

4. OPERATING AND FINANCIAL STRATEGIES

To be successful in achieving its vision, the Company employs various operating and financial strategies. The Company engages in strategic acquisitions and dispositions when it is in the best long term interests of its shareholders to do so. As a result of the recent dispositions, the Company holds significant cash and short term investments, and is in the process of assessing opportunities for the deployment of these funds.

Each of the Company's two reportable operating segments has its own risk profile and operating risk management strategies.

Weston Foods' long term operating strategies include:

- customer alignment;
- brand development including innovative new products to meet the nutritional and dietary concerns of consumers;
- plant and distribution optimization including capital investment to strategically position facilities to support growth and enhance quality, productivity and efficiencies;
- ongoing cost reduction initiatives with the objective of ensuring a low cost operating structure and economies of scale;
- strategic acquisitions and relationships to broaden market penetration and expand geographic presence; and
- building leadership capability.

Loblaw's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. This will be achieved by transforming Loblaw into a centralized, marketing-led organization with an unrelenting focus on customers, stores and products, while leveraging scale and developing capacity for consistent execution to drive profitable growth.

Loblaw is committed to providing Canadians with a wide, growing and successful range of products and services to meet the everyday household demands of Canadian consumers. Loblaw is known for the quality, innovation and value of its food offering. It offers Canada's strongest control (private) label program, including the unique *President's Choice*, *no name* and *Joe Fresh Style* brands. In addition, Loblaw makes available to consumers *President's Choice Financial* services and offers the *PC points* loyalty program.

In 2008, Loblaw continued to refine and simplify its processes and systems, initiated several innovation efforts and made measured progress on key growth opportunities. Some of Loblaw's key accomplishments in 2008 include:

- continued to improve price position by format and effectively embed pricing index management in the organization;
- leveraged national scale to negotiate cost of goods sold and goods not for resale reductions to offset planned margin investment;
- successfully piloted a food renewal and enhanced customer service program in 18 "Back to Best" Ontario great food stores;
- enhanced local merchandising focus by appointing a small number of local market merchants;

- initiated the revitalization and redesign of *President's Choice* and *no name* control label brands;
- commenced the western Canada store refurbishment program;
- continued to embed the new store operations model across the country to improve shrink, labour, store expenses and availability;
- progressed in efforts to rebuild supply chain and information technology infrastructure; and
- completed three key management changes, appointing a new President, Chief Merchandising Officer and a new Chief Financial Officer.

Loblaw remains confident in its strategy. In 2009, Loblaw will build upon the foundation that was laid in 2008, while focusing on cost control, conserving cash and managing capital expenditures. It will continue to concentrate on growing the business through the Formula for Growth, while focusing on its immediate priorities of food renewal, store enhancements, product innovation, infrastructure and customer value, including:

- an event driven marketing calendar;
- a 300-store renovation program that will enhance meat, seafood, produce and grocery offerings to customers;
- a renewed focus on in-store customer service;
- the celebration of *President's Choice* 25th anniversary, which includes the rollout of 250 improved and 1,000 repackaged products;
- the relaunch of Loblaw's value-based *no name* brand, introducing more than 750 redesigned products; and
- dedicated investment to support information technology and supply chain infrastructure improvements.

The Company's financial strategies include:

- maintain a strong balance sheet;
- minimize the risks and costs of operating and financing activities; and
- maintain liquidity and access to capital markets.

The success of these and other plans and strategies discussed in this MD&A may be affected by risks and uncertainties, including those described in the Enterprise Risks and Risk Management section of this MD&A, beginning on page 33.

GWL's Board of Directors (the "Board") and senior management meet annually to review strategic imperatives. These strategic imperatives, which generally span a three to five year timeframe, target specific issues in response to the Company's performance and changes in consumer needs and the competitive landscape.

The Company believes that if it successfully implements and executes the strategic imperatives in support of its long term operating and financial strategies, it will be well positioned to fulfill its vision of providing sustainable returns to its shareholders over the long term.