charges (note 8)	**913**	1,650
Earnings Before Income Taxes	**3,640**	2,377
Income Taxes (note 9)	**831**	630
Net Earnings from Continuing Operations	**2,809**	1,747
Net Loss from Discontinued Operations (note 7)	**(6)**	(322)
Net Earnings	**2,803**	1,425
Attributable to:		
Shareholders of the Company (note 10)	**1,816**	431
Non-Controlling Interests	**987**	994
Net Earnings	**$ 2,803**	$ 1,425
Net Earnings (Loss) per Common Share - Basic ($) (note 10)	**$ 12.29**	$ 2.59
Continuing Operations	**$ 12.33**	$ 4.73
Discontinued Operations	**$ (0.04)**	$ (2.14)
Net Earnings (Loss) per Common Share - Diluted ($) (note 10)	**$ 12.16**	$ 2.52
Continuing Operations	**$ 12.20**	$ 4.66
Discontinued Operations	**$ (0.04)**	$ (2.14)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (millions of Canadian dollars)	2022	2021
Net Earnings from Continuing Operations	**$ 2,809**	$ 1,747
Other comprehensive income (loss), net of taxes		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment (note 31)	**3**	3
Gains on cash flow hedges (note 31)	**26**	9
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial (losses) gains (note 27)	**(236)**	293
Adjustment to fair value of investment properties	**91**	50
Other comprehensive (loss) income from continuing operations	**(116)**	355
Comprehensive Income from Continuing Operations	**2,693**	2,102
Net Loss from Discontinued Operations (note 7)	**(6)**	(322)
Other comprehensive loss from discontinued operations	**–**	(130)
Comprehensive Loss from Discontinued Operations	**(6)**	(452)
Total Comprehensive Income	**2,687**	1,650
Attributable to:		
Shareholders of the Company	**1,799**	521
Non-Controlling Interests	**888**	1,129
Total Comprehensive Income	**$ 2,687**	$ 1,650

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31 (millions of Canadian dollars)	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (note 11)	**$ 2,313**	$ 2,984
Short-term investments (note 11)	**503**	879
Accounts receivable (note 12)	**1,273**	1,010
Credit card receivables (note 13)	**3,954**	3,443
Income taxes recoverable	**–**	301
Inventories (note 14)	**5,855**	5,166
Prepaid expenses and other assets	**675**	348
Assets held for sale (note 15)	**80**	91
Total Current Assets	**14,653**	14,222
Fixed Assets (note 16)	**11,130**	10,782
Right-of-Use Assets (note 30)	**4,208**	4,059
Investment Properties (note 17)	**5,144**	5,344
Equity Accounted Joint Ventures (note 18)	**996**	564
Intangible Assets (note 19)	**6,527**	6,430
Goodwill (note 20)	**4,853**	4,479
Deferred Income Taxes (note 9)	**98**	113
Security Deposits (note 11)	**36**	75
Other Assets (note 21)	**1,313**	1,015
Total Assets	**$ 48,958**	$ 47,083
LIABILITIES		
Current Liabilities		
Bank indebtedness (note 34)	**$ 8**	$ 52
Trade payables and other liabilities	**6,730**	5,923
Loyalty liability	**180**	190
Provisions (note 22)	**116**	119
Income taxes payable	**246**	269
Demand deposits from customers	**125**	75
Short-term debt (note 13)	**700**	450
Long-term debt due within one year (note 23)	**1,383**	1,520
Lease liabilities due within one year (note 30)	**835**	742
Associate interest	**434**	433
Total Current Liabilities	**10,757**	9,773
Provisions (note 22)	**84**	90
Long-Term Debt (note 23)	**13,401**	12,490
Lease Liabilities (note 30)	**4,323**	4,242
Trust Unit Liability (note 31)	**4,112**	4,209
Deferred Income Taxes (note 9)	**2,007**	2,003
Other Liabilities (note 24)	**1,094**	1,139
Total Liabilities	**35,778**	33,946
EQUITY		
Share Capital (note 25)	**3,433**	3,529
Retained Earnings	**5,075**	4,808
Contributed Surplus	**(1,864)**	(1,462)
Accumulated Other Comprehensive Income	**197**	84
Total Equity Attributable to Shareholders of the Company	**6,841**	6,959
Non-Controlling Interests	**6,339**	6,178
Total Equity	**13,180**	13,137
Total Liabilities and Equity	**$ 48,958**	$ 47,083

Contingent liabilities (note 33). Subsequent events (note 37).

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2021	$ 2,712	$ 817	**$ 3,529**	**$ 4,808**	**$ (1,462)**	$ 25	$ (14)	$ 73	**$ 84**	**$ 6,178**	**$ 13,137**
Net earnings	–	–	**–**	**1,816**	**–**	–	–	–	**–**	**987**	**2,803**
Other comprehensive income (loss)(i)	–	–	**–**	**(130)**	**–**	3	19	91	**113**	**(99)**	**(116)**
Comprehensive income (loss)	$ –	$ –	**$ –**	**$ 1,686**	**$ –**	$ 3	$ 19	$ 91	**$ 113**	**$ 888**	**$ 2,687**
Effect of equity-based compensation (notes 25 & 28)	41	–	**41**	**(1)**	**4**	–	–	–	**–**	**3**	**47**
Shares purchased and cancelled (note 25)	(136)	–	**(136)**	**(1,002)**	**–**	–	–	–	**–**	**–**	**(1,138)**
Net effect of shares held in trusts (notes 25 & 28)	(1)	–	**(1)**	**(2)**	**–**	–	–	–	**–**	**–**	**(3)**
Loblaw capital transactions and dividends	–	–	**–**	**–**	**(406)**	–	–	–	**–**	**(730)**	**(1,136)**
Dividends declared											
Per common share ($) (note 25)											
– $2.58	–	–	**–**	**(371)**	**–**	–	–	–	**–**	**–**	**(371)**
Per preferred share ($) (note 25)											
– Series I – $1.45	–	–	**–**	**(13)**	**–**	–	–	–	**–**	**–**	**(13)**
– Series III – $1.30	–	–	**–**	**(10)**	**–**	–	–	–	**–**	**–**	**(10)**
– Series IV – $1.30	–	–	**–**	**(10)**	**–**	–	–	–	**–**	**–**	**(10)**
– Series V – $1.1875	–	–	**–**	**(10)**	**–**	–	–	–	**–**	**–**	**(10)**
	$ (96)	$ –	**$ (96)**	**$ (1,419)**	**$ (402)**	$ –	$ –	$ –	**$ –**	**$ (727)**	**$ (2,644)**
Balance as at Dec. 31, 2022	$ 2,616	$ 817	**$ 3,433**	**$ 5,075**	**$ (1,864)**	$ 28	$ 5	$ 164	**$ 197**	**$ 6,339**	**$ 13,180**

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2020	$ 2,782	$ 817	**$ 3,599**	**$ 5,226**	**$ (1,180)**	$ 153	$ (22)	$ 35	**$ 166**	**$ 5,607**	**$ 13,418**
Net earnings	–	–	**–**	**431**	**–**	–	–	–	**–**	**994**	**1,425**
Other comprehensive income (loss)(i)	–	–	**–**	**160**	**–**	(128)	8	50	**(70)**	**135**	**225**
Comprehensive income (loss)	$ –	$ –	**$ –**	**$ 591**	**$ –**	$ (128)	$ 8	$ 50	**$ (70)**	**$ 1,129**	**$ 1,650**
Effect of equity-based compensation (notes 25 & 28)	36	–	**36**	**–**	**6**	–	–	–	**–**	**3**	**45**
Shares purchased and cancelled (note 25)	(108)	–	**(108)**	**(642)**	**–**	–	–	–	**–**	**–**	**(750)**
Net effect of shares held in trusts (notes 25 & 28)	2	–	**2**	**9**	**–**	–	–	–	**–**	**–**	**11**
Loblaw capital transactions and dividends	–	–	**–**	**–**	**(288)**	–	–	–	**–**	**(561)**	**(849)**
Transfer of remeasurement gain on sale of investment properties	–	–	**–**	**12**		–	–	(12)	**(12)**	**–**	**–**
Dividends declared											
Per common share ($) (note 25)											
– $2.30	–	–	**–**	**(345)**	**–**	–	–	–	**–**	**–**	**(345)**
Per preferred share ($) (note 25)								–			
– Series I – $1.45	–	–	**–**	**(13)**	**–**	–	–		**–**	**–**	**(13)**
– Series III – $1.30	–	–	**–**	**(10)**	**–**	–	–	–	**–**	**–**	**(10)**
– Series IV – $1.30	–	–	**–**	**(10)**	**–**	–	–	–	**–**	**–**	**(10)**
– Series V – $1.1875	–	–	**–**	**(10)**	**–**	–	–	–	**–**	**–**	**(10)**
	$ (70)	$ –	**$ (70)**	**$ (1,009)**	**$ (282)**	$ –	$ –	$ (12)	**$ (12)**	**$ (558)**	**$ (1,931)**
Balance as at Dec. 31, 2021	$ 2,712	$ 817	**$ 3,529**	**$ 4,808**	**$ (1,462)**	$ 25	$ (14)	$ 73	**$ 84**	**$ 6,178**	**$ 13,137**

(i) Other comprehensive income (loss) includes an actuarial loss of $236 million (2021 – gain of $293 million), of which $130 million (2021 – gain of $160 million) is presented in retained earnings, and $106 million (2021 – gain of $133 million) in non-controlling interests. Also included in non-controlling interests was a nominal gain on foreign currency translation adjustments (2021 – gain of $1 million) and a gain of $7 million on cash flow hedges (2021 – gain of $1 million).

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (millions of Canadian dollars)	2022	2021[(i)]
Operating Activities		
Net earnings	**$ 2,803**	$ 1,425
Add (deduct):		
Net interest expense and other financing charges (note 8)	**913**	1,651
Income taxes (note 9)	**831**	629
Depreciation and amortization	**2,407**	2,419
Loss on sale of discontinued operations, after income taxes (note 7)	**6**	317
Asset impairments, net of recoveries	**30**	25
Adjustment to fair value of investment properties and assets held for sale (notes 15 & 17)	**(734)**	(325)
Adjustment to fair value of investment in real estate securities (note 31)	**248**	–
Change in allowance for credit card receivables (note 13)	**1**	(32)
Change in provisions (note 22)	**(9)**	10
Change in gross credit card receivables (note 13)	**(512)**	(302)
Change in non-cash working capital	**(580)**	25
Income taxes paid	**(592)**	(706)
Interest received	**63**	18
Interest received from finance leases (note 30)	**3**	3
Other	**(1)**	(38)
Cash Flows from Operating Activities	**4,877**	5,119
Investing Activities		
Fixed asset and investment properties purchases (notes 16 & 17)	**(1,474)**	(1,056)
Intangible asset additions (note 19)	**(419)**	(400)
Acquisition of Lifemark, net of cash acquired (note 6)	**(813)**	–
Proceeds from disposal of assets	**239**	334
Net consideration from disposal of discontinued operations (note 7)	**–**	1,207
Lease payments received from finance leases	**12**	10
Proceeds from sale (purchase) of short-term investments (note 11)	**376**	(272)
Release of security deposits (note 11)	**41**	–
Purchase of long-term securities (note 21)	**(180)**	–
(Advances) repayments of mortgages, notes and loans receivable (note 21)	**(134)**	(12)
Other	**(188)**	(102)
Cash Flows used in Investing Activities	**(2,540)**	(291)
Financing Activities		
Decrease in bank indebtedness (note 34)	**(44)**	(34)
Increase (decrease) in short-term debt	**250**	(101)
Change in demand deposits from customers	**50**	51
Change in other financing (note 24)	**4**	(2)
Interest paid	**(818)**	(853)
Settlement of net debt associated with equity forward sale agreement (note 23)	**–**	(790)
Long-term debt – Issued (note 23)	**2,609**	1,440
– Repayments (note 23)	**(1,817)**	(1,408)
Cash rent paid on lease liabilities – Interest (notes 8 & 30)	**(185)**	(191)
Cash rent paid on lease liabilities – Principal (note 30)	**(576)**	(620)
Share capital – Issued (notes 25 & 28)	**36**	32
– Purchased and held in trusts (note 25)	**(14)**	–
– Purchased and cancelled (note 25)	**(994)**	(744)
Loblaw common share capital – Issued (note 28)	**88**	102
– Purchased and held in trusts	**(138)**	(50)
– Purchased and cancelled	**(700)**	(637)
Dividends – To common shareholders	**(367)**	(342)
– To preferred shareholders	**(44)**	(44)
– To non-controlling interests	**(256)**	(235)
Other	**(95)**	–
Cash Flows used in Financing Activities	**(3,011)**	(4,426)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**3**	1
Change in Cash and Cash Equivalents	**(671)**	403
Cash and Cash Equivalents, Beginning of Year	**2,984**	2,581
Cash and Cash Equivalents, End of Year	**$ 2,313**	$ 2,984

(i) Certain comparative figures have been restated to conform with current year presentation.
See accompanying notes to the consolidated financial statements.
See note 7. Discontinued Operations for additional cash flow information.

Notes to the Consolidated Financial Statements

Note 1. Nature and Description of the Reporting Entity

George Weston Limited ("GWL" or the "Company") is a Canadian public company incorporated in 1928, with its registered office located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. The Company's parent is Wittington Investments, Limited ("Wittington").

The Company operates through its two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Choice Properties Real Estate Investment Trust ("Choice Properties"). Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as interest expense, corporate activities and administrative costs are included in Other and Intersegment.

Loblaw has two reportable operating segments, retail and financial services. Loblaw's retail segment consists primarily of food retail and drug retail. Loblaw provides Canadians with grocery, pharmacy and healthcare services, health and beauty products, apparel, general merchandise and financial services.

Choice Properties owns, manages and develops a high-quality portfolio of commercial and residential properties across Canada.

In December 2021, the Company completed the sale of the Weston Foods bakery business. Refer to note 7, "Discontinued Operations" for details.

Note 2. Significant Accounting Policies

STATEMENT OF COMPLIANCE The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on February 28, 2023.

BASIS OF PREPARATION The consolidated financial statements were prepared on a historical cost basis except for the following items that were measured at fair value:

- investment properties as described in note 17;
- defined benefit pension plan assets with the obligations related to these pension plans measured at their discounted present value as described in note 27;
- amounts recognized for cash-settled equity-based compensation arrangements as described in note 28; and
- certain financial instruments as described in note 31.

The significant accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented.

The consolidated financial statements are presented in Canadian dollars.

FISCAL YEAR The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2022 and December 31, 2021 contained 52 weeks.

BASIS OF CONSOLIDATION The consolidated financial statements include the accounts of GWL and other entities that the Company controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company assesses control on an ongoing basis. The Company's interest in the voting share capital of its subsidiaries is 100%, except for Loblaw and Choice Properties (see note 5).

Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management and that results in the Company receiving the majority of the benefits related to the structured entities' operations and net assets, being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the consolidated financial statements and represent the non-controlling shareholders' portion of the net assets and net earnings of Loblaw. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in GWL's ownership interest in its subsidiaries are accounted for as equity transactions.

Choice Properties' Trust Units held by non-controlling interests are presented as a liability as the Trust Units are redeemable for cash at the option of the holder, subject to certain restrictions.

Loblaw consolidates the Associates as well as the franchisees of its food retail stores that are subject to a simplified franchise agreement implemented in 2015 ("Franchise Agreement"). An "Associate" is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using Loblaw's trademarks. The consolidation of Associates and franchisees is based on the concept of control, for accounting purposes, which was determined to exist through the agreements that govern the relationships between Loblaw and the Associates and franchisees. Loblaw does not have any direct or indirect shareholdings in the corporations that operate the Associates. Associate interest reflects the investment the Associates have in the net assets of their businesses. Under the terms of the Associate Agreements, Shoppers Drug Mart Inc. (or an affiliate thereof) agrees to purchase the assets that the Associates use in store operations, primarily at the carrying value to the Associate, when Associate Agreements are terminated by either party. The Associates' corporations and the franchisees remain separate legal entities.

BUSINESS COMBINATIONS Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Company. The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

ASSETS HELD FOR SALE Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as assets held for sale, the sale must be highly probable, assets must be available for immediate sale in their present condition and management must be committed to a plan to sell assets that should be expected to close within one year from the date of classification. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy. Assets that were previously classified as investment properties are measured using the fair value model consistent with properties classified as investment properties.

DISCONTINUED OPERATIONS A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographic areas of operations; or is a subsidiary acquired exclusively with a view to resale. Classification as discontinued operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale or distribution.

When an operation is classified as a discontinued operation, the comparative statements of earnings and comprehensive income are re-presented as if the operation has been discontinued from the start of the comparative year.

The Company's discontinued operations are excluded from the results of continuing operations and are presented as a single amount, after income taxes, as net earnings from discontinued operations in the consolidated statements of earnings. The consolidated statements of cash flows include cash flows of the discontinued operations, and has not been restated to reflect discontinued operations. The details of the cash flows from discontinued operations are presented in the notes to the financial statements. The consolidated balance sheets have not been restated to reflect discontinued operations.

NET EARNINGS PER COMMON SHARE ("EPS") Basic EPS is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of common shares outstanding for the effects of all potential dilutive instruments.

REVENUE RECOGNITION The Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, including variable consideration to the extent that it is highly probable that a significant reversal will not occur.

Loblaw Retail Revenue includes the sale of goods and services to customers through corporate, franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies, health care services and other health and beauty products, apparel and other general merchandise. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of estimated returns and sales incentives. The Company recognizes revenue made through corporate, franchise and Associate stores at the time the point of sale is made or when service is delivered to the customers. The Company recognizes revenue made through independent wholesale customers at the time of delivery of inventory and when administrative and management services are rendered.

Customer loyalty awards are accounted for as a separate performance obligation of the sales transaction in which they are granted. The Company defers revenue at the time the award is earned by loyalty program members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The deferred revenue is recognized when redemptions occur.

For certain sale of goods in which the Company earns commissions, including but not limited to lottery and third party gift cards, the Company records net revenue as an agent on the basis that the Company does not control pricing or bear inventory risk.

Loblaw Financial Services Revenue includes interest income on credit card loans, credit card service fees, commissions, and other revenue related to financial services. Interest income is recognized using the effective interest method. Credit card service fees are recognized when services are rendered. Commission revenue is recorded on a net basis. Other revenue is recognized periodically or according to contractual provisions.

Choice Properties Revenue includes rental revenue on base rents earned from tenants under lease agreements, realty tax and operating cost recoveries and other incidental income, including intersegment revenue earned from Loblaw's Retail segment. The rental revenue is recognized on a straight-line basis over the terms of the respective leases. Property tax and operating cost recoveries are recognized in the period that recoverable costs are chargeable to tenants. Percentage participation rents are recognized when tenants' specified sales targets have been met as set out in the lease agreements.

INCOME TAXES Current and deferred taxes are recognized in the consolidated statements of earnings, except for current and deferred taxes related to a business combination, or amounts charged directly to equity or other comprehensive income, which are recognized in the consolidated balance sheets.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting on temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for temporary differences as well as unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Choice Properties qualifies as a "mutual fund trust" and a real estate investment trust ("REIT") under the Income Tax Act (Canada). Certain legislation relating to the federal income taxation of Specified Investment Flow Through trusts or partnerships ("SIFT") provides that certain distributions from a SIFT will not be deductible in computing the SIFT's taxable income and that the SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

Under the SIFT rules, the taxation regime will not apply to a REIT that meets prescribed conditions relating to the nature of its assets and revenue (the "REIT Conditions") and distributions may be deducted against the REIT's taxable income. Choice Properties has reviewed the SIFT rules and has assessed its interpretation and application to Choice Properties' assets and revenue and has determined that it meets the REIT Conditions. The Trustees intend to annually distribute all taxable income directly earned by Choice Properties to Unitholders and to deduct such distributions for income tax purposes and, accordingly, no net current income tax expense or deferred income tax assets or liabilities have been recorded in the consolidated financial statements of Choice Properties related to its Canadian investment properties.

Choice Properties also consolidates certain taxable entities in Canada for which current and deferred income taxes are recorded. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

CASH EQUIVALENTS Cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less from the date of acquisition.

SHORT-TERM INVESTMENTS Short-term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States government securities and notes of other creditworthy parties, with an original term to maturity of more than 90 days and remaining term to maturity of less than one year from the date of acquisition.

SECURITY DEPOSITS Security deposits consist of cash and cash equivalents and short-term investments. Security deposits also include amounts which are required to be placed with counterparties as collateral to enter into and maintain certain outstanding letters of credit and certain financial derivative contracts.

ACCOUNTS RECEIVABLE Accounts receivable consists primarily of receivables from government and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors, and are recorded net of allowances.

CREDIT CARD RECEIVABLES Loblaw, through President's Choice Bank ("PC Bank"), a wholly-owned subsidiary of Loblaw, has credit card receivables that are stated net of an allowance. Interest income is recorded in revenue and interest expense is recorded in net interest expense and other financing charges using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the credit card receivable (or, where appropriate, a shorter period) to the carrying amount. When calculating the effective interest rate, Loblaw estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired credit card receivables, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The Company applies the expected credit loss ("ECL") model to assess impairment on its credit card receivables at each balance sheet date. Credit card receivables are assessed collectively for impairment by applying the three-stage approach. Refer to the Impairment of Financial Assets policy for details of each stage. The application of the ECL model requires PC Bank to apply significant judgments, assumptions and estimations (see note 3).

Impairment losses and reversals are recorded in selling, general and administrative expenses ("SG&A") in the consolidated statements of earnings with the carrying amount of the credit card receivables adjusted through the use of allowance accounts.

Loblaw, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank maintains and monitors co-ownership interest in credit card receivables with independent securitization trusts, in accordance with its financing requirements. PC Bank is required to absorb a portion of the related credit losses. As a result, Loblaw has not transferred all of the risks and rewards related to these assets and continues to recognize these assets in credit card receivables. The transferred receivables are accounted for as financing transactions. The associated liabilities secured by these assets are included in either short-term debt or long-term debt based on their characteristics and are carried at amortized cost. Loblaw provides a standby letter of credit for the benefit of the independent securitization trusts.

Eagle Credit Card Trust® PC Bank participates in a single seller revolving co-ownership securitization program with ***Eagle Credit Card Trust***® ***("Eagle")*** and continues to service the credit card receivables on behalf of ***Eagle***, but does not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. Loblaw consolidates ***Eagle*** as a structured entity.

Other Independent Securitization Trusts The Other Independent Securitization Trusts administer multi-seller, multi-asset securitization programs that acquire assets from various participants, including credit card receivables from PC Bank. These trusts are managed by major Canadian chartered banks. PC Bank does not control the trusts through voting interests and does not exercise any control over the trusts' management, administration or assets. The activities of these trusts are conducted on behalf of the participants and each trust is a conduit through which funds are raised to purchase assets through the issuance of senior and subordinated short-term and medium-term asset backed notes. These trusts are unconsolidated structured entities.

INVENTORIES The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. Inventories are measured at weighted average cost.

Loblaw estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

VENDOR ALLOWANCES The Company receives allowances from certain of its vendors whose products it purchases. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. Allowances received from a vendor are a reduction in the cost of the vendor's products and services, and are recognized as a reduction in the cost of sales and the related inventory in the consolidated statements of earnings and the consolidated balance sheets, respectively, when it is probable that they will be received and the amount of the allowance can be reliably estimated. Amounts received but not yet earned are presented in other liabilities as deferred vendor allowances. Certain exceptions apply if the consideration is a payment for goods or services delivered to the vendor or for direct reimbursement of selling costs incurred to promote goods. The consideration is then recognized as a reduction of the cost incurred in the consolidated statements of earnings.

FIXED ASSETS Fixed assets are recognized and subsequently measured at cost less accumulated depreciation and any net accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, including costs incurred to prepare the asset for its intended use and capitalized borrowing costs. The commencement date for capitalization of costs occurs when the Company first incurs expenditures for the qualifying assets and undertakes the required activities to prepare the assets for their intended use.

Borrowing costs directly attributable to the acquisition, construction or production of fixed assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalized to the cost of those fixed assets, based on a quarterly weighted average cost of borrowing. All other borrowing costs are expensed as incurred and recognized in net interest expense and other financing charges.

The cost of replacing a fixed asset component is recognized in the carrying amount if it is probable that the future economic benefits embodied within the component will flow to the Company and the cost can be measured reliably. The carrying amount of the replaced component is derecognized. The cost of repairs and maintenance of fixed assets is expensed as incurred and recognized in SG&A.

Gains and losses on disposal of fixed assets are determined by comparing the fair value of proceeds from disposal with the net book value of the assets and are recognized net in operating income. For transactions in which the sale of a fixed asset satisfies the requirements of performance obligation under IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), and the asset is leased back by the Company, the Company recognizes, in operating income, only the amount of gains or losses that relate to the rights transferred to the purchaser.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual value when the assets are available for use. When significant parts of a fixed asset have different useful lives, they are accounted for as separate components and depreciated separately. Depreciation methods, useful lives and residual values are reviewed annually and are adjusted for prospectively, if appropriate. Estimated useful lives are as follows:

Buildings	10 to 40 years
Equipment and fixtures	2 to 10 years
Building improvements	up to 10 years
Leasehold improvements	Lesser of term of the lease and useful life up to 25 years[(i)]

(i) If it is reasonably certain that the Company will obtain ownership of the leased asset by the end of the lease term, the associated leasehold improvements are depreciated over the useful life of the asset on the same basis as owned assets.

Fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

LEASES

As a Lessee At inception of a contract, the Company determines whether a contract is or contains a lease. A contract is or contains a lease if the contract gives the Company the right to control the use of an identified asset for the duration of the lease term in exchange for consideration. When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable supplier prices for a similar asset and/or service.

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. Lease payments for assets that are exempt through the short-term or low-value exemptions and variable payments not based on an index or rate are recognized in cost of sales and SG&A expenses on the most systematic basis.

The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in management's assessment of whether it will exercise a renewal or termination option or a change in future lease payments due to a change in index or rate. Right-of-use assets are adjusted by the same remeasurement amount.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the Company applies the cost model with the exception of the fair value model application to right-of-use assets that meet the definition of investment properties. Right-of-use assets are measured at cost less accumulated depreciation, net accumulated impairment losses, and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the earlier of the assets' useful lives or the end of the lease terms. Right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rates. Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15 to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale in accordance with IFRS 15, the Company will measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. If the transfer of the asset is not a sale in accordance with IFRS 15, the Company will continue to account for the asset under IAS 16, "Property, Plant and Equipment" and recognize the proceeds received as financial liabilities.

As a Lessor At the date the Company makes the underlying leased asset available for use to the lessee, the Company classifies each lease as either an operating lease or a finance lease. A lease is a finance lease if it transfers substantially all the risks and rewards of the underlying asset to the lessee; otherwise, the lease is an operating lease. Rental income from operating leases is recognized on a straight-line basis over the lease term. Rental income from finance leases is recognized on a systematic basis that reflects the Company's rate of return on the net investment in the leased asset.

When the Company is an intermediate lessor, it will assess the sublease classification by reference to the right-of-use asset. The Company considers factors such as whether the sublease term covers a major portion of the head lease term.

INVESTMENT PROPERTIES Investment properties include income producing properties and properties under development that are owned by the Company and held to either earn rental income, capital appreciation, or both. The Company's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties. Land and buildings leased to franchisees are not accounted for as investment properties as these properties are related to the Company's operating activities.

Income producing properties are measured using the fair value model. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Under the discounted cash flow methodology, discount rates are applied to the future cash flows over the holding period, generally over a minimum term of ten years, including a terminal value of the investment properties based on a terminal capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

When a property changes from own use to investment property, the property is remeasured to fair value. Any gain arising from the remeasurement is recognized in operating income to the extent that it reverses a previous impairment loss on that property, with any remaining gain recognized in other comprehensive income. Any loss on remeasurement is recognized in operating income. All subsequent changes in fair value of the property are recognized in operating income. Upon sale of an investment property that was previously classified as fixed assets, amounts included in the revaluation reserve are transferred to retained earnings.

When an investment property carried at fair value changes to own use, the property is recognized in fixed assets at the fair value at the date of change in use. The property is subsequently accounted for under the significant accounting policy for fixed assets.

Properties under development include specifically identifiable costs incurred in the period before construction is complete, and are transferred to income producing properties at their fair value upon practical completion.

JOINT ARRANGEMENTS The Company, through Choice Properties, owns investments under joint arrangements. Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on Choice Properties' rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Joint Ventures A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Company's investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize Choice Properties' share of the profit or loss and other comprehensive income or loss of the joint venture. The Company's share of the joint venture's profit or loss is recognized in the Company's operating income and other comprehensive income.

A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on the future cash flows of the joint venture that can be reliably estimated.

Joint Operations A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The financial statements of the joint operations are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's. The Company recognizes its proportionate share of assets, liabilities, revenues and expenses of the joint operations.

INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD Investments accounted for under the equity method represent an investment in an entity ("investee") in which the Company has significant influence, but not control, over the financial and operating policies. The investment is initially recognized in the consolidated balance sheets at cost, which includes transaction costs. Subsequent to the initial recognition, the investment is adjusted to recognize the Company's share of the profit or loss and other comprehensive income of the investee, until the date on which significant influence ceases. The Company's share of the investee's profit or loss is recognized in SG&A. An investment is considered to be impaired if there is objective evidence of impairments, as a result of one or more events that occurred after the initial recognition, and those events have negative impacts on the future cash flows of the investee that can be reliably estimated. The investment is reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

GOODWILL Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired as described in the Impairment of Non-Financial Assets policy.

INTANGIBLE ASSETS Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from three to 30 years, and are tested for impairment as described in the Impairment of Non-Financial Assets policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually and are adjusted for prospectively, if appropriate. Amortization expense for intangible assets is recognized in SG&A expenses.

Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the Impairment of Non-Financial Assets policy.

IMPAIRMENT OF NON-FINANCIAL ASSETS At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets at the cash generating unit level ("CGU"), other than inventories, deferred tax assets and investment properties, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purpose of impairment testing, assets, including right-of-use assets, are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a CGU. Loblaw has determined that each retail location is a separate CGU for purposes of impairment testing.

Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the business combination from which the goodwill arose.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping discounted to their present value using a pre-tax discount rate in a discounted cash flow model that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. If the CGU or CGU grouping includes right-of-use assets in its carrying amount, the pre-tax discount rate reflects the risks associated with the exclusion of lease payments from the estimated future cash flows. The fair value less costs to sell reflects the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset's individual recoverable amount. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Impairment losses and reversals are recognized in SG&A.

BANK INDEBTEDNESS Bank indebtedness is comprised of balances outstanding on bank lines of credit drawn by Loblaw's Associates.

CUSTOMER LOYALTY AWARDS PROGRAMS Loblaw defers revenue at the time the award is earned by members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the *PC Optimum* program is determined based on the program reward schedule and is $1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members. The majority of Loblaw's loyalty liability, which is contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

PROVISIONS Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the present value of the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties specific to the obligation. The unwinding of the discount rate for the passage of time is recognized in net interest expense and other financing charges.

DEMAND DEPOSITS FROM CUSTOMERS Demand deposits from customers are comprised of balances in customers' *PC Money* Account.

FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments, including derivatives and embedded derivatives in certain contracts, are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Classification and Measurement The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL"). Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:
- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

Asset / Liability	**Classification / Measurement**
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost / fair value through other comprehensive income
Accounts receivable	Amortized cost
Credit card receivables	Amortized cost
Security deposits	Fair value through profit and loss
Certain other assets	Amortized cost / fair value through profit and loss
Long-term securities	Fair value through other comprehensive income
Bank indebtedness	Amortized cost
Trade payables and other liabilities	Amortized cost
Demand deposits from customers	Amortized cost
Short-term debt	Amortized cost
Long-term debt	Amortized cost
Trust Unit liability	Fair value through profit and loss
Certain other liabilities	Amortized cost
Derivatives	Fair value through profit and loss / fair value through other comprehensive income

Financial derivative instruments in the form of forwards and futures, as well as non-financial derivatives in the form of futures contracts, options contracts and forward contracts, are recorded at fair value on the consolidated balance sheet. The Company does not use derivative instruments for speculative purposes. Embedded derivatives are separated from the host contract and accounted for separately on the consolidated balance sheet at fair value if the host contract is not a financial asset. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship.

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in Note 31 "Financial Instruments" and Note 32 "Financial Risk Management".

Fair Value The Company measures financial assets and financial liabilities under the following fair value hierarchy. The different levels have been defined as follows:

- Fair Value Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Fair Value Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Fair Value Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Gains and losses on FVTPL financial assets and financial liabilities are recognized in net earnings in the period in which they are incurred. Settlement date accounting is used to account for the purchase and sale of financial assets. Gains or losses between the trade date and settlement date on FVTPL financial assets are recorded in net earnings.

Valuation Process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during the current year. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and cash equivalents, Short-term investments, Security deposits, Accounts receivable, Credit card receivables, Bank indebtedness, Trade payables and other liabilities, Demand deposits from other customers and Short-term debt	The carrying amount approximates fair value due to the short-term maturity of these instruments.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: • Quoted market prices or dealer quotes for similar instruments; and • The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valuators with experience in financial markets.
Long-term debt, Trust unit liability and certain other financial instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Derecognition of Financial Instruments Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the carrying amount of the financial asset and the sum of the consideration received and receivable is recognized in earnings before income taxes.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in earnings before income taxes.

Impairment of Financial Assets The Company applies a forward-looking ECL model at each balance sheet date to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The ECL model outlines a three-stage approach to reflect the increase in credit risks of a financial instrument:

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risks since initial recognition or that have low credit risk at the reporting date. The Company is required to recognize impairment for Stage 1 financial instruments based on the expected losses over the expected life of the instrument arising from loss events that could occur during the 12 months following the reporting date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risks since initial recognition but that do not have objective evidence of a credit loss event. For Stage 2 financial instruments the impairment is recognized based on the expected losses over the expected life of the instrument arising from loss events that could occur over the expected life. The Company is required to recognize a lifetime ECL for Stage 2 financial instruments.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. The Company is required to recognize impairment based on a lifetime ECL for Stage 3 financial instruments.

The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability-weighted basis.

Impairment losses and reversals are recorded in SG&A with the carrying amount of the financial asset or group of financial assets adjusted through the use of allowance accounts.

FOREIGN CURRENCY TRANSLATION The functional currency of the Company is the Canadian dollar.

Transactions in foreign currencies are translated into the functional currency at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in operating income.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the foreign currency exchange rate in effect at the balance sheet date. Revenues and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net earnings.

SHORT-TERM EMPLOYEE BENEFITS Short-term employee benefits include wages, salaries, compensated absences, profit sharing and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of a tangible or intangible asset. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

DEFINED BENEFIT POST-EMPLOYMENT PLANS The Company has a number of contributory and non-contributory defined benefit post-employment plans providing pension and other benefits to eligible employees. The defined benefit pension plans provide a pension based on length of service and eligible pay. The other defined benefits include health care, life insurance and dental benefits provided to eligible employees who retire at certain ages having met certain service requirements. The Company's net defined benefit plan obligations (assets) for each plan are actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method pro-rated based on service and management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit plan obligation for accounting purposes is based on high quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan ("asset ceiling"). If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses, the effect of the asset ceiling (if applicable) and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

OTHER LONG-TERM EMPLOYEE BENEFIT PLANS The Company offers other long-term employee benefits including contributory long-term disability benefits and non-contributory continuation of health care and dental benefits to employees who are on long-term disability leave. As the amount of the long-term disability benefit does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. The accounting for other long-term employee benefit plans is similar to the method used for defined benefit plans except that all actuarial gains and losses are recognized in operating income.

DEFINED CONTRIBUTION PLANS The Company maintains a number of defined contribution pension plans for employees in which the Company pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The costs of benefits for defined contribution plans are expensed as employees have rendered service.

MULTI-EMPLOYER PENSION PLANS The Company participates in multi-employer pension plans ("MEPPs") which are accounted for as defined contribution plans. The Company's responsibility to make contributions to these plans is limited to amounts established pursuant to its collective agreements. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The contributions made by the Company to MEPPs are expensed as contributions are due.

TERMINATION BENEFITS Termination benefits are recognized as an expense at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. Benefits payable are discounted to their present value when the effect of the time value of money is material.

EQUITY-SETTLED EQUITY-BASED COMPENSATION PLANS Stock options, Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Director Deferred Share Units ("DSUs") and Executive Deferred Share Units ("EDSUs") issued by the Company are substantially all settled in common shares and are accounted for as equity-settled awards.

The Company and Loblaw's stock options outstanding have a seven year term to expiry, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is based on the greater of the volume weighted average trading prices of GWL or Loblaw common shares for either the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected dividend yield is estimated based on the expected annual dividend prior to the option grant date and the closing share price as at the option grant date;
- The expected share price volatility is estimated based on the historical volatility of GWL or Loblaw over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

RSUs and PSUs vest after the end of a three year performance period. The number of PSUs that vest is based on the achievement of specified performance measures. The fair value of each RSU and PSU granted is measured separately at the grant date based on the market value of a GWL or Loblaw common share. Dividends paid may be reinvested in RSUs and PSUs and are treated as capital transactions.

GWL and Loblaw established trusts for each of their RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. Each company is the sponsor of their respective trusts and has assigned Computershare Trust Company of Canada as the trustee. GWL and Loblaw fund the purchase of shares for settlement and earn management fees from the trusts. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU obligations.

Members of GWL's, Loblaw's and Choice Properties' Board, who are not management, may elect to receive a portion of their annual retainers and fees in the form of DSUs. Eligible executives of the Company may elect to defer up to 100% of the Short-Term Incentive Plan earned in any year into the EDSU plan. Dividends paid earn fractional DSUs and EDSUs, respectively and are treated as capital transactions. DSUs and EDSUs vest upon grant.

The compensation expense for equity-settled plans is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures.

Upon exercise of options, the amount accumulated in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital. Upon settlement of RSUs and PSUs, the amount accumulated in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

CASH-SETTLED EQUITY-BASED COMPENSATION PLANS Unit Options, Restricted Units ("RUs"), Performance Units ("PUs"), Trustee Deferred Units ("DUs"), and Unit-Settled Restricted Units ("URUs") issued by Choice Properties, and certain DSUs are accounted for as cash-settled awards. The fair value of the amount payable to recipients in respect of these cash settled awards is re-measured at each balance sheet date, and a compensation expense is recognized in SG&A over the vesting period for each tranche with a corresponding change in the liability.

Choice Properties' Unit Options have a five to ten year term, vest 25% cumulatively on each anniversary date of the grant and are exercisable at the designated Unit price, which is based on the greater of the volume weighted average trading price of a Unit for the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche is valued separately using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected distribution yield is estimated based on the expected annual distribution prior to the balance sheet date and the closing Unit price as at the balance sheet date;
- The expected Unit price volatility is estimated based on the average volatility of Choice Properties unit price over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the balance sheet date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on expectations of option holder behaviour.

RUs entitle certain employees to receive the value of the RU award in cash or Units at the employee's discretion at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding. The fair value of each RU granted is measured based on the market value of a Unit at the balance sheet date.

PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on Choice Properties achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Unit and an estimate of the performance conditions being met at the balance sheet date.

Members of the Choice Properties' Board of Trustees, who are not management of Choice Properties, are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. DUs vest upon grant. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date.

URUs are accounted for as cash-settled awards. Typically, full vesting of the URUs would not occur until the employee had remained with Choice Properties for three or five years from the grant date. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. The fair value of each URU granted is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the vesting and holding period restriction placed on the URUs.

EMPLOYEE SHARE OWNERSHIP PLAN ("ESOP") GWL's and Loblaw's contributions to the ESOPs are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOPs are administered through a trust which purchases GWL's and Loblaw's common shares on the open market on behalf of its employees.

Note 3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company's significant accounting policies are disclosed in note 2.

BASIS OF CONSOLIDATION

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

BUSINESS COMBINATIONS - VALUATION OF INTANGIBLE ASSETS

Key Estimations The Company applies significant judgment in estimating the fair value of intangible assets. In determining the fair value of customer relationships and brands, various valuation techniques are used. Specifically, the Company used the multi-period excess earnings method to fair value customer relationships and the royalty relief method to fair value brands using a discounted cash flow model. Under these valuation approaches, the Company developed assumptions related to revenue and gross margin forecasts, attrition rate, royalty rate and discount rates.

INVENTORIES

Key Estimations Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

IMPAIRMENT OF NON-FINANCIAL ASSETS (GOODWILL, INTANGIBLE ASSETS, FIXED ASSETS AND RIGHT-OF-USE ASSETS)

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining CGUs for the purpose of testing fixed assets, right-of-use assets and intangible assets for impairment. Judgment is also used to determine the goodwill CGUs for the purpose of testing goodwill for impairment. The Company has determined that each retail location is a separate CGU. Intangible assets are allocated to the CGUs (or groups of CGUs) to which they relate. Goodwill is allocated to CGUs (or groups of CGUs) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation of goodwill is made to CGUs (or groups of CGUs) that are expected to benefit from the synergies and future growth of the business combination from which they arose. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In applying this judgment management considers profitability of the CGU and other qualitative factors. If the company cannot estimate the recoverable amount of an individual tangible or intangible asset because it does not generate independent cash inflows, the Company is required to test the entire CGU to which it belongs for impairment.

Key Estimations In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, discount rates and capitalization rates. The Company determines value in use by using estimates including projected future sales and earnings, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

IMPAIRMENT OF CREDIT CARD RECEIVABLES

Judgments Made in Relation to Accounting Policies Applied and Key Estimations In each stage of the ECL model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risk based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions, namely the unemployment rate. Management uses an average of unemployment rate forecasts published by major Canadian Chartered Banks and the Conference Board of Canada to establish the base case scenario and other representative ranges of possible forecast scenarios.

FAIR VALUE OF INCOME PRODUCING PROPERTIES

Key Estimations The fair value of income producing properties is dependent on future cash flows over the holding period, terminal capitalization rates, and discount rates applicable to those assets. The review of future cash flows involves assumptions relating to occupancy, rental rates, and residual value. In addition to reviewing future cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

INCOME AND OTHER TAXES

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments including expectations about future operating results, the timing and reversal of temporary differences, and the interpretation of tax rules in jurisdictions where the Company performs activities. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery.

PROVISIONS

Judgments made in Relation to Accounting Policies Applied and Key Estimations The recording of provisions requires management to make certain judgments regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of restructuring, environmental and decommissioning liabilities, certain onerous costs on leased properties and legal claims. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

LEASES

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances and past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and statements of earnings.

Key Estimations In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

Note 4. Future Accounting Standard

IFRS 17 In 2017, the IASB issued IFRS 17, "Insurance Contracts" ("IFRS 17") replacing IFRS 4. IFRS 17 introduces consistent accounting for all insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to these contracts. Additionally, IFRS 17 requires an entity to recognize profits as it delivers insurance services, rather than when it receives premiums. The standard is effective for annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has assessed the impact of the standard on its consolidated financial statements and determined that the impact will not be material.

Note 5. Subsidiaries

The table below summarizes the Company's principal subsidiaries. The proportion of ownership interests held equals the voting rights held by the Company. GWL's ownership in Loblaw and Choice Properties is impacted by changes in Loblaw's common share equity and Choice Properties' Trust Units, respectively.

As at		Dec. 31, 2022		Dec. 31, 2021	
		Number of shares / units held	**Ownership interest**	Number of shares / units held	Ownership interest
Loblaw	Common shares(i)	**170,606,070**	**52.6%**	175,475,019	52.6%
	Class B LP Units(ii)	395,786,525	n/a	395,786,525	n/a
	Trust Units	50,661,415	n/a	50,661,415	n/a
Choice Properties		**446,447,940**	**61.7%**	446,447,940	61.7%

(i) GWL participates in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership.
(ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

Note 6. Business Acquisitions

ACQUISITION OF LIFEMARK HEALTH GROUP On May 10, 2022, Loblaw acquired all of the outstanding common shares of Lifemark Health Group ("Lifemark") for total cash purchase consideration of $829 million. Lifemark is the Canadian leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. The acquisition of Lifemark adds to Loblaw's growing role as a healthcare service provider, with a network of health and wellness solutions, accessible in-person and digitally.

The Lifemark acquisition was accounted for using the acquisition method in accordance with IFRS 3, "Business Combinations", with the results of operations consolidated with those of Loblaw effective May 10, 2022.

In the third quarter of 2022, Loblaw finalized the purchase price allocation which is summarized as follows:

($ millions)		
Net Assets Acquired:		
Cash and cash equivalents	**$**	**15**
Accounts receivable[(i)]		**54**
Prepaid expenses and other assets		**2**
Fixed assets		**16**
Right-of-use assets		**75**
Intangible assets		**564**
Goodwill		**365**
Trade payables and other liabilities		**(38)**
Lease liabilities		**(75)**
Deferred income tax liabilities		**(145)**
Other liabilities		**(4)**
Total Net Assets Acquired	**$**	**829**

(i) Trade and other receivables is net of a loss allowance of $2 million.

Goodwill is attributable to expected growth in customers and expansion of the Lifemark footprint. The goodwill arising from this acquisition is not deductible for tax purposes.

Intangible assets are comprised of the following:

($ millions)			Estimated Useful Life
Intangible Assets:			
Brand	**$**	**265**	**Indefinite**
Customer Relationships		**295**	**10-20 years**
Computer Software		**4**	**3 years**
Total Intangible Assets	**$**	**564**	

Year-to-date selling, general and administrative expense includes $16 million of transaction costs related to the acquisition.

Included in the consolidated statement of earnings for the year ended December 31, 2022 is $279 million of revenue and nominal net earnings contributed by Lifemark since the date of acquisition. Net earnings includes amortization related to the acquired intangible assets of $8 million. On a combined pro forma basis, Loblaw's revenue and net earnings available to common shareholders would have amounted to $56,657 million and $1,909 million, respectively. This pro forma information incorporates the effect of the final purchase price equation as if Lifemark had been acquired on January 2, 2022. Included in the pro forma net earnings is the amortization related to the acquired intangible assets of $16 million.

Note 7. Discontinued Operations

WESTON FOODS On December 10, 2021, the Company completed the sale of Weston Foods' fresh and frozen bakery business to FGF Brands Inc. and on December 29, 2021, the Company completed the sale of Weston Foods' ambient business to affiliated entities of Hearthside Foods Solution, LLC. In the second quarter of 2022, final closing adjustments of $6 million, after income taxes, were recorded in discontinued operations within the consolidated statement of earnings.

Unless otherwise specified, all other notes to the consolidated financial statements include amounts from both continuing and discontinued operations.

The results of Discontinued Operations presented in the consolidated statements of earnings is as follows:

	Years Ended					
	Dec. 31, 2022			Dec. 31, 2021		
($ millions)	Weston Foods	Intersegment Eliminations	Discontinued Operations	Weston Foods	Intersegment Eliminations	Discontinued Operations
Revenue	$ –	$ –	$ –	$ 1,868	$ (552)	$ 1,316
Operating Expenses						
Cost of inventories sold	–	–	–	1,389	(541)	848
Selling, general and administrative expenses	–	–	–	491	(18)	473
	$ –	$ –	$ –	$ 1,880	$ (559)	$ 1,321
Operating Loss			$ –			$ (5)
Net interest expense and other financing charges			–			1
Loss before Income Taxes			$ –			$ (6)
Income tax recovery			–			(1)
Net Loss after Income Taxes			$ –			$ (5)
Loss on sale after income taxes			(6)			(317)
Net Loss from Discontinued Operations			$ (6)			$ (322)

The net cash flows used in Discontinued Operations are as follows:

	Years Ended	
($ millions)	Dec. 31, 2022	Dec. 31, 2021
Cash flows used in operating activities	$ –	$ –
Cash flows used in investing activities	$ –	$ (122)
Cash flows used in financing activities	$ –	$ (6)
Effect of foreign currency rate changes on cash and cash equivalents	$ –	$ 2
Cash flows used in Discontinued Operations	$ –	$ (126)

Note 8. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges from continuing operations were as follows:

($ millions)		2022		2021
Interest expense:				
Long-term debt	**$**	**577**	$	580
Lease liabilities (note 30)		**185**		191
Borrowings related to credit card receivables		**52**		37
Trust Unit distributions		**205**		205
Independent funding trusts		**22**		13
Post-employment and other long-term employee benefits (note 27)		**–**		9
Bank indebtedness		**1**		4
Financial liabilities (note 24)		**43**		46
Capitalized interest (capitalization rate 3.7% (2021 – 3.6%) (notes 16 & 19)		**(3)**		(3)
	$	**1,082**	$	1,082
Interest income:				
Accretion income	**$**	**(6)**	$	(6)
Interest income		**(50)**		(18)
Post-employment and other long-term employee benefits (note 27)		**(4)**		–
	$	**(60)**	$	(24)
Fair value adjustment of the Trust Unit liability (note 31)	**$**	**(98)**	$	601
Recovery related to Glenhuron Bank Limited (note 9)		**(11)**		(189)
Forward sale agreement[(i)]		**–**		180
Net interest expense and other financing charges from Continuing Operations	**$**	**913**	$	1,650

(i) In 2021, the Company settled the net debt associated with the equity forward sale agreement. Included in 2021 is a charge of $188 million related to the fair value adjustment of the forward sale agreement for the Loblaw common shares, forward accretion income of $24 million, and the forward fee of $16 million, associated with the forward sale agreement.

Note 9. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings from continuing operations were as follows:

($ millions)	2022	2021
Current income taxes		
Current period	$ 930	$ 791
Recovery related to Glenhuron Bank Limited	(33)	(128)
Adjustment in respect of prior periods	(4)	10
Deferred income taxes		
Origination and reversal of temporary differences	(53)	(37)
Adjustment in respect of prior periods	(9)	(6)
Income taxes from Continuing Operations	$ 831	$ 630

Between 2015 and 2019, Loblaw was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited ("Glenhuron"), a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. In the fourth quarter of 2021, the Supreme Court of Canada ("Supreme Court") ruled in favour of Loblaw on the Glenhuron matter and Loblaw reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds. As a result of related reassessments received during the first quarter of 2022, Loblaw reversed another $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds (see note 33).

Income tax (recovery) expense recognized in other comprehensive income from continuing operations was as follows:

($ millions)	2022	2021
Net defined benefit plan actuarial (losses) gains (note 27)	$ (87)	$ 104
Adjustment to fair value on transfer of investment properties	18	10
Gains on cash flow hedges (note 31)	5	1
Total income tax (recovery) expense recognized in other comprehensive income	$ (64)	$ 115

The effective tax rate in the consolidated statements of earnings from continuing operations were reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2022	2021
Weighted average basic Canadian federal and provincial statutory income tax rate	26.5%	26.5%
Net (decrease) increase resulting from:		
Effect of tax rate differentials	–	(0.1)
Recovery related to Glenhuron	(0.9)	(5.4)
Non-deductible and non-taxable items	(2.7)	(2.3)
Impact of fair value adjustment of Trust Unit liability	(0.7)	6.7
Adjustments in respect of prior periods	(0.4)	0.2
Other	1.0	0.9
Effective tax rate applicable to earnings before income taxes	22.8%	26.5%

Deferred income tax assets which were not recognized on the consolidated balance sheets were as follows:

($ millions)	As at Dec. 31, 2022	As at Dec. 31, 2021
Deductible temporary differences	**$ 15**	$ 12
Income tax losses and credits	**363**	166
Unrecognized deferred income tax assets	**$ 378**	$ 178

The portion of the income tax losses and credits which have a limited carry-forward period expire in the years 2026 to 2042. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Deferred income tax assets and liabilities recognized on the consolidated balance sheets were attributable to the following:

($ millions)	As at Dec. 31, 2022	As at Dec. 31, 2021
Trade payables and other liabilities	**$ 89**	$ 80
Other liabilities	**347**	261
Lease liabilities	**1,372**	1,296
Fixed assets	**(1,311)**	(1,225)
Right-of-use assets	**(1,125)**	(1,049)
Goodwill and intangible assets	**(1,346)**	(1,336)
Non-capital losses carried forward (expiring 2026 to 2042)	**43**	48
Capital losses carried forward	**14**	14
Other	**8**	21
Net deferred income tax liabilities	**$ (1,909)**	$ (1,890)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	**$ 98**	$ 113
Deferred income tax liabilities	**(2,007)**	(2,003)
Net deferred income tax liabilities	**$ (1,909)**	$ (1,890)

Note 10. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)		2022		2021
Net earnings attributable to shareholders of the Company	**$**	**1,816**	$	431
Less: Discontinued Operations (note 7)		**(6)**		(322)
Net earnings from continuing operations attributable to shareholders of the Company	**$**	**1,822**	$	753
Prescribed dividends on preferred shares in share capital		**(44)**		(44)
Net earnings from continuing operations available to common shareholders of the Company	**$**	**1,778**	$	709
Reduction in net earnings due to dilution at Loblaw		**(11)**		(9)
Net earnings from continuing operations available to common shareholders for diluted earnings per share	**$**	**1,767**	$	700
Weighted average common shares outstanding (in millions) (note 25)		**144.2**		149.9
Dilutive effect of equity-based compensation[(i)] (in millions)		**0.6**		0.3
Diluted weighted average common shares outstanding (in millions)		**144.8**		150.2
Net earnings (loss) per common share – Basic ($)				
Continuing Operations	**$**	**12.33**	$	4.73
Discontinued Operations	**$**	**(0.04)**	$	(2.14)
Net earnings (loss) per common share – Diluted ($)				
Continuing Operations	**$**	**12.20**	$	4.66
Discontinued Operations	**$**	**(0.04)**	$	(2.14)

(i) In 2022, nominal (2021 – nominal) potentially dilutive instruments were excluded from the computation of diluted net earnings (loss) per common share as they were anti-dilutive.

Note 11. Cash and Cash Equivalents, Short-Term Investments and Security Deposits

The components of cash and cash equivalents, short-term investments and security deposits were as follows:

CASH AND CASH EQUIVALENTS

	As at	
($ millions)	**Dec. 31, 2022**	Dec. 31, 2021
Cash	**$ 1,531**	$ 1,255
Cash equivalents:		
Government treasury bills	**406**	632
Bankers' acceptances	**370**	1,073
Guaranteed investment certificates	**–**	21
Other	**6**	3
Cash and cash equivalents	**$ 2,313**	$ 2,984

SHORT-TERM INVESTMENTS

	As at	
($ millions)	**Dec. 31, 2022**	Dec. 31, 2021
Government treasury bills	**$ 457**	$ 776
Bankers' acceptances	**22**	97
Guaranteed Investment Certificates	**21**	5
Other	**3**	1
Short-term investments	**$ 503**	$ 879

SECURITY DEPOSITS

	As at	
($ millions)	**Dec. 31, 2022**	Dec. 31, 2021
Cash	**$ 7**	$ 46
Government treasury bills	**29**	29
Security deposits	**$ 36**	$ 75

Note 12. Accounts Receivable

The following is an aging of the Company's accounts receivable:

	As at							
				Dec. 31, 2022				Dec. 31, 2021
($ millions)	**0 - 90 days**	**> 90 days**	**> 180 days**	**Total**	0 - 90 days	> 90 days	> 180 days	Total
Accounts receivable, net	**$ 1,172**	**$ 20**	**$ 81**	**$ 1,273**	$ 909	$ 60	$ 41	$ 1,010

The following are continuities of the Company's allowances for uncollectible accounts receivable:

($ millions)	**2022**	2021
Allowance, beginning of year	**$ (23)**	$ (31)
Transfer to assets held for sale (note 7)	**–**	11
Net additions	**(8)**	(3)
Allowance, end of year	**$ (31)**	$ (23)

Credit risk associated with accounts receivable is discussed in note 32.

Note 13. Credit Card Receivables

The components of credit card receivables were as follows:

($ millions)	As at Dec. 31, 2022	Dec. 31, 2021
Gross credit card receivables	$ 4,160	$ 3,648
Allowance for credit card receivables	(206)	(205)
Credit card receivables	$ 3,954	$ 3,443
Securitized to independent securitization trusts:		
Securitized to *Eagle Credit Card Trust* ® (note 23)	$ 1,350	$ 1,350
Securitized to Other Independent Securitization Trusts	700	450
Total securitized to independent securitization trusts	$ 2,050	$ 1,800

Loblaw, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long-term debt (see note 23). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short-term debt.

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2021, with their respective maturity dates extended to 2025 and with all other terms and conditions remaining substantially the same.

As at December 31, 2022, PC Bank recorded a $250 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of growth in the credit card portfolio.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at year end 2022 were $250 million (2021 – $250 million).

Loblaw has arranged letters of credit on behalf of PC Bank for the benefit of the independent securitization trusts (see note 34).

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at year end 2022 and throughout the year.

The following table provides gross carrying amounts of credit card receivables by internal risk ratings for credit risk management purposes:

				Dec. 31, 2022
($ millions)	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
Low risk	$ 2,113	$ 13	$ –	$ 2,126
Moderate risk	1,163	35	–	1,198
High risk	424	370	42	836
Total gross carrying amount	$ 3,700	$ 418	$ 42	$ 4,160
ECL allowance	(79)	(92)	(35)	(206)
Net carrying amount	$ 3,621	$ 326	$ 7	$ 3,954

				Dec. 31, 2021
($ millions)	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
Low risk	$ 1,877	$ 11	$ –	$ 1,888
Moderate risk	985	35	–	1,020
High risk	332	371	37	740
Total gross carrying amount	$ 3,194	$ 417	$ 37	$ 3,648
ECL allowance	(75)	(98)	(32)	(205)
Net carrying amount	$ 3,119	$ 319	$ 5	$ 3,443

The following are continuities of Loblaw's allowances for credit card receivables for the years ended December 31, 2022 and December 31, 2021:

				2022
($ millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of the year	**$ 75**	**$ 98**	**$ 32**	**$ 205**
Increase / (Decrease) during the year:				
Transfers(i)				
To Stage 1	**22**	**(22)**	**–**	**–**
To Stage 2	**(5)**	**7**	**(2)**	**–**
To Stage 3	**(2)**	**(15)**	**17**	**–**
New loans originated(ii)	**13**	**8**	**5**	**26**
New remeasurements(iii)	**(24)**	**16**	**81**	**73**
Write-offs	**–**	**–**	**(127)**	**(127)**
Recoveries	**–**	**–**	**29**	**29**
Balance, end of year	**$ 79**	**$ 92**	**$ 35**	**$ 206**

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

				2021
($ millions)	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of the year	$ 90	$ 116	$ 31	$ 237
Increase / (Decrease) during the year:				
Transfers(i)				
To Stage 1	44	(44)	–	–
To Stage 2	(5)	7	(2)	–
To Stage 3	(1)	(18)	19	–
New loans originated(ii)	7	14	2	23
New remeasurements(iii)	(60)	23	65	28
Write-offs	–	–	(108)	(108)
Recoveries	–	–	25	25
Balance, end of year	$ 75	$ 98	$ 32	$ 205

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements, and credit quality during the year.

The allowances for credit card receivables recorded in the consolidated balance sheets are maintained at a level which is considered adequate to endure credit-related losses on credit card receivables.

Note 14. Inventories

For inventories recorded as at year end 2022, Loblaw has an inventory provision of $43 million (December 31, 2021 – $67 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during 2022 and 2021.

Note 15. Assets Held for Sale

The components of assets held for sale, net of intercompany transactions were as follows:

	As at	
($ millions)	**Dec. 31, 2022**	**Dec. 31, 2021**
Loblaw[(i)]	**$ 30**	$ 91
Choice Properties	**50**	–
Assets Held for Sale	**$ 80**	$ 91

(i) In 2022, Loblaw recorded a net gain of $76 million (2021 – net gain of $12 million) from the sale of these assets. On consolidation, $19 million was reversed as it related to an intercompany transaction.

Note 16. Fixed Assets

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2022:

($ millions)	**Land**	**Buildings and building improvements**	**Equipment and fixtures**	**Leasehold improvements**	**Assets under construction**	**Total**
Cost, beginning of year	**$ 2,011**	**$ 9,120**	**$ 9,371**	**$ 2,463**	**$ 406**	**$ 23,371**
Additions	**–**	**62**	**148**	**55**	**1,043**	**1,308**
Disposals	**(1)**	**(28)**	**(104)**	**(38)**	**–**	**(171)**
Transfer to assets held for sale	**(6)**	**–**	**–**	**–**	**–**	**(6)**
Net transfer to investment properties (note 17)	**(13)**	**(20)**	**–**	**–**	**(7)**	**(40)**
Transfer from assets under construction	**–**	**223**	**563**	**125**	**(911)**	**–**
Business acquisitions[(i)]	**–**	**–**	**6**	**10**	**–**	**16**
Cost, end of year	**$ 1,991**	**$ 9,357**	**$ 9,984**	**$ 2,615**	**$ 531**	**$ 24,478**
Accumulated depreciation and impairment losses, beginning of year	**$ 3**	**$ 3,901**	**$ 7,076**	**$ 1,606**	**$ 3**	**$ 12,589**
Depreciation	**–**	**211**	**528**	**164**	**–**	**903**
Impairment losses	**3**	**–**	**9**	**16**	**–**	**28**
Reversal of impairment losses	**–**	**(1)**	**(4)**	**(2)**	**–**	**(7)**
Disposals	**–**	**(23)**	**(104)**	**(38)**	**–**	**(165)**
Accumulated depreciation and impairment losses, end of year	**$ 6**	**$ 4,088**	**$ 7,505**	**$ 1,746**	**$ 3**	**$ 13,348**
Carrying amount as at:						
December 31, 2022	**$ 1,985**	**$ 5,269**	**$ 2,479**	**$ 869**	**$ 528**	**$ 11,130**

(i) Includes $16 million related to the acquisition of Lifemark (see note 6).

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2021:

($ millions)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost, beginning of year	$ 2,082	$ 9,394	$ 10,391	$ 2,393	$ 649	$ 24,909
Additions[i]	9	16	28	17	899	969
Disposals	(47)	(22)	(93)	(14)	(3)	(179)
Transfer to assets held for sale	(25)	(384)	(1,627)	(35)	(124)	(2,195)
Net transfer from investment properties (note 17)	(22)	(93)	–	–	(1)	(116)
Transfer from assets under construction	14	214	681	102	(1,011)	–
Impact of foreign currency translation	–	(5)	(9)	–	(3)	(17)
Cost, end of year	$ 2,011	$ 9,120	$ 9,371	$ 2,463	$ 406	$ 23,371
Accumulated depreciation and impairment losses, beginning of year	$ 3	$ 3,897	$ 7,566	$ 1,497	$ 3	$ 12,966
Depreciation	–	234	585	152	–	971
Impairment losses	–	–	29	4	–	33
Reversal of impairment losses	–	(9)	(7)	(4)	–	(20)
Disposals	–	(11)	(91)	(14)	–	(116)
Transfer to assets held for sale	–	(148)	(996)	(29)	–	(1,173)
Net transfer to investment properties (note 17)	–	(59)	–	–	–	(59)
Impact of foreign currency translation	–	(3)	(10)	–	–	(13)
Accumulated depreciation and impairment losses, end of year	$ 3	$ 3,901	$ 7,076	$ 1,606	$ 3	$ 12,589
Carrying amount as at:						
December 31, 2021	$ 2,008	$ 5,219	$ 2,295	$ 857	$ 403	$ 10,782

(i) Additions to fixed assets in Loblaw includes $1 million prepayment that was made in 2020. The balance was transferred from other assets in 2021.

SECURITY AND ASSETS PLEDGED As at year end 2022, the Company had fixed assets with a carrying amount of $162 million (2021 – $51 million) which were encumbered by mortgages of $155 million (2021 – $37 million) (see note 23).

FIXED ASSET COMMITMENTS As at year end 2022, the Company had entered into commitments of $1,122 million (2021 – $1,176 million) for the construction, expansion and renovation of buildings and the purchase of real property.

IMPAIRMENT LOSSES AND REVERSALS OF FIXED ASSETS AND RIGHT-OF-USE ASSETS Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. For the year ended December 31, 2022, the Company recorded $21 million (2021 – $18 million) of impairment losses on fixed assets and $8 million (2021 – $6 million) of impairment losses on right-of-use assets (see note 30) in respect of 15 CGUs (2021 – 10 CGUs). Of the total CGUs, 1 CGU (2021 – 1 CGU) was impaired on the basis of their carrying values exceeding their fair value less costs to sell. Remaining 14 CGUs (2021 – 9 CGUs) had carrying values greater than their value in use.

For the year ended December 31, 2022, the Company recorded $7 million (2021 – $20 million) of impairment reversals on fixed assets and $4 million (2021 – $8 million) of impairment reversals on right-of-use assets (see note 30) in respect to 6 CGUs (2021 – 14 CGUs). Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. No CGUs (2021 – 2 CGUs) with impairment reversals had fair value less costs to sell greater than their carrying values. All CGUs (2021 – 12 CGUs) with impairment reversals had value in use greater than their carrying values.

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU. Projected future sales and earnings for cash flows are based on actual operating results, operating budgets, and long-term growth rates that are consistent with industry averages, all of which are consistent with strategic plans presented to GWL's and Loblaw's Boards. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 8.4% to 9.1% at the end of 2022 (2021 – 7.9% to 8.4%).

Additional impairment losses on fixed assets of $7 million (2021 – $15 million) were incurred related to Loblaw's store closures, renovations, conversions of retail locations and restructuring activities. No impairment losses (2021 – nil) were recognized on right-of-use assets (see note 30) related to restructuring activities.

Note 17. Investment Properties

The following are continuities of investment properties for the years ended December 31, 2022 and December 31, 2021:

($ millions)		2022		2021
Balance, beginning of the year	$	**5,344**	$	4,930
Adjustment to fair value of investment properties		**405**		283
Additions		**159**		88
Disposals		**(881)**		(193)
Net transfer from fixed assets[i] (note 16)		**130**		117
Net transfer to other assets		**–**		(10)
Net transfer to assets held for sale[ii]		**(27)**		(18)
Net transfer from equity accounted joint ventures		**–**		143
Other		**14**		4
Balance, end of the year[iii]	$	**5,144**	$	5,344

(i) Includes the fair value gain of $90 million (2021 – $60 million) recognized in other comprehensive income related to transfer of fixed assets to investment properties.

(ii) Includes the fair value gain of $19 million recognized in other comprehensive income related to the transfer of assets held for sale to investment properties.

(iii) Includes $4,981 million (2021 – $5,183 million) of income producing properties and $163 million (2021 – $161 million) of properties under development.

During 2022, the Company recognized in operating income $392 million (2021 – $426 million) of rental revenue and incurred direct operating costs of $137 million (2021 – $144 million) related to its investment properties. In addition, the Company recognized nominal direct operating costs (2021 – $2 million) related to its investment properties for which no rental revenue was earned.

INTERNAL APPRAISALS

Investment properties are measured at fair value, which was primarily determined by using the discounted cash flow method.

Management reviews the valuation process and results prepared by the internal valuation team at least once per quarter. The valuations exclude any portfolio premium or value for the management platform and reflect the highest and best use for each of the Company's investment properties. As part of management's internal valuation process, the Company considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Company's portfolio. On a quarterly basis, the internal valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to capitalization rates, discount rates, market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

INDEPENDENT APPRAISALS

Properties are typically independently appraised at the time of acquisition. In addition, the Company has engaged independent nationally-recognized valuation firms to appraise its investment properties such that the majority of the portfolio will be independently appraised at least once over a four-year period. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuators in preparing their reports and holds discussions with them on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Company will record the internal value in its consolidated financial statements.

Note 18. Equity Accounted Joint Ventures

The Company accounts for its investments in joint ventures using the equity method. These investments hold primarily development properties and some income-producing properties. The table below summarizes the Company's investment, through Choice Properties, in joint ventures.

	As at			
		Dec. 31, 2022		Dec. 31, 2021
	Number of joint ventures	**Ownership interest**	Number of joint ventures	Ownership interest
Retail	**15**	**25% - 75%**	15	25% - 75%
Industrial	**1**	**50%**	1	50%
Mixed-Use, Residential & Other	**3**	**50%**	3	47% - 50%
Land, held for development	**3**	**50% - 85%**	2	50% - 85%
Total equity accounted joint ventures	**22**		21	
Investment in equity accounted joint ventures ($ millions)		**$ 996**		$ 564

During 2022, the Company's' share of net income and comprehensive income from the joint ventures was $354 million (2021 – $67 million).

Note 19. Intangible Assets

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2022:

($ millions)	**Indefinite life intangible assets**	**Software**	**Other definite life intangible assets**(ii)	**Total**
Cost, beginning of year	**$ 3,491**	**$ 3,821**	**$ 5,922**	**$ 13,234**
Additions	**–**	**418**	**1**	**419**
Business acquisitions(i)	**265**	**–**	**311**	**576**
Disposal	**–**	**–**	**(6)**	**(6)**
Cost, end of year	**$ 3,756**	**$ 4,239**	**$ 6,228**	**$ 14,223**
Accumulated amortization and impairment losses, beginning of year	**$ –**	**$ 2,764**	**$ 4,040**	**$ 6,804**
Amortization	**–**	**381**	**506**	**887**
Impairment losses	**–**	**5**	**–**	**5**
Accumulated amortization and impairment losses, end of year	**$ –**	**$ 3,150**	**$ 4,546**	**$ 7,696**
Carrying amount as at:				
December 31, 2022	**$ 3,756**	**$ 1,089**	**$ 1,682**	**$ 6,527**

(i) Includes $564 million related to the acquisition of Lifemark (see note 6).

(ii) Other definite life intangible assets includes prescription files with a net book value of $1,009 million related to the acquisition of Shoppers Drug Mart in 2014 which will be fully amortized by 2025.

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2021:

($ millions)	Indefinite life intangible assets	Software	Other definite life intangible assets	Total
Cost, beginning of year[i]	$ 3,491	$ 3,533	$ 6,065	$ 13,089
Additions	–	393	7	400
Business acquisitions	–	–	1	1
Impact of foreign currency translation	–	–	(1)	(1)
Transfer to assets held for sale (note 7)	–	(105)	(150)	(255)
Cost, end of year	$ 3,491	$ 3,821	$ 5,922	$ 13,234
Accumulated amortization and impairment losses, beginning of year[i]	–	2,445	3,612	6,057
Amortization	–	351	505	856
Impairment losses	–	13	–	13
Impact of foreign currency translation	–	–	(1)	(1)
Transfer to assets held for sale (note 7)	–	(45)	(76)	(121)
Accumulated amortization and impairment losses, end of year	$ –	$ 2,764	$ 4,040	$ 6,804
Carrying amount as at:				
December 31, 2021	$ 3,491	$ 1,057	$ 1,882	$ 6,430

(i) Certain comparative figures have been restated to conform with current year presentation.

INDEFINITE LIFE INTANGIBLE ASSETS Indefinite life intangible assets recorded by Loblaw are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. The brand names and trademarks are a result of Loblaw's acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), Lifemark, and T&T Supermarket Inc. Loblaw expects to renew the registration of the brand names, trademarks, import purchase quotas and liquor licenses at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company has assigned these intangible assets indefinite useful lives.

SOFTWARE Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2022 and 2021.

OTHER DEFINITE LIFE INTANGIBLE ASSETS Other definite life intangible assets recorded by Loblaw primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Note 20. Goodwill

The following are continuities of the cost and accumulated impairment losses of goodwill for the years ended December 31, 2022 and December 31, 2021:

($ millions)	2022	2021
Cost, beginning of year	$ 5,546	$ 5,839
Business acquisitions(i)	374	1
Transfer to assets held for sale (note 7)	–	(290)
Impact of foreign currency translation	–	(4)
Cost, end of year	$ 5,920	$ 5,546
Accumulated impairment losses	$ 1,067	$ 1,067
Carrying amount as at:		
December 31	$ 4,853	$ 4,479

(i) Includes $365 million related to the acquisition of Lifemark (see note 6).

The carrying amount of goodwill attributed to each CGU was as follows:

	As at	
($ millions)	Dec. 31, 2022	Dec. 31, 2021
Shoppers Drug Mart	$ 2,981	$ 2,976
Market	376	376
Discount	461	461
Lifemark	369	–
T&T Supermarket Inc.	129	129
Other	537	537
Carrying amount of goodwill, as at the end of year	$ 4,853	$ 4,479

IMPAIRMENT TESTING OF GOODWILL AND INDEFINITE LIFE INTANGIBLES

The Company tests goodwill and indefinite-life intangible assets for impairment annually or more frequently if indicators of impairment are identified.

The key assumptions used to calculate the fair value less costs to sell are revenue and gross margin forecasts, growth/attrition rates, discount rates, and terminal rate. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be 7.1% to 9.3% (2021 – 7.1% to 7.9%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of comparable publicly traded companies.

Cash flow projections have been discounted using a rate derived from an after-tax weighted average cost of capital. As at year end 2022, the after-tax discount rate used in the recoverable amount calculations was 7.1% to 9.3% (2021 – 7.1% to 7.9%). The pre-tax discount rate was 9.7% to 12.7% (2021 – 9.7% to 10.8%).

The Company included a minimum of three years of cash flows in its discounted cash flow models. The cash flow forecasts were extrapolated beyond the three year period using an estimated long-term growth rate of 2.0% (2021 – 2.0%). The budgeted EBITDA growth was based on the Company's three year strategic plan approved by the Board.

The Company completed its annual impairment tests for goodwill and indefinite life intangible assets and concluded there was no impairment.

Note 21. Other Assets

The components of other assets were as follows:

($ millions)	As at Dec. 31, 2022	Dec. 31, 2021[(i)]
Investment in real estate securities	**$ 302**	$ –
Sundry investments and other receivables[(ii)]	**281**	206
Net accrued benefit plan asset (note 27)	**65**	495
Finance lease receivable	**63**	70
Mortgages, loans and notes receivable	**510**	187
Long-term securities	**246**	66
Other	**154**	71
Total Other Assets	**$ 1,621**	$ 1,095
Current portion of mortgages, loans, note and finance lease receivable[(iii)]	**(308)**	(80)
Other Assets	**$ 1,313**	$ 1,015

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) During 2022, Loblaw agreed to invest a total of $42 million in Rapid Retail Canada Inc. ("Rapid") in exchange for a minority interest. Rapid will provide on-demand grocery and convenience items to customers in Canada. As at December 31, 2022, Loblaw had invested $18 million.
(iii) Current portion of mortgages, loans, note and finance lease receivable is included in prepaid expenses and other assets in the consolidated balance sheets.

INVESTMENT IN REAL ESTATE SECURITIES In the second quarter of 2022, on March 31, 2022, Choice Properties disposed of its interests in a portfolio of six office assets to Allied Properties Real Estate Investment Trust ("Allied"). The consideration received consisted of 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Allied Class B Units"), an affiliated entity of Allied, with a fair value of $551 million on the transaction date, and a promissory note with a fair value of $193 million (face value of $200 million). Following the transaction, Choice Properties holds approximately an 8.5% effective interest in Allied through its ownership of the Allied Class B Units. Choice Properties does not have significant influence over Allied.

The Allied Class B Units are exchangeable into, and are economically equivalent to, the publicly traded trust units of Allied ("Allied Units"), and were accompanied by a corresponding number of special voting units of Allied. There are no restrictions on the exchange of Allied Class B Units into Allied Units, but the Allied Units (if exchanged) are subject to a lock-up from the closing of the transaction, such that 25% of the Allied Class B Units or Allied Units, as applicable, will be released from lock up every three months following the first anniversary of closing of the transaction. As a holder of the Allied Class B Units, Choice Properties is entitled to distributions paid by Allied.

The Allied Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded trust units. As at December 31, 2022, Choice Properties held 11,809,145 Allied Class B Units with a fair value of $302 million, which are included in investment in real estate securities in the table above.

The promissory note is secured by the six office assets and bore interest at a rate of 1% during 2022 and bears 2% subsequently until its maturity on December 31, 2023. The promissory note is included in mortgages, loans and notes receivables in the table above.

Note 22. Provisions

The following are continuities of provisions for the years ended December 31, 2022 and December 31, 2021:

($ millions)		2022		2021
Provisions, beginning of year	$	209	$	214
Additions		190		74
Payments		(195)		(57)
Reversals		(5)		(11)
Reclasses		–		(1)
Impact of foreign currency translation		1		–
Transfer to assets held for sale (note 7)		–		(10)
Provisions, end of year	$	200	$	209

		As at		
($ millions)		Dec. 31, 2022		Dec. 31, 2021
Carrying amount of provisions recorded in:				
Current provisions	$	116	$	119
Non-current provisions		84		90
Provisions	$	200	$	209

Provisions consist primarily of amounts recorded in respect of restructuring, self-insurance, environmental and decommissioning liabilities, certain onerous costs on leased properties, legal claims, the Loblaw Card Program and a charge related to PC Bank commodity tax matter.

The Company's accrued insurance liabilities were $94 million (2021 – $91 million), of which $49 million (2021 – $46 million) was included in non-current provisions and $45 million (2021 – $45 million) in current provisions. Included in total accrued insurance liabilities were $16 million (2021 – $17 million) of U.S. workers' compensation liabilities. The related cost and accrued workers' compensation liabilities are based on actuarial valuations which are dependent on assumptions determined by management. The discount rate used in determining the 2022 U.S. workers' compensation cost and liability was 2.0% (2021 – 2.0%). The total workers' compensation liability is equal to the ultimate actuarial loss estimate less any actual losses paid to date. Any change in the workers' compensation liability is recognized immediately in operating income.

The U.S. workers' compensation cost associated with the worker's compensation liabilities was $3 million in 2021.

RESTRUCTURING AND OTHER RELATED COSTS The Company continuously evaluates strategic and cost reduction initiatives that focus on improving processes and generating efficiencies across administrative, store, manufacturing and distribution network infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing. As at December 31, 2022, the provision related to restructuring and other related costs was $26 million (2021 – $56 million).

CHARGE RELATED TO PC BANK COMMODITY TAX MATTER In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of Loblaw. 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. Although Loblaw believes in the merits of its position, Loblaw recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. Loblaw believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful. As at December 31, 2022, the provision has substantially been settled.

COMPETITION BUREAU INVESTIGATION In 2017, the Company and Loblaw announced actions taken to address their involvement in an industry-wide price-fixing arrangement. In connection with the arrangement, Loblaw offered customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. As at December 31, 2022, the Loblaw Card Program liability is $15 million (2021 – $15 million). Loblaw expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages (see note 33).

Note 23. Long-Term Debt

The components of long-term debt were as follows:

($ millions)		As at Dec. 31, 2022	Dec. 31, 2021
Debentures			
George Weston Limited Notes	4.12%, due 2024	**$ 200**	$ 200
	7.10%, due 2032	**150**	150
	6.69%, due 2033	**100**	100
Loblaw Companies Limited Notes	4.86%, due 2023	**–**	800
	3.92% due 2024	**400**	400
	6.65%, due 2027	**100**	100
	6.45%, due 2028	**200**	200
	4.49%, due 2028	**400**	400
	6.50%, due 2029	**175**	175
	2.28%, due 2030	**350**	350
	11.40%, due 2031		
	Principal	**151**	151
	Effect of coupon repurchase	**30**	32
	5.01%, due 2032	**400**	–
	6.85%, due 2032	**200**	200
	6.54%, due 2033	**200**	200
	8.75%, due 2033	**200**	200
	6.05%, due 2034	**200**	200
	6.15%, due 2035	**200**	200
	5.90%, due 2036	**300**	300
	6.45%, due 2039	**200**	200
	7.00%, due 2040	**150**	150
	5.86%, due 2043	**55**	55
	5.34%, due 2052	**400**	–
Choice Properties Debentures	Series B 4.90%, due 2023	**200**	200
	Series D 4.29%, due 2024	**200**	200
	Series F 4.06%, due 2025	**200**	200
	Series G 3.20%, due 2023	**250**	250
	Series H 5.27%, due 2046	**100**	100
	Series J 3.55%, due 2025	**350**	350
	Series K 3.56%, due 2024	**550**	550
	Series L 4.18%, due 2028	**750**	750
	Series M 3.53%, due 2029	**750**	750
	Series N 2.98%, due 2030	**400**	400
	Series O 3.83%, due 2050	**100**	100
	Series P 2.85%, due 2027	**500**	500
	Series Q 2.46%, due 2026	**350**	350
	Series R 6.00%, due 2032	**500**	–
	Series 10 3.84%, due 2022	**–**	300
	Series D-C 3.30%, due 2023	**125**	125
Long-Term Debt Secured by Mortgage	2.04% - 6.48%, due 2023 - 2038 (note 16)	**949**	1,112
Guaranteed Investment Certificates	0.40% - 5.36%, due 2023 - 2027	**1,567**	996
Independent Securitization Trust (note 13)	2.71%, due 2022	**–**	250
	3.10%, due 2023	**250**	250
	2.28%, due 2024	**250**	250
	1.34%, due 2025	**300**	300
	1.61%, due 2026	**300**	300
	4.78%, due 2027	**232**	–
	5.63%, due 2027	**9**	–
	6.83%, due 2027	**9**	–
Independent Funding Trusts		**574**	570
George Weston Limited Credit Facility		**–**	121
Choice Properties Credit Facility		**260**	–
Choice Properties Construction Loans		**39**	13
Transaction costs and other		**(41)**	(40)
Total long-term debt		**$ 14,784**	$ 14,010
Less amount due within one year		**1,383**	1,520
Long-term debt		**$ 13,401**	$ 12,490

Significant long-term debt transactions are described below:

DEBENTURES The following table summarizes the debentures issued in the years ended as indicated:

			2022	2021
($ millions)	Interest Rate	Maturity Date	Principal Amount	Principal Amount
Loblaw				
– Senior unsecured note	5.01%	September 13, 2032	$ 400	$ –
– Senior unsecured note	5.34%	September 13, 2052	400	–
Choice Properties senior unsecured debentures				
– Series Q	2.46%	November 30, 2026	–	350
– Series R	6.00%	June 24, 2032	500	–
Total debentures issued			$ 1,300	$ 350

The following table summarizes the debentures repaid in the years ended as indicated:

			2022	2021
($ millions)	Interest Rate	Maturity Date	Principal Amount	Principal Amount
George Weston debenture – Series A	7.00%	November 10, 2031[(i)]	$ –	$ 466
Loblaw senior unsecured note	4.86%	September 12, 2023[(ii)]	800	–
Choice Properties senior unsecured debentures				
– Series 9	3.60%	September 20, 2021	–	200
– Series 10	3.84%	September 20, 2022[(iii)]	300	–
– Series I	3.01%	March 21, 2022	–	300
Total debentures repaid			$ 1,100	$ 966

(i) In 2021, the Company settled the net debt associated with the equity forward sale agreement. As a result, the 9.6 million Loblaw shares securing the net debt were released from security and the Company's economic interest in Loblaw is now equal to its voting interest. In aggregate, $790 million was paid to settle the net debt, resulting in the extinguishment of the Series A Debentures ($466 million), Series B Debentures ($784 million), plus accrued interest, and the settlement of the equity forward sale agreement ($464 million gain).

(ii) Loblaw senior unsecured debenture was redeemed on September 21, 2022.

(iii) Choice Properties senior unsecured Series 10 debenture was redeemed on June 26, 2022.

GUARANTEED INVESTMENT CERTIFICATES ("GICs") The following table summarizes PC Bank's GIC activity, before commissions, for the years ended as indicated:

($ millions)	2022	2021
Balance, beginning of year	$ 996	$ 1,185
GICs issued	764	414
GICs matured	(193)	(603)
Balance, end of year	$ 1,567	$ 996

INDEPENDENT SECURITIZATION TRUST The notes issued by *Eagle* are debentures, which are collateralized by PC Bank's credit card receivables (see note 13).

During 2022, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to $1.25 billion of notes over a 25-month period.

During 2022, *Eagle* issued $250 million (2021 – $300 million) of senior and subordinated term notes with a maturity date of July 17, 2027 (2021 – June 17, 2026) at a weighted average interest rate of 4.89% (2021 - 1.61%). In connection with this issuance, $140 million (2021 – $175 million) of bond forward agreements were settled, resulting in a realized fair value gain of $8 million (2021 – loss of $1 million) before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The gain will be reclassified to the consolidated statements of earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 4.24% (2021 – 1.65%) on the *Eagle* notes issued (see note 31).

During 2022, $250 million of senior and subordinated term notes at weighted average interest rate of 2.71%, previously issued by *Eagle*, matured and were repaid on October 17, 2022. As a result, during 2022, there was no net change in the balances related to *Eagle* notes.

There were no repayments of notes issued by *Eagle* in 2021.

INDEPENDENT FUNDING TRUSTS As at year end 2022, the independent funding trusts had drawn $574 million (2021 – $570 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

Loblaw has a $700 million revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of April 14, 2025. Loblaw extended the maturity date during 2022 with all other terms and conditions remaining substantially the same.

COMMITTED CREDIT FACILITIES The components of the committed lines of credit available as at year end 2022 and 2021 were as follows:

		As at			
		Dec. 31, 2022		Dec. 31, 2021	
($ millions)	**Maturity Date**	**Available Credit**	**Drawn**	**Available Credit**	**Drawn**
George Weston	September 13, 2024	**$ 350**	**$ –**	$ 350	$ 121
Loblaw	July 15, 2027	**1,000**	**–**	1,000	–
Choice Properties	September 1, 2027	**1,500**	**260**	1,500	–
Total committed credit facilities		**$ 2,850**	**$ 260**	$ 2,850	$ 121

These facilities contain certain financial covenants (see note 26).

George Weston In 2021, GWL entered into a $350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. As at December 31, 2021, $121 million was drawn on the facility which was repaid in the first quarter of 2022. As at December 31, 2022, no amounts were drawn on the facility.

Loblaw Loblaw has a $1 billion committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. Loblaw extended the maturity date during 2022 with all other terms and conditions remaining substantially the same. As at December 31, 2022, there were no amounts drawn under the facility (December 31, 2021 – no amounts were drawn).

Choice Properties Choice Properties has a $1.5 billion senior unsecured committed revolving credit facility maturing September 1, 2027, provided by a syndicate of lenders. During 2022, the maturity date of the credit facility was extended to September 1, 2027 with all other terms and conditions remaining substantially the same. As at December 31, 2022, $260 million was drawn under the facility (December 31, 2021 – no amounts were drawn).

LONG-TERM DEBT DUE WITHIN ONE YEAR The components of long-term debt due within one year were as follows:

	As at	
($ millions)	**Dec. 31, 2022**	Dec. 31, 2021
Debentures	**$ 571**	$ 296
GICs	**477**	182
Independent Securitization Trust	**250**	250
Independent funding trusts	**–**	570
Long-term debt secured by mortgage	**80**	217
Construction Loans	**5**	5
Long-term debt due within one year	**$ 1,383**	$ 1,520

SCHEDULE OF REPAYMENTS The schedule of repayment of long-term debt, based on maturity is as follows:

($ millions)		Dec. 31, 2022
2023	$	**1,645**
2024		**2,257**
2025		**1,842**
2026		**909**
2027		**1,126**
Thereafter		**7,046**
Long-term debt (excludes transaction costs)	$	**14,825**

See note 31 for the fair value of long-term debt.

RECONCILIATION OF LONG-TERM DEBT The following table reconciles the changes in cash flows from financing activities for long-term debt for the years ended as indicated:

($ millions)		2022		2021
Total long-term debt, beginning of year	$	**14,010**	$	14,443
Long-term debt issuances(i)		**2,609**		1,440
Long-term debt repayments(ii)		**(1,817)**		(1,874)
Total cash flow from (used in) long-term debt financing activities		**792**		(434)
Other non-cash changes		**(18)**		1
Total long-term debt, end of year	$	**14,784**	$	14,010

(i) Includes net movements from the independent funding trust, which are revolving debt instruments.
(ii) Includes George Weston Series A debenture repayments of $466 million in 2021 which are presented within the line "Settlement of net debt associated with equity forward sale agreement" in the consolidated statements of cash flows.

Note 24. Other Liabilities

The components of other liabilities were as follows:

		As at		
($ millions)		Dec. 31, 2022		Dec. 31, 2021
Financial liabilities(i)	$	**663**	$	660
Net defined benefit plan obligation (note 27)		**279**		340
Other long-term employee benefit obligation		**107**		115
Equity-based compensation liability (note 28)		**8**		6
Other		**37**		18
Other liabilities	$	**1,094**	$	1,139

(i) Financial liabilities represent land and buildings disposed or partially disposed of by Choice Properties to third parties. On consolidation, these transactions were not recognized as a sale of assets as under the terms of the leases, the Company did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities and as at December 31, 2022, $5 million (December 31, 2021 – $4 million) was recorded in trade payables and other liabilities and $663 million (December 31, 2021 – $660 million) was recorded in other liabilities.

Note 25. Share Capital

The components of share capital were as follows:

($ millions)	As at Dec. 31, 2022	Dec. 31, 2021
Common share capital	$ 2,616	$ 2,712
Preferred shares, Series I	228	228
Preferred shares, Series III	196	196
Preferred shares, Series IV	197	197
Preferred shares, Series V	196	196
Share capital	$ 3,433	$ 3,529

COMMON SHARE CAPITAL (AUTHORIZED – UNLIMITED) Common shares issued are fully paid and have no par value. The following table summarizes the activity in the Company's common shares issued and outstanding for the years ended December 31, 2022 and December 31, 2021:

	2022		2021	
($ millions except where otherwise indicated)	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	146,789,503	$ 2,714	152,374,416	$ 2,786
Issued for settlement of stock options (note 28)	337,615	41	323,461	36
Purchased and cancelled[(i)(ii)]	(6,389,176)	(136)	(5,908,374)	(108)
Issued and outstanding, end of year	140,737,942	$ 2,619	146,789,503	$ 2,714
Shares held in trusts, beginning of year	(141,106)	$ (2)	(254,525)	$ (4)
Purchased for future settlement of RSUs and PSUs	(99,000)	(2)	–	–
Released for settlement of RSUs and PSUs (note 28)	79,641	1	113,419	2
Shares held in trusts, end of year	(160,465)	$ (3)	(141,106)	$ (2)
Issued and outstanding, net of shares held in trusts, end of year	140,577,477	$ 2,616	146,648,397	$ 2,712
Weighted average outstanding, net of shares held in trusts	144,244,034		149,893,834	

(i) Number of common shares repurchased and cancelled as at December 31, 2022, does not include shares that may be repurchased subsequent to year end under the automatic share purchase plan ("ASPP"), as described below.

(ii) Includes 1,930 shares cancelled during 2021 in a private transaction and are excluded from the Company's Normal Course Issuer Bid.

Preferred Shares, Series I (authorized – 10.0 million) GWL has 9.4 million 5.80% non-voting Preferred Shares, Series I outstanding, with a face value of $235 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.45 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series III (authorized – 10.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of $200 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series IV (authorized – 8.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of $200 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series V (authorized – 8.0 million) GWL has 8.0 million 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of $200 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

DIVIDENDS The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Company's 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 2022 and in the third quarter of 2021, the Board raised the quarterly common share dividend by $0.060 to $0.66 and $0.050 to $0.60 per share, respectively. The Board declared dividends for the years ended as follows:

($)		**2022**		2021
Dividends declared per share(i):				
Common share	**$**	**2.58**	$	2.30
Preferred share:				
Series I	**$**	**1.45**	$	1.45
Series III	**$**	**1.30**	$	1.30
Series IV	**$**	**1.30**	$	1.30
Series V	**$**	**1.1875**	$	1.1875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on January 1, 2023. Dividends declared on Preferred Shares, Series I were paid on December 15, 2022.

The following table summarizes the Company's cash dividends declared subsequent to year end 2022:

($)			
Dividends declared per share(i)	– Common share	$	0.660
	– Preferred share:		
	Series I	$	0.3625
	Series III	$	0.3250
	Series IV	$	0.3250
	Series V	$	0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2023. Dividends declared on Preferred Shares, Series I are payable on March 15, 2023.

NORMAL COURSE ISSUER BID PROGRAM The following table summarizes the Company's activity under its NCIB for the years ended as follows:

($ millions except where otherwise indicated)	2022	2021
Purchased for future settlement of RSUs and PSUs (number of shares)	**99,000**	–
Purchased for current settlement of RSUs and DSUs (number of shares)	**15,716**	10,862
Purchased and cancelled (number of shares)	**6,389,176**	5,906,444
Cash consideration paid		
Purchased and held in trusts	**$ (14)**	$ –
Purchased and settled	**(2)**	–
Purchased and cancelled(i)	**(994)**	(744)
Premium charged to retained earnings		
Purchased and held in trusts	**$ 12**	$ –
Purchased and settled	**1**	–
Purchased and cancelled(ii)	**1,002**	642
Reduction in share capital(iii)	**$ 136**	$ 108

(i) Included in 2022 is a net cash timing adjustment of $6 million (2021 – $(6) million) of common shares repurchased under the NCIB for cancellation.

(ii) Includes $133 million (2021 – nil) related to the ASPP, as described below.

(iii) Includes $17 million (2021 – nil) related to the ASPP, as described below.

In 2022, GWL renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,304,927 of its common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

From time to time, the Company participates in an ASPP with a broker in order to facilitate the purchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at December 31, 2022, an obligation to repurchase shares of $150 million was recognized under the ASPP in trade payables and other liabilities.

As of December 31, 2022, 4,786,792 common shares were purchased under the Company's current NCIB.

Note 26. Capital Management

In order to manage its capital structure, the Company may, among other activities, adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB, issue new shares or issue or repay long-term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions;
- utilizing short-term funding sources to manage its working capital requirements and long-term funding sources to manage the long-term capital investments of the business; and
- targeting an appropriate leverage and capital structure for the Company and each of its reportable operating segments.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

	As at	
($ millions)	Dec. 31, 2022	Dec. 31, 2021
Bank indebtedness	**$ 8**	$ 52
Demand deposits from customer	**125**	75
Short-term debt	**700**	450
Long-term debt due within one year	**1,383**	1,520
Long-term debt	**13,401**	12,490
Certain other liabilities(i)	**748**	738
Total debt excluding lease liabilities	**$ 16,365**	$ 15,325
Lease liabilities due within one year	**$ 835**	$ 742
Lease liabilities	**$ 4,323**	$ 4,242
Total debt including lease liabilities	**$ 21,523**	$ 20,309
Equity attributable to shareholders of the Company	**6,841**	6,959
Total capital under management	**$ 28,364**	$ 27,268

(i) Includes financial liabilities of $668 million (December 31, 2021 – $666 million) recorded primarily as a result of Choice Properties' transactions.

COVENANTS AND REGULATORY REQUIREMENTS The Company and Loblaw are subject to certain key financial and non-financial covenants under their existing credit facilities, certain debentures and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by the Company and Loblaw on a quarterly basis to ensure compliance with these agreements. As at year end 2022 and throughout the year, the Company and Loblaw were in compliance with each of their covenants under their agreements.

Loblaw is subject to externally imposed capital requirements from the 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. PC Bank is also subject to the OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at year end 2022 and throughout the year, PC Bank has met all applicable regulatory requirements.

Choice Properties has certain key financial covenants in its debentures and committed credit facility. They key financial covenants include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by Choice Properties on an on-going basis to ensure compliance with the agreements. As at year end 2022 and throughout the year, Choice Properties was in compliance with each of the key financial covenants under these agreements.

In addition, the Company has wholly-owned subsidiaries that engage in insurance related activities. These subsidiaries each exceeded their minimum regulatory capital and surplus requirements as at year end 2022.

Note 27. Post-Employment and Other Long-Term Employee Benefits

POST-EMPLOYMENT BENEFITS The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

The Loblaw Pension Committee and the GWL Governance, Human Resource, Nominating and Compensation Committee (collectively, the "Committees") oversee the Company's and GWL's pension plans. The Committees are responsible for assisting Loblaw's and GWL's Boards in fulfilling their general oversight responsibilities for the plans.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on regulatory going concern and solvency valuations for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefit plans are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan for salaried employees. All newly hired salaried employees are only eligible to participate in this defined contribution plan.

The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements.

The Company expects to make contributions in 2023 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as make benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long-term employee benefit plans.

OTHER LONG-TERM EMPLOYEE BENEFITS The Company offers other long-term employee benefit plans that include long-term disability benefits and continuation of health care and dental benefits while on disability.

DEFINED BENEFIT PENSION PLANS AND OTHER DEFINED BENEFIT PLANS Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

	As at			
	Dec. 31, 2022		**Dec. 31, 2021**	
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**
Present value of funded obligations	**$ (1,299)**	**$ –**	$ (1,740)	$ –
Present value of unfunded obligations	**(147)**	**(119)**	(187)	(149)
Total present value of defined benefit obligations	**$ (1,446)**	**$ (119)**	**$ (1,927)**	**$ (149)**
Fair value of plan assets	**1,616**	**–**	2,232	–
Total funded status of surpluses (obligations)	**$ 170**	**$ (119)**	**$ 305**	**$ (149)**
Assets not recognized due to asset ceiling	**(265)**	**–**	(1)	–
Total net defined benefit plan (obligations) surpluses	**$ (95)**	**$ (119)**	**$ 304**	**$ (149)**
Recorded on the consolidated balance sheets as follows:				
Other assets (note 21)	**$ 65**	**$ –**	$ 495	$ –
Other liabilities (note 24)	**$ (160)**	**$ (119)**	$ (191)	$ (149)

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

			2022			2021
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Changes in the fair value of plan assets						
Fair value, beginning of year	**$ 2,232**	**$ –**	**$ 2,232**	$ 2,207	$ –	$ 2,207
Employer contributions	**2**	**–**	**2**	27	–	27
Employee contributions	**3**	**–**	**3**	3	–	3
Benefits paid	**(57)**	**–**	**(57)**	(51)	–	(51)
Interest income	**73**	**–**	**73**	55	–	55
Actuarial (losses) gains in other comprehensive income	**(626)**	**–**	**(626)**	34	–	34
Other	**(4)**	**–**	**(4)**	(4)	–	(4)
Settlement related to sale of Weston Foods	**(7)**	**–**	**(7)**	(39)	–	(39)
Fair value, end of year	**$ 1,616**	**$ –**	**$ 1,616**	$ 2,232	$ –	$ 2,232
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	**$ 1,927**	**$ 149**	**$ 2,076**	$ 2,234	$ 168	$ 2,402
Current service cost	**63**	**3**	**66**	73	5	78
Interest cost	**61**	**5**	**66**	57	4	61
Benefits paid	**(66)**	**(5)**	**(71)**	(63)	(5)	(68)
Employee contributions	**3**	**–**	**3**	3	–	3
Actuarial (gains) in other comprehensive income	**(535)**	**(33)**	**(568)**	(338)	(23)	(361)
Curtailment gain[(i)]	**–**	**–**	**–**	(2)	–	(2)
Settlement related to sale of Weston Foods	**(7)**	**–**	**(7)**	(37)	–	(37)
Balance, end of year	**$ 1,446**	**$ 119**	**$ 1,565**	$ 1,927	$ 149	$ 2,076
Total funded status of surpluses (obligations)	**$ 170**	**$ (119)**	**$ 51**	$ 305	$ (149)	$ 156
Assets not recognized due to asset ceiling	**(265)**	**–**	**(265)**	(1)	–	(1)
Total net defined benefit plan (obligations) surpluses	**$ (95)**	**$ (119)**	**$ (214)**	$ 304	$ (149)	$ 155

(i) Curtailment gain relates to the sale of Weston Foods and was remeasured as at November 30, 2021 using a discount rate of 3.50%.

For the year ended 2022, the actual loss on plan assets was $553 million (2021 – return of $89 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants – 57% (2021 – 60%)
- Deferred plan participants – 12% (2021 – 12%)
- Retirees – 31% (2021 – 28%)

During 2023, the Company expects to contribute approximately $46 million (2022 – contributed $2 million) to its registered defined benefit pension plans. The actual amount of contributions may vary from the estimate depending on the funded positions of the plans, filing of any actuarial valuations, any new regulatory requirements or other factors.

The net cost recognized in net earnings before income taxes from continuing operations for the Company's defined benefit pension plans and other defined benefit plans was as follows:

	2022			2021		
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	**$ 63**	**$ 3**	**$ 66**	$ 73	$ 5	$ 78
Net interest (income) cost on net defined benefit plan (assets) obligations	**(12)**	**5**	**(7)**	2	4	6
Settlement charges(i)	**–**	**–**	**–**	2	–	2
Curtailment gain(ii)	**–**	**–**	**–**	(2)	–	(2)
Other	**4**	**–**	**4**	4	–	4
Net post-employment defined benefit costs	**$ 55**	**$ 8**	**$ 63**	**$ 79**	**$ 9**	**$ 88**

(i) Relates to annuity purchases.
(ii) Curtailment gain relates to the sale of Weston Foods and was remeasured as at November 30, 2021 using a discount rate of 3.50%.

The actuarial losses (gains) recognized in other comprehensive income from continuing operations for defined benefit plans were as follows:

	2022			2021		
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Loss (return) on plan assets excluding amounts included in interest income	**$ 626**	**$ –**	**$ 626**	$ (34)	$ –	$ (34)
Experience adjustments	**3**	**(3)**	**–**	(45)	(8)	(53)
Actuarial gains from change in demographic assumptions	**–**	**6**	**6**	–	–	–
Actuarial (gains) from change in financial assumptions(i)	**(538)**	**(36)**	**(574)**	(293)	(15)	(308)
Change in liability arising from change in asset ceiling(i)	**265**	**–**	**265**	(2)	–	(2)
Total net actuarial losses (gains) recognized in other comprehensive income before income taxes	**$ 356**	**$ (33)**	**$ 323**	$ (374)	$ (23)	$ (397)
Income tax (recoveries) expenses on actuarial losses (gains) (note 9)	**(95)**	**8**	**(87)**	98	6	104
Actuarial losses (gains) net of income tax (recoveries) expenses	**$ 261**	**$ (25)**	**$ 236**	$ (276)	$ (17)	$ (293)

(i) The actuarial gains and the change in liability arising from change in asset ceiling were primarily driven by an increase in discount rates.

The cumulative actuarial (gains) losses before income taxes recognized in equity for the Company's defined benefit plans were as follows:

($ millions)	Defined Benefit Pension Plans 2022	Other Defined Benefit Plans 2022	Total 2022	Defined Benefit Pension Plans 2021	Other Defined Benefit Plans 2021	Total 2021
Cumulative amount, beginning of year	**$ (385)**	**$ (94)**	**$ (479)**	$ (11)	$ (71)	$ (82)
Net actuarial losses (gains) recognized in the year before income taxes	**356**	**(33)**	**323**	(374)	(23)	(397)
Cumulative amount, end of year	**$ (29)**	**$ (127)**	**$ (156)**	$ (385)	$ (94)	$ (479)

COMPOSITION OF PLAN ASSETS The defined benefit pension plan assets are held in trust and consist of the following asset categories:

($ millions except where otherwise indicated)	As at Dec. 31, 2022		As at Dec. 31, 2021	
Equity securities				
Canadian – pooled funds	**$ 24**	**2%**	$ 47	2%
Foreign – pooled funds	**847**	**52%**	1,172	53%
Total equity securities	**$ 871**	**54%**	$ 1,219	55%
Debt securities				
Fixed income securities – government	**$ 424**	**26%**	$ 731	33%
– corporate	**81**	**5%**	81	3%
Total debt securities	**$ 505**	**31%**	$ 812	36%
Other investments	**$ 205**	**13%**	$ 158	7%
Cash and cash equivalents	**$ 35**	**2%**	$ 43	2%
Total	**$ 1,616**	**100%**	$ 2,232	100%

As at year end 2022 and 2021, the defined benefit pension plans did not directly include any GWL, Loblaw or Choice Properties securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly as prices or indirectly, either derived from prices or as per agreements for contractual returns.

The Company's asset allocation reflects a balance of interest rate sensitive investments, such as fixed income investments, and equities, which are expected to provide higher returns over the long-term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

PRINCIPAL ACTUARIAL ASSUMPTIONS The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

	2022		2021	
	Defined Benefit Pension Plans	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	**5.30%**	**5.30%**	3.30%	3.20%
Rate of compensation increase	**4% for 2022 and 2023 and 3% thereafter**	**n/a**	3.00%	n/a
Mortality table[i]	**CPM-RPP2014Pub/Priv Generational**	**CPM-RPP2014Pub/Priv Generational**	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	**3.30%**	**3.20%**	2.50%	2.50%
Rate of compensation increase	**3.00%**	**n/a**	3.00%	n/a
Mortality table[i]	**CPM-RPP2014Pub/Priv Generational**	**CPM-RPP2014Pub/Priv Generational**	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational

n/a – not applicable

(i) Public or private sector mortality table is used depending on the prominent demographics of each plan.

The weighted average duration of the defined benefit obligations as at year end 2022 is 14.1 years (2021 – 17.0 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at year end 2022 was estimated at 4.60% and is expected to increase to 4.90% as at year end 2023.

SENSITIVITY OF KEY ACTUARIAL ASSUMPTIONS The following table outlines the key assumptions for 2022 (expressed as weighted averages) and the sensitivity of these assumptions on the defined benefit plan obligations.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

		Defined Benefit Pension Plans	Other Defined Benefit Plans
Increase (Decrease) ($ millions)		**Defined Benefit Plan Obligations**	**Defined Benefit Plan Obligations**
Discount rate		**5.30%**	**5.30%**
Impact of:	1% increase	**$ (185)**	**$ (13)**
	1% decrease	**$ 230**	**$ 16**
Expected growth rate of health care costs			**4.60%**
Impact of:	1% increase	**n/a**	**$ 11**
	1% decrease	**n/a**	**$ (9)**
Mortality rates			
Impact of:	One year increase in life expectancy	**$ 25**	**$ 2**
	One year decrease in life expectancy	**$ (23)**	**$ (2)**

n/a – not applicable

MULTI-EMPLOYER PENSION PLANS During 2022, the Company recognized an expense of $70 million (2021 – $73 million) in operating income from continuing operations, which represents the contributions made in connection with MEPPs. During 2023, the Company expects to continue to make contributions into these MEPPs.

Loblaw, together with its franchises, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 57,000 (2021 – 56,000) employees as members. Included in the 2022 expense described above are contributions of $69 million (2021 – $72 million) to CCWIPP.

POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFIT COSTS The net cost recognized in net earnings before income taxes from continuing operations for the Company's post-employment and other long-term employee benefit plans was as follows:

($ millions)	2022	2021
Net post-employment defined benefit cost(i)	$ 63	$ 88
Defined contribution costs(ii)	33	30
Multi-employer pension plan costs(iii)	70	73
Total net post-employment benefit costs	$ 166	$ 191
Other long-term employee benefit costs(iv)	25	31
Net post-employment and other long-term employee benefit costs	$ 191	$ 222
Recorded on the consolidated statements of earnings as follows:		
Operating income (note 29)	$ 195	$ 213
Net interest expense and other financing charges (note 8)	(4)	9
Net post-employment and other long-term employee benefits costs	$ 191	$ 222

(i) In 2021, includes $2 million settlement charge related to annuity purchases and $2 million curtailment gain related to the sale of Weston Foods.
(ii) Amounts represent the Company's contributions made in connection with defined contribution plans.
(iii) Amounts represent the Company's contributions made in connection with MEPPs.
(iv) Other long-term employee benefit costs include $3 million (2021 – $3 million) of net interest expense and other financing charges.

Note 28. Equity-Based Compensation

The Company's equity-based compensation arrangements include stock option plans, RSU plans, PSU plans, DSU plans, EDSU plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements in 2022 were $90 million (2021 – $78 million).

The following table presents the carrying amount of the Company's equity-based compensation arrangements:

($ millions)	As at Dec. 31, 2022	Dec. 31, 2021
Trade payables and other liabilities	**$ 11**	$ 11
Other liabilities (note 24)	**$ 8**	$ 6
Contributed surplus	**$ 135**	$ 131

Details related to the equity-based compensation plans of GWL and Loblaw are as follows:

STOCK OPTION PLANS GWL maintains a stock option plan for certain employees. Under this plan, GWL may grant options for up to 6,453,726 of its common shares.

Loblaw maintains a stock option plan for certain employees. Under this plan, Loblaw may grant options for up to 28,137,162 of its common shares.

The following table is a summary of GWL's stock option plan activity:

	2022 Options (number of shares)	**2022** Weighted Average Exercise Price/ Share	2021 Options (number of shares)	2021 Weighted Average Exercise Price/Share
Outstanding options, beginning of year	**1,817,548**	**$ 101.89**	1,746,483	$ 101.44
Granted	**171,497**	**$ 152.95**	397,956	$ 100.92
Exercised (note 25)	**(337,615)**	**$ 105.83**	(323,461)	$ 98.18
Forfeited/cancelled	**(2,664)**	**$ 109.98**	(3,430)	$ 109.75
Outstanding options, end of year	**1,648,766**	**$ 106.38**	1,817,548	$ 101.89
Options exercisable, end of year	**634,989**	**$ 101.23**	640,091	$ 103.63

The following table summarizes information about GWL's outstanding stock options:

	2022				
	Outstanding Options			**Exercisable Options**	
Range of Exercise Prices ($)	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**	**Weighted Average Exercise Price/Share**
$93.17 - $97.02	**377,424**	**3**	**$ 93.17**	**210,045**	**$ 93.17**
$97.03 - $104.48	**883,962**	**5**	**$ 102.71**	**251,020**	**$ 103.24**
$104.49 - $152.97	**387,380**	**4**	**$ 127.63**	**173,924**	**$ 108.08**
	1,648,766		**$ 106.38**	**634,989**	**$ 101.23**

During 2022, GWL issued common shares on the exercise of stock options with a weighted average market share price of $158.33 (2021 – $129.12) per common share and received cash consideration of $36 million (2021 – $32 million).

The fair value of stock options granted by GWL during 2022 was $5 million (2021 – $6 million). The assumptions used to measure the grant date fair value of the GWL options granted during the years ended under the Black-Scholes stock option valuation model were as follows:

	2022	2021
Expected dividend yield	**1.6%**	2.2%
Expected share price volatility	**19.0% - 20.6%**	18.8% - 19.4%
Risk-free interest rate	**1.6% - 2.9%**	0.9% - 1.1%
Expected life of options	**4.9 - 6.6 years**	4.9 - 6.7 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2022 was 1.3% (2021 – 1.4%).

The following table is a summary of Loblaw's stock option plan activity:

		2022				2021
	Options (number of shares)		**Weighted Average Exercise Price/Share**	Options (number of shares)		Weighted Average Exercise Price/Share
Outstanding options, beginning of year	**6,431,449**	**$**	**63.15**	7,259,645	$	61.19
Granted	**1,162,625**	**$**	**100.05**	1,926,951	$	64.27
Exercised	**(1,487,377)**	**$**	**59.47**	(1,829,170)	$	56.02
Forfeited/cancelled	**(324,082)**	**$**	**71.04**	(925,977)	$	64.22
Outstanding options, end of year	**5,782,615**	**$**	**71.07**	6,431,449	$	63.15
Options exercisable, end of year	**2,100,204**	**$**	**62.26**	2,285,608	$	59.79

The following table summarizes information about Loblaw's outstanding stock options:

				2022			
	Outstanding Options				**Exercisable Options**		
Range of Exercise Prices ($)	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**		**Weighted Average Exercise Price/Share**
$55.18 - $64.07	**2,412,999**	**3**	**$**	**59.67**	**1,235,700**	**$**	**58.11**
$64.08 - $70.13	**2,065,927**	**4**	**$**	**68.23**	**824,882**	**$**	**67.76**
$70.14 - $117.67	**1,303,689**	**6**	**$**	**96.67**	**39,622**	**$**	**77.36**
	5,782,615		**$**	**71.07**	**2,100,204**	**$**	**62.26**

During 2022, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of $114.22 (2021 – $81.97) per common share and received cash consideration of $88 million (2021 – $102 million).

The fair value of stock options granted by Loblaw during 2022 was $21 million (2021 – $17 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the years ended as indicated under the Black-Scholes stock option valuation model were as follows:

	2022	2021
Expected dividend yield	**1.4%**	1.7%
Expected share price volatility	**18.4% - 22.2%**	18.3% - 20.6%
Risk-free interest rate	**1.6% - 3.5%**	0.6% - 1.6%
Expected life of options	**3.7 - 6.2 years**	3.8 - 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2022 was 11.0% (2021 – 9.0%).

Notes to the Consolidated Financial Statements

RESTRICTED SHARE UNIT PLANS The following table is a summary of GWL's and Loblaw's RSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2022**	2021	**2022**	2021
Outstanding RSUs, beginning of year	**29,777**	133,038	**799,345**	894,272
Granted	**7,451**	32,444	**244,686**	372,015
Reinvested	**513**	2,364	**10,105**	14,835
Settled	**(9,184)**	(99,471)	**(294,115)**	(371,474)
Forfeited	**(3,058)**	(38,598)	**(43,194)**	(110,303)
Outstanding RSUs, end of year	**25,499**	29,777	**716,827**	799,345

The fair value of GWL's and Loblaw's RSUs granted during 2022 was $1 million (2021 – $3 million) and $26 million (2021 – $25 million), respectively.

PERFORMANCE SHARE UNIT PLANS The following table is a summary of GWL's and Loblaw's PSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2022**	2021	**2022**	2021
Outstanding PSUs, beginning of year	**183,841**	151,058	**616,417**	666,400
Granted	**28,131**	58,335	**310,100**	281,099
Reinvested	**2,576**	3,455	**8,570**	11,177
Settled	**(70,457)**	(23,606)	**(258,411)**	(231,952)
Forfeited	**(8)**	(5,401)	**(28,477)**	(110,307)
Outstanding PSUs, end of year	**144,083**	183,841	**648,199**	616,417

The fair value of GWL's and Loblaw's PSUs granted during 2022 was $4 million (2021 – $6 million) and $26 million (2021 – $18 million), respectively.

SETTLEMENT OF AWARDS FROM SHARES HELD IN TRUSTS The following table summarizes GWL's settlement of RSUs and PSUs from shares held in trusts for the years ended as indicated:

(Number of awards)	**2022**	2021
Settled	**79,641**	123,077
Released from trusts (note 25)	**79,641**	113,419

During 2022, the settlement of awards from shares held in trusts resulted in a $7 million increase (2021 – $9 million) in retained earnings and a $1 million increase (2021 – $2 million) in share capital.

DIRECTOR DEFERRED SHARE UNIT PLANS The following table is a summary of GWL's and Loblaw's DSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2022**	2021	**2022**	2021
Outstanding DSUs, beginning of year	**168,303**	149,537	**361,316**	380,481
Granted	**11,367**	15,902	**21,744**	32,829
Reinvested	**2,635**	2,864	**4,532**	6,162
Settled	**(21,098)**	–	**(62,361)**	(58,156)
Outstanding DSUs, end of year	**161,207**	168,303	**325,231**	361,316

The fair value of GWL's and Loblaw's DSUs granted during 2022 was $2 million (2021 – $2 million) and $2 million (2021 – $2 million), respectively.

EXECUTIVE DEFERRED SHARE UNIT PLANS The following table is a summary of GWL's and Loblaw's EDSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2022**	2021	**2022**	2021
Outstanding EDSUs, beginning of year	**44,527**	44,911	**62,473**	56,856
Granted	**–**	–	**7,719**	5,399
Reinvested	**746**	820	**914**	1,066
Settled	**–**	(1,204)	**(5,608)**	(848)
Outstanding EDSUs, end of year	**45,273**	44,527	**65,498**	62,473

There were no GWL EDSUs granted in 2022 and 2021. The fair value of Loblaw's EDSUs granted during 2022 was $1 million (2021 – nominal).

CHOICE PROPERTIES The following are details related to the unit-based compensation plans of Choice Properties:

UNIT OPTION PLAN Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Unit Options totaling up to 19,744,697 Units, as approved at the annual and special meeting of Unitholders on April 29, 2015. The Unit Options vest in tranches over a period of four years.

The following table is a summary of Choice Properties' Unit Option plan activity:

			2022			2021
	Number of awards		**Weighted average exercise price/unit**	Number of awards		Weighted average exercise price/ unit
Outstanding Unit Options, beginning of year	**435,456**	**$**	**12.84**	1,082,640	$	12.54
Exercised	**(182,302)**	**$**	**13.98**	(647,184)	$	12.34
Outstanding Unit Options, end of year	**253,154**	**$**	**12.01**	435,456	$	12.84
Unit Options exercisable, end of year	**253,154**	**$**	**12.01**	292,592	$	13.13

The assumptions used to measure the fair value of the Unit Options under the Black-Scholes model were as follows:

	2022	2021
Expected distribution yield	**4.9%**	5.0%
Expected Unit price volatility	**13.7% - 20.9%**	13.4% - 21.5%
Risk-free interest rate	**0.05% - 4.4%**	0.001% - 0.8%
Expected life of options	**0.1 - 0.7 years**	0.1 - 1.7 years

RESTRICTED UNIT PLAN RUs entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when a RU is outstanding. The fair value of each RU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no RUs vested as at year end 2022 and 2021.

The following table is a summary of Choice Properties' RU plan activity:

(Number of awards)	2022	2021
Outstanding RUs, beginning of year	**439,574**	405,713
Granted	**94,355**	119,134
Reinvested	**16,329**	22,014
Exercised	**(257,604)**	(104,563)
Cancelled	**(21,499)**	(2,724)
Expired	**(8)**	–
Outstanding RUs, end of year	**271,147**	439,574

UNIT-SETTLED RESTRICTED UNIT PLAN Under the terms of the URU plan, certain employees are granted URUs, which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs would not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six or seven-year holding period during which the Units cannot be disposed. There were 1,217,340 URUs vested, but still subject to disposition restrictions as at year end 2022 (2021 – 996,896).

The following table is a summary of Choice Properties' URU plan activity for units not yet vested:

(Number of awards)	2022	2021
Outstanding URUs, beginning of year	**600,919**	588,534
Granted	**230,682**	189,887
Cancelled	**(1,989)**	–
Vested	**(162,893)**	(177,502)
Outstanding URUs, end of year	**666,719**	600,919

PERFORMANCE UNIT PLAN PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on Choice Properties achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no PUs vested as at year end 2022 and 2021.

The following table is a summary of Choice Properties' PU plan activity:

(Number of awards)	2022	2021
Outstanding PUs, beginning of year	**197,609**	135,695
Granted	**85,221**	82,847
Reinvested	**12,081**	9,403
Exercised	**(67,397)**	(30,336)
Cancelled	**(5,069)**	–
Added by performance factor	**15,973**	–
Outstanding PUs, end of year	**238,418**	197,609

TRUSTEE DEFERRED UNIT PLAN Non-management members of the Choice Properties' Board of Trustees are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. All DUs vest when granted, however, they cannot be exercised while Trustees are members of the Board.

The following table is a summary of Choice Properties' DU plan activity:

(Number of awards)	2022	2021
Outstanding Trustee DUs, beginning of year	**389,462**	368,290
Granted	**95,099**	82,969
Reinvested	**21,995**	18,942
Exercised	**–**	(80,739)
Outstanding Trustee DUs, end of year	**506,556**	389,462

Note 29. Employee Costs

Included in operating income were the following employee costs from continuing operations:

($ millions)	2022	2021
Wages, salaries and other short-term employee benefits	**$ 7,314**	$ 7,065
Post-employment benefits (note 27)	**173**	185
Other long-term employee benefits (note 27)	**22**	28
Equity-based compensation	**81**	69
Capitalized to fixed assets and intangible assets	**(129)**	(112)
Employee costs	**$ 7,461**	$ 7,235

Note 30. Leases

The Company leases certain of Loblaw's retail stores and distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of Loblaw's retail stores are a substantial portion of the Company's lease portfolio. Loblaw retail store leases typically have an initial lease term with additional renewal options available thereafter.

The Company has owned and leased properties that are leased and subleased to third parties, respectively. Owned properties are held to either earn rental income, for capital appreciation, or both. Subleases are primarily related to non-consolidated franchise stores, medical centres and ancillary tenants within Loblaw stores.

AS A LESSEE

Right-of-Use Assets The following is a continuity of the cost and accumulated depreciation of right-of-use assets for the year ended December 31, 2022:

						2022
($ millions)		**Property**		**Other**		**Total**
Cost						
Balance, beginning of year	**$**	**5,717**	**$**	**99**	**$**	**5,816**
Lease additions, net of terminations		**293**		**21**		**314**
Lease extensions and other items		**446**		**11**		**457**
Balance, end of year	**$**	**6,456**	**$**	**131**	**$**	**6,587**
Accumulated depreciation						
Balance, beginning of year	**$**	**1,695**	**$**	**63**	**$**	**1,758**
Depreciation		**598**		**19**		**617**
Impairment reversals, net of losses (note 16)		**4**		**–**		**4**
Balance, end of year	**$**	**2,297**	**$**	**82**	**$**	**2,379**
Carrying amount as at December 31, 2022	**$**	**4,159**	**$**	**49**	**$**	**4,208**

The following is a continuity of the cost and accumulated depreciation of right-of-use assets for the year ended December 31, 2021:

						2021
($ millions)		Property		Other		Total
Cost						
Balance, beginning of year	$	5,139	$	87	$	5,226
Lease additions, net of terminations		121		–		121
Lease extensions and other items		499		12		511
Transfers to assets held for sale		(42)		–		(42)
Balance, end of year	$	5,717	$	99	$	5,816
Accumulated depreciation						
Balance, beginning of year	$	1,138	$	45	$	1,183
Depreciation		574		18		592
Impairment losses, net of reversals (note 16)		(2)		–		(2)
Transfers to assets held for sale		(16)		–		(16)
Balance, end of year	$	1,694	$	63	$	1,757
Carrying amount as at December 31, 2021	$	4,023	$	36	$	4,059

Lease Liabilities The following is the continuity of lease liabilities for the year ended December 31, 2022 and December 31, 2021:

($ millions)	2022	2021
Balance, beginning of year	**$ 4,984**	$ 5,005
Lease additions, net of terminations	**297**	128
Lease extensions and other items	**453**	500
Lease payments	**(761)**	(811)
Interest expense on lease liabilities (note 8)	**185**	191
Transfers to liabilities held for sale	**–**	(29)
Balance, end of year	**$ 5,158**	$ 4,984
Lease liabilities due within one year	**$ 835**	$ 742
Lease liabilities	**4,323**	4,242
Total lease liabilities	**$ 5,158**	$ 4,984

Liquidity The future undiscounted contractual lease payments are as follows:

	Payments due by year						As at	
							Dec. 31, 2022	Dec. 31, 2021
($ millions)	2023	2024	2025	2026	2027	Thereafter	**Total**	Total
Lease payments	$ 850	$ 782	$ 716	$ 565	$ 467	$ 1,930	**$ 5,310**	$ 5,040

As at December 31, 2022, the Company also had commitments of $566 million (December 31, 2021 – $827 million) related to leases not yet commenced.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2022, $27 million (2021 – $26 million) was recognized in cost of inventories sold and SG&A.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2022, $233 million (2021 – $238 million) was recognized in SG&A.

Extension Options Substantially all of Loblaw's retail store leases have extension options for additional lease terms. As at December 31, 2022, approximately 15% (December 31, 2021 – 14%) of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at December 31, 2022, approximately $7 billion (December 31, 2021 – $6 billion) of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2022, the Company disposed of and leased back one retail property (2021 – four retail properties), and recognized a loss of $1 million (2021 – gain of $8 million) in SG&A.

AS A LESSOR

Finance Leases Finance lease receivable is included in other assets on the Company's consolidated balance sheet (see note 21). During 2022, the Company recognized finance interest income of $3 million (2021 – $3 million) and nil impairment losses (2021 – nil). The future finance lease payments to be received by the Company relating to properties that are subleased to third parties are as follows:

	Payments to be received by year						As at Dec. 31, 2022	As at Dec. 31, 2021
($ millions)	2023	2024	2025	2026	2027	Thereafter	Total	Total
Finance lease payments to be received	$ 19	$ 7	$ 7	$ 7	$ 4	$ 265	**$ 309**	$ 318
Less: unearned finance interest income	(3)	(2)	(2)	(2)	(2)	(235)	**(246)**	(248)
Total finance lease receivable (note 21)	$ 16	$ 5	$ 5	$ 5	$ 2	$ 30	**$ 63**	$ 70

Operating Leases During 2022, the Company recognized operating lease income of $375 million (2021 – $383 million), of which $19 million (2021 – $20 million) is related to subleases of right-of-use assets.

The future undiscounted operating lease payments to be received by the Company are as follows:

	Payments to be received by year						As at Dec. 31, 2022	As at Dec. 31, 2021
($ millions)	2023	2024	2025	2026	2027	Thereafter	Total	Total
Operating lease income	$ 398	$ 374	$ 339	$ 293	$ 236	$ 952	**$ 2,592**	$ 1,991

The Company has certain owned land and buildings that it leases to third parties, which as at December 31, 2022 had a net carrying amount of $863 million (2021 – $1 billion).

Note 31. Financial Instruments

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short-term in nature. The carrying values of the Company's financial instruments approximate their fair values except for long-term debt.

	As at							
	Dec. 31, 2022				Dec. 31, 2021[i]			
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Amortized cost:								
Mortgages, loans and notes receivable[ii]	**$ –**	**$ –**	**$ 342**	**$ 342**	$ –	$ –	$ 89	$ 89
Fair value through other comprehensive income:								
Long-term securities[ii]	**246**	**–**	**–**	**246**	96	–	–	96
Derivatives included in prepaid expenses and other assets	**–**	**6**	**–**	**6**	–	1	–	1
Fair value through profit and loss:								
Security deposits	**36**	**–**	**–**	**36**	75	–	–	75
Mortgages, loans and notes receivable[ii]	**–**	**–**	**163**	**163**	–	–	97	97
Investment in real estate securities[ii]	**–**	**302**	**–**	**302**	–	–	–	–
Certain other assets[ii]	**–**	**19**	**132**	**151**	–	20	80	100
Derivatives included in prepaid expenses and other assets	**1**	**26**	**–**	**27**	3	5	–	8
Financial liabilities								
Amortized cost:								
Long-term debt	**–**	**8,592**	**5,947**	**14,539**	–	8,643	6,527	15,170
Financial liabilities[ii]	**–**	**–**	**677**	**677**	–	–	668	668
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	**–**	**–**	**–**	**–**	–	1	–	1
Fair value through profit and loss:								
Trust Unit liability	**4,112**	**–**	**–**	**4,112**	4,209	–	–	4,209
Derivatives included in trade payables and other liabilities	**–**	**–**	**3**	**3**	–	2	1	3

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) Included in the consolidated balance sheets in Other Assets and Other Liabilities.

There were no transfers between the levels of the fair value hierarchy during the periods presented.

During 2022, a gain of $4 million (2021 – loss of $1 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, a net loss of $83 million (2021 – net loss of $774 million) was recognized in earnings before income taxes from continuing operations on financial instruments required to be classified as fair value through profit or loss.

Cash and Cash Equivalents, Short-Term Investments and Security Deposits As at the end of 2022, the Company had cash and cash equivalents, short-term investments and security deposits of $2,852 million (2021 – $3,938 million), including U.S. dollars of $126 million (2021 – $221 million).

During 2022, a gain of $3 million (2021 – gain of $3 million) was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

Embedded Derivatives The Level 3 financial instruments classified as fair value through profit or loss consist of Loblaw embedded derivatives on purchase orders placed in neither Canadian dollars nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any one of the inputs would result in a significantly higher (lower) fair value measurement.

During 2022, a loss of $2 million (2021 – loss of $3 million) was recorded in operating income related to these derivatives. In addition, as at the year end 2022, a corresponding liability of $3 million was included in trade payables and other liabilities (2021 – $1 million liability included in trade payables and other liabilities). As at year end 2022, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of $1 million.

Investments in Real Estate Securities The Allied Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded units, and included in the balance certain long-term investments and other assets in the table above. As at year end 2022, Choice Properties, held 11,809,145 Allied Class B Units with a value of $302 million. In 2022, a fair value loss of $248 million (2021 – nil) was recorded in SG&A (2021 – nil) (see note 21).

Trust Unit Liability In 2022, a fair value gain of $98 million (2021 – loss of $601 million) was recorded in net interest expense and other financing charges (see note 8).

Other Derivatives The Company uses bond forwards, interest rate swaps and foreign exchange forwards to mitigate the impact of increases in interest rates and manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes from continuing operations related to the Company's other derivatives:

			2022
($ millions)	Net asset (liability) fair value	Gain/loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards(i)	$ **4**	$ **4**	$ **2**
Bond Forwards(ii)	**1**	**18**	**(5)**
Interest Rate Swaps(iii)	**14**	**11**	**4**
Total derivatives designated as cash flow hedges	$ **19**	$ **33**	$ **1**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ **13**	$ **–**	$ **32**
Other Non-Financial Derivatives	**1**	**–**	**24**
Total derivatives not designated in a formal hedging relationship	$ **14**	$ **–**	$ **56**
Total derivatives	$ **33**	$ **33**	$ **57**

(i) PC Bank uses foreign exchange forwards, with a notional amount of $37 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities. During the first quarter of 2022, Loblaw entered into foreign exchange forwards, as described below.

(ii) PC Bank uses bond forwards, with notional value of $25 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2022, PC Bank settled $140 million of bond forwards (see note 23).

(iii) PC Bank uses interest rate swaps, with notional value of $180 million, to mitigate the impact of increases in interest rate. The fair value of the derivatives is included in prepaid expenses and other assets. Choice Properties uses interest rate swaps, with a notional value of $158 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives are included in other assets.

In the first quarter of 2022, Loblaw entered into foreign exchange forwards. The purpose of these forward exchange forwards was to hedge the risk that the future cash flows of an anticipated fixed asset purchase transaction will fluctuate because of changes in foreign exchange rates. Loblaw concluded that these hedges were effective and accordingly, the gains or losses on these foreign exchange forwards are recognized in other comprehensive income, Upon settlement of these foreign exchange forwards, the accumulated other comprehensive income will be included in the initial cost of the fixed asset.

($ millions)	Net asset (liability) fair value	Gain/(loss) recorded in OCI	2021 Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards[(i)]	$ –	$ –	$ (1)
Bond Forwards[(ii)]	(1)	6	(7)
Interest Rate Swaps[(iii)]	2	7	–
Total derivatives designated as cash flow hedges	$ 1	$ 13	$ (8)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ 2	$ –	$ 1
Other Non-Financial Derivatives	3	–	18
Total derivatives not designated in a formal hedging relationship	$ 5	$ –	$ 19
Total derivatives	$ 6	$ 13	$ 11

(i) PC Bank uses foreign exchange forwards, with a notional amount of $19 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.

(ii) PC Bank uses bond forwards with a notional value of $120 million, to manage interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2021, PC bank settled $175 million of bond forward (see note 23).

(iii) PC Bank uses interest rate swaps, with a notional value of $225 million, to manage its interest risk related to future debt issuances, The fair value of the derivatives is included in prepaid expenses and other assets. Choice Properties uses interest rate swaps, with a notional value of $62 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in other assets or other liabilities.

Note 32. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to certain risks. The following is a description of those risks and how the exposures are managed:

LIQUIDITY RISK 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 GIC deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short-term investments, 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.

Maturity Analysis The following are the undiscounted contractual maturities of significant financial liabilities as at December 31, 2022:

($ millions)	2023	2024	2025	2026	2027	Thereafter	Total[ii]
Long-term debt including interest payments[i]	$ 1,967	$ 2,786	$ 2,301	$ 1,341	$ 1,536	$ 9,197	$ 19,128
Foreign exchange forward contracts	543	157	–	–	–	–	700
Short-term debt	700	–	–	–	–	–	700
Financial liabilities[iii]	49	50	54	49	47	174	423
Bank indebtedness	8	–	–	–	–	–	8
Demand deposits from customers	125	–	–	–	–	–	125
Certain other liabilities	2	–	–	–	–	–	2
Total	$ 3,394	$ 2,993	$ 2,355	$ 1,390	$ 1,583	$ 9,371	$ 21,086

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long-term independent securitization trusts and an independent funding trust, as well as annual payment obligations for structured entities and mortgages. Variable interest payments are based on the forward rates as at year end 2022.
(ii) The Trust Unit liability has been excluded as this liability does not have a contractual maturity date. The Company also excluded trade payables and other liabilities, which are due within the next 12 months.
(iii) Represents the contractual payments that Loblaw is committed to related to the Choice Properties' dispositions (see note 24).

CURRENCY EXCHANGE RATE RISK The Company is exposed to foreign currency exchange rate variability, primarily on its U.S. dollar denominated purchases in trade payables and other liabilities. A depreciating Canadian dollar relative to the U.S. dollar 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 U.S. dollar 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 RISK 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, Loblaw's finance lease receivable, pension assets held in the Company's defined benefit plans, and Loblaw's 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, short-term investments and security deposits 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.

Choice Properties mitigates the risk of credit loss relating to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant, except Loblaw. Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

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.

Loblaw's finance lease receivable and Loblaw's accounts receivable including amounts due from government 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.

The Company's maximum exposure to credit risk as it relates to derivative instruments is approximated by the positive fair market value of the derivatives on the consolidated balance sheets (see note 31).

Refer to notes 12 and 13 for additional information on the credit quality performance of Loblaw's credit card receivables and other receivables, mentioned above, of Loblaw.

TRUST UNIT PRICE RISK The Company is exposed to market price risk from Choice Properties' Trust Units that are held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holders. The liability is recorded at fair value at each reporting period based on the market price of Trust Units. The change in the fair value of the liability negatively impacts net earnings when the Trust Unit price increases and positively impacts net earnings when the Trust Unit price declines. A one dollar increase in the market value of Trust Units, with all other variables held constant, would result in an increase of $277 million in net interest expense and other financing charges.

INTEREST RATE RISK 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. The Company estimates that a 1% increase (decrease) in short-term interest rates, with all other variables held constant, would result in a decrease (increase) of $14 million in net interest expense and other financing charges.

COMMODITY PRICE RISK Loblaw 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 Loblaw. To manage a portion of this exposure, Loblaw uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities. Loblaw estimates that based on the outstanding derivative contracts held as at year end 2022, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a net loss of $2 million in earnings before income taxes. This amount excludes the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Note 33. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, 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.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

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 licensed 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 judgment 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. Loblaw is still assessing the Decision and has not yet determined whether it plans to appeal any aspect of it. Accordingly, Loblaw has not recorded any amounts related to the potential liability associated with this lawsuit. Loblaw 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 Loblaw 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 Loblaw as well as a number of other major grocery retailers and another bread wholesaler. In December 2019, a proposed class action on behalf of independent distributors was commenced against the Company. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's and Loblaw's cash balances far exceed any realistic damages scenario and therefore the Company and Loblaw do not anticipate any impacts on the Company's or Loblaw's dividend, dividend policy or share buyback plan. The Company and Loblaw have not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2022 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company and Loblaw 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 Loblaw will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw 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 Companies Limited 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 Loblaw. 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. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

Between 2015 and 2019, Loblaw was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. In the fourth quarter of 2021, the Supreme Court ruled in favour of Loblaw on the Glenhuron matter and Loblaw reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds. As a result of related reassessments received during the first quarter of 2022, Loblaw reversed another $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

In July 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of Loblaw. 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. Although Loblaw believes in the merits of its position, Loblaw recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. Loblaw believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

INDEMNIFICATION PROVISIONS The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 34. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately $385 million (2021 – $424 million). In addition, Loblaw and Choice Properties have provided to third parties the following significant guarantees:

ASSOCIATE GUARANTEES Loblaw has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at year end 2022, Loblaw's maximum obligation in respect of such guarantees was $580 million (2021 – $580 million) with an aggregate amount of $473 million (2021 – $469 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2022, the Associates had drawn an aggregate amount of $8 million (2021 – $52 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse, in the event that any payments are made under the guarantees, Loblaw holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

INDEPENDENT FUNDING TRUSTS The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 23). As at year end 2022, Loblaw has agreed to provide a credit enhancement of $64 million (2021 – $64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (2021 – not less than 10%) of the principal amount of the loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to Loblaw's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to Loblaw and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

LEASE OBLIGATIONS In connection with historical dispositions of certain of its assets, Loblaw has assigned leases to third parties. Loblaw remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. Loblaw has guaranteed lease obligations of a third-party distributor in the amount of $4 million (2021 – $2 million).

GLENHURON BANK LIMITED SURETY BOND In connection with the Canada Revenue Agency's reassessment of Loblaw on certain income earned by Glenhuron (see note 33), Loblaw arranged for a surety bond to the Ministry of Finance in order to appeal the reassessments. As at year end 2021, the amount of the surety bond was $56 million. During 2022, the surety bond was released as a result of the favourable decision of the Supreme Court (see note 33).

CASH COLLATERALIZATION As at year end 2022, GWL had no agreements to cash collateralize uncommitted credit facilities (2021 – $45 million) and had no deposits with major financial institutions (2021 – $45 million) and classified as security deposits on the consolidated balance sheets. As at year end 2022, Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of $93 million (2021 – $93 million), of which a nominal amount (2021 – nominal) was deposited with major financial institutions and classified as security deposits on the consolidated balance sheets.

FINANCIAL SERVICES Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2022, the guarantee on behalf of PC Bank to MasterCard® was U.S. dollars $190 million (2021 – U.S. dollars $190 million).

Loblaw had in place an irrevocable standby letter of credit from a major Canadian chartered bank on behalf of one of its wholly-owned subsidiaries in the amount of $11 million (2021 – $11 million).

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $63 million (2021 – $41 million), which represented approximately 9% (2021 – 9%) of the securitized credit card receivables amount (see note 13).

CHOICE PROPERTIES Letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities are issued by Choice Properties. As at year end 2022, the aggregate gross potential liability related to these letters of credit totaled $33 million (2021 – $33 million). Choice Properties' credit facility and debentures are guaranteed by each of the General Partner, the Partnership and any other person that becomes a subsidiary of Choice Properties (with certain exceptions). In the case of default by Choice Properties, the indenture trustee will be entitled to seek redress from the guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of Choice Properties. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of Choice Properties' assets being primarily held in its various subsidiaries.

Note 35. Segment Information

The Company has two reportable operating segments: Loblaw and Choice Properties. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation, cash and short-term investments held by the Company and all other company level activities that are not allocated to the reportable operating segments, as further illustrated below.

The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies (see note 2). The Company measures each reportable operating segment's performance based on adjusted operating income before depreciation and amortization ("Adjusted EBITDA") and adjusted operating income. No reportable operating segment is reliant on any single external customer.

						2022						2021
($ millions)	Loblaw	Choice Properties	Other and Inter-segment	Total Segment Measure	Elim-inations	Total	Loblaw	Choice Properties	Other and Inter-segment	Total Segment Measure	Elim-inations	Total
Revenue	**$56,504**	**$ 1,265**	**$ 12**	**$ 57,781**	**$ (733)**	**$57,048**	$ 53,170	$ 1,292	$ 12	$ 54,474	$ (726)	$ 53,748
Operating income	$ 3,334	$ 1,083	$ 136	$ 4,553	$ –	$ 4,553	$ 2,929	$ 1,400	$ (302)	$ 4,027	$ –	$ 4,027
Net interest expense and other financing charges	683	339	(109)	913	–	913	495	1,377	(222)	1,650	–	1,650
Earnings before income taxes from continuing operations	**$ 2,651**	**$ 744**	**$ 245**	**$ 3,640**	**$ –**	**$ 3,640**	$ 2,434	$ 23	$ (80)	$ 2,377	$ –	$ 2,377
Operating income	**$ 3,334**	**$ 1,083**	**$ 136**	**$ 4,553**	**$ –**	**$ 4,553**	$ 2,929	$ 1,400	$ (302)	$ 4,027	$ –	$ 4,027
Depreciation and amortization	2,795	3	(391)	2,407			2,664	3	(360)	2,307		
Adjusting items(i)	44	(189)	(264)	(409)			(14)	(500)	175	(339)		
Adjusted EBITDA(i)	$ 6,173	$ 897	$ (519)	$ 6,551			$ 5,579	$ 903	$ (487)	$ 5,995		
Depreciation and amortization(ii)	2,298	3	(391)	1,910			2,158	3	(360)	1,801		
Adjusted operating income(i)	**$ 3,875**	**$ 894**	**$ (128)**	**$ 4,641**			$ 3,421	$ 900	$ (127)	$ 4,194		

(i) Certain items are excluded from operating income to derive adjusted EBITDA. Adjusted EBITDA is used internally by management when analyzing segment underlying operating performance.

(ii) Excludes $497 million (2021 – $506 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

Other and Intersegment includes the following items:

($ millions)	2022 Revenue	2022 Operating Income	2022 Net Interest Expense and Other Financing Charges	2021(i) Revenue	2021(i) Operating Income	2021(i) Net Interest Expense and Other Financing Charges
Internal lease arrangements	$ –	$ (95)	$ (106)	$ –	$ (89)	$ (108)
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(13)	–	–	(40)	–
Fair value adjustment on investment properties	–	286	1	–	(177)	2
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	170	–	–	(863)
Fair value adjustment on Trust Unit liability	–	–	(98)	–	–	601
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(293)	–	–	(293)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	205	–	–	205
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	–	–	–	–	–	188
Asset impairments, net of recoveries	–	4	–	–	29	–
Gain on sale of a property	–	(19)	–	–	–	–
Other	12	(27)	12	12	(25)	46
Total	$ 12	$ 136	$ (109)	$ 12	$ (302)	$ (222)
Elimination of intercompany rental revenue	(733)	–	–	(726)	–	–
Total including Eliminations	$ (721)	$ 136	$ (109)	$ (714)	$ (302)	$ (222)

(i) Certain comparative figures have been restated to conform with current year presentation.

($ millions)	As at Dec. 31, 2022	Dec. 31, 2021[i]
Total Assets		
Loblaw	**$ 38,147**	$ 36,614
Choice Properties	**16,820**	16,173
Other and Intersegment	**(6,009)**	(5,704)
Consolidated	**$ 48,958**	$ 47,083

(i) Certain comparative figures have been restated to conform with current year presentation.

($ millions)	2022	2021
Additions to Fixed Assets, Investment Properties and Intangible Assets		
Loblaw[i]	**$ 1,571**	$ 1,183
Choice Properties	**321**	196
Other and Intersegment	**1**	2
Discontinued Operations	**—**	76
Consolidated	**$ 1,893**	$ 1,457

(i) During 2022, there were no additions to Loblaw fixed assets related to prepayments that were made in 2021 and transferred from other assets. During 2021, additions to Loblaw fixed assets included prepayments that were made in 2020 and transferred from other assets of $1 million.

Note 36. Related Party Transactions

Galen G. Weston beneficially owns or controls, directly and indirectly, through Wittington, a total of 78,650,662 of GWL's common shares, representing approximately 55.9% of GWL's outstanding common shares (2021 – 53.6%).

In the ordinary course of business, the Company enters into various transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. Transactions between the Company and its consolidated entities have been eliminated on consolidation and are not disclosed in this note.

In 2022, inventory purchases from Associated British Foods plc, a related party by virtue of a common director of such entity's parent company and GWL's parent company, amounted to $39 million (2021 – $42 million). As at year end 2022, $6 million (2021 – $1 million) was included in trade payables and other liabilities relating to these inventory purchases.

TRANSACTION BETWEEN LOBLAW AND CHOICE PROPERTIES In the second quarter of 2022, Loblaw announced that it intends to build an industrial facility on part of a property in East Gwillimbury, Ontario owned by a joint venture in which Choice Properties has an ownership interest. Loblaw expects to bring the industrial facility into its operations in the first quarter of 2024. For the first phase of the development, Loblaw entered into a 25-year land lease with the joint venture. Loblaw took possession of the land on October 1, 2022, and as a result recorded a right-of-use asset and lease liability of $120 million. The land lease includes a 15-month construction period with lease payments commencing in 2024.

VENTURE FUNDS During the second quarter of 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund I"). A wholly owned subsidiary of Wittington is the general partner of Venture Fund I, which hired an external fund manager to oversee it. The purpose of Venture Fund I is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in Venture Fund I. The Company has a consolidated capital commitment of $66 million over a 10-year period. To date, the Company has invested $45 million in the Venture Fund I, of which $14 million was invested in 2022 (2021 – $18 million) and recorded in Other Assets.

During the third quarter of 2022, Loblaw became a limited partner in another limited partnership formed by Wittington ("Venture Fund II"). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the general purpose of Venture Fund II is consistent with Venture Fund I. Loblaw has a 50% interest in Venture Fund II and has a total capital commitment of $60 million over a 10-year period. To date, Loblaw has invested nil in Venture Fund II.

POST-EMPLOYMENT BENEFIT PLANS The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 27.

INCOME TAX MATTERS From time to time, the Company and Wittington may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

COMPENSATION OF KEY MANAGEMENT PERSONNEL The Company's key management personnel is comprised of certain members of the executive team of GWL, Loblaw and Wittington, as well as members of the Boards of GWL, Loblaw and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Annual compensation of key management personnel that is directly attributable to the Company was as follows:

($ millions)	2022	2021
Salaries, director fees and other short-term employee benefits	**$ 12**	$ 14
Equity-based compensation	**6**	12
Total compensation	**$ 18**	$ 26

Note 37. Subsequent Events

CHOICE PROPERTIES On February 16, 2023, Choice Properties announced that it agreed to issue, on a private placement basis, $550 million aggregate principal amount of series S senior unsecured debentures that will bear interest at a rate of 5.4% per annum and will mature on March 1, 2033.

On February 15, 2023, Choice Properties announced an increase in the annual distribution by 1.4% to $0.75 per unit. The increase will be effective for Choice Properties' unitholders of record on March 31, 2023.

On January 18, 2023, Choice Properties paid in full upon maturity, at par, plus accrued and unpaid interest thereon, the $125 million aggregate principal amount of the Series D-C senior unsecured debentures outstanding. The repayment of the Series D-C senior unsecured debenture was funded by an advance on Choice Properties' credit facility.

Subsequent to year end, Choice Properties entered into commitments for approximately $162 million of mortgage financing.

Three Year Summary

The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

CONSOLIDATED INFORMATION[(i)]

As at or for the years ended December 31 ($ millions except where otherwise indicated)	2022 (52 weeks)	2021 (52 weeks)	2020 (53 weeks)
Operating Results			
Revenue	**57,048**	53,748	53,270
Operating income	**4,553**	4,027	2,875
Adjusted EBITDA[(iii)]	**6,551**	5,995	5,356
Depreciation and amortization[(iv)]	**2,407**	2,307	2,254
Net interest expense and other financing charges	**913**	1,650	829
Adjusted net interest expense and other financing charges[(iii)]	**1,022**	1,050	1,115
Income taxes	**831**	630	470
Adjusted income taxes[(iii)]	**989**	851	648
Net earnings (loss)	**2,803**	1,425	1,582
Continuing operations	**2,809**	1,747	1,576
Discontinued operations	**(6)**	(322)	6
Net earnings attributable to shareholders of the Company from continuing operations	**1,822**	753	957
Net earnings (loss) available to common shareholders of the Company	**1,772**	387	919
Continuing operations	**1,778**	709	913
Discontinued operations	**(6)**	(322)	6
Adjusted net earnings available to common shareholders of the Company[(iii)] from continuing operations	**1,432**	1,232	993
Financial Position[(v)]			
Fixed assets	**11,130**	10,782	11,943
Goodwill and intangible assets	**11,380**	10,909	11,804
Total assets	**48,958**	47,083	48,078
Cash and cash equivalents, short-term investments and security deposits	**2,852**	3,938	3,231
Total debt including lease liabilities	**21,523**	20,309	21,000
Total equity attributable to shareholders of the Company	**6,841**	6,959	7,811
Total equity	**13,180**	13,137	13,418
Cash Flows[(v)]			
Cash Flows from operating activities[(ii)]	**4,877**	5,119	5,521
Capital Investments	**1,893**	1,457	1,658
Consolidated Per Common Share ($)			
Diluted net earnings (loss) per common share	**12.16**	2.52	5.96
Continuing operations	**12.20**	4.66	5.92
Discontinued operations	**(0.04)**	(2.14)	0.04
Adjusted diluted net earnings per common share[(iii)] from continuing operations	**9.81**	8.14	6.44
Consolidated Financial Measures and Ratios			
Adjusted EBITDA margin[(iii)] (%)	**11.5**	11.2	10.1
Adjusted return on average equity attributable to common shareholders of the Company[(iii)] (%)	**23.5**	18.7	15.2
Adjusted return on capital[(iii)] (%)	**13.8**	12.6	10.7

(i) For financial definitions and ratios refer to the Glossary beginning on page 174.
(ii) Certain comparative figures have been restated to conform with current year presentation.
(iii) See Section 13. "Non-GAAP Financial Measures" of the Company's 2022 Management's Discussion and Analysis. Certain comparative figures have been restated due to a non-GAAP policy change.
(iv) Depreciation and amortization for the calculation of EBITDA excludes $497 million (2021 – $506 million; 2020 - $509 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation and Lifemark Health Group, recorded by Loblaw.
(v) Inclusive of Discontinued Operations.

SEGMENT INFORMATION[i]

As at or for the years ended December 31 ($ millions except where otherwise indicated)		**2022** **(52 weeks)**	2021[ii] (52 weeks)	2020[ii] (53 weeks)
OPERATING RESULTS				
Revenue	Loblaw	**56,504**	53,170	52,714
	Choice Properties	**1,265**	1,292	1,271
	Other & Intersegment	**(721)**	(714)	(715)
	Consolidated	**57,048**	53,748	53,270
Operating income	Loblaw	**3,334**	2,929	2,357
	Choice Properties	**1,083**	1,400	622
	Other & Intersegment	**136**	(302)	(104)
	Consolidated	**4,553**	4,027	2,875
Adjusted EBITDA[iii]	Loblaw	**6,173**	5,579	4,996
	Choice Properties	**897**	903	879
	Other & Intersegment	**(519)**	(487)	(519)
	Consolidated	**6,551**	5,995	5,356
Adjusted EBITDA Margin (%)[iii]	Loblaw	**10.9**	10.5	9.5
Depreciation and Amortization[iv]	Loblaw	**2,795**	2,664	2,596
	Choice Properties	**3**	3	3
	Other & Intersegment	**(391)**	(360)	(345)
	Consolidated	**2,407**	2,307	2,254
FINANCIAL POSITION				
Total Assets	Loblaw	**38,147**	36,614	36,021
	Choice Properties	**16,820**	16,173	15,647
	Other & Intersegment[v]	**(6,009)**	(5,704)	(3,590)
	Consolidated	**48,958**	47,083	48,078
CASH FLOWS				
Capital Expenditures	Loblaw	**1,571**	1,183	1,224
	Choice Properties	**321**	196	263
	Other & Intersegment	**1**	2	9
	Consolidated	**1,893**	1,381	1,496

(i) For financial definitions and ratios refer to the Glossary beginning on page 174.
(ii) Certain comparative figures have been restated to conform with current year presentation.
(iii) See Section 13. "Non-GAAP Financial Measures" of the Company's 2022 Management's Discussion and Analysis ("MD&A"). Certain comparative figures have been restated due to a non-GAAP policy change.
(iv) Includes $497 million (2021 – $506 million; 2020 – $509 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation and Lifemark, recorded by Loblaw.
(v) Other includes cash and cash equivalents and short-term investments held by foreign operations.

Glossary

Term	Definition
Adjusted diluted net earnings per common share	Adjusted net earnings available to common shareholders of the Company including the effect of all dilutive instruments divided by the weighted average number of common shares outstanding during the period adjusted for the impact of dilutive items (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted EBITDA	Adjusted operating income before depreciation and amortization (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted EBITDA margin	Adjusted EBITDA divided by revenue (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted earnings before income taxes	Adjusted operating income less adjusted net interest and other financing charges (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted effective tax rate	Adjusted income taxes divided by adjusted operating income less adjusted net interest and other financing charges (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted income taxes	Income taxes adjusted for the tax impact of items included in adjusted operating income less adjusted net interest and other financing charges (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted net earnings attributable to shareholders of the Company	Net earnings attributable to shareholders of the Company adjusted for items that are not necessarily reflective of the Company’s underlying operating performance (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted net earnings available to common shareholders of the Company	Adjusted net earnings attributable to shareholders of the Company less preferred dividends (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted net interest expense and other financing charges	Net interest expense and other financing charges adjusted for items that are not necessarily reflective of the Company’s ongoing net financing costs (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted operating income	Operating income adjusted for items that are not necessarily reflective of the Company’s underlying operating performance (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted return on average equity attributable to common shareholders of the Company	Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company (see Section 3.4, “Financial Condition” and Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted return on capital	Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short-term investments (see Section 3.4, “Financial Condition” and Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Basic net earnings per common share	Net earnings available to common shareholders of the Company divided by the weighted average number of common shares outstanding during the period.
Capital under management	Total debt plus total equity attributable to shareholders of the Company.
Capital investments	Fixed asset additions and intangible asset additions (see notes 16 and 19 of the Company’s Consolidated Financial Statements).
Choice Properties’ Funds from Operations	Choice Properties’ net income (loss) adjusted for items that are not necessarily reflective of Choice Properties’ underlying operating performance capital (see Section 13, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).

Term	Definition
Compound Average Growth Rate	Measure of annualized growth over a period longer than one year. It is the mean annual growth rate over a two year period, 2020 to 2022.
Control brand	A brand and associated trademark that is owned by Loblaw for use in connection with its own products and services.
Conversion	A store that changes from one Loblaw banner to another Loblaw banner.
Diluted net earnings per common share	Net earnings available to common shareholders of the Company adjusted for the impact of dilutive items divided by the weighted average number of common shares outstanding during the period adjusted for the impact of dilutive items.
Diluted weighted average common shares outstanding	Weighted average number of common shares outstanding including the effects of all dilutive instruments.
Food retail basket size	The dollar value of products sold in a single Loblaw retail transaction.
Food retail traffic	The number of customers entering stores across all Loblaw banners.
Free cash flow	Cash flows from operating activities less intangible asset additions, fixed asset and investment properties purchases, interest paid, and net lease payments (see Section 13, "Non-GAAP Financial Measures", of the Company's Management's Discussion and Analysis).
Net earnings attributable to shareholders of the Company	Net earnings less non-controlling interests.
Net earnings available to common shareholders of the Company	Net earnings attributable to shareholders of the Company less preferred dividends.
Operating income	Net earnings before net interest expense and other financing charges and income taxes.
Retail debt to retail adjusted EBITDA	Loblaw retail total debt divided by Loblaw retail adjusted EBITDA for the last four quarters.
Retail gross profit percentage	Loblaw retail segment gross profit divided by Loblaw retail segment revenue (see Section 13 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis).
Retail gross profit	Loblaw retail segment revenue less cost of merchandise inventories sold (see Section 13 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis).
Retail square footage	Retail square footage includes Loblaw's corporate stores, franchised stores and associate-owned drug stores.
Same-store sales	Loblaw retail sales from the same location for stores in operation in that location in both periods excluding sales from a store that has undergone a major expansion/contraction in the period.
Total equity attributable to common shareholders of the Company	Total equity less preferred shares outstanding and non-controlling interests.
Total equity attributable to shareholders of the Company	Total equity less non-controlling interests.
Weighted average common shares outstanding	The number of common shares outstanding determined by relating the portion of time within the period the common shares were outstanding to the total time in that period.
Year	The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31, usually 52 weeks in duration but includes a 53rd week every five to six years. Each of the years ended December 31, 2022 and December 31, 2021 contained 52 weeks.

Corporate Directory

Board of Directors

Galen G. Weston, B.A., M.B.A.
Chairman and Chief Executive Officer of the Corporation; Chairman and President, Loblaw Companies Limited; Chairman, Wittington Investments, Limited; Chairman, President's Choice Bank; President, Weston Family Foundation; former Chair and Trustee of Choice Properties Real Estate Investment Trust.

M. Marianne Harris, B.Sc., J.D., M.B.A. (1, 2)
Corporate Director; Former Managing Director and President, Corporate and Investment Banking, Merrill Lynch Canada Inc., Former Head of Financial Institutions Group Americas, Merrill Lynch Pierce Fenner & Smith; Director, Loblaw Companies Limited; Director, Sun Life Financial Inc.; Director, Public Sector Pension Investment Board; Former Director, Hydro One Inc./ Hydro One Limited; Former Chair, Investment Industry Regulatory Organization of Canada (IIROC); Member of Dean's Advisory Council, Schulich School of Business; Advisory Council, Hennick Centre for Business and Law.

Nancy H.O. Lockhart, O. Ont.(2)
Corporate Director; Trustee, Choice Properties Real Estate Investment Trust; Chair of Alignvest Student Housing; Director, Atrium Mortgage Investment Corporation, and The Royal Conservatory of Music; Chair Emeritus, Crow's Theatre Company; former Chief Administrative Officer, Frum Development Group, former Vice President, Shoppers Drug Mart Corporation; former Chair, Ontario Science Centre and Canadian Film Centre; former President, Canadian Club of Toronto; former Director, Loblaw Companies Limited, Gluskin Sheff & Associates Inc., Barrick Gold Corporation, Canada Deposit Insurance Corporation, Centre for Addiction and Mental Health Foundation, and the Loran Scholars Foundation.

Sarabjit (Sabi) S. Marwah(1, 2)
Appointed to the Senate of Canada; former Vice-Chairman and Chief Operating Officer of The Bank of Nova Scotia; Director, Cineplex Inc.; Director, ONEX Ltd.; former Director, TELUS Corporation; former Trustee and Chair, Hospital for Sick Children; former Chair, Humber River Regional Hospital; former member of the Board of Directors, C.D.Howe Institute and Toronto International Film Festival.

Gordon M. Nixon, C.M., O. Ont.(2*)
Corporate Director; Chair, BCE Inc. and Director, BlackRock, Inc.; former President and Chief Executive Officer, Royal Bank of Canada; Advisory Board, KingSett Canadian Real Estate Income Fund L.P.; Trustee, Art Gallery of Ontario.

Barbara G. Stymiest, C.M., F.C.P.A.(1*,2)
Corporate Director; Director, Sun Life Financial Inc.; Director, President's Choice Bank; former Member, Group Executive, Royal Bank of Canada; former Chief Executive Officer, TMX Group Inc., former Executive Vice-President and Chief Financial Officer, BMO Capital Markets; former Partner, Ernst & Young LLP; former Director, Blackberry Limited.

Cornell Wright, J.D., M.B.A.
President and Director of Wittington Investments, Limited; Trustee, Choice Properties Real Estate Investment Trust; Director, Loblaw Companies Limited; Director, BCE Inc., Chair, National Ballet of Canada; Trustee, University Health Network; Executive in Residence, University of Toronto's Rotman School of Management.

(1) Audit Committee
(2) Governance, Human Resource, Nominating and Compensation Committee
* Chair of the Committee

Corporate Officers

Galen G. Weston
Chairman and Chief Executive Officer

Richard Dufresne
President
and Chief Financial Officer

Gordon A.M. Currie
Executive Vice President
and Chief Legal Officer

Rashid Wasti
Executive Vice President
and Chief Talent Officer

Khush Dadyburjor
Chief Strategy Officer

John Williams
Group Treasurer and
Head of Corporate Finance

Lina Taglieri
Group Head, Controller

Jeff Gobeil
Group Head, Tax

Anemona Turcu
Group Chief Risk Officer

Andrew Bunston
Vice President,
General Counsel and Secretary

Shareholder and Corporate Information

Executive Office
George Weston Limited
22 St. Clair Avenue East
Toronto, Canada M4T 2S5
Tel: 416.922.2500
www.weston.ca

Stock Exchange Listing and Symbols
The Company's common and preferred shares are listed on the Toronto Stock Exchange and trade under the symbols: "WN", "WN.PR.A", "WN.PR.C", "WN.PR.D" and "WN.PR.E".

Common Shares
At year end 2022, there were 140,737,942 common shares issued and outstanding.

The average 2022 daily trading volume of the Company's common shares was 171,535.

Preferred Shares
As at year end 2022, there were 9,400,000 preferred shares Series I, 8,000,000 preferred shares Series III, 8,000,000 preferred shares Series IV and 8,000,000 preferred shares Series V issued and outstanding.

The average 2022 daily trading volume of the Company's preferred shares was:

Series I:	5,714
Series III:	8,507
Series IV:	7,580
Series V:	6,734

Preferred Dividend Dates
The declaration and payment of quarterly preferred dividends are made subject to approval by the Board of Directors. The record and payment dates for 2023 are:

Series I

Record Date	Payment Date
Feb. 28	March 15
May 31	June 15
Aug. 31	Sept. 15
Nov. 30	Dec. 15

Series III, Series IV and Series V

Record Date	Payment Date
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1
Dec. 15	Jan. 1

Common Dividend Policy
The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board of Directors 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.

Common Dividend Dates
The declaration and payment of quarterly common dividends are made subject to approval by the Board of Directors. The anticipated record and payment dates for 2023 are:

Record Date	Payment Date
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1
Dec. 15	Jan. 1

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Normal Course Issuer Bid
The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

Value of Common Shares
For capital gains purposes, the valuation day (December 22, 1971) cost base for the Company, adjusted for the 4 for 1 stock split (effective May 27, 1986) and the 3 for 1 stock split (effective May 8, 1998), is $1.50 per share. The value on February 22, 1994 was $13.17 per share.

Registrar and Transfer Agent
Computershare Investor Services Inc.
100 University Avenue
Toronto, Canada M5J 2Y1

Toll Free Tel:	1.800.564.6253 (Canada and U.S.A.)
International Tel:	514.982.7555 (direct dial)
Fax:	416.263.9394
Toll Free Fax:	1.888.453.0330

To change your address or eliminate multiple mailings, or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Annual Meeting
The 2023 Annual Meeting of Shareholders of George Weston Limited will be held on Tuesday, May 9, 2023 at 11:00 a.m. (EDT) at The Royal Conservatory, TELUS Centre for Performance and Learning, Koerner Hall, 273 Bloor Street West, Toronto, Ontario, Canada and virtually via a live webcast.

Trademarks
George Weston Limited, Loblaw Companies Limited, Choice Properties Real Estate Investment Trust and their respective subsidiaries own a number of trademarks. These trademarks are the exclusive property of George Weston Limited, Loblaw Companies Limited, Choice Properties Real Estate Investment Trust and their respective subsidiary companies. Trademarks where used in this report are in italics.

Investor Relations
Shareholders, security analysts and investment professionals should direct their requests to Roy MacDonald, Group Vice-President, Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

Additional financial information has been filed electronically with the Canadian securities regulatory authorities in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR). The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the Investor Centre section of the Company's website.

This Annual Report includes selected information on Loblaw Companies Limited, a public company with shares, and Choice Properties Real Estate Investment Trust, a public entity with units, both of which are traded on the Toronto Stock Exchange.

Ce rapport est disponible en français.


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