2007

ANNUAL INFORMATION FORM

March 17, 2008

GEORGE WESTON LIMITED
2007 ANNUAL INFORMATION FORM
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I. FORWARD - LOOKING STATEMENTS

This Annual Information Form for George Weston Limited and its subsidiaries (collectively, the “Company” or “Weston”) contains forward-looking statements about the Company’s objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Words such as “anticipate”, “expect”, “believe”, “could”, “estimate”, “goal”, “intend”, “plan”, “seek”, “strive”, “will”, “may” and “should” and similar expressions, as they relate to the Company and its management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect the Company’s current expectations concerning future results and events.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to: changes in economic conditions; changes in consumer spending and preferences, heightened competition, whether from new competitors or current competitors; the availability and cost of raw materials and ingredients, fuels and utilities; changes in the Company’s or its competitors’ pricing strategies; failure of the Company’s franchised stores to perform as expected; risks associated with the terms and conditions of financing programs offered to the Company’s independent franchisees; failure to realize anticipated cost savings and operating efficiencies from the Company’s major initiatives, including investments in the Company’s information technology systems, supply chain investments and other cost reduction and simplification initiatives; the inability of the Company’s information technology infrastructure to support the requirements of the Company’s business; the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink; failure to execute successfully and in a timely manner the Company’s major initiatives, including the implementation of strategies and introduction of innovative products; unanticipated costs associated with the Company’s strategic initiatives, including those related to compensation costs; the inability of the Company’s supply chain to service the needs of the Company’s stores; deterioration in the Company’s relationship with its employees, particularly through periods of change in the Company’s business; failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements; changes to the regulatory environment in which the Company operates; the adoption of new accounting standards and changes in the Company’s use of accounting estimates including in relation to inventory valuation; fluctuations in the Company’s earnings due to changes in the value of stock based compensation and equity forward contracts relating to the Company and Loblaw Company Limited’s common shares; changes in the Company’s tax liabilities resulting from changes in tax laws or future assessments; detrimental reliance on the performance of third-party service providers; public health events; the inability of the Company to obtain external financing; the inability of the Company to attract and retain key executives; and supply and quality control issues with vendors. These and other risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities from time to time, including the Operating Risks and Risk Management and Financial Risks and Risk Management sections of the MD&A included in the Company’s 2007 Annual Report. 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.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company’s expectations only as of the date of this Annual Information Form. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The information in this Annual Information Form is current to March 12, 2008, unless otherwise noted.

All information regarding Loblaw Companies Limited contained herein has been derived from the Loblaw Companies’ public disclosure record. All amounts are in Canadian dollars.

II. CORPORATE STRUCTURE

Incorporation

George Weston Limited was incorporated by letters patent under the laws of Canada on January 27, 1928. It was continued under the *Canada Business Corporations Act* on April 29, 1980, and amalgamated with Weston Food Processing Ltd. pursuant to Articles of Amalgamation effective January 1, 1989. The registered head office is located at 22 St. Clair Avenue East, Toronto, Ontario, Canada M4T 2S7.

Intercorporate Relationships

George Weston Limited is a holding company and operates through its subsidiaries in the Weston Foods and Loblaw reportable operating segments. Weston Foods is operated primarily in Canada by Weston Foods (Canada) Inc. and its subsidiaries and in the United States by Weston Foods, Inc. and its subsidiaries. The Loblaw segment is operated by Loblaw Companies Limited, ("Loblaw Companies") a public company in which Weston, directly and indirectly, holds a 62% interest. Loblaw Companies operates the Loblaw segment across Canada through directly and indirectly owned subsidiaries (Loblaw Companies and its subsidiaries are collectively referred to as "Loblaw").

A list of subsidiaries of Weston that carry on its principal businesses is set out below. In each case, 100% of the voting securities are owned either directly or indirectly by Weston, except in the case of Loblaw Companies, in which 62% of the voting shares are held directly and indirectly by Weston.

Weston Foods Subsidiaries	Jurisdiction of Incorporation
Arnold Foods Company, Inc.	Delaware
Arnold Products, Inc.	Delaware
Boulangerie Gadoua Ltée.	Quebec
Boulangeries Weston Québec Limitée	Ontario
Charles Freihofer Baking Company, Inc.	New York
Dicoa Holdings Limited	Gibraltar
Dicoa Investments Limited	Gibraltar
Dunedin Holdings SARL	Luxembourg
Entenmann's, Inc.	Delaware
Entenmann's Products, Inc.	Delaware
Entenmann's Sales Company, Inc.	Delaware
Freihofer Products, Inc.	Delaware
Freihofer Sales Company, Inc.	Delaware
George Weston Bakeries Distribution Inc.	Delaware
George Weston Bakeries Inc.	Delaware
Interbake Foods LLC	Delaware
Maplehurst Bakeries, Inc.	Indiana
Ready Bake Foods Inc.	Ontario
Stroehmann Bakeries, L.C.	Virginia
Weston Bakeries Limited	Canada
Weston Foods, Inc.	Delaware
Weston Foods (Canada) Inc.	Ontario
Weston Food Distribution Inc.	Canada
William Neilson Ltd.	Ontario

Loblaw Subsidiaries	Jurisdiction of Incorporation
Atlantic Wholesalers Ltd.	New Brunswick
Fortinos Supermarket Ltd.	Ontario
Glenhuron Bank Limited	Barbados
Kelly, Douglas & Company, Limited	British Columbia
Loblaw Alberta Inc.	Alberta
Loblaw Brands Limited	Canada
Loblaw Companies Limited	Canada
Loblaw Financial Holdings Inc.	Ontario
Loblaw Properties Limited	Ontario
Loblaw Properties West Inc.	Canada
Loblaws Inc.	Ontario
Loblaws Supermarkets Limited	Ontario
National Grocers Co. Ltd.	Ontario
PGV Acquisition Inc.	Quebec
President's Choice Bank	Canada
Provigo Distribution Inc.	Quebec
Provigo Inc.	Quebec
Provigo Properties Limited	Canada
Provigo Quebec Inc.	Quebec
Westfair Foods Ltd.	Ontario
Zehrmart Inc.	Ontario

III. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Weston is a Canadian public company, founded in 1882, and is one of North America's largest food processing and distribution companies. The Company has two reportable operating segments: Weston Foods and Loblaw. The Weston Foods operating segment is primarily engaged in the baking and dairy industries within North America. The Loblaw operating segment, which is operated by Loblaw Companies and its subsidiaries, is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services.

The North American food processing and retail industries are evolving and operate in increasingly competitive markets. Changes in the industries are being driven by the changing demographic and economic trends of consumers, such as changes in disposable income, ethnic diversity, health and environmental awareness and time availability. Over the last several years, consumers have demanded more choice, value and convenience.

Weston Foods

Weston Foods is focused predominantly on the North American baking industry (primarily fresh and frozen bakery products) and, in Ontario, Canada, the dairy industry. Baking industry conditions have changed significantly over the past several years and the Company's North American baking operations have faced a challenging marketplace impacted by changing consumer eating preferences and food shopping patterns, as well as continued inflationary cost pressures, particularly for wheat, oils and energy. Changing consumer eating preferences, including a focus on health and diet, challenge Weston Foods sales growth of certain traditional products, including white bread, fresh baked sweet goods and cookies.

In addition, consumer shopping patterns and Weston Foods sales growth continue to shift toward alternate format retail channels over traditional, conventional supermarket formats.

In recent years, the baking industry has been impacted by an unprecedented rise in commodity prices. In response, Weston Foods has responded with higher prices, more focus on cost reduction initiatives and further innovation of product offerings. In 2007, Weston Foods achieved sales price increases across many of its product categories. These increases helped to partially mitigate the impact of the continued cost inflation. In general, the pricing increases by Weston Foods reflected pricing trends experienced across the baking industry.

In recent years, Weston Foods has focused on:

- penetrating new sales channels, particularly with alternate format retail channels;
- sales growth in the whole grain and higher priced premium product categories; and
- the development and introduction of new and expanded convenience and health related product offerings, including "on-the-go" individual portioned products, enhanced whole grain and whole wheat offerings as well as Omega-3, no cholesterol, reduced fat, no trans fat and organic products.

Capital Investment

Capital investments over the past three years have been targeted toward improving the efficiency of existing assets and increasing capacity where growth opportunities exist. Over the last three years, small to medium sized capital investments and acquisitions have taken place in targeted areas.

Weston Foods completed the construction of a new bakery in Indiana that commenced operations in 2006. The new facility produces fresh bakery products, including bread and English muffins.

In 2005, Weston Foods purchased a commercial baking facility in Orlando, Florida for US$6.5 million and subsequently completed a significant expansion of the facility. Also in 2005, Weston Foods began construction of a new biscuit facility in Front Royal, Virginia, which commenced operations in 2006.

Restructuring Activities

Manufacturing Asset Restructuring

Significant restructuring of the Company's baking assets has been carried out in the past three years. Restructuring and rationalization activity has been taking place across the industry and particularly among the Company's competitors in the United States. Weston Foods continues to evaluate strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Certain of these initiatives are in progress or nearing completion in 2007 while others remain in the planning stages.

During the third quarter of 2007, Weston Foods completed the transfer of two manufacturing lines for certain private label English muffins in the United States to third-party producers or other Weston Foods manufacturing lines already in place. Also in the third quarter of 2007, Weston Foods completed the planned exit of certain bread and roll manufacturing lines in the southeastern United States. All production associated with these lines was transferred to third-party producers or other Weston Foods manufacturing facilities.

During 2006, Weston Foods approved the closure of an ice-cream cone baking facility in Los Angeles, California and transferred the production to other existing Weston Foods facilities. This restructuring was completed in the first quarter of 2007, including the sale of the manufacturing facility. Also in 2006, Weston Foods approved the downsizing of the fresh-baked sweet goods facility in Bay Shore, New York. The plan involves the transfer of full-size dessert cake and cookie production to other existing Weston Foods facilities. Once the downsizing is complete, the Bay Shore location will be more focused on producing primarily danish and pie products. This restructuring is expected to be completed by the third quarter of 2008. During 2006, in addition to the closure of biscuit facilities in Elizabeth, New Jersey and Richmond Virginia, Weston Foods closed a frozen bagel plant in Nebraska. Finally, a fresh bakery manufacturing facility in Quebec was closed in 2006.

In 2005, Weston Foods approved plans to exit certain bread and roll manufacturing lines in the northeast United States to further its objective of simplifying and removing cost from its existing manufacturing processes. All production associated with these lines was transferred to third-party producers or other Weston Foods manufacturing facilities by the end of 2005. Also, during 2005, Weston Foods completed the sale of its discontinued fisheries operations, with final adjustments to the proceeds of the sale occurring in 2006.

Distribution Network Restructuring

During 2007, Weston Foods approved plans to restructure its Ontario frozen bakery distribution operations and to restructure the dairy distribution network. Weston Foods also approved plans to further restructure its Quebec fresh bakery distribution operations that began in 2006. These plans involve the closure and/or consolidation of certain warehouses, outsourcing certain warehousing and distribution functions to third-party warehousing service providers and certain route restructurings, which are expected to be substantially completed in 2008. Also during 2007, Weston Foods approved a plan to exit and transfer certain distribution and transportation activities in the mid-western United States to third-party logistic providers. This plan is expected to be completed by the end of the second quarter of 2008.

Administrative Restructuring and Consolidation of Offices

During 2007, Weston Foods approved plans to consolidate, relocate and restructure certain sales and administrative functions in the United States. These plans will be completed by the second quarter of 2008.

Further information on trends affecting Weston Foods and Weston Foods strategies can be found in the Management's Discussion and Analysis section of the Company's 2007 Annual Report ("MD&A"). This information is incorporated by reference and is available at www.sedar.com.

Loblaw

The past three years were years of evolution as Loblaw continued to transform into a company that can be truly competitive over the long term.

Multi-Year Turnaround Plan

Loblaw is currently executing a three to five year turnaround plan and is in the second year of the plan. In 2006, there was a significant change in senior leadership, following which the management team commenced a review of Loblaw which focused on key drivers of the business such as fresh food presentation, maximizing employee engagement, the performance of retailing basics and customer satisfaction.

New management then embarked on an initiative to Make Loblaw the Best Again, based on the principles of "Simplify, Innovate and Grow". Management identified four major initiatives arising from these principles: Project Simplify, Fix the Basics, Credit for Value and Real Canadian Superstore Optimization. Project Simplify, which was executed during 2007, was undertaken to simplify the organization by more clearly defining accountabilities, eliminating duplication and establishing consistent, simple and efficient processes. Regional food merchandising and replenishment functions were centralized to improve Loblaw's buying scale and create consistent and more effective category management processes. Store operations functions were aligned across all regions to enhance the customer experience. Support functions, such as Marketing, Finance, and Human Resources, were redesigned for effectiveness and efficiency. The changes resulted in a total reduction of approximately 900 employees from Loblaw by year end. Loblaw is continuing to build tools, processes and capabilities to maximize the benefits of Project Simplify, while also focusing on stability and improving execution at stores, distribution centres and store support centres.

"Fix the Basics", Loblaw's strategy to be known once again as one of the world's best retailers and to have industry-leading availability and a world-class supply chain, was focused primarily on shelf availability, reducing shrink and improving store productivity. In 2007, one of the priorities of Fix the Basics was the "Always Available" program, Loblaw's plan to improve replenishment processes to ensure customers can find items on the shelf when they want them. The Always Available program established standard store procedures and timing, specific performance metrics and a twice-daily resolution huddle. After testing, this program had been rolled out to 233 stores by the end of 2007 and has improved grocery, dairy, frozen, natural value and health and beauty care on-shelf availability.

Credit for Value is Loblaw's strategy to lower retail prices to deliver excellent value to customers and to ensure they recognize the benefit of lower prices in its stores where it matters. 2007 was a year of targeted price reductions in many areas of the country. While the effect of this strategy was a reduction of earnings, Loblaw remains committed to reducing prices to bring value to its customers and improve its competitiveness. Beginning in the third quarter and through the fourth quarter of 2007, Loblaw maintained pricing levels comparable to or better than its benchmark competitors in Hard Discount and Superstore formats across Canada.

A new Superstore format was opened in Milton, Ontario in August of 2007. This store was designed to test some of the elements Loblaw has identified as necessary to improve the return on investment in the Superstore banner. The Milton Superstore was also Loblaw's first "bagless" store, an initiative that has now been rolled out to additional stores across the country. In 2008, all Loblaw's formats will continue to test pilot concepts and develop rollout plans, as appropriate. Testing will continue of the *no frills* banner in western Canada and Great Food pilots will take place in Ontario.

In 2008 Loblaw will continue to work on these core initiatives. Building on the transformative organization change in 2007, it will focus on improving store performance in areas such as labour productivity and reducing shrink, continuing its investment in pricing, improving the food and general merchandise product assortments, improving price perception and ensuring that its support functions are serving the business in the most critical areas. It will also begin to execute its plans to improve its supply chain and IT infrastructure, as described below.

While the changes described above are expected to bring benefits to Loblaw in the form of a more agile and consumer-focused business, success is dependent on management effectively implementing these changes and realizing the intended benefits. Ineffective change management may result in disruptions to the operations of the business or adversely affect the ability of Loblaw to implement and achieve its strategic objectives, due to a lack of clear accountabilities, or cause employees to act in a manner which is inconsistent with Loblaw's objectives. Any of these events could negatively impact Loblaw's performance. Loblaw may not always achieve the expected cost savings and other benefits of its initiatives.

Supply Chain

Beginning in 2005, and throughout 2006, Loblaw undertook to restructure its supply chain in an effort to create a national logistics platform. Challenges were experienced with conversions to new systems and this had a negative effect on store service levels for general merchandise products and drugstore. In addition, Loblaw encountered challenges with the startup of a new third-party owned and operated warehouse and distribution centre for eastern Canada which handles general merchandise and certain drugstore products, primarily health and beauty care products.

In late 2006 and 2007, the new management team continued to focus on supply chain improvement. In 2007, Loblaw launched a significant initiative to invest in and improve its supply chain, which includes the implementation of new forecasting, replenishment, distribution and transportation capabilities that will improve in-store availability and operational productivity over time. Investments in the upgrade and renewal of distribution centres will continue and development of planning systems will enable the transport operations to be used more efficiently. In 2008, the focus will be on distribution centre service levels, adherence to delivery schedules and standardizing operating processes.

While these initiatives are expected to result in improved service levels for Loblaw's stores, the scale of the change and the implementation of new processes could cause disruption in the flow of goods to stores, which would negatively affect sales. Loblaw's plans to grow its apparel business depend on improvements to the current supply chain processes related to that merchandise. Before and as these changes are implemented, it is possible that the flow of these goods could also be negatively affected, which would negatively affect sales.

Labour and Employment Matters

Loblaw's workforce is significantly unionized and as such lacks some of the flexibility of its competitors in areas such as cost control and responsiveness. Loblaw's relationship with its unions has been satisfactory in the past three years and has been characterized by honest and open discussions regarding the need for change if Loblaw is to be competitive in the long term.

In the past three years, 194 collective agreements were successfully negotiated, including a new four-year collective agreement in 2006 with members of some Ontario locals of the United Food and Commercial Workers union. The agreement enables Loblaw to convert 44 stores in Ontario to the *RCSS* banner or food stores with equivalent labour economics and the flexibility to invest in additional store labour where appropriate. Significant labour negotiations took place across Loblaw in 2007 as 73 collective agreements expired and 68 collective agreements were successfully negotiated, which represented a combination of agreements expiring in 2007, those carried over from prior years, and those negotiated early. In 2008, 73 collective agreements affecting approximately 14,000 employees will expire, with the single largest agreement covering approximately 3,100 employees. Loblaw will also continue to negotiate the 67 collective agreements carried over from 2005, 2006 and 2007.

Loblaw has good relations with its employees and unions and, although it is possible, does not anticipate any unusual difficulties in renegotiating these agreements. Renegotiating collective agreements might result in work stoppages or slowdowns, which could negatively affect Loblaw's financial performance, depending on their nature and duration. Loblaw is willing to accept the short term costs of labour disruption in order to negotiate competitive labour costs and operating conditions for the longer term.

In 2007, Loblaw's Human Resources function was substantially restructured from a decentralized to a national platform. Specialty areas were established and staffed, including rewards, health, safety and wellness, colleague communications, learning and training, organizational development, and talent management.

The degree to which Loblaw is not effective in developing its employees and establishing appropriate succession planning processes and retention strategies could lead to a lack of requisite knowledge, skills and experience which could, in turn, affect Loblaw's ability to execute its strategies, efficiently run its operations and meet its goals for financial performance. Loblaw continues to focus on the development of colleagues at all levels and across all regions. Effective colleague development and succession planning are essential to the growth and success of Loblaw. However, these areas are not yet fully developed.

The tight labour market in western Canada has created unique challenges to effectively operate stores and distribution centres, thereby affecting Loblaw's ability to meet its business objectives. Loblaw has implemented programs to attract the appropriate calibre of employee in a very competitive environment, but there is no certainty that these programs will continue to be effective.

Financial Performance

During the last three years, total sales increased at a cumulative average annual rate of 4.1 %. The square footage of corporate and franchised stores increased at cumulative average annual growth rates of approximately 13.4 % and 7.7 %, respectively, over the same period. The number of corporate stores over the period decreased from 658 to 628. The number of franchised stores increased marginally from 400 to 408 over the same period. The average store size for both corporate stores and franchised stores has increased by 4.3 % and 2.5 % respectively over the last three years as Loblaw has generally moved to larger store formats.

Recently, Loblaw has reduced capital expenditure and concentrated on comparable store sales growth rather than space-driven growth, which resulted in significant improved cash flow. This has resulted in a focus on investments in renovations, remodels and infrastructure. Cumulative capital investment, funded through cash flows from operating and financing activities, was $2.71 billion, comprised of $1.16 billion, $0.94 billion and $0.61 billion, in 2005, 2006 and 2007, respectively. Despite the decision to reduce capital investment, Loblaw experienced sales growth in all its regions and maintained its national market share.

Further information on Loblaw's financial performance can be found in the Management's Discussion and Analysis section of Loblaw's 2007 Annual Report ("Loblaw MD&A"). This information is incorporated by reference and is available at www.sedar.com.

Products and Services

Loblaw is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services. Traditional food offerings remain at the core of Loblaw's business. Loblaw primarily offers four distinct store formats: Superstore, Great Food, Hard Discount and Wholesale.

As part of Project Simplify, format teams were created that act as retail brand managers' of Loblaw's Hard Discount, Superstore, and Great Food stores. Clear go-to-market strategies have been defined for the Hard Discount and Superstore formats based on customer shopping preferences, competitive considerations, and market opportunities. Loblaw's strategy for its Great Food stores is under development. Format pilots conducted in 2007 included: the new Milton RCSS opened in August 2007; three Great Food pilots underway in Ontario to test fresh food improvements; and three *no frills* stores opened in western Canada to test the success of the Hard Discount format in that market.

The focus of Loblaw is on simplifying and optimizing its assortments, getting credit for value by lowering prices in a targeted manner and ensuring its general merchandise offering complements Loblaw's focus on food. Other products and services offered by Loblaw are described below. In addition, through certain of its corporate and franchise locations, Loblaw's offerings include gas bars, photo processing, optical products and services and medical clinics.

Control Label Program

Loblaw offers a strong and innovative control label program for both food and everyday household needs. This program helps to create customer loyalty and ensure price competitiveness. Over the past three years, Loblaw continued to add products to its control label program, which now provides over 8,000 products in the food and everyday household needs categories. In 2007, over 1,400 new control label products were launched, including over 800 new home products. In support of these products in 2007, Loblaw distributed four issues of the *Insiders Report* that reached millions of homes across Canada. This included a *PC* Healthy *Insider's Report* and a *PC* Home *Insider's Report* that featured over 100 items for the home including products for the kitchen, bed and bath, and home décor.

One component of the Loblaw's Formula for Growth is to offer products and services centered around the theme of "Health, Home and Wholesome". To this end, Loblaw has been a leader in the offering of health-oriented control label products. Loblaw offers a range of certified organic products and now has over 300 of those products under the *President's Choice* Organics label. Early in 2005, Loblaw introduced its *Blue Menu* line of products for health and nutrition conscious consumers and now offers approximately 350 such products.

In 2006, the *Joe Fresh Style* brand of adult apparel was launched in 40 stores with positive customer response. By the end of 2006, *Joe Fresh Style* apparel was in approximately 100 stores in all regions of the country. To facilitate this launch, Loblaw redesigned the *Joe Fresh Style* shopping environment with wide aisles, a central cash desk and fitting rooms. New fixtures and a signing program were also introduced. In 2007, Loblaw expanded the *Joe Fresh Style* brand by expanding the number of stores in which it is available to 350 stores and launching children's wear, intimates and accessories. The brand is expected to continue to expand into all stores over 80,000 square feet. While some initial supply chain-related launch delays were experienced, sales of these new lines have been positive.

Loblaw's control label products, which are among the most recognized brands in Canada, are manufactured under contract by third-party vendors. In order to preserve the brands' equity, these vendors are held to high standards of quality. While appropriate contractual arrangements are put in place with these third parties, Loblaw has no direct influence over how such third parties are managed. It is possible that negative events affecting these third parties could in turn negatively impact Loblaw's operations and its financial performance.

Loblaw is also focused on its growing line of *PC* Home branded houseware products.

Loblaw's control label offering was supported in 2007 by a new marketing campaign featuring *President's Choice* Signature products, select *President's Choice* products that provide exceptional quality and value for consumers. This campaign features Galen G. Weston, Loblaw's Executive Chairman, as spokesperson. Going forward, Loblaw will focus on establishing an even stronger innovation platform for its control label products and celebrating the 25th anniversary of the *President's Choice Insider's Report* in 2008.

Financial Services

President's Choice Financial services, including chequing and savings accounts, mortgages, RRSPs, mutual funds, loans and lines of credit, are provided by the direct banking division of a major Canadian chartered bank. President's Choice Bank, a subsidiary of Loblaw, offers the *President's Choice Financial* MasterCard®.

Loblaw offers *PC Financial* auto and home insurance through its subsidiary PC Financial Insurance Agency Inc. in select Canadian markets including Ontario (launched in 2004), Quebec and Alberta (both launched in 2005). In 2005, Loblaw introduced two additional insurance products through PC Financial Insurance Agency Inc. to its auto and home insurance offerings. *PC Financial* pet insurance for dogs and cats is currently available in each province and territory except for Quebec and New Brunswick. *PC Financial* travel insurance is currently available in all Provinces and Territories except for Quebec.

PC Mobile

In late 2005, Loblaw introduced the *PC* Mobile line of prepaid cellular phone services and related accessories. *PC* Mobile services are provided in conjunction with Bell Mobility®.

Further information on trends affecting Loblaw and Loblaw's strategies can be found in the Loblaw MD&A, which is incorporated by reference.

IV. DESCRIPTION OF THE BUSINESS

Weston Foods

Weston Foods is a significant participant in the North American baking industry with certain assets in the Ontario dairy industry.

Principal Products

Weston Foods produces a variety of fresh, frozen (raw dough, pre-proofed, par-baked and fully baked) and specialty bakery products including breads, dough, rolls, bagels, English muffins, tortillas, doughnuts, cakes, sweet goods, pies, crackers and other baked goods. Weston Foods is also a provider of control label products to retailers and consumer food companies, a supplier of ice cream cones and sandwich wafers to the dairy industry and a supplier of Girl Scout cookies.

The Ontario Neilson Dairy operation is a processor of fluid milk and shelf stable milk based products with two production facilities in Ontario. In addition, the dairy operations manufacture and distribute numerous products manufactured by third parties under the *Neilson* brand including juices, drinks, yogurt, sour cream, dips and butter in several combinations of sizes and flavours.

Weston Foods operates in a challenging marketplace, impacted by consumers' demands for healthy and nutritious products and for "on-the-go" and "handheld" convenience formats that can be consumed away from the home. Weston Foods has been proactive in meeting these demands by developing a range of healthy lifestyle products such as whole grain and wheat offerings, portion controlled servings, products containing Omega-3 and *Dairy Oh!* milk enriched with DHA. Additionally, new product offerings from Weston Foods have focused on providing healthier alternatives to mainstream brands including *Wonder+* and *Weston Moelleux Plus.*

Production Facilities

Weston Foods has developed from one small bakery in 1882 to the current network of production facilities located predominately in Canada and the eastern and midwest United States with a growing presence in the southeast United States. As at March 12, 2008, production facilities for Weston Foods were located in Canada and the United States as follows:

CANADA		UNITED STATES	
Province	Number of Locations	State	Number of Locations
Ontario	13	Pennsylvania	10
Quebec	8	New York	5
Alberta	4	Wisconsin	2
Saskatchewan	3	Florida	2
Nova Scotia	2	Indiana	2
British Columbia	2		
One location for each of Manitoba and Newfoundland and Labrador	2	One location for each of: Connecticut, Maryland, South Dakota, Georgia, Washington, North Carolina, California and Virginia	8
	34		29

Distribution to Consumers

Weston Foods sells its products through a variety of customer channels within the North American food retailing market including many national and regional supermarkets, mass merchandisers, drug stores, wholesale and club stores and convenience store chains, food service distributors and outlets as well as other food retailing customers, and devotes a considerable amount of effort in building and maintaining consumer brand awareness.

Weston Foods distributes most of its fresh bakery and fresh dairy products through direct store delivery route systems. Frozen and other specialty bakery products as well as shelf stable dairy products are distributed primarily through warehouse channels using a combination of owned and outsourced fleet facilities. Weston Foods continues to explore opportunities to create distribution efficiencies, including the use of cross-docking facilities and the optimization of its depot and route networks.

No single customer, other than Loblaw, accounts for a significant portion of Weston Foods sales. For the two most recently completed fiscal years, sales by Weston Foods to Loblaw amounted to $865 million and $823 million, respectively.

Competitive Conditions

The North American bakery industry is both mature and competitive. Management regularly reviews and monitors operating plans and results, including market share. When necessary, they modify their operating strategies including restructuring of production facilities, reviewing prices and adjusting product offerings to reflect consumer trends, including those related to health or nutritional concerns, repositioning of brands and/or marketing programs to take into account competitive activity. Weston Foods is one of the leading suppliers of bakery and dairy products in each of the major markets in which it operates and the development of its key brands and their related consumer awareness are significant competitive advantages for Weston Foods.

As a result of the difficult sales environment being experienced traditional food retailers, coupled with the continuing cost pressures being experienced by the industry, Weston Foods anticipates that competitive business restructuring by competitors will continue to take place in 2008. Although the outcome and the impact, if any, on the Company's consolidated financial results from the potential restructuring activity is uncertain, Weston Foods will closely monitor the retail food market and, if required, adjust its strategies and programs as necessary.

Brands

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

Weston Foods' brands provide it with a strategic advantage over its competitors. Its premium and mainstream brands, including *Arnold, Country Harvest, D'Italiano, Entenmann's, Freihofer's, Gadoua, Maier's, Neilson, Stroehmann, Thomas', Weston,* and *Wonder* (in Canada), provide Weston Foods with strong core brands and product lines that enhance consumer loyalty, trusted as they are for quality, great taste and freshness. Weston Foods brand strength and diversity are vital to its long-term growth. Weston Foods aims to expand its brands by levering its brand equity and trust to meet consumer's ever-changing needs, and provide a point of differentiation and credibility for new product introductions.

Raw Materials

Wheat, flour, sugar, vegetable oil, and cocoa are the primary ingredients for bakery products. These ingredients are readily available in sufficient quantities. There are numerous sources of supply for these ingredients. To minimize the effect of fluctuations in the prices of its important raw materials, forward contracts with suppliers or other contracts such as exchange traded commodity futures contracts, are used to partially hedge the cost of anticipated purchases of certain raw materials. Nonetheless, the prices of these items are subject to fluctuations.

As a fluid milk processor, the Ontario dairy operation receives raw milk through Ontario's milk marketing board (Dairy Farmers of Ontario). In the event of a milk shortage, raw milk that would otherwise be used for other purposes would be redesignated and made available for the fluid milk system.

Intellectual Property

It is the practice of the Company to register or otherwise protect its intellectual property, including trade-marks, brand names and patents, in all jurisdictions in which it operates. Trade-marks and brand names used in Weston Foods are important assets to the Company and are defended vigorously. They provide Weston Foods with a competitive advantage and accordingly management spends considerable effort supporting the Company's key brand names. The trade-marks of the Company and its subsidiaries when used in this Annual Information Form are presented in *italics.*

Key brand names used by Weston Foods include *Arnold, Country Harvest, D'Italiano, Entenmann's, Freihofer's, Gadoua, Maier's, Neilson, Stroehmann, Thomas', Weston, Wonder* and *Wonder+*. All fluid products are produced under *Neilson* trade marks – *Neilson, Neilson Trutaste, Neilson Trucalcium, Dairy Oh!, MooJo* and *The Ultimate* family of marks. Weston Foods has an exclusive licensing agreement with Cadbury to use the following brand names on dairy beverages: Caramilk® and Crispy Crunch®, two of Canada's leading chocolate bars. In addition, Weston Foods has an exclusive manufacturing, sales and distribution agreement with Nestlé Canada for Nesquik®, Coffee Crisp® and Rolo® shakes, and Coffee-mate® liquid whitener. Also, Weston Foods has agreements with Weight Watchers® International in both Canada and the United States with respect to the manufacturing, sale and distribution of baked products under its brands.

Seasonality

The Company's operations as they relate to food, specifically inventory levels, sales volumes and sales mix, are impacted to some degree by certain holiday periods throughout the year. Weston Foods continuously monitors the impact that holidays may have on its operations and adjusts inventory levels and production and delivery schedules as required.

Labour and Employment Matters

Weston Foods has approximately 15,400 full and part time employees in the bakery and dairy operations, the majority of whom are covered by various collective agreements, almost all of which are negotiated independently on a plant by plant or unit by unit basis, typically for terms of three or more years. No single agreement is of predominant importance to overall operations.

Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect the Company's financial performance, depending on their nature and duration. The Company is willing to accept the short term costs of labour disruption in order to negotiate competitive labour costs and operating conditions for the longer term.

Significant labour negotiations took place at Weston Foods in 2007 as 31 collective agreements expired and 33 collective agreements were successfully negotiated, which represented a combination of agreements expiring in 2007, those carried over from prior years and those negotiated early. In 2008, 28 collective agreements affecting approximately 2,700 employees will expire. Weston Foods will also continue to negotiate and 8 collective agreements carried over from 2007.

Weston Foods has good relations with its employees and unions and, although it is possible, does not anticipate any unusual difficulties in renegotiating these agreements.

Environmental and Health and Safety Matters

Weston Foods has environmental, health and workplace safety programs in place and has established policies and procedures aimed at ensuring compliance with applicable legislative requirements. To this end, Weston Foods employs environmental risk assessments and audits using internal and external resources together with employee awareness programs throughout its operating locations.

Weston Foods endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound environmental stewardship and ecological considerations. Environmental protection requirements do not and are not expected to have an adverse effect on Weston Food’s financial performance.

The Environmental, Health and Safety Committee of the Board of Directors of Weston receives regular reporting from management, addressing current and potential future issues, identifying new regulatory concerns and related communication efforts. Weston Foods dedicated Environmental Affairs staff work closely with the operations to help ensure that corporate requirements are met.

Food Safety, Public Health and Labelling

Weston Foods is subject to potential liabilities connected with its business operations, including potential exposures associated with product defects, food safety and product handling. Such liabilities may arise in relation to the manufacturing, preparation, storage, distribution and display of products and, with respect to Weston Foods contract manufactured products, in relation to the production, packaging and design of products. Any significant failure or disruption of these systems could negatively affect the Company’s reputation and its financial performance.

Weston Foods sales are generated from food products and Weston Foods could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could negatively affect Weston Foods financial performance. Procedures are in place to manage such events, should they occur. These procedures identify risks, provide clear communication to employees and consumers and are aimed at ensuring that potentially harmful products are expeditiously removed from inventory. In addition, the Company has food safety procedures and programs, which address safe food handling and preparation standards. Weston Foods endeavours to employ best practices for the storage and distribution of food products and also actively supports consumer awareness of safe food handling and consumption. The ability of these procedures to address such events is dependent on their successful execution. The existence of these procedures does not mean that the Company will in all circumstances be able mitigate these risks.

Weston Foods strives to ensure its brands meet all applicable regulatory requirements, including having informative nutritional labelling so that today’s health conscious consumer can make informed choices.

Research and Development and New Products

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

In 2007, Weston Foods Canada introduced a number of innovative bakery products into the Canadian marketplace. These products included expanding the *Wonder+* brand to all bread products (white and 100% whole wheat), hot dog and hamburger buns and *Wonder+* Square Bagels, English muffins and *Wrapz* (tortillas). The *D'Italiano* line of products was expanded to include 100% whole wheat crustini and sausage rolls and a fresh garlic bread. All *Country Harvest* breads were reformulated to reduce total sodium by 25%. Gadoua introduced four new "soft grain" breads into the Quebec Marketplace. The Weight Watchers® line up was expanded to include additional offerings of tortillas, bagels and English muffins.

In 2007, the Weston Foods US new product offerings included:

- *Thomas'* Mini Squares Bagelbread, which combines traditional bagel flavour with the softness of bread in a portion-controlled serving size; and
- *Thomas'* 100 Calorie English muffin.

In 2007, the Canadian dairy operations launched the following new shelf-stable products to supplement the existing shelf stable milk line: 2% milk and 10% cream, single serve sizes of *The Ultimate Chocolate Milk*, *The Ultimate Strawberry Milk* and *The Ultimate French Vanilla Milk* flavours and a take-home six-pack of *The Ultimate Chocolate Milk*. In the fluid category, the dairy launched *Dairy Oh!* Chocolate, orange and fruit punch in 2007.

In 2006, Weston Foods focused on the development of healthier, better-for-you products which still taste great by focusing on the global trends of whole grains, Omega-3 and fibre. Weston Foods improved *Country Harvest* bagels such that they are made with 100% whole grain and a source of Omega-3 to compliment the *Country Harvest* bread line introduced in 2005. In Canada, the *Wonder* brand was further expanded to reach children with the launch of *Wonder+* which offers the same great *Wonder* taste with the goodness of whole wheat.

In 2005, Weston Foods US introduced a new 100% whole wheat bread, *Arnold Double Fiber*, under the *Whole Grain Classics* brand. Weston Foods also improved its offering of Weight Watchers® brand products include a multigrain variety and the remaining varieties were converted to 100% whole wheat. Also in the United States, Weight Watchers® 100% whole wheat bread, traditional grains bread, bagels and English muffins were successfully launched nationally during 2005.

During 2005 in the United States, Weston Foods introduced a new and expanded range of products including *Enten-minis* single serving, hand-held cake product in the fresh-baked sweet goods category and *Thomas' Squares Bagelbread*, *Thomas' Hearty Grains* English Muffins, *Thomas'* Mini Bagels and *Stroehmann Dutch Country* Family Grain breads in the fresh baked category.

Foreign Operations

Weston Foods production facilities are located across Canada and mainly in the eastern part of the United States. Approximately 64% of Weston Foods sales are in the United States. Any significant economic or competitive pressures, including currency fluctuations in the United States dollar relative to the Canadian dollar, would impact consolidated Weston Foods results. The Company has several wholly-owned foreign subsidiaries which act as holding companies for certain assets.

Further information on Weston Foods business can be found in the MD&A, which information is incorporated herein by reference and available at www.sedar.com.

Loblaw

Operations

Loblaw is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services. Loblaw's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. For over 50 years, Loblaw has supplied the Canadian market with innovative products and services through corporate, franchised and associated stores. Loblaw primarily offers four distinct store formats: Superstore, Great Food, Hard Discount and Wholesale. Corporate owned store banners include *Atlantic Superstore*, *Dominion*[*] (in Newfoundland and Labrador), *Extra Foods, Loblaws, Maxi, Maxi & Cie, Provigo, The Real Canadian Superstore* and *Zehrs* and wholesale outlets operating as Cash & Carry, *Presto* and *The Real Canadian Wholesale Club.* Loblaw's franchised and associated stores operate under the trade names *Atlantic SaveEasy*, *Fortinos*, *Extra Foods, no frills*, *SuperValu*, *Valu-mart* and *Your Independent Grocer*. The store network is supported by 25 company operated and three third-party warehouse facilities located across Canada, as well as temporary storage facilities when required.

In addition, Loblaw makes available to consumers *President's Choice Financial* services and products, including the *President's Choice Financial* MasterCard®, and *PC Financial* auto, home, travel and pet insurance, *PC* Mobile phone service, as well as a loyalty program known as *PC* points.

Geographic and Banner Summary

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

	Corporate Stores	Franchised Stores	Associated Stores	Independent Accounts	Warehouses
Newfoundland and Labrador	15	5	8	171	1
Prince Edward Island	4	3	1	87	-
Nova Scotia	34	20	1	443	2
New Brunswick	20	21	5	196	2
Quebec	226	22	299	3,080	4
Ontario	163	267	12	75	6
Manitoba	25	5	27	842	1
Saskatchewan	33	16	20	651	2
Alberta	71	3	9	1,518	5
Northwest Territories	2	-	1	1	-
Yukon	1	2	-	-	-
British Columbia	34	44	16	16	2
Total	628	408	399	7,080	25

[*] Trade-mark used under license

The following table sets out the distribution of Loblaw's store formats and the banners associated with each format.

	Corporate Stores	Franchised Stores	Associated Stores
Superstore			
Atlantic Superstore	53		
Dominion* (in Newfoundland and Labrador)	13		
The Real Canadian Superstore	102		
Great Food			
Atlantic SaveEasy	1	41	6
Fortinos		20	
Loblaws	89		
Provigo	68	22	3
SuperValu	1	15	7
Valu-mart		56	10
Your Independent Grocer		53	1
Zehrs	48		
Other	2	35	253
Hard Discount			
Extra Foods	76	26	
Maxi	91		
Maxi & Cie	16		
no frills		140	
Wholesale			
Cash & Carry	22		119
Presto	12		
The Real Canadian Wholesale Club	34		
Total	628	408	399

* Trademark used under license

The average store size at year end 2007 for corporate stores and franchised stores was 60,800 and 28,000 square feet, respectively. The average store size for both corporate stores and franchised stores has increased by 13.4% and 7.7% respectively over the last three years as Loblaw has generally moved to larger store formats.

Whenever practical, Loblaw follows a strategy of purchasing land for future store locations. At year end 2007, Loblaw owned 73% of the real estate on which its corporate stores are located, 46% of the real estate on which its franchised stores are located, as well as various properties under development or held for future development. Loblaw's owned properties are essentially unencumbered, with only $17 million in mortgage debt on total fixed assets including real estate, having a net book value of approximately $8 billion at year end 2007. The total square footage of the owned corporate and franchise stores is approximately 27.9 million square feet and 5.3 million square feet, respectively.

A substantial portion of Loblaw revenues and earnings come from amounts paid by franchisees. Loblaw benefits from the management of these stores by entrepreneurial owner/operators. Franchisees enter into agreements with Loblaw that generally require the franchisee to purchase inventory from Loblaw and to pay certain fees in exchange for services provided by Loblaw and for the right to use certain trademarks owned by Loblaw. Loblaw also participates in the profits of most of its franchise stores by way of preferred shareholdings or other arrangements. Services available to the franchisees by Loblaw include store set-up, marketing support and accounting systems. Independent franchisees generally lease the land and store building from Loblaw and, if eligible, may obtain financing through a structure involving independent trusts to facilitate the purchase of the majority of their inventory and fixed assets, consisting mainly of fixtures and equipment.

Franchisees are independent businesses and, as a result, their operations may be negatively affected by factors beyond Loblaw's control which in turn may damage Loblaw's reputation and potentially affect revenues and earnings. Revenues and earnings would also be negatively affected and Loblaw's reputation could be harmed, if a significant number of franchisees were to: experience operational failures, including health and safety exposures; experience financial difficulty; be unwilling or unable to pay Loblaw for products rent or other fees; or fail to enter into renewals of franchise agreements. Loblaw's franchise system is also subject to franchise laws and regulations enacted by a number of provinces. Any new legislation or failure to comply with existing legislation may negatively affect operations, and could add administrative costs and burdens associated with these regulations, all of which could affect the Loblaw's relationship with its franchisees.

Subsequent to downgrades of Loblaw's credit ratings in February, 2008, Loblaw was notified that an Event of Termination of the independent funding trust agreement for Loblaw franchisees had occurred as a result of the downgrades. To address this issue, Loblaw is currently in the process of securing alternative financing with a syndicate of banks, in the form of a 364-day committed credit facility for the benefit of its franchisees. This new financing is expected to be completed during the second quarter of 2008. Upon closing, this new alternative financing that might be arranged could result in higher financing costs to the franchisees, which in turn could adversely affect Loblaw's operating results. Although Loblaw anticipates that appropriate financing for the franchisees will continue to be secured in the future, any failure to do so could adversely affect Loblaw's franchise programs and may impact its operating results. Further information on Loblaw's credit ratings can be found on pages 15 and 16 of the Loblaw MD&A, which is incorporated by reference.

Competitive Conditions

The retail industry in Canada is highly competitive. The industry is driven primarily by consumer demand, which is impacted by economic trends, changing demographics, ethnic diversity, health and environmental awareness and time availability. Recent consumer trends that dominate the industry include customer's concerns for their own and their family's health, lack of time, increasing demand for value and premium products in one location, a willingness to buy certain general merchandise on food-focused shopping trips and an increasing demand that retailers source ethically and in a way that demonstrates care for the environment and the community.

Loblaw's competitors include traditional supermarket operators, as well as mass merchandisers, warehouse clubs, drugstores, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drugstore and general merchandise. Others remain focused on supermarket-type merchandise. Generally, the Canadian retail landscape has in recent years been characterized by an increase in square footage that is greater than the increase in consumer demand. This has resulted in pressure on retailers to lower their prices and reduce operating and labour costs.

Loblaw's inability to compete effectively with its current or any future competitors could result in, among other things, lessening of market share and lower pricing in response to its competitors' pricing activities. Accordingly, Loblaw's competitive position and financial performance could be negatively impacted.

Although much work is to be done to successfully implement Loblaw's strategies, Loblaw believes that its competitive position in Canada remains strong. Loblaw will continue to focus on the value proposition of its banners and ensuring the right format is in the right market. In addition, its control label offering promotes customer loyalty and allows pricing flexibility with respect to national brands. Loblaw is committed to lowering costs in order to support its profitability in the face of lower prices for customers.

Customers

Loblaw is not dependent upon a small number of customers or any single customer.

Products and Services

Control Label Products

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

There are currently over 8,000 control label products marketed by Loblaw under brand names including *President's Choice, PC, PC Organics, Blue Menu, Mini Chefs, no name, Joe Fresh Style, Club Pack, G.R.E.E.N, Exact, Teddy's Choice* and *Life@Home*. In 2007, over 1,400 new control label products were introduced including approximately 800 home products.

Health, Home and Wholesome is Loblaw's goal to be recognized as making healthy living affordable for all Canadians. Loblaw offers healthy food products with its control label products, particularly *Blue Menu* and *PC Organics* lines.

In recent years a selection of general merchandise items has been developed under the *PC* and *Life@ Home* brands as part of the expansion into general merchandise departments. These products are sourced world wide and cater to all areas of the home including bed, bath, kitchen, home decor and outdoor living.

In 2006, the *Joe Fresh Style* brand of adult apparel was launched in 40 stores with positive customer response. By the end of 2006, *Joe Fresh Style* apparel was in approximately 100 stores in all regions of the country. To facilitate this launch, Loblaw redesigned the *Joe Fresh Style* shopping environment with wide aisles, a central cash desk and fitting rooms. New fixtures and a signing program were also introduced. In 2007, Loblaw expanded the *Joe Fresh Style* brand by expanding the number of stores in which it is available to 350 stores and launching children's wear, intimates and accessories. The brand is expected to continue to expand into all stores over 80,000 square feet. While some initial supply chain-related launch delays were experienced, sales of these new lines have been positive.

Marketing

Loblaw's marketing programs are focused on the promotion and advertising for various control-label products and services which are exclusive to Loblaw. These programs are supported by research activity, including consumer insight and brand awareness measures. The marketing team also influences item selection to be promoted in weekly flyers, across all store formats.

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

A variety of unique communications media are used to inform and educate consumers about Loblaw's products and services. The *President's Choice Insiders Report* is considered a "must-read" by millions of consumers across the country, and is distributed directly up to four times a year to over 11 million households. The *Insiders Report* is a creative description of all new products offered by the season and highlights price, value and quality of its control-label advantage. While the loyalty program for Loblaw is managed through *President's Choice Financial*, the marketing team supports its brands by including special loyalty offers of *PC* points, redeemable at any banner for any products, in many marketing promotions. Twice a year, Loblaw participates in Canada's Fashion Week to promote its *Joe Fresh Style* apparel brand.

Loblaw also promotes its products and engages its consumers though its websites such as www.PC.ca and www.joe.ca which allow consumers to participate in contests, rate and review food products, and create a personal wardrobe.

President's Choice Financial

Loblaw offers *President's Choice Financial* banking services and products, which are provided by the direct banking division of a major Canadian chartered bank.

The *President's Choice Financial* MasterCard® is offered throughout Canada by President's Choice Bank. Third-party service providers process credit card transactions and provide a call centre (services/support) in addition to credit and fraud monitoring for the *President's Choice Financial* MasterCard®. As at December 29, 2007, approximately $1.475 billion of credit card receivables had been securitized and $548 million of receivables were held by President's Choice Bank.

Loblaw offers *PC Financial* auto and home insurance through its subsidiary, PC Financial Insurance Agency Inc., to select Canadian markets including Ontario, Quebec and Alberta. *PC Financial* pet insurance for dogs and cats is currently available in each Province and Territory except for Quebec and New Brunswick. *PC Financial* travel insurance is currently available in all Provinces and Territories except for Quebec.

The use of many of the products and services offered through *President's Choice Financial* allows customers to earn *PC* points through a loyalty program which are redeemable towards free groceries and other rewards.

PC Mobile

Loblaw has introduced the *PC* Mobile line of prepaid cellular phone services and related accessories. *PC* Mobile services are provided in conjunction with Bell Mobility®.

Intellectual Property

Loblaw has established procedures to register or otherwise protect its intellectual property including the trade-marks used in its store-trading or banner names and those associated with its control label programs. Store-trading or banner names are associated with specific retail concepts and are important to both corporate store and franchised store operations. Franchisees use the banner names associated with their franchised program pursuant to licensing arrangements. Loblaw's trade-marks used in connection with its control label program are discussed under the section "Products and Services". Other intellectual property of Loblaw includes domain names, packaging designs and product formulations and specifications. The intellectual property rights associated with and used in connection with Loblaw's business are important assets and are defended vigorously. Certain of Loblaw's trade-marks are licensed to third party service providers, primarily in connection with *President's Choice Financial* Services.

Information Technology

Loblaw uses various systems to support the major functional aspects of its business. The Information Technology ("IT") team provides support, maintenance and development services for these systems as well as managing the strategic direction of Loblaw's IT functions.

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

Loblaw maintains a secure, chain-wide network that transmits data between its stores, distribution centres and corporate offices and carries debit and credit transactional information from stores to Loblaw's provider of clearing services.

Loblaw also uses outsourced services, in particular for its mainframe-related applications and technology, pharmacy and Photolab businesses and services to *President's Choice Financial* Services.

Any significant failure or disruption of IT systems could negatively affect Loblaw's reputation, revenues and financial performance. Loblaw has underinvested in its IT infrastructure and its legacy systems lack functionality. Loblaw faces the risk that this infrastructure will not properly support the required business processes of the new organization. During 2007, an IT strategic plan was developed to guide the new systems environment that Loblaw requires. In 2008, Loblaw will begin to implement this plan.

Supply Chain

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

Loblaw's supply chain and distribution network is comprised of a total of 25 owned and leased warehouses and distribution centres. Third-party logistics services are also used, including those in connection with a dedicated general merchandise warehouse and distribution centre located in Pickering, Ontario. Loblaw uses various modes of transportation including its own trucking fleet and third-party common carriers, railways and ships. Loblaw is not dependent on any one third-party transport provider.

In 2007, Loblaw commenced a multi-year plan to invest in and improve its supply chain, as described previously in this Annual Information Form.

A new food distribution center in Ajax, Ontario, operated by a third party service provider, is scheduled to open in 2008.

Seasonality

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

Foreign Operations

Glenhuron Bank Limited, a wholly owned indirect subsidiary of Loblaw with operations in Barbados, is engaged in financial services including cash management and treasury-related services. Loblaw is not dependent on these operations.

Employees

As of December 29, 2007, Loblaw and its franchisees together employ over 140,000 full-time and part-time employees. A majority of Loblaw's store level and distribution centre employees are unionized. Currently Loblaw's unionized workforce is covered by a total of 372 collective agreements with 15 unions.

Lending

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

Environmental and Health and Safety Matters

Loblaw has environmental, health and workplace safety programs and has established policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements. To this end, Loblaw employs environmental risk assessments and audits using internal and external resources together with employee awareness programs throughout its operating locations. Loblaw endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound environmental stewardship and ecological considerations. Environmental protection requirements do not and are not expected to have a material effect on Loblaw's financial performance.

The Environmental, Health and Safety Committee of the Board of Directors receives regular reporting from management addressing current and potential future issues, identifying new regulatory concerns and related communication efforts. Loblaw's dedicated Environmental Affairs staff works closely with the operations to help ensure corporate requirements are met.

Corporate Social Responsibility

Acting with its stores and employees across the country, Loblaw supports and contributes to local and national organizations in its various markets by sponsoring numerous charitable causes which are primarily oriented towards supporting and promoting healthy kids, local food banks and greening our cities. Loblaw also supports *President's Choice Children's Charity* which is dedicated to directly helping families with children who are physically or developmentally challenged.

In 2007, in recognition of the importance of corporate social responsibility ("CSR"), Loblaw created a CSR function lead by a Senior Vice President, reporting directly to the Executive Chairman. In 2008, this area will drive CSR principles such as respect for the environment, sourcing with integrity and making a positive difference in the community, into all aspects of the business. Loblaw's first CSR report is scheduled to be issued in April of 2008.

Food Safety, Public Health and Labelling

Loblaw is subject to risks associated with product defects, food safety and product handling. Such liabilities may arise in relation to the storage, distribution and display of products and, with respect to Loblaw's control label products, in relation to the production, packaging and design of products. Any event related to these matters has the potential to adversely affect Loblaw's reputation and its financial performance.

A majority of Loblaw's sales are generated from food products and Loblaw could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could negatively affect Loblaw's financial performance. Procedures are in place to manage such events, should they occur. These procedures identify risks, provide clear communication to employees and consumers and are aimed at ensuring that potentially harmful products are expeditiously removed from inventory. Food safety related liability exposures are insured by Loblaw's insurance program. In addition, Loblaw has food safety procedures and programs which address safe food handling and preparation standards. Loblaw endeavours to employ best practices for the storage and distribution of food products and also actively supports consumer awareness of safe food handling and consumption. The ability of these procedures to address such events is dependent on their successful execution. The existence of these procedures does not mean that Loblaw will in all circumstances be able to mitigate these risks.

Loblaw strives to ensure its control label products meet all applicable regulatory requirements including having nutritional labeling so that today's health conscious consumer can make informed choices.

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

V. PRIVACY AND ETHICS

The Company is committed to managing its activities in an ethical and proper manner in all respects. The Company has adopted a Code of Business Conduct setting out the Company's expectations for the ethical and appropriate behaviour of all its directors and employees. In addition, the Company has established an Ethics and Business Conduct Committee, comprised of senior management, to monitor compliance with the Code of Business Conduct and deal with conduct and ethics issues as they arise. The Company also has a Privacy Policy that sets out the Company's commitment of protecting the privacy of personal information.

The Company encourages reporting of unethical conduct and has established a toll-free anonymous response line, which can be used by employees to report suspected accounting, internal control or auditing irregularities and unethical behaviour impacting the Company.

Loblaw has adopted a Vendor Code of Conduct which sets out Loblaw's expectations of its vendor community in a number of areas including social responsibility. Any failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could, therefore, negatively impact the Company's financial performance.

VI. OPERATING AND FINANCIAL RISKS AND RISK MANAGEMENT

Each year, the Company performs an Enterprise Risk Assessment ("ERA"), which identifies the key risks facing the Company and evaluates the risk management effectiveness for each of these risks. The assessment is primarily carried out through interviews with senior management, who assess the potential impact of risks and the likelihood that a negative impact will occur. The results of the ERA are used to prioritize risk management activities, allocate resources effectively and develop a risk-based internal audit plan. The risks identified through the ERA process are presented and discussed with the Audit Committee.

A description of the risks and risk management strategies identified by the ERA is included in the risk section of the MD&A, any of which has the potential to negatively affect financial performance. The Company has operating and risk management strategies including insurance programs, which help to mitigate the potential financial impact of these risks. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur which could negatively affect the Company's financial condition and performance. The discussion on risks facing the Company is set forth on pages 43 through 50 of Weston's 2007 MD&A and relating to Loblaw in the Loblaw MD&A on pages 26 through 33 of the Loblaw MD&A. Both the MD&A and the Loblaw MD&A are incorporated herein by reference.

VII. CAPITAL STRUCTURE AND MARKET FOR SECURITIES

<u>Capital Structure</u>

The capital structure of Weston is composed of common shares and preferred shares.

Common Shares

As of December 31, 2007, there were 129,074,526 common shares outstanding. There are an unlimited number of authorized common shares with voting rights of one vote per common share. The holders of common shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, to receive any dividend declared by the Company and to receive the remaining property of the Company upon dissolution.

Preferred Shares – Series I

As of December 31, 2007, there were 9,400,000 5.80% non-voting Preferred Shares, Series I outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of $1.45 per share per annum. Weston may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after December 15, 2007 at $25.75 per share
On or after December 15, 2008 at $25.50 per share
On or after December 15, 2009 at $25.25 per share
On or after December 15, 2010 at $25.00 per share

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

Preferred Shares – Series II

As of December 31, 2007, there were 10,600,000 5.15% non-voting Preferred Shares, Series II outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of $1.2875 per share per annum. On or after April 1, 2009, Weston may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share. On and after July 1, 2009, these outstanding preferred shares are convertible, at the option of the holder, into a number of Weston's common shares determined by dividing $25.00 by the greater of $2.00 and 95% of the then current market price of Weston's common shares. At any time after issuance, Weston may, at its option, give the holder of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by Weston on a share-for-share basis on a date specified by Weston. Upon liquidation, dissolution or winding up of Weston, each Preferred Share, Series II holder, in preference to any payments to be made to holders of common shares, is entitled to $25.00 per share plus an amount equal to all dividends accrued thereon. Preferred Share Series II holders are not entitled to any further distribution of the assets of Weston.

Preferred Shares – Series III

As of December 31, 2007, there were 8,000,000 5.20% non-voting Preferred Shares, Series III outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum. Weston may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2010 at $26.00 per share
On or after July 1, 2011 at $25.75 per share
On or after July 1, 2012 at $25.50 per share
On or after July 1, 2013 at $25.25 per share
On or after July 1, 2014 at $25.00 per share

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

Preferred Shares – Series IV

As of December 31, 2007, there were 8,000,000 5.20% non-voting Preferred Shares, Series IV outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of $1.30 per share per annum. Weston may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after October 1, 2010 at $26.00 per share
On or after October 1, 2011 at $25.75 per share
On or after October 1, 2012 at $25.50 per share
On or after October 1, 2013 at $25.25 per share
On or after October 1, 2014 at $25.00 per share

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

Preferred Shares – Series V

As of December 31, 2007, there were 8,000,000 4.75% non-voting Preferred Shares, Series V outstanding, which entitle the holder to a fixed cumulative preferred cash dividend of $1.1875 per share per annum. Weston may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 1, 2011 at $26.00 per share
On or after July 1, 2012 at $25.75 per share
On or after July 1, 2013 at $25.50 per share
On or after July 1, 2014 at $25.25 per share
On or after July 1, 2015 at $25.00 per share

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

Trading Price and Volume

The Weston common shares and preferred shares Series I, II, II, IV, and V are listed and posted for trading on The Toronto Stock Exchange under the share symbols "WN", "WN.PR.A", "WN.PR.B" and "WN.PR.C", "WN.PR.D", and "WN.PR.E" respectively.

The monthly high and low trading prices and the average daily volume by month for the Company's common shares for the year ended December 31, 2007, are as follows:

	Common Shares		
Month	**High** ($ per common share)	**Low** ($ per common share)	**Avg. Daily Vol. by Month** (in shares)
January	79.99	75.04	109,370
February	79.87	70.75	157,459
March	73.50	70.11	150,567
April	83.90	70.45	118,498
May	77.37	74.50	98,274
June	80.20	71.51	196,041
July	81.88	74.70	134,658
August	77.24	70.32	148,353
September	72.25	68.48	117,719
October	71.85	67.87	80,525
November	69.22	50.27	173,040
December	55.99	49.74	152,567

The monthly high and low trading prices and the average daily volume by month for Preferred Shares, Series I, II, III, IV, and V for the year ended December 31, 2007, are as follows:

	Preferred Shares Series I			**Preferred Shares Series II**			**Preferred Shares Series III**		
Month	**High** ($ per preferred share)	**Low** ($ per preferred share)	**Avg. Daily Vol. by Month** (in shares)	**High** ($ per preferred share)	**Low** ($ per preferred share)	**Avg. Daily Vol. by Month** (in shares)	**High** ($ per preferred share)	**Low** ($ per preferred share)	**Avg. Daily Vol. by Month** (in shares)
January	26.30	25.75	3,581	26.55	26.20	1,923	26.30	26.05	3,453
February	26.08	25.62	12,485	26.75	25.85	56,175	26.27	25.30	6,501
March	25.99	25.77	3,441	26.40	25.80	1,928	26.24	25.70	16,544
April	25.88	25.50	4,160	26.33	26.06	2,695	25.95	25.35	5,571
May	25.85	24.64	5,728	26.30	25.50	12,691	25.49	24.38	16,902
June	25.48	24.00	7,407	25.95	25.25	5,349	24.57	23.22	9,665
July	25.30	24.17	5,901	25.99	25.10	9,688	23.79	21.72	8,590
August	24.88	23.61	5,693	25.50	24.90	10,870	22.65	20.70	7,202
September	24.74	23.66	4,961	25.50	25.11	2,116	22.46	21.15	6,543
October	23.88	23.17	5,067	25.50	25.05	2,084	21.65	20.00	14,572
November	23.58	18.50	19,205	25.50	24.25	11,613	20.57	16.85	22,736
December	19.84	17.51	46,038	25.47	24.47	11,146	18.57	15.71	42,418

	Preferred Shares Series IV			Preferred Shares Series V		
Month	**High** ($ per preferred share)	**Low** ($ per preferred share)	**Avg. Daily Vol. by Month** (in shares)	**High** ($ per preferred share)	**Low** ($ per preferred share)	**Avg. Daily Vol. by Month** (in shares)
January	26.30	26.01	8,513	25.24	25.00	10.494
February	26.27	25.41	13,263	25.15	24.61	30,153
March	26.09	25.62	9,291	25.25	24.80	11,062
April	25.98	25.40	10,489	25.00	24.51	13,581
May	25.55	24.00	20,115	24.80	22.74	9,743
June	24.48	23.28	7,631	22.95	20.93	14,970
July	23.80	22.10	4,914	22.28	19.86	7,147
August	22.72	21.23	5,863	20.99	19.09	6,809
Septembe r	22.80	21.03	5,464	20.93	19.60	11,995
October	21.63	20.15	12,400	20.55	18.00	20,225
November	20.40	16.95	19,157	18.24	16.03	31,031
December	18.57	16.00	33,346	17.54	15.00	44,654

The outstanding debentures and medium term notes (“MTN”) of the Company are not listed or quoted on a recognized exchange.

Credit Ratings

Between the second quarter of 2007 and February 12, 2008, the Company’s MTN, exchangeable debentures, other notes and debentures, and preferred share ratings were downgraded twice and the commercial paper ratings once by Dominion Bond Rating Service (“DBRS”). The Company’s MTN, other notes and debentures, preferred share and commercial paper ratings were downgraded once by Standard & Poor’s (“S&P”). The following table sets out the current credit ratings of the Company.

	Dominion Bond Rating Service		Standard & Poor’s	
Credit Ratings and Trends (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Commercial paper	R-2 (high)	Stable	A-2	Credit Watch with Negative Implications
Medium term notes	BBB	Stable	BBB	Credit Watch with Negative Implications
Exchangeable debentures	BBB (low)	Stable		
Preferred shares	Pfd-3	Stable	P-3 (high)	Credit Watch with Negative Implications
Other notes and debentures	BBB	Stable	BBB	Credit Watch with Negative Implications

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

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

Dominion Bond Rating Service

Commercial Paper

DBRS's ratings for commercial paper range from R-1 (high) to D. The R-2 (high) rating is ranked fourth of ten rating categories. Short-term debt rated R-2 (high) is considered to be at the upper end of adequate credit quality. The ability to repay obligations as they mature remains acceptable, although the overall strength and outlook for key liquidity, debt and profitability ratios is not as strong as credits rated in the R-1 (low) category. Relative to the latter category, other shortcomings often include areas such as stability, financial flexibility, and the relative size and market position of the entity within its industry.

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

DBRS' credit ratings for long term debt range from AAA to D. Each rating category is denoted by the subcategories "high" and "low". The absence of either a "high" or "low" designation indicates the rating is in the "middle" of the category.

The BBB rating is ranked fourth of ten rating categories. Long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present, which reduces the strength of the entity and its rated securities.

Exchangeable Debentures

The BBB rating is ranked fourth of ten rating categories. Long-term debt rated BBB is of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adversities present that reduce the strength of the entity and its rated securities.

Preferred Shares

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

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

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

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

Standard & Poor's

Commercial Paper

Standard & Poor's Canadian ratings for Commercial Paper range from A-1 to D. The A-2 rating is ranked fourth of eight rating categories. Obligations rated A-2 reflect a satisfactory capacity of the obligor to fulfill its financial commitment on the obligation, while exhibiting higher susceptibility to changing circumstances or economic conditions than obligations rated A-1 (Low). Obligations rated A-2 on the Canadian commercial paper rating scale would qualify for a rating of A-2 on Standard & Poor's global short-term rating scale.

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

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

Preferred Shares

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

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

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

VIII. DIVIDENDS

The declaration and payment of dividends and the amount thereof are at the discretion of the Board, which takes into account the Company's financial results, capital requirements, available cash flow and other factors the Board considers relevant from time to time. Over the long term, the Company's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's adjusted basic net earnings per common share from continuing operations.[1] Currently, there is no restriction that would prevent the Company from paying dividends at historical levels.

Restrictions

Under its 12.70% Promissory Note due November 8, 2030, Weston is restricted from paying cash dividends on its common shares if a measurement of the Company's shareholder's equity falls below certain predetermined levels. To date, Weston has never been restricted from paying cash dividends by reason of not satisfying this requirement and does not anticipate that it will be unable to satisfy this restriction in the future.

Historical Dividend Payments

Dividends are declared and paid quarterly. The amount of cash dividends declared per common and preferred shares for each of the three most recently completed years is as follows:

Dividends declared per share ($)		**2007**	**2006**	**2005**
Common shares		1.44	1.44	1.44
Preferred shares	Series I	1.45	1.45	1.45
Preferred shares	Series II	1.29	1.29	1.29
Preferred shares	Series III	1.30	1.30	0.92
Preferred shares	Series IV	1.30	1.30	0.54
Preferred shares	Series V	1.19	0.83	N/A

Subsequent to year end 2007, the Board of Directors declared a quarterly dividend of 0.36 cents per common share, payable April 1, 2008.

[1] See Non GAAP Financial Measure, "Adjusted Basic Net Earnings per Common Share," on page 58 of the MD&A.

IX. DIRECTORS AND OFFICERS

The following list of Directors and Officers is current to March 12, 2008.

Directors

Name, Province and Country of Residence	Principal Occupation	Director Since:
W. Galen Weston, O.C.[1*] Ontario, Canada	Chairman and President, George Weston Limited	1967
Stephen E. Bachand,[3,5] Florida, United States	Corporate Director	2007
A. Charles Baillie[2*3] Ontario, Canada	Chair of the Alberta Investment Management Company (investment corporation)	2003
Peter B. M. Eby[1,2,3*] Ontario, Canada	Corporate Director	2000
Philip W. Farmer[2,5] Florida, United States	Corporate Director	2003
Anne L. Fraser[5*] British Columbia, Canada	Corporate Director	1995
Anthony R. Graham[1,3,4*] Ontario, Canada	President, Wittington Investments, Limited (holding company)	1996
Allan L. Leighton Ontario, Canada	Deputy Chairman, George Weston Limited Deputy Chairman, Loblaw Companies Limited	2006
Isabelle Marcoux[2] Quebec, Canada	Vice Chair of the Board and Vice President, Corporate Development of Transcontinental Inc. (printing and publishing company)	2007
J. Robert S. Prichard, O.C., O.Ont[3,4] Ontario, Canada	President and Chief Executive Officer, Torstar Company (media and newspaper company)	2000
Thomas F. Rahilly[2,4] Ontario, Canada	Corporate Director	2007
M.D. Wendy Rebanks[5] Ontario, Canada	Corporate Director	1994

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

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

Officers

Name, Province and Country of Residence	**Principal Occupation**
W. Galen Weston, O.C. Ontario, Canada	Chairman and President
Allan L. Leighton Ontario, Canada	Deputy Chairman
Robert G. Vaux Ontario, Canada	Chief Financial Officer
Gordon A.M. Currie Ontario, Canada	Executive Vice President, General Counsel and Secretary
Louise M. Lacchin Ontario, Canada	Executive Senior Vice President, Finance and Corporate Development
Robert A. Balcom Ontario, Canada	Senior Vice President, Legal Counsel and Assistant Secretary
Roy R. Conliffe Ontario, Canada	Senior Vice President, Labour Relations
Manny DiFilippo Ontario, Canada	Senior Vice President, Risk Management and Audit Services
J. Bradley Holland Ontario, Canada	Senior Vice President, Tax
Lucy J. Paglione Ontario, Canada	Senior Vice President, Pension and Benefits
Franca Smith Ontario, Canada	Senior Vice President, Controller
Geoffrey H. Wilson Ontario, Canada	Senior Vice President, Shared Services

All the foregoing directors and executive officers have held their present occupations or other positions with the same or associated companies or organizations for the past five years except: Mr. Gordon A.M. Currie, who prior to September 2005 was Senior Vice President and General Counsel of Direct Energy; Mr. A. Charles Baillie, who was formerly Chairman of the Board of Toronto Dominion Bank and previously Chairman and Chief Executive Officer of Toronto Dominion Bank and Mr. Phillip W. Farmer was Chairman, President and Chief Executive Officer of Harris Company located in Melbourne, Florida.

As at December 31, 2007, Mr. W. Galen Weston beneficially owned, directly or indirectly, 80,720,448 common shares or 62.5% of the issued and outstanding common shares of the Company. Other directors and senior executive officers of the Company, as a group, beneficially owned directly or indirectly or exercised control over less than 1% of the issued and outstanding common shares of the Company.

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

Mr. Vaux, the Chief Financial Officer of the Company, was on the board of directors of Noble China Inc. until his resignation in November 2002. Noble China was dissolved by the court in 2005 following a reorganization under the *Companies Creditors Arrangement Act.*

Mr. Leighton, the Deputy Chairman of the Company, was a member of the board of directors of Leeds United, PLC when that company was subject to bankruptcy proceedings.

X. LEGAL PROCEEDINGS

In the ordinary course of its business, the Company is named as a defendant in legal actions or may commence legal actions against third parties. Currently, there is one significant action in which Loblaw and Weston are named as defendants, which is described below.

During the first quarter of 2007, Weston and Loblaw were two of 17 defendants served with an action brought in the Superior Court of Ontario by certain beneficiaries of a multi-employer pension plan in which employees of Loblaw and those of its independent franchisees participate. In their claim against the employers and the trustees of the multi-employer pension plan, the plaintiffs claim that assets of the multi-employer pension plan have been mismanaged and are seeking, among other demands, damages of $1 billion. The action is framed as a representative action on behalf of all beneficiaries of the multi-employer pension plan. The Company has received notice from counsel for the plaintiffs indicating that he has received instructions from his client to discontinue the action against the employers, including the Company. The action against the trustees is ongoing and one of the trustees, an officer of Loblaw, may be entitled to indemnification from Loblaw.

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

XI. MATERIAL CONTRACTS

The Company has entered into an agreement with its subsidiary, Loblaw Companies, to provide certain administrative services by each company to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, tax, medical, travel, information system, risk management, treasury and legal. Payments are made between the companies quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Loblaw Companies together, each party pays the appropriate portion of such costs.

XII. RELATED PARTY TRANSACTIONS

The Company's majority shareholder, Wittington Investments, Limited ("Wittington"), and its affiliates are related parties. The Company, in the normal course of business, has routine transactions with these related parties, including the rental of office space at market prices from Wittington. From time to time, the Company and Wittington may make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations and, as a result, may enter into agreements in that regard. These elections and accompanying agreements do not have any material impact on the Company.

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

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

Further information on related party transactions can be found on page 50 of the MD&A, which information is incorporated by reference.

XIII. TRANSFER AGENTS AND REGISTRARS

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

XIV. EXPERTS

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

XV. AUDIT COMMITTEE INFORMATION

The Audit Committee Charter, as approved by the Company's Board of Directors on March 11, 2007 is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

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

Mr. Eby is a former Vice-Chairman and Director of Nesbitt Burns Inc. He obtained a B.Comm from University of Toronto and an M.B.A. from University of California-Berkeley.

Mr. Farmer is the retired Chairman, President and Chief Executive Officer of Harris Corporation. He obtained a B.Sc. from Duke University.

Ms. Marcoux is Vice Chair of the Board and Vice President, Corporate Development of Transcontinental Inc. She has an LL.B. in Civil Law and a B.A. in Political Science and Economics from McGill University.

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

XVI. EXTERNAL AUDIT FEES

The aggregate fees of KPMG LLP for professional services rendered for the audit of the Company's financial statements and other services for the fiscal years 2007 and 2006 are as follows:

	2007 $(000's)	**2006 $(000's)**
Audit fees[(1)]	4,343	3,947
Audit-related fees[(2)]	2,654	1,570
Tax consultant fees[(3)]	169	179
All other fees[(4)]	86	228
Total Fees	$7,252	$5,924

(1) Audit fees include fees for services related to the audit of the Company's consolidated financial statements.
(2) Audit-related fees include assurance and related services that are performed by the Company's auditors. These services include the review of quarterly reports to shareholders, audit of pension plans, comfort letters and the interpretation of accounting and financial reporting standards.
(3) Tax consultant fees include fees for assistance with tax planning.
(4) Other fees related to risk management, internal control/compliance, legislative and/or regulatory compliance.

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

XVII. ADDITIONAL INFORMATION

1. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company securities, and securities authorized for issuance under equity compensation plans, where applicable, will be contained in the Company's Management Proxy Circular for the Annual Meeting of shareholders to be held May 13, 2008. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.

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

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

APPENDIX “A”

GEORGE WESTON LIMITED

AUDIT COMMITTEE CHARTER

1. RESPONSIBILITY

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

- the integrity of the Company’s financial statements;
- the Company’s compliance with legal and regulatory requirements as they relate to the Company’s financial statements;
- the qualifications, independence and performance of the Company’s external auditor (the “Auditor”);
- internal control over financial reporting and disclosure controls and procedures;
- the performance of the Company’s internal audit function; and
- performing the additional duties set out in this Charter or otherwise delegated to the Audit Committee by the Board.

2. MEMBERS

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

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

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

3. CHAIR

Each year, the Board shall appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chairman shall continue in office until a successor is appointed. The Board shall adopt and approve periodically a position description for the Chair which sets out his or her role and responsibilities.

4. TENURE

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

5. QUORUM, REMOVAL AND VACANCIES

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

6. DUTIES

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

(a) Appointment and Review of Auditor

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

- select, evaluate and nominate the Auditor to be proposed for appointment or reappointment, as the case may be, by the shareholders;
- review the Auditor's engagement letter;
- at least annually, obtain and review a report by the Auditor describing:
  - the Auditor's internal quality-control procedures; and
  - any material issues raised by the most recent internal quality-control review, peer review, review by any independent oversight body such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or

more independent audits carried out by the Auditor and the steps taken to deal with any issues raised in these reviews.

(b) Confirmation of Independence of Auditor

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

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

(c) Rotation of Engagement Partner/Lead Partners

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

(d) Pre-Approval of Non-Audit Services

The Audit Committee shall pre-approve the retaining of the Auditor for any non-audit service, provided that no approval shall be provided for any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before the retaining of the Auditor for any non-audit service, the Audit Committee shall consider the compatibility of the service with the Auditor's independence. The Audit Committee may pre-approve the retaining of the Auditor for the engagement of any non-audit services by establishing policies and procedures to be followed prior to the appointment of the Auditor for the provision of such non-audit services. In addition, the Audit Committee may delegate to one or more members the authority to pre-approve the retaining of the Auditor for any non-audit service to the extent permitted by applicable law.

(e) Communications with Auditor

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

- matters that will be referred to in the Auditor's management letter;
- whether or not the Auditor is satisfied with the quality and effectiveness of the financial recording procedures and systems;

- the extent to which the Auditor is satisfied with the nature and scope of the Auditor's examination.

(f) Review of Audit Plan

The Audit Committee shall review a summary of the Auditor's audit plan in advance for each audit.

(g) Review of Audit Fees

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

(h) Review of Annual Audited Financial Statements

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

In conducting their review, the Audit Committee should:

- discuss the annual audited financial statements and MD&A with management and the Auditor;
- consider the quality of, and not just the acceptability of, the accounting principles applied, the reasonableness of management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss with the Auditor its report which addresses:
  - all critical accounting policies and practices to be used;
  - all alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the Auditors; and
  - other material written communication between the Auditor and management of the Company, such as any management letter or schedule of unadjusted differences;
- discuss any analyses prepared by management and the Auditor that set out significant financial reporting issues and judgments made in connection with the

preparation of the financial statements, including analyses of the effects of alternative GAAP;

- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
- consider any changes in accounting practices or policies and their impact on financial statements of the Company;
- discuss with management, the Auditor and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the Company, and the manner in which these matters have been disclosed in the financial statements;
- discuss with management and the Auditor correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies;
- discuss with the Auditor any special audit steps taken in light of any material weaknesses in internal control;
- discuss with the Auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the Auditor that were not applied (because they were immaterial or otherwise), and significant disagreements with management;
- consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements;
- satisfy itself that appropriate accounting policies and practices have been selected and applied consistently; and
- satisfy itself that management has established appropriate procedures to comply with applicable legislation for the remittance of taxes, pension monies and employee remuneration.

(i) Review of Interim Financial Statements

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

(j) Other Financial Information

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

(k) Review of Prospectuses and Other Regulatory Filings

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

(l) Review of Related Party Transactions

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

(m) Review of Internal Audit Function

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

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

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

(n) Relations with Management

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

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

The Audit Committee shall review with the assistance of management the adequacy of the internal control over financial reporting that has been adopted by the Company.

The Audit Committee shall review with the assistance of management the effectiveness of the controls and procedures that have been adopted to ensure the disclosure of all material information about the Company and its subsidiaries that is required to be disclosed under applicable law or the rules of those exchanges on which securities of the Company are listed or quoted. The Audit Committee shall receive regular reports from the Company's Disclosure Committee with respect to the Company's system of disclosure controls and procedures. The Audit Committee shall also review no less than annually the Company's Disclosure Policy.

(p) Legal Compliance

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

(q) Risk Management

The Audit Committee shall meet periodically with management to discuss the Company's policies with respect to risk assessment and management.

(r) Taxation Matters

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

(s) Hiring Policies

The Audit Committee shall review and approve the Company's hiring policies regarding partners and professional employees of the present and former external auditor of the issuer.

7. COMPLAINTS PROCEDURE

The Audit Committee shall monitor the effectiveness of the Company’s procedures for the receipt, retention and follow-up of complaints received by the Company regarding accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission of concerns by employees of the Company regarding accounting, internal controls, or auditing matters. The Committee shall review with management periodic reports in this regard.

8. REPORTING

The Audit Committee shall report to the Board on:

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

9. REVIEW AND DISCLOSURE

This Charter should be reviewed by the Audit Committee at least annually and be submitted to the Governance, Human Resource, Nominating and Compensation Committee for consideration with such amendments as the Audit Committee proposes and for recommendation to the Board for approval with such further amendments as the Governance, Human Resource, Nominating and Compensation Committee proposes.

This Charter shall be posted on the Company’s Web site.

10. FREQUENCY OF MEETINGS

The Audit Committee shall meet at least five times annually.

11. RETENTION OF EXPERTS

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