

2021 Annual Report



Report to Shareholders



Fellow Shareholders,

As we look back on another year where COVID-19 impacted the lives of Canadians, George Weston Limited and its businesses continued to serve communities from coast to coast to coast with a strong sense of pride and purpose. Together, we rose to meet the challenges posed by the pandemic, keeping employees, customers, and tenants safe, fed, and well. We did so as we also made meaningful progress against our transformation journey.

The sale of Weston Foods at the end of 2021 marked an important milestone as the Company focuses on its most significant long-term value creation drivers in retail and real estate. Since the very first bread route that marked the beginning of George Weston in 1882, bakery has been at the heart of our organization, and we are pleased to see that business position itself for the future in the hands of two excellent buyers.

At Loblaw, a leadership transition was accompanied by a renewed focus on retail excellence. This saw the organization pare back its strategic initiatives to the most meaningful growth avenues and dedicate reinvigorated energy towards consistent execution in its core. At the same time, Loblaw helped millions of Canadians stay fed and well through the country's largest grocery store and e-commerce network, nationwide COVID-19 testing and vaccinations, and an increasingly compelling suite of virtual healthcare tools.



Choice Properties continued to deliver income stability and net asset value appreciation as it improved its already strong balance sheet and portfolio. The announcement of its plans to redevelop the Golden Mile Shopping Centre in Toronto is just one example of the significant development potential across its properties. And, with the completion of its first green bond offering in the back half of the year, Choice Properties reaffirmed its commitment to both sustainable development and prudent balance sheet management.

As we reflect upon 2021, it remains clear that our Company's success was the direct result of the remarkable people who worked across our group, and we extend our heartfelt thanks to each and every one of them.

Looking towards the future, we have continued conviction in the importance of owning market-leading businesses that serve their communities well, and confidence that doing so we will create value over the long-term.

Sincerely,

[signed]

Galen G. Weston
Chairman and Chief Executive Officer

Toronto, Canada
March 1, 2022

[signed]

Richard Dufresne
President and Chief Financial Officer

We have continued conviction in the importance of owning market-leading businesses that serve their communities well.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes on pages 99 to 177 of this Annual Report. The Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). The audited annual consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except where otherwise noted.

Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 14, "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

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

On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods business, comprised of the fresh, frozen and ambient bakery businesses. On December 10, 2021, the Company announced the sale of its Weston Foods fresh and frozen bakery businesses. On December 29, 2021, the Company announced the sale of its Weston Foods ambient bakery business. See Section 1, "Business Developments" of this MD&A for further details. Upon the respective sale dates, the net assets of Weston Foods were de-recognized and the Weston Foods results, net of intersegment eliminations, have been presented separately as discontinued operations in the Company's current and comparative results.

Unless otherwise indicated, the Company's results include an extra week of operations (the "53rd week") in the fourth quarter and full year 2020 results when compared to 2021 as a result of the Company's reporting calendar.

The information in this MD&A is current to March 1, 2022, unless otherwise noted.

FOOTNOTE LEGEND

- 1 See Section 14, "Non-GAAP Financial Measures", of the Company's 2021 Management's Discussion and Analysis.
- 2 GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
- 3 Certain figures have been restated due to the non-GAAP financial measures policy change. See section 14.2, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Management's Discussion and Analysis.
- 4 Comparative figures have been restated to conform with current year presentation.
- 5 To be read in conjunction with "Forward-Looking Statements" beginning on page 95.
- 6 For financial definitions and ratios refer to Glossary beginning on page 180.

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At a Glance

Key financial highlights

As at or for the year ended December 31, 2021
(\$ millions except where otherwise indicated)

- The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information reflects the Company's results from continuing operations.
- Unless otherwise indicated, the Company's results include an extra week of operations, the "53rd week", in the fourth quarter and full year 2020 results when compared to 2021 as a result of the Company's reporting calendar.

Consolidated⁽¹⁾

REVENUE

\$53,748

+0.9%
vs. 2020⁽⁴⁾

OPERATING INCOME

\$4,027

+40.1%
vs. 2020⁽⁴⁾

ADJUSTED EBITDA⁽¹⁾

\$5,995

+11.9%
vs. 2020⁽³⁾⁽⁴⁾

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

11.2%

+110bps
vs. 2020⁽³⁾⁽⁴⁾

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS

\$709

-22.3%
vs. 2020⁽⁴⁾

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS⁽¹⁾

\$1,232

+24.1%
vs. 2020⁽³⁾⁽⁴⁾

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

\$4.66

-21.3%
vs. 2020⁽⁴⁾

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

\$8.14

+26.4%
vs. 2020⁽³⁾⁽⁴⁾

GWL Corporate⁽²⁾

CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾ FROM CONTINUING OPERATIONS

\$579

-6.9%
vs. 2020⁽⁴⁾

GWL CORPORATE FREE CASH FLOW⁽¹⁾ FROM CONTINUING OPERATIONS

\$978

+19.0%
vs. 2020⁽⁴⁾

ANNUALIZED DIVIDENDS DECLARED PER SHARE (\$)

\$2.40

+9.1%
vs. 2020

ADJUSTED RETURN ON CAPITAL⁽¹⁾ (%)

12.6%

+190bps
vs. 2020⁽³⁾⁽⁴⁾

1 See Section 14, "Non-GAAP Financial Measures", of the Company's 2021 Management's Discussion and Analysis.

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3 Certain figures have been restated due to the non-GAAP financial measures policy change. See section 14.2, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's Management's Discussion and Analysis.

4 Comparative figures have been restated to conform with current year presentation.

Our Business

Our history as a family business

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

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

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

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

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

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

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

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

What we do

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

WESTON

GEORGE WESTON LIMITED



Loblaw

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



Choice Properties

Choice Properties REIT (TSX: CHP.UN) is a leading real estate investment trust that aims to create long-term value by owning, managing and developing high-quality assets. The Choice Properties portfolio is comprised of retail properties, primarily leased to necessity-based tenants, and industrial, office and residential assets, concentrated in attractive markets and includes an impressive pipeline of development opportunities.

Our Operating and Value Creation Strategy

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

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

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

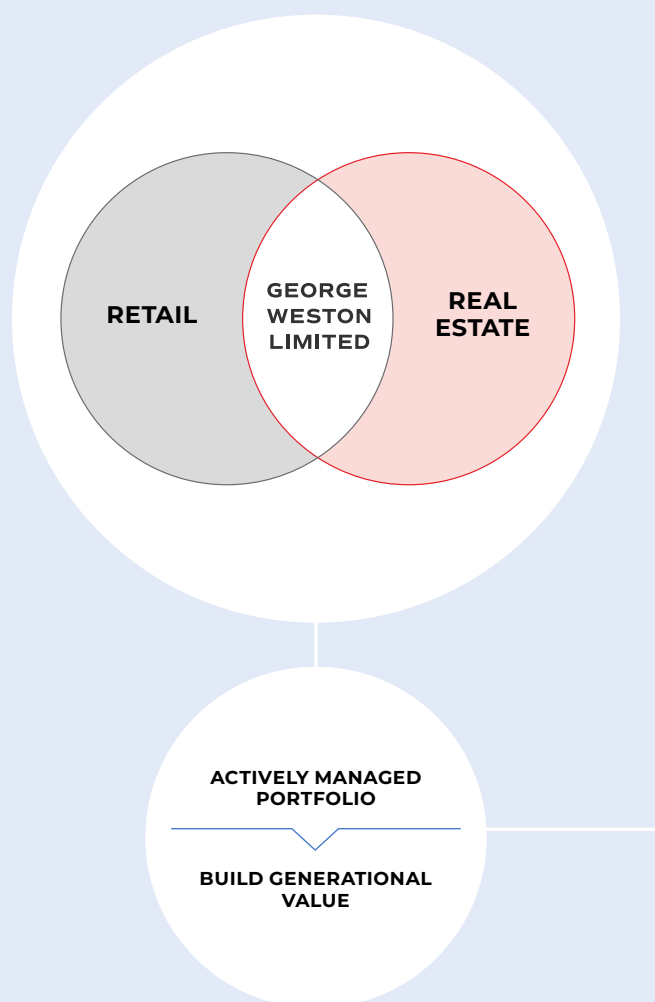
The Company is committed to supporting its portfolio of companies, providing expertise and decision support. This includes support in areas such as strategy, talent development, capital allocation and mergers and acquisitions.

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

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

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

Our Operating and Value Creation Strategy



Built on what we have in common

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



CORE VALUES

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



ETHICS & COMPLIANCE

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



BLUE CULTURE

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



SOCIAL RESPONSIBILITY

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

Impacting

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



SHAREHOLDERS

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



TALENT

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



COMMUNITIES

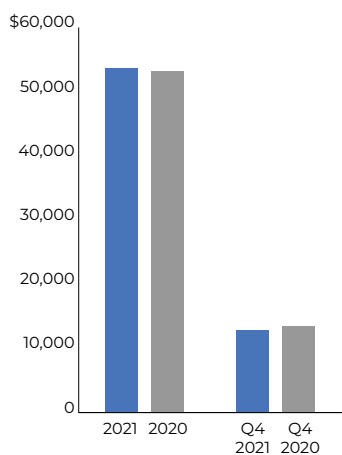
Consistent with our heritage and values, we are focused on improving the quality of life in the communities where we work.

Key Performance Indicators

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

- The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information reflects the Company's results from continuing operations.
- Unless otherwise indicated, the Company's results include an extra week of operations, the "53rd week", in the fourth quarter and full year 2020 results when compared to 2021 as a result of the Company's reporting calendar.

REVENUE

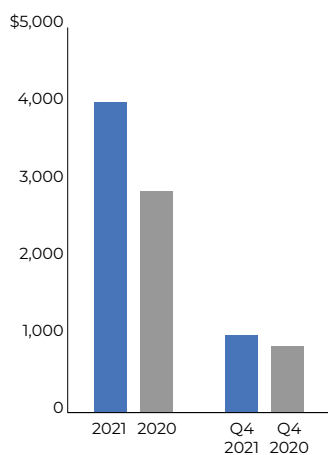


2021	53,748	+0.9%
2020 ⁽⁴⁾	53,270	
Q4 2021	12,902	-3.9%
Q4 2020 ⁽⁴⁾	13,430	

Performance in 2021

Revenue growth of \$478 million, primarily driven by Loblaw.

OPERATING INCOME

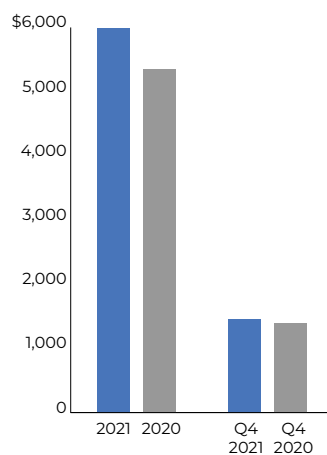


2021	4,027	+40.1%
2020 ⁽⁴⁾	2,875	
Q4 2021	1,009	+16.1%
Q4 2020 ⁽⁴⁾	869	

Performance in 2021

Operating income increased by \$1,152 million. The increase was mainly attributable to the underlying operating performance of Loblaw and Choice Properties and the favourable year-over-year net impact of adjusting items.

ADJUSTED EBITDA⁽¹⁾



2021	5,995	+11.9%
2020 ⁽³⁾⁽⁴⁾	5,356	
Q4 2021	1,453	+4.1%
Q4 2020 ⁽³⁾⁽⁴⁾	1,396	

Performance in 2021

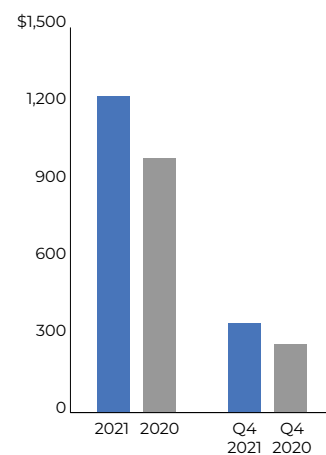
Adjusted EBITDA⁽¹⁾ increased by \$639 million, primarily driven by an improvement in the underlying operating performance of Loblaw and Choice Properties.

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

11.2% +110bps
2021 vs. 2020⁽³⁾⁽⁴⁾

11.3% +90bps
Q4 2021 vs. Q4 2020⁽³⁾⁽⁴⁾

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS⁽¹⁾



2021	1,232	+24.1%
2020 ⁽³⁾⁽⁴⁾	993	
Q4 2021	347	+29.5%
Q4 2020 ⁽³⁾⁽⁴⁾	268	

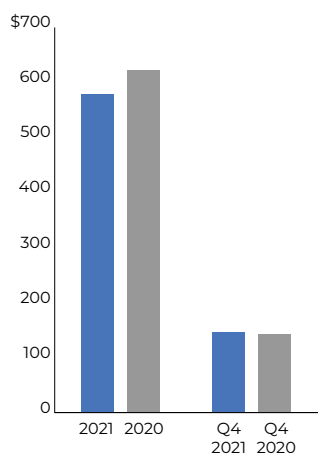
Performance in 2021

Adjusted net earnings available to common shareholders from continuing operations⁽¹⁾ increased by \$239 million, driven by an increase in the underlying operating performance of Loblaw, Choice Properties, the favourable year-over-year impact of asset impairments recorded on consolidation, and a decrease in adjusted net interest expense and other financing charges⁽¹⁾, partially offset by an increase in depreciation and amortization and higher tax expense.

ADJUSTED DILUTED NET EARNINGS PER SHARE⁽¹⁾ (\$)

\$8.14 +26.4%
2021 vs. 2020⁽³⁾⁽⁴⁾

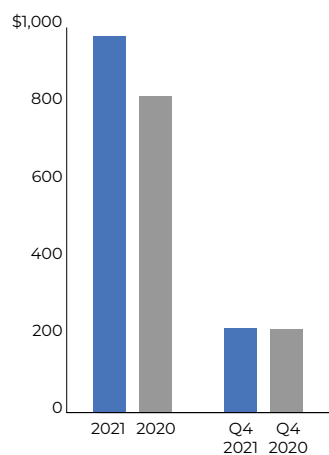
\$2.32 +33.3%
Q4 2021 vs. Q4 2020⁽³⁾⁽⁴⁾


GWL CORPORATE⁽²⁾ CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾ FROM CONTINUING OPERATIONS


2021	579	
2020 ⁽⁴⁾	622	-6.9%
Q4 2021	146	+2.8%
Q4 2020 ⁽⁴⁾	142	

Performance in 2021

GWL Corporate⁽²⁾ cash flow from operating businesses⁽¹⁾ from continuing operations decreased, primarily due to the timing of the receipt of Loblaw dividends in 2020.

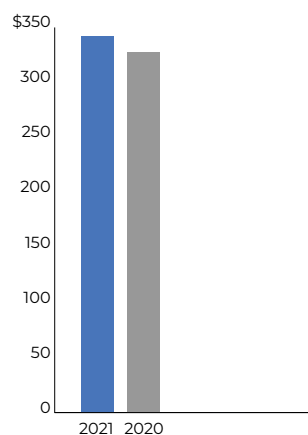
GWL CORPORATE⁽²⁾ FREE CASH FLOW⁽¹⁾ FROM CONTINUING OPERATIONS


2021	978	+19.0%
2020 ⁽⁴⁾	822	
Q4 2021	213	-1.8%
Q4 2020 ⁽⁴⁾	217	

Performance in 2021

GWL Corporate⁽²⁾ free cash flow⁽¹⁾ from continuing operations increased, primarily due to higher proceeds from participation in Loblaw's Normal Course Issuer Bid, partially offset by a decrease in dividends received from Loblaw due to timing and higher income taxes paid.

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

GWL CORPORATE⁽²⁾ DIVIDENDS PAID


2021	342	+4.3%
2020	328	

Performance in 2021

GWL Corporate⁽²⁾ dividends paid in the year were higher due to an increase in the dividend per common share of 9.1% in the third quarter of 2021.

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

GWL CORPORATE⁽²⁾ NET CASH (DEBT)

\$759 +1,865.1%
2021 vs. 2020

\$(43)
2020

Performance in 2021

GWL Corporate⁽²⁾ net cash position increased primarily due to higher cash and cash equivalents including proceeds received from the disposal of the Weston Foods business.

The settlement of the net debt associated with the equity forward sale agreement was offset by a reduction in cash and had no impact on GWL Corporate⁽²⁾ net debt. See section 3.3 "Components of Total Debt" of this MD&A for details.

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

1 See Section 14, "Non-GAAP Financial Measures", of the Company's 2021 Management's Discussion and Analysis.

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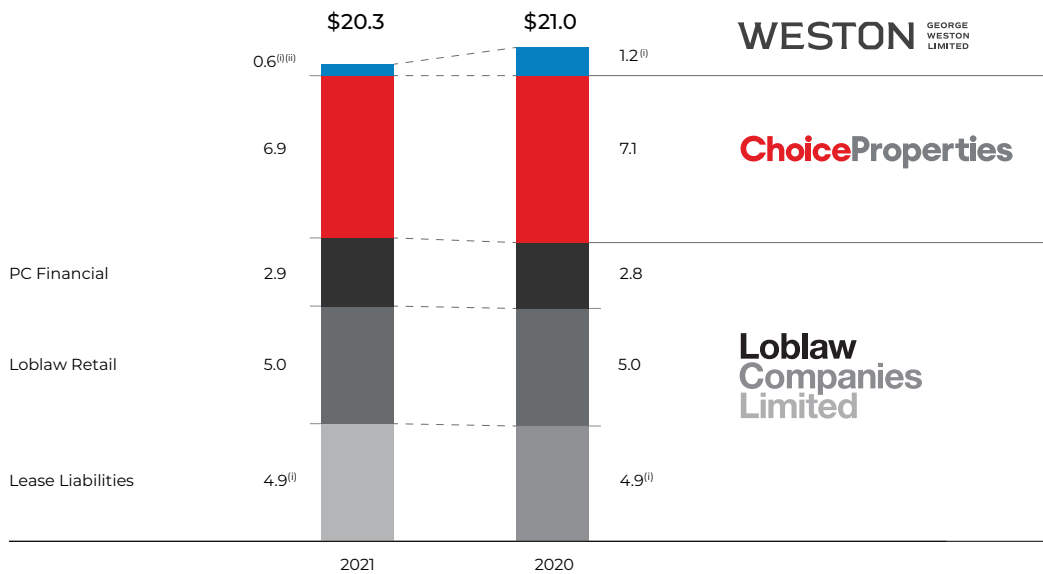
Total Debt

The Company manages its debt on a segmented basis to ensure that each of its businesses is employing leverage that is appropriate. The following chart presents total consolidated debt by reportable operating segment as at December 31, 2021 and 2020. There is no recourse to the Company for debt incurred by its operating segments.

The consolidated debt for the group as at December 31, 2021 was \$20.3 billion. Indebtedness of Loblaw and Choice Properties is fully serviced by their respective operating cash flows. Indebtedness of GWL Corporate⁽²⁾ is comprised of \$450 million of senior unsecured debentures and \$121 million associated with the credit facility⁽ⁱⁱ⁾. The settlement of the net debt associated with the equity forward sale agreement was offset by a reduction in cash and had no impact on GWL Corporate⁽²⁾ net debt. See section 3.3 “Components of Total Debt” of this MD&A for details about the settlement of the equity forward sale agreement.

TOTAL DEBT

As at December 31
(\$ billions)



(i) In 2021, the Company recognized lease liabilities of \$4.9 billion (2020 – \$5.0 billion) on its consolidated balance sheet, of which \$4.9 billion (2020 – \$4.9 billion) was attributable to Loblaw, with none attributable to Weston Foods (2020 – \$0.1 billion). Lease liabilities are recognized primarily for leases of real estate, vehicles and equipment.

(ii) GWL's credit facility was fully repaid in January 2022.

GWL Corporate⁽²⁾ Free Cash Flow⁽¹⁾ from Continuing Operations

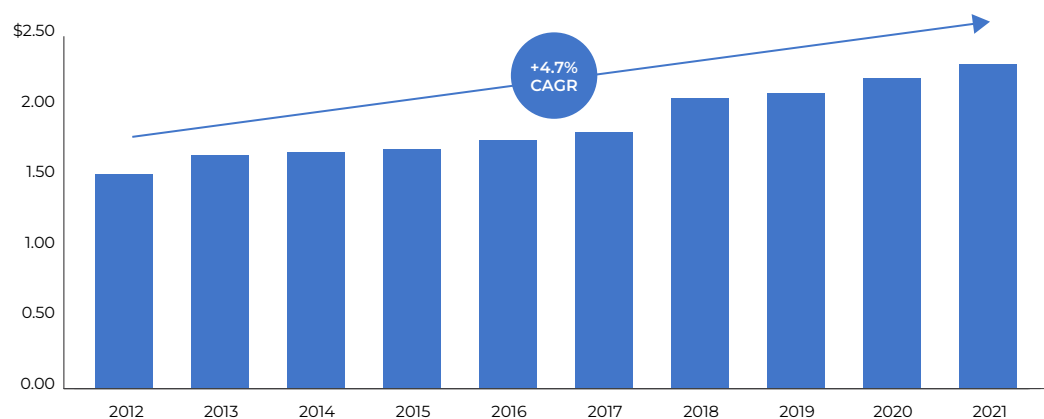
The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information reflects the Company's results from continuing operations. GWL Corporate⁽²⁾ free cash flow⁽¹⁾ from continuing operations is generated from the dividends received from Loblaw, distributions received from Choice Properties, and proceeds from participation in Loblaw's Normal Course Issuer Bid, less corporate expenses, interest and income taxes paid.

For the quarters and years ended December 31 (\$ millions)	Quarters ended		Years ended	
	2021	2020 ⁽⁴⁾	2021	2020 ⁽⁴⁾
Dividends from Loblaw	64	61	249	296
Distributions from Choice Properties	82	81	330	326
GWL Corporate⁽²⁾ cash flow from operating businesses⁽¹⁾ from continuing operations	146	142	579	622
Proceeds from participation in Loblaw's Normal Course Issuer Bid	89	75	563	336
GWL Corporate ⁽²⁾ , financing, and other costs ⁽¹⁾	14	-	(101)	(127)
Income taxes paid	(36)	-	(63)	(9)
GWL Corporate⁽²⁾ free cash flow⁽¹⁾ from continuing operations	213	217	978	822

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

Dividends

GWL declared an annualized dividend of \$2.40 per common share in 2021. The Company's objective is to increase the dividend per common share over time while retaining appropriate free cash flow to finance future growth. Since 2012, the dividend per common share has increased at a 4.7% CAGR.



1 See Section 14, "Non-GAAP Financial Measures", of the Company's 2021 Management's Discussion and Analysis.

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4 Comparative figures have been restated to conform with current year presentation.

Loblaw

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

Strategy

Two years into the pandemic, Loblaw's portfolio of businesses remains strong and well positioned. Loblaw's commitment to food and drug retail excellence is further strengthened by three strategic priorities: Everyday Digital Retail, Payments and Rewards, and Connected Healthcare. Enabling these investments comes from a sharp focus on leveraging data driven insights and process efficiency excellence to deliver strong financial performance. With best-in-class assets, Loblaw continues to meet Canadians' everyday needs for food, health and wellness in an evolving landscape.

Loblaw's purpose-led approach to addressing environmental, social and governance ("ESG") issues focuses on two priorities: fighting climate change and advancing social equity. By integrating consideration of environmental and social risks and good governance practices in its day-to-day business activities, implementing robust compliance and ethics programs and supporting its colleagues and the communities in which it operates, Loblaw aims to be a leading contributor to Canadian society both today and for generations to come.

Key highlights for the year

Loblaw's focus on retail excellence drove strong operational and financial performance as the COVID-19 pandemic continued to impact operations and consumer behaviours. In food retail, sales remained strong as eat-at-home trends remained elevated even in periods where social restrictions loosened. In drug retail, sales benefited from growth in pharmacy services as nationwide COVID-19 testing and vaccinations ramped up throughout 2021. Higher margin front-store categories within drug retail, that had previously negatively impacted earnings, gained sales momentum as the economy re-opened. Despite supply chain and inflationary pressures, Loblaw continued to deliver value in the categories that meant most to customers.

Loblaw Offerings

DIVISIONS:

Discount
Market
Shoppers Drug Mart
PC Financial
Joe Fresh

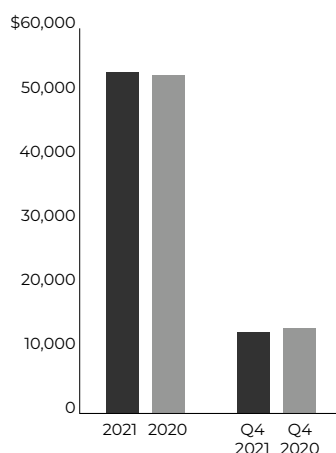
BRANDS:

President's Choice
No Name
Life Brand
PC Optimum
PC Money

Key performance indicators

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

REVENUE

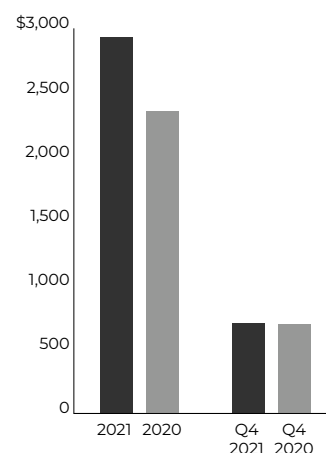


2021	53,170	+0.9%
2020	52,714	
Q4 2021	12,757	-4.0%
Q4 2020	13,286	

Performance in 2021

Revenue increased by \$456 million primarily due to growth in retail sales as a result of positive same-store sales growth and a net increase in retail square footage.

OPERATING INCOME



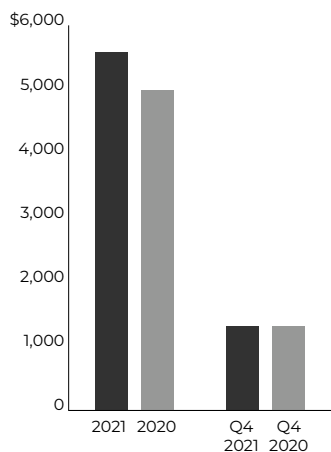
2021	2,929	+24.3%
2020	2,357	
Q4 2021	703	+0.4%
Q4 2020	700	

Performance in 2021

Operating income increased by \$572 million compared to 2020. The increase was driven by improvements in retail, which included the negative impact of the 53rd week in 2020 of \$67 million and improvements in financial services.



ADJUSTED EBITDA⁽¹⁾



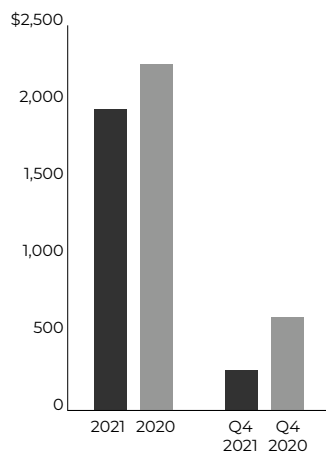
2021	5,579	+11.7%
2020 ⁽³⁾	4,996	
Q4 2021	1,322	+0.8%
Q4 2020 ⁽³⁾	1,311	

Performance in 2021

Adjusted EBITDA⁽¹⁾ increased by \$583 million compared to 2020, primarily due to an increase in retail, which included the negative impact of the 53rd week in 2020 of \$67 million and an increase in financial services.

Adjusted EBITDA margin⁽¹⁾ increased, driven by an improvement in retail adjusted gross profit percentage⁽¹⁾ from favourable changes in sales mix in both food and drug retail and improved business initiatives. This was partially offset by an increase in selling, general and administrative expenses ("SG&A") as a percentage of sales due to higher expenses related to the normalization of post-lockdown operating conditions, corporate costs including network optimization costs, and higher costs incurred in drug retail from providing pharmacy related services, partially offset by a reduction in COVID-19 costs.

FREE CASH FLOW⁽¹⁾⁽ⁱ⁾



2021	1,959	-12.8%
2020	2,247	
Q4 2021	263	-56.6%
Q4 2020	606	

Performance in 2021

Free cash flow⁽¹⁾⁽ⁱ⁾ was lower due to an increase in credit card receivables from a rise in customer spending and higher income taxes paid, partially offset by higher cash earnings.

CAPITAL EXPENDITURES

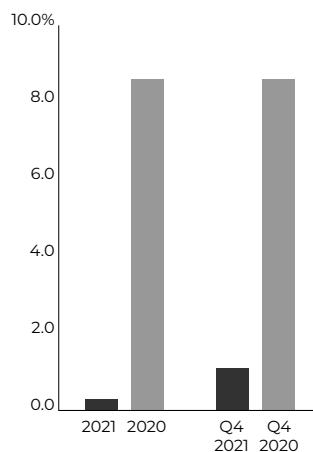
1.2 billion -3.3%
2021 vs. 2020

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

10.5% +100bps
2021 vs. 2020⁽³⁾

10.4% +50bps
Q4 2021 vs. Q4 2020⁽³⁾

FOOD RETAIL SAME-STORE SALES GROWTH⁽¹⁾ (%)

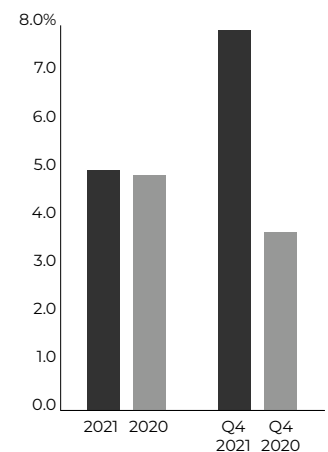


2021	0.3%	-830bps
2020	8.6%	
Q4 2021	1.1%	-750bps
Q4 2020	8.6%	

Performance in 2021

Food retail same-store sales growth⁽¹⁾ was 0.3%. Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. Food retail basket size decreased and traffic increased.

DRUG RETAIL SAME-STORE SALES GROWTH⁽¹⁾ (%)



2021	5.0%	+10bps
2020	4.9%	
Q4 2021	7.9%	+420bps
Q4 2020	3.7%	

Performance in 2021

Drug retail same-store sales growth was 5.0%. Pharmacy same-store sales growth benefited from strong sales in pharmacy related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021.

RETAIL DEBT TO RETAIL ADJUSTED EBITDA⁽¹⁾⁽ⁱ⁾

2.6x -0.3x
2021 vs. 2020

1 See Section 14, "Non-GAAP Financial Measures", of the Company's 2021 Management's Discussion and Analysis.

3 Certain figures have been restated due to the non-GAAP financial measures policy change. See section 14.2, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Management's Discussion and Analysis.

(i) For more information on these measures, see the 2021 Annual Report filed by Loblaw, which is available on sedar.com or at loblaw.ca.

Choice Properties

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

Strategy

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

Key highlights for the year

Despite the continuous re-opening impacting the economy, Choice Properties delivered strong operating results demonstrating that its business model, stable tenant base and disciplined approach to financial management continue to position it well. Choice Properties' development program delivered high-quality real estate to its portfolio and substantial progress was made on advancing its mixed-use and residential zoning initiatives. Choice Properties continued executing its capital recycling program and completed over \$570 million of real estate transactions. Choice Properties made significant advancements in its Environmental, Social and Governance program, including the issuance of its inaugural green bond and announcing its commitment to set science-based emission reduction targets.

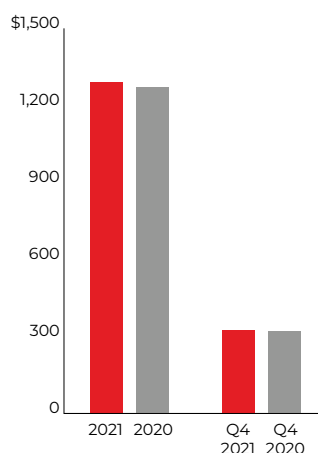
Top 10 tenants

1. Loblaw
2. Canadian Tire
3. TJX Companies
4. Dollarama
5. GoodLife
6. Staples
7. Canada Cartage
8. Liquor Control Board of Ontario (LCBO)
9. TD Canada Trust
10. Lowe's

Key performance indicators

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

REVENUE



2021	1,292	+1.7%
2020	1,271	
Q4 2021	325	+0.9%
Q4 2020	322	

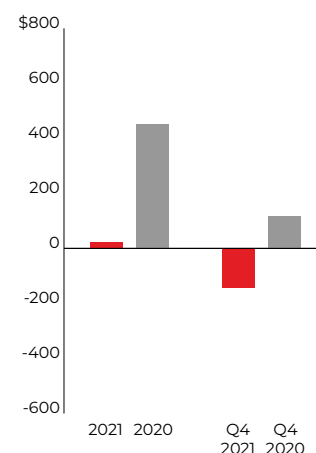
Performance in 2021

Revenue increased by \$21 million, primarily driven by the contribution from acquisition and development transfers completed in 2020 and 2021, partially offset by foregone revenue from dispositions and vacancies in select office assets.

OCCUPANCY RATE

97.1% +0bps
vs. 2020

NET INCOME (LOSS)

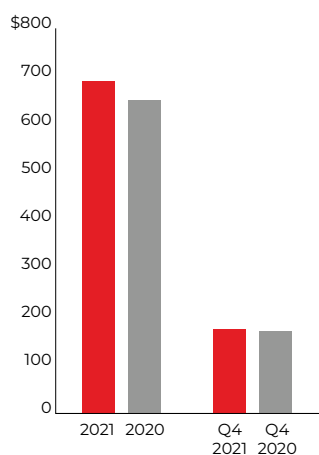


2021	24	-94.7%
2020	451	
Q4 2021	(162)	-238.5%
Q4 2020	117	

Performance in 2021

Choice Properties' financial results are impacted by adjustments to the fair value of its Exchangeable Units. Exchangeable Units are recorded at their fair value based on the market trading price of Choice Properties' Trust Units ("Trust Units"), which results in a negative impact to the financial results when the Trust Unit price rises and a positive impact when the Trust Unit price declines.

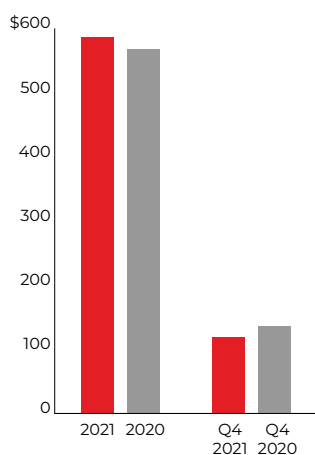
Net income decreased compared to 2020 due to an unfavourable fair value adjustment for the Exchangeable Units as the Trust Unit price increased during 2021, partially offset by the favourable change in the fair value adjustment of investment properties, a decline in expected credit loss provisions and an increase in rental revenue.


FUNDS FROM OPERATIONS⁽¹⁾


2021	690	+5.8%
2020	652	
Q4 2021	175	+1.7%
Q4 2020	172	

Performance in 2021

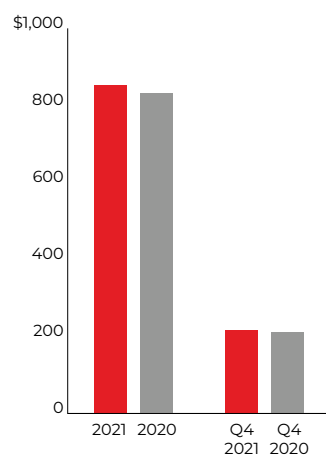
FFO⁽¹⁾ increased by \$38 million compared to 2020, primarily due to a decline in expected credit loss provisions, savings from lower borrowing costs and contributions from acquisitions and development transfers completed in 2020 and 2021.

ADJUSTED FUNDS FROM OPERATIONS⁽¹⁾


2021	587	+3.5%
2020	567	
Q4 2021	119	-12.6%
Q4 2020	136	

Performance in 2021

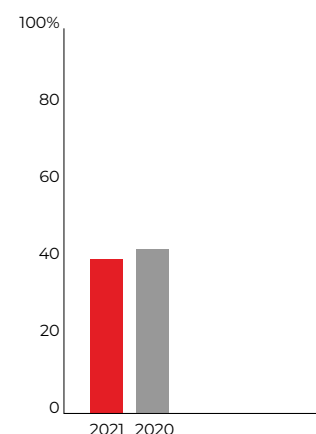
AFFO⁽¹⁾ increased mainly due to an increase in funds from operations, partially offset by an increase in capital spending.

SAME-ASSET NOI, CASH BASIS⁽¹⁾


2021	853	+2.5%
2020	832	
Q4 2021	216	+2.6%
Q4 2020	211	

Performance in 2021

Same-asset NOI, cash basis⁽¹⁾ increased compared to 2020 mainly due to the contribution from contractual rent steps and a decline in expected credit loss provisions, partially offset by a reduction in occupancy in select office assets.

ADJUSTED DEBT TO TOTAL ASSETS⁽¹⁾


2021	40.1%	-260bps
2020	42.7%	

Performance in 2021

Adjusted debt to total assets⁽¹⁾ improved due to an increase in total assets, primarily from fair value gains on investment properties, and debt repayment during the year.

ADJUSTED DEBT TO EBITDAFV⁽¹⁾

7.2x
2021

-0.4x
vs. 2020

DEBT SERVICE COVERAGE⁽¹⁾

3.3x
2021

+0.1x
vs. 2020

1 See Section 14, "Non-GAAP Financial Measures", of the Company's 2021 Management's Discussion and Analysis.

(i) For more information on these measures, see the 2021 Annual Report filed by Choice Properties, which is available on sedar.com or at choicereit.ca.



Financial Highlights⁽⁶⁾

As at or for the years ended December 31 (\$ millions except where otherwise indicated)	2021 (52 weeks)	2020 ^(3,4) (53 weeks)	% Change
CONSOLIDATED OPERATING RESULTS			
Revenue	\$ 53,748	\$ 53,270	0.9%
Operating income	4,027	2,875	40.1%
Adjusted EBITDA ⁽ⁱ⁾	5,995	5,356	11.9%
Depreciation and amortization ⁽ⁱⁱ⁾	2,307	2,254	2.4%
Net interest expense and other financing charges	1,650	829	99.0%
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	1,050	1,115	(5.8)%
Income taxes	630	470	34.0%
Adjusted income taxes ⁽ⁱ⁾	851	648	31.3%
Net earnings	1,425	1,582	(9.9)%
Continuing operations	1,747	1,576	10.9%
Discontinued operations	(322)	6	(5,466.7)%
Net earnings attributable to shareholders of the Company ⁽ⁱⁱⁱ⁾ from continuing operations	753	957	(21.3)%
Net earnings available to common shareholders of the Company	387	919	(57.9)%
Continuing operations	709	913	(22.3)%
Discontinued operations	(322)	6	(5,466.7)%
Adjusted net earnings available to common shareholders of the Company ⁽ⁱ⁾ from continuing operations	1,232	993	24.1%
CORPORATE			
Cash flow from operating businesses ⁽ⁱ⁾ from continuing operations	\$ 579	\$ 622	(6.9)%
CONSOLIDATED FINANCIAL POSITION AND CASH FLOWS			
Cash and cash equivalents, short-term investments and security deposits	\$ 3,938	\$ 3,231	21.9%
Cash flows from operating activities ^(iv)	5,107	5,521	(7.5)%
Capital investments from continuing operations	1,381	1,496	(7.7)%
Free cash flow ⁽ⁱ⁾ from continuing operations	2,078	2,141	(2.9)%
Total debt including lease liabilities	20,309	21,000	(3.3)%
Total equity attributable to shareholders of the Company	6,959	7,811	(10.9)%
Total equity	13,137	13,418	(2.1)%
CONSOLIDATED PER COMMON SHARE (\$)			
Diluted net earnings per common share	\$ 2.52	\$ 5.96	(57.7)%
Continuing operations	4.66	5.92	(21.3)%
Discontinued operations	(2.14)	0.04	(5,450.0)%
Adjusted diluted net earnings per common share ⁽ⁱ⁾ from continuing operations	\$ 8.14	\$ 6.44	26.4%
CONSOLIDATED FINANCIAL MEASURES AND RATIOS			
Adjusted EBITDA margin ⁽ⁱ⁾ (%)	11.2%	10.1%	
Adjusted return on average equity attributable to common shareholders of the Company ⁽ⁱ⁾ (%)	18.7%	15.2%	
Adjusted return on capital ⁽ⁱ⁾ (%)	12.6%	10.7%	
REPORTABLE OPERATING SEGMENTS			
Loblaw			
Revenue	\$ 53,170	\$ 52,714	0.9%
Operating income	2,929	2,357	24.3%
Adjusted EBITDA ⁽ⁱ⁾	5,579	4,996	11.7%
Adjusted EBITDA margin ⁽ⁱ⁾ (%)	10.5%	9.5%	
Depreciation and amortization ⁽ⁱⁱ⁾	2,664	2,596	2.6%
Choice Properties			
Revenue	\$ 1,292	\$ 1,271	1.7%
Net income	24	451	(94.7)%
Funds from operations ⁽ⁱ⁾	690	652	5.8%

(i) See Section 14, "Non-GAAP Financial Measures", of the Company's 2021 Management's Discussion and Analysis.

(ii) Depreciation and amortization includes \$506 million (2020 - \$509 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw.

(iii) Includes net earnings available to common shareholders of the Company from continuing operations and preferred dividends.

(iv) Inclusive of discontinued operations.

Management's Discussion and Analysis

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1. Overall Financial Performance

BUSINESS DEVELOPMENTS

Sale of Weston Foods On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods business, comprised of the fresh, frozen and ambient bakery businesses.

On December 10, 2021, the Company announced the sale of Weston Foods' fresh and frozen bakery business to FGF Brands Inc. for gross proceeds of \$1,100 million, and on December 29, 2021, the Company announced the sale of Weston Foods' ambient business to affiliated entities of Hearthside Foods Solution, LLC for gross proceeds of \$370 million. In aggregate, the Company sold its entire Weston Foods bakery business for total gross proceeds of \$1,470 million.

Upon the respective sale dates, the net assets of Weston Foods were de-recognized from the Company's 2021 consolidated balance sheet and the Weston Foods results, net of intersegment eliminations, were presented separately as discontinued operations in the Company's consolidated statement of earnings and comprehensive income in the current and comparative periods.

The sale of Weston Foods resulted in a loss of \$317 million, after income taxes, recorded in discontinued operations in 2021. For further details of the sale, refer to Note 5, "Discontinued Operations" in the annual consolidated financial statements of this Annual Report.

With the completion of the sale of the Weston Foods business, the Company will focus on its Retail and Real Estate businesses going forward.

Management's Discussion and Analysis

1.1 Consolidated Results of Operations

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

The Company's results reflect:

- the impact of COVID-19. Also refer to Section 1.3 "Consolidated Other Business Matters", Section 2, "Results of Reportable Operating Segments" and Section 8, "Enterprise Risks and Risk Management", of this MD&A for more information; and
- the year-over-year impact of the fair value adjustment of the Trust Unit liability as a result of the significant changes in Choice Properties' unit price, recorded in net interest expense and other financing charges. The Company's results are impacted by market price fluctuations of Choice Properties' Trust Units on the basis that the Trust Units held by unitholders, other than the Company, are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet. The Company's financial results are negatively impacted when the Trust Unit price rises and positively impacted when the Trust Unit price declines.

(\$ millions except where otherwise indicated) For the years ended as indicated	2021	2020 ^(3,4)		% Change
	(52 weeks)	(53 weeks)	\$ Change	
Revenue	\$ 53,748	\$ 53,270	\$ 478	0.9%
Operating income	\$ 4,027	\$ 2,875	\$ 1,152	40.1%
Adjusted EBITDA ⁽¹⁾	\$ 5,995	\$ 5,356	\$ 639	11.9%
Adjusted EBITDA margin ⁽¹⁾	11.2%	10.1%		
Depreciation and amortization⁽ⁱ⁾	\$ 2,307	\$ 2,254	\$ 53	2.4%
Net interest expense and other financing charges	\$ 1,650	\$ 829	\$ 821	99.0%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 1,050	\$ 1,115	\$ (65)	(5.8)%
Income taxes	\$ 630	\$ 470	\$ 160	34.0%
Adjusted income taxes ⁽¹⁾	\$ 851	\$ 648	\$ 203	31.3%
Adjusted effective tax rate ⁽¹⁾	27.1%	26.0%		
Net earnings attributable to shareholders of the Company from continuing operations	\$ 753	\$ 957	\$ (204)	(21.3)%
Net earnings available to common shareholders of the Company	\$ 387	\$ 919	\$ (532)	(57.9)%
Continuing operations	\$ 709	\$ 913	\$ (204)	(22.3)%
Discontinued operations	\$ (322)	\$ 6	\$ (328)	(5,466.7)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾ from continuing operations	\$ 1,232	\$ 993	\$ 239	24.1%
Diluted net earnings per common share (\$)	\$ 2.52	\$ 5.96	\$ (3.44)	(57.7)%
Continuing operations	\$ 4.66	\$ 5.92	\$ (1.26)	(21.3)%
Discontinued operations	\$ (2.14)	\$ 0.04	\$ (2.18)	(5,450.0)%
Adjusted diluted net earnings per common share ⁽¹⁾ from continuing operations (\$)	\$ 8.14	\$ 6.44	\$ 1.70	26.4%

(i) Depreciation and amortization includes \$506 million (2020 - \$509 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw.

As a result of the Company's reporting calendar, the fourth quarter and full year 2020 results included an extra week of operations (the "53rd week") compared to 2021. On consolidation, the 53rd week of 2020 resulted in an additional \$878 million of revenue, \$67 million of operating income, and net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations of \$18 million and \$0.12 per common share, respectively.

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

Net earnings available to common shareholders of the Company from continuing operations in 2021 were \$709 million (\$4.66 per common share), a decrease of \$204 million (\$1.26 per common share) compared to \$913 million (\$5.92 per common share) in 2020. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling \$443 million (\$2.96 per common share), partially offset by an improvement in the Company's consolidated underlying operating performance of \$239 million (\$1.70 per common share) described below.

- The unfavourable year-over-year net impact of adjusting items totaling \$443 million (\$2.96 per common share) was primarily due to:
 - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$840 million (\$5.56 per common share) as a result of the increase in Choice Properties' unit price during 2021; and
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement of Loblaw common shares of \$204 million (\$1.36 per common share). The Company settled the net debt associated with the forward sale agreement in the fourth quarter of 2021, see section 1.3 "Consolidated Other Business Matters" and Section 3.3, "Components of Total Debt" of this MD&A;partially offset by,
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$425 million (\$2.82 per common share); and
 - the favourable impact of the recovery related to Glenhuron Bank Limited ("Glenhuron") at Loblaw of \$165 million (\$1.10 per common share).
- The improvement in the Company's consolidated underlying operating performance of \$239 million (\$1.70 per common share), which included the negative year-over-year impact of the 53rd week of \$18 million (\$0.12 per common share), was due to:
 - the favourable underlying operating performance of Loblaw;
 - the favourable underlying operating performance of Choice Properties;
 - the favourable year-over-year impact of asset impairments, net of recoveries recorded on consolidation in Other and Intersegment of \$25 million, net of tax; and
 - a decrease in adjusted net interest expense and other financing charges⁽¹⁾;partially offset by,
 - an increase in depreciation and amortization;
 - an increase in the adjusted effective tax rate⁽¹⁾; and
 - the unfavourable year-over-year impact of certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties' transactions.
- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months (\$0.17 per common share) pursuant to the Company's Normal Course Issuer Bid ("NCIB").

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ from continuing operations in 2021 were \$1,232 million, an increase of \$239 million, or 24.1%, compared to 2020. The increase was due to the improvement in the Company's consolidated underlying operating performance described above.

Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations in 2021 were \$8.14 per common share, an increase of \$1.70 per common share, or 26.4%, compared to 2020. The increase was due to the improvement in adjusted net earnings available to common shareholders of the Company⁽¹⁾ from continuing operations and the favourable impact of share repurchases.

Management's Discussion and Analysis

REVENUE

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 ⁽⁴⁾ (53 weeks)	\$ Change	% Change
Loblaw	\$ 53,170	\$ 52,714	\$ 456	0.9%
Choice Properties	\$ 1,292	\$ 1,271	\$ 21	1.7%
Other and Intersegment	\$ (714)	\$ (715)		
Consolidated	\$ 53,748	\$ 53,270	\$ 478	0.9%

The Company's 2021 consolidated revenue was \$53,748 million, an increase of \$478 million, or 0.9%, compared to 2020. The increase included the negative year-over-year impact of the 53rd week of \$878 million. The Company's consolidated revenue was impacted by each of the Company's reportable operating segments as follows:

- Positively by 0.9% due to revenue growth of 0.9% at Loblaw, driven by an increase in retail sales and an improvement in financial services revenue. Retail sales increased by \$410 million, or 0.8%, compared to 2020, which included the negative year-over-year impact of the 53rd week of \$878 million. The increase was driven by positive same-store sales growth and a net increase in retail square footage. Food retail same-store sales growth was 0.3% (2020 - 8.6%). Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. On a comparable week basis, food retail basket size decreased and traffic increased in 2021. The Consumer Price Index ("CPI") as measured by The Consumer Price Index for Food Purchased from Stores was 2.2% (2020 - 2.4%), which was slightly lower than Loblaw's internal food inflation. Drug retail same-store sales growth was 5.0% (2020 - 4.9%). Pharmacy same-store sales growth benefited from strong sales in pharmacy related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021.
- Positively by a nominal amount due to growth in revenue of 1.7% at Choice Properties. The increase of \$21 million was mainly due to the contribution from acquisitions and development transfers completed in 2020 and 2021, partially offset by declines due to foregone revenue from dispositions and vacancies in select office assets.

OPERATING INCOME

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 ⁽⁴⁾ (53 weeks)	\$ Change	% Change
Loblaw	\$ 2,929	\$ 2,357	\$ 572	24.3%
Choice Properties	\$ 1,400	\$ 622	\$ 778	125.1%
Other and Intersegment	\$ (302)	\$ (104)		
Consolidated	\$ 4,027	\$ 2,875	\$ 1,152	40.1%

The Company's 2021 operating income was \$4,027 million compared to \$2,875 million in 2020, an increase of \$1,152 million, or 40.1%. The increase was mainly attributable to the improvement in underlying operating performance of \$583 million and the favourable year-over-year net impact of adjusting items totaling \$569 million, as described below:

- the improvement in underlying operating performance of \$583 million, which included the negative year-over-year impact of the 53rd week of \$67 million, was due to:
 - the favourable underlying operating performance of Loblaw;
 - the favourable underlying operating performance of Choice Properties; and
 - the favourable year-over-year impact of asset impairments, net of recoveries recorded on consolidation in Other and Intersegment of \$35 million;
 partially offset by,
 - an increase in depreciation and amortization mainly at Loblaw; and
 - the unfavourable year-over-year impact of certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties' transactions.
- the favourable year-over-year net impact of adjusting items totaling \$569 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$508 million;
 - the favourable year-over-year impact of restructuring and other related costs of \$25 million;
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$18 million; and
 - the favourable year-over-year impact of the fair value adjustment on non-operating properties of \$11 million.

ADJUSTED EBITDA⁽¹⁾

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 ^(3,4) (53 weeks)	\$ Change	% Change
Loblaw	\$ 5,579	\$ 4,996	\$ 583	11.7%
Choice Properties	\$ 903	\$ 879	\$ 24	2.7%
Other and Intersegment	\$ (487)	\$ (519)		
Consolidated	\$ 5,995	\$ 5,356	\$ 639	11.9%

The Company's 2021 adjusted EBITDA⁽¹⁾ was \$5,995 million compared to \$5,356 million in 2020, an increase of \$639 million, or 11.9%. The increase was impacted by each of the Company's reportable operating segments as follows:

- Positively by 10.9% due to growth of 11.7% in adjusted EBITDA⁽¹⁾ at Loblaw driven by an increase in Loblaw retail, which was negatively impacted by the 53rd week of \$67 million, and an increase in financial services. The increase in Loblaw retail adjusted EBITDA⁽¹⁾ was driven by an increase in retail gross profit, partially offset by an increase in retail selling, general and administrative expenses ("SG&A").
- Positively by 0.4% due to an increase of 2.7% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by the contribution from acquisitions and development transfers completed in 2020 and 2021 and a decline in expected credit loss provisions, partially offset by declines due to foregone revenue from dispositions.

DEPRECIATION AND AMORTIZATION

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 ⁽⁴⁾ (53 weeks)	\$ Change	% Change
Loblaw	\$ 2,664	\$ 2,596	\$ 68	2.6%
Choice Properties	\$ 3	\$ 3	\$ -	-%
Other and Intersegment	\$ (360)	\$ (345)		
Consolidated	\$ 2,307	\$ 2,254	\$ 53	2.4%

Depreciation and amortization in 2021 was \$2,307 million, an increase of \$53 million compared to 2020. Depreciation and amortization in 2021 included \$506 million (2020 - \$509 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") recorded by Loblaw. Excluding these amounts, depreciation and amortization increased by \$56 million primarily driven by an increase in depreciation of information technology ("IT") and leased assets at Loblaw and an increase in depreciation in Loblaw financial services due to the launch of the *PC Money* Account.

Management's Discussion and Analysis

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 ⁽⁴⁾ (53 weeks)	\$ Change	% Change
Net interest expense and other financing charges	\$ 1,650	\$ 829	\$ 821	99.0%
Add: Fair value adjustment of the Trust Unit liability	(601)	239	(840)	(351.5)%
Fair value adjustment of the forward sale agreement of Loblaw common shares	(188)	47	(235)	(500.0)%
Recovery related to Glenhuron	189	–	189	100.0%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 1,050	\$ 1,115	\$ (65)	(5.8)%

Net interest expense and other financing charges in 2021 were \$1,650 million, an increase of \$821 million compared to 2020. The increase was primarily due to the unfavourable year-over-year net impact of adjusting items totaling \$886 million, itemized in the table above, partially offset by a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$65 million. The unfavourable impact of adjusting items was mainly due to the unfavourable year-over-year fair value adjustment of the Trust Unit liability of \$840 million, as a result of the increase in Choice Properties' unit price during 2021.

Adjusted net interest expense and other financing charges⁽¹⁾ in 2021 decreased by \$65 million, primarily driven by:

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

partially offset by:

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

INCOME TAXES

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 ^(5,4) (53 weeks)		\$ Change	% Change
Income taxes	\$ 630	\$ 470		\$ 160	34.0%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱ⁾	99	173		(74)	(42.8)%
Recovery related to Glenhuron	128	–		128	100.0%
Remeasurement of deferred tax balances	–	7		(7)	(100.0)%
Outside basis difference in certain Loblaw shares	(6)	(2)		(4)	(200.0)%
Adjusted income taxes ⁽¹⁾	\$ 851	\$ 648		\$ 203	31.3%
Effective tax rate applicable to earnings before taxes	26.5%			23.0%	
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	27.1%			26.0%	

(i) See the adjusted EBITDA⁽¹⁾ table and the adjusted net interest expense and other financing charges⁽¹⁾ table included in Section 14, “Non-GAAP Financial Measures”, of this MD&A for a complete list of items excluded from adjusted earnings before taxes⁽¹⁾.

The effective tax rate in 2021 was 26.5%, compared to 23.0% in 2020. The increase was primarily attributable to the impact of the non-taxable fair value adjustment of the Trust Unit liability, an increase in tax expense related to temporary differences in respect of GWL’s investment in certain Loblaw shares as a result of GWL’s participation in Loblaw’s NCIB program and the impact of certain other non-deductible items, partially offset by a recovery of \$128 million related to Glenhuron and the impact of the reversal of the non-deductible interest related to Glenhuron.

The adjusted effective tax rate⁽¹⁾ in 2021 was 27.1%, compared to 26.0% in 2020. The increase was primarily attributable to an increase in tax expense related to temporary differences in respect of GWL’s investment in certain Loblaw shares as a result of GWL’s participation in Loblaw’s NCIB, the unfavourable year-over-year impact of the non-taxable portion of the gain from Choice Properties’ transactions, and the impact of certain other non-deductible items.

Loblaw had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court of Canada (“Tax Court”) released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal, and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court of Canada (“Supreme Court”) granted the Crown leave to appeal. On May 13, 2021, the Crown’s appeal was heard by the Supreme Court and on December 3, 2021, the Supreme Court dismissed the Crown’s appeal. As a result, Loblaw has reversed \$301 million of previously recorded charges, of which \$173 million is recorded as interest income and \$128 million is recorded as income tax recovery. In addition, interest of \$16 million, before taxes, was recorded in respect of interest income earned on expected cash refunds.

DISCONTINUED OPERATIONS Discontinued operations represent the results of Weston Foods, net of intersegment eliminations. For further details of the sale, refer to Note 5, “Discontinued Operations” in the annual consolidated financial statements of this Annual Report.

Net loss available to common shareholders of the Company from discontinued operations in 2021 was \$322 million (\$2.14 per common share), compared to net earnings available to common shareholders of the Company from discontinued operations of \$6 million (\$0.04 per common share) in 2020, a decrease of \$328 million (\$2.18 per common share). The decrease included the loss on sale of Weston Foods of \$317 million, after income taxes, and the operating performance of Weston Foods of \$11 million (\$0.07 per common share).

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1.2 Selected Annual Information

The selected information presented below has been derived from and should be read in conjunction with the annual consolidated financial statements of the Company dated December 31, 2021, 2020 and 2019. The analysis of the data contained in the table focuses on the trends and significant events or items affecting the results of operations and financial condition of the Company over the latest three year period. The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information reflects the Company's results from continuing operations.

For the years ended December 31 (\$ millions except where otherwise indicated)	2021 (52 weeks)	2020 ^(3,4) (53 weeks)	2019 ^(3,4) (52 weeks)
Revenue	\$ 53,748	\$ 53,270	\$ 48,586
Operating income	\$ 4,027	\$ 2,875	\$ 2,875
Adjusted EBITDA ⁽¹⁾	\$ 5,995	\$ 5,356	\$ 5,145
Adjusted EBITDA margin ⁽¹⁾	11.2%	10.1%	10.6%
Depreciation and amortization ⁽ⁱ⁾	\$ 2,307	\$ 2,254	\$ 2,173
Net interest expense and other financing charges	\$ 1,650	\$ 829	\$ 1,702
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 1,050	\$ 1,115	\$ 1,069
Income taxes	\$ 630	\$ 470	\$ 417
Adjusted income taxes ⁽¹⁾	\$ 851	\$ 648	\$ 588
Adjusted effective tax rate ⁽¹⁾	27.1%	26.0%	24.4%
Net earnings	\$ 1,425	\$ 1,582	\$ 823
Continuing operations	\$ 1,747	\$ 1,576	\$ 756
Discontinued operations	\$ (322)	\$ 6	\$ 67
Net earnings attributable to shareholders of the Company	\$ 431	\$ 963	\$ 242
Net earnings available to common shareholders of the Company	\$ 387	\$ 919	\$ 198
Continuing operations	\$ 709	\$ 913	\$ 131
Discontinued operations	\$ (322)	\$ 6	\$ 67
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾ from continuing operations	\$ 1,232	\$ 993	\$ 1,026
Net earnings per common share (\$) - diluted	\$ 2.52	\$ 5.96	\$ 1.26
Continuing operations	\$ 4.66	\$ 5.92	\$ 0.82
Discontinued operations	\$ (2.14)	\$ 0.04	\$ 0.44
Adjusted diluted net earnings per common share ⁽¹⁾ from continuing operations	\$ 8.14	\$ 6.44	\$ 6.65
Dividends declared per share (\$):			
Common shares	\$ 2.300	\$ 2.125	\$ 2.090
Preferred shares - Series I	\$ 1.45	\$ 1.45	\$ 1.45
Preferred shares - Series III	\$ 1.30	\$ 1.30	\$ 1.30
Preferred shares - Series IV	\$ 1.30	\$ 1.30	\$ 1.30
Preferred shares - Series V	\$ 1.1875	\$ 1.1875	\$ 1.1875
Total Assets and Long-Term Financial Liabilities			
Total assets	\$ 47,083	\$ 48,078	\$ 47,813
Total long-term debt	\$ 14,010	\$ 14,443	\$ 14,554
Financial liabilities	664	666	435
Lease liabilities	4,984	5,005	5,107
Trust Unit liability	4,209	3,600	3,601
Total long-term financial liabilities	\$ 23,867	\$ 23,714	\$ 23,697

(i) Depreciation and amortization includes \$506 million (2020 - \$509 million; 2019 - \$521 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw.

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

- Loblaw's retail sales have continued to grow despite the pressure of a competitive retail market and an uncertain economic and regulatory environment over the last three years. In 2019, food retail prices were inflationary, while drug retail prices were deflationary until the second quarter of 2019 when they returned to being inflationary. In 2020, the COVID-19 pandemic had a significant impact on Loblaw's colleagues, customers, suppliers and other stakeholders. Loblaw experienced sales volatility and changes in sales mix as the pandemic impacted consumer behaviour throughout the year. In 2021, COVID-19 has continued to have a significant impact on Loblaw, continuing to accelerate some long-term trends, enabling Loblaw to advance its strategic growth areas of Everyday Digital Retail, Connected Healthcare and Payments and Rewards. In food retail, sales remained strong as eat-at-home trends remained elevated even in periods where social restrictions loosened. In drug retail, sales benefited from growth in pharmacy services as COVID-19 testing and vaccinations ramped up throughout the year. Higher margin front-store categories with drug retail, that had previously negatively impacted earnings, increased sales momentum as the economy opened up. Despite supply chain and inflationary pressures, Loblaw continued to deliver value in the categories that meant most to consumers over the course of the pandemic. Loblaw's financial services continued to grow in 2019, mainly driven by growth in the credit card portfolio and *The Mobile Shop* kiosks. During 2020, Loblaw's financial services revenue was negatively impacted by the COVID-19 pandemic from lower credit card related revenues from lower customer spending and lower sales attributable to the partial closure of *The Mobile Shop* kiosks during the second quarter of 2020. Loblaw's financial services also launched the *PC Money* Account in the third quarter of 2020. In 2021, the underlying operating performance of Loblaw's financial services improved as it benefited from an increase in customer spending and higher sales attributable to *The Mobile Shop* kiosks.
- Choice Properties revenue grew in 2019 driven mainly through the addition of new properties as a result of the Canadian Real Estate Investment Trust ("CREIT") acquisition, an increase in base rents and recovery of property operating costs from existing properties and additional revenue generated from properties acquired in 2018 and 2019 and from tenant openings in newly developed leasable space. Choice Properties revenue decreased in 2020 primarily due to the foregone revenue from a disposition of a portfolio of properties in the third quarter of 2019, partially offset by additional revenue generated from properties acquired in 2019 and 2020 and from tenant openings in newly developed leasable space. Choice Properties revenue increased in 2021 primarily due to the contribution from acquisition and development transfers completed in 2020 and 2021, partially offset by foregone revenue from dispositions and vacancies in select office assets.

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS AND DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS Net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations for the last three years were impacted by certain adjusting items as described in Section 14, "Non-GAAP Financial Measures", of this MD&A and by the underlying operating performance of each of the Company's reportable operating segments.

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

- changes in the underlying operating performance of Loblaw due to:
 - the impact of the 53rd week in fiscal year 2020;
 - changes in the underlying operating performance of Loblaw's retail due to COVID-19. Loblaw's financial results for the years 2021 and 2020 had elevated revenue and cost of merchandise inventories sold when compared to 2019. In addition, SG&A increased in 2020 as a result of the incremental cost of COVID-19 related investments to benefit and protect colleagues and customers which have stabilized in 2021;
 - cost savings and operating efficiencies from process and efficiency initiatives and investments in and benefits from strategic initiatives;
 - fluctuations in the performance of Loblaw's financial services including the continued investments in strategic initiatives; and
 - the 2021 reversal of certain commodity taxes accrued.
- changes in the underlying operating performance of Choice Properties:
 - the favourable underlying operating performance in 2021 primarily due to the decline in expected credit losses and an increase in revenue;
 - the unfavourable underlying operating performance in 2020 primarily due to COVID-19 related expected credit losses, and
 - the favourable underlying operating performance in 2019, including the acquisition of CREIT in the second quarter of 2018 and the contribution from completed developments.

Management's Discussion and Analysis

- the impact of asset impairments, net of recoveries and certain one-time gains related to Choice Properties' transactions recorded on consolidation in Other and Intersegment;
- changes in adjusted net interest and other financing charges⁽¹⁾ as follows:
 - lower adjusted net interest and other financing charges⁽¹⁾ in 2021 due to:
 - lower interest expense at Loblaw financial services;
 - a reduction in interest expense from lease liabilities at Loblaw, including Other and Intersegment adjustments; and
 - a decrease in interest expense in Choice Properties, including Other and Intersegment adjustments, primarily related to the special distribution in the fourth quarter of 2020, a decline in fees incurred on early repayment of senior unsecured debentures, lower overall debt levels compared to the prior year and the completion of refinancing activity over the past year at lower interest rates;partially offset by,
 - higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties' dispositions.
 - higher adjusted net interest expense and other financing charges⁽¹⁾ in 2020 due to:
 - an increase in interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties' dispositions; and
 - higher interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions.
 - higher adjusted net interest expense and other financing charges⁽¹⁾ in 2019 due to:
 - an increase in interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions, higher interest expense resulting from the issuance of new debt and debt acquired related to the acquisition of CREIT; partially offset by the repayment of senior unsecured debentures and interest income on the joint ventures assumed on the acquisition of CREIT; and
 - higher interest expense in Loblaw's financial services, primarily due to the growth in the credit card portfolio.
- higher adjusted income taxes⁽¹⁾ during 2021 primarily attributable to:
 - an increase in tax expense related to temporary differences in respect of GWL's investment in certain Loblaw shares as a result of GWL's participation in Loblaw's NCIB;
 - the unfavourable year-over-year impact of the non-taxable portion of the gain from Choice Properties' transactions; and
 - the impact of certain other non-deductible items.
- in 2021, diluted net earnings per common share included the favourable impact of shares purchased for cancellation; and
- an increase in GWL's ownership interest in Loblaw in 2020 and 2019 as a result of share repurchases. GWL's ownership of Loblaw was approximately 52.6% as at the end of 2021 (2020 – approximately 52.6% and 2019 – approximately 52.2%).

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

In 2020, total assets of \$48,078 million increased by 0.6% as compared to 2019. The increase was primarily driven by the increase in cash and cash equivalents and short-term investments, partially offset by a decrease in intangible assets driven by higher depreciation and amortization and decline in credit card receivables as a result of lower customer spending due to COVID-19. Total long-term financial liabilities of \$23,714 million increased by 0.1% compared to 2019 driven by an increase in financial liabilities recorded due to the consolidation impacts of Choice Properties' dispositions in 2020.

The Trust Unit liability is recognized at fair value on the consolidated balance sheets and fluctuates due to issuances and changes in the fair value of Choice Properties' Trust Units. As at December 31, 2021, 276,927,432 Units were held by unitholders other than the Company (2020 – 276,280,248, 2019 – 259,631,454) and the Company held an approximate 61.7% (2020 – 61.8%, 2019 – 62.9%) effective ownership interest in Choice Properties.

1.3 Consolidated Other Business Matters

COVID-19 RELATED COSTS The Company incurred COVID-19 related costs of approximately \$9 million and \$150 million in the fourth quarter and year of 2021, respectively (2020 – \$48 million and \$466 million), primarily related to safety and security measures to protect colleagues, customers, tenants and other stakeholders. The estimated COVID-19 related costs incurred by each of the Company’s reportable operating segments were as follows:

(unaudited) (\$ millions)	Quarters Ended		Years Ended	
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 (13 weeks)	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 (53 weeks)
Loblaw ⁽ⁱ⁾	\$ 8	\$ 45	\$ 145	\$ 445
Choice Properties ⁽ⁱⁱ⁾	1	3	5	21
Consolidated	\$ 9	\$ 48	\$ 150	\$ 466

- (i) Loblaw’s COVID-19 related costs included \$25 million and \$180 million related to one-time bonuses and benefits for store and distribution centre colleagues in the second quarters of 2021 and 2020, respectively.
- (ii) Choice Properties recorded a provision of \$1 million (2020 – \$3 million) and \$5 million (2020 – \$21 million) in the fourth quarter of 2021 and year-to-date, respectively, for certain past due amounts, reflecting increased collectability risk and negotiated rent abatements.

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

(unaudited) (\$ millions)	Quarters Ended		Years Ended	
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 (13 weeks)	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 (53 weeks)
Settlement of net debt associated with equity forward sale agreement	\$ (275)	\$ –	\$ (790)	\$ –
GWL’s credit facility	121	–	121	–
GWL’s NCIB – purchased and cancelled ⁽ⁱ⁾⁽ⁱⁱ⁾	(167)	(123)	(744)	(123)
GWL’s participation in Loblaw’s NCIB	89	75	563	336
Net cash flow (used in) from above activities	\$ (232)	\$ (48)	\$ (850)	\$ 213

- (i) \$6 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the fourth quarter of 2021 was paid in the first quarter of 2022.
- (ii) \$31 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the third quarter of 2021 was paid in the fourth quarter of 2021.

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

Refer to Section 3.3, “Components of Total Debt” of this MD&A for more information.

Management's Discussion and Analysis

GWL's Credit Facility In the third quarter of 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. The credit facility contains certain financial covenants. In the fourth quarter of 2021, the Company drew \$275 million on its credit facility to fund the final settlement of the net debt associated with the equity forward agreement. The credit facility was partially repaid in the fourth quarter of 2021 and at December 31, 2021, \$121 million was drawn. Subsequent to the end of the fourth quarter of 2021, the drawn balance was fully repaid.

Refer to Section 3.3, "Components of Total Debt" of this MD&A for more information.

GWL's NCIB - Purchased and Cancelled Shares In the fourth quarter of 2021, the Company purchased and cancelled 1.0 million shares under its NCIB (2020 - 1.3 million shares). In 2021, the Company purchased and cancelled 5.9 million shares under its NCIB (2020 - 1.3 million shares). As at December 31, 2021, the Company had 146.6 million shares outstanding (December 31, 2020 - 152.1 million).

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

GWL's Participation in Loblaw's NCIB Commencing in the first quarter of 2020, the Company began participating in Loblaw's NCIB in order to maintain its proportionate percentage ownership interest. During the fourth quarter of 2021, GWL received proceeds of \$89 million (2020 - \$75 million) from the sale of Loblaw shares. During 2021, GWL received proceeds of \$563 million (2020 - \$336 million) from the sale of Loblaw shares.

CHOICE PROPERTIES' SALE AND LEASEBACK TRANSACTIONS In the fourth quarter of 2021, Choice Properties disposed of two properties to third parties for aggregate proceeds of \$28 million. These transactions were accounted for as a disposition by Choice Properties. On consolidation, the arrangements were accounted for as sale and leaseback transactions because Loblaw continues to be a tenant on the properties. As a result, the Company recorded a lease liability of \$19 million, and a gain of \$7 million in operating income.

2. Results of Reportable Operating Segments

The following discussion provides details of the 2021 results of operations of each of the Company's reportable operating segments.

2.1 Loblaw Operating Results

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 ⁽³⁾ (53 weeks)	\$ Change	% Change
Revenue	\$ 53,170	\$ 52,714	\$ 456	0.9%
Operating income	\$ 2,929	\$ 2,357	\$ 572	24.3%
Adjusted EBITDA ⁽¹⁾	\$ 5,579	\$ 4,996	\$ 583	11.7%
Adjusted EBITDA margin ⁽¹⁾	10.5%	9.5%		
Depreciation and amortization ⁽ⁱ⁾	\$ 2,664	\$ 2,596	\$ 68	2.6%

(i) Depreciation and amortization includes \$506 million (2020 - \$509 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Unless otherwise indicated, Loblaw's operating results include the 53rd week in 2020.

REVENUE Loblaw revenue in 2021 was \$53,170 million, an increase of \$456 million, or 0.9%, compared to 2020, driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales were \$52,269 million, an increase of \$410 million, or 0.8%, compared to 2020, which was negatively impacted by \$878 million due to the 53rd week in 2020.

- food retail sales were \$37,481 million (2020 - \$37,596 million) and retail same-store sales growth was 0.3% (2020 - 8.6%). Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. The two year food retail sales Compound Annual Growth Rate ("CAGR") was 5.4%. On a comparable week basis, food retail basket size decreased and traffic increased in 2021;
- the CPI as measured by The Consumer Price Index for Food Purchased from Stores was 2.2% (2020 - 2.4%), which was slightly lower than Loblaw's internal food inflation; and
- drug retail sales were \$14,788 million (2020 - \$14,263 million) and drug retail same-store sales growth was 5.0% (2020 - 4.9%). Pharmacy same-store sales growth benefited from strong sales in pharmacy related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021. Pharmacy same-store sales growth was 8.4% (2020 - 5.3%) and front store same-store sales growth was 2.1% (2020 - 4.5%). The two year drug retail sales CAGR was 5.3%.

In 2021, 23 food and drug stores were opened, and 24 food and drug stores were closed, resulting in a net increase in retail square footage of 0.2 million square feet, or 0.3%.

Financial services revenue increased by \$85 million, or 7.7%, compared to 2020, primarily driven by higher interchange income due to an increase in customer spending, higher sales attributable to *The Mobile Shop* kiosks due to the temporary partial shutdown of *The Mobile Shop* kiosks during the second and third quarter of 2020. This was partially offset by lower interest income attributable to a lower revolving volume of credit card receivables.

OPERATING INCOME Loblaw operating income in 2021 was \$2,929 million, an increase of \$572 million, or 24.3%, compared to 2020, which was negatively impacted by \$67 million due to the 53rd week in 2020. The increase included the improvements in underlying operating performance of \$512 million and the favourable year-over-year net impact of adjusting items totaling \$60 million, as described below:

- the improvements in underlying operating performance of \$512 million were primarily due to the following:
 - an improvement in the underlying operating performance of retail due to an increase in retail gross profit, partially offset by an increase in SG&A and depreciation and amortization; and
 - an improvement in the underlying operating performance of financial services.
- the favourable year-over-year net impact of adjusting items totaling \$60 million was primarily due to:
 - the favourable year-over-year impact of restructuring and other related costs of \$25 million;
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$18 million; and
 - the favourable year-over-year impact of the fair value adjustment on non-operating properties of \$11 million.

Management's Discussion and Analysis

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in 2021 was \$5,579 million, an increase of \$583 million, or 11.7%, compared to 2020, which was negatively impacted by \$67 million due to the 53rd week in 2020. The increase was primarily due to an increase in retail of \$477 million and an increase in financial services of \$106 million.

Retail adjusted EBITDA⁽¹⁾ increased by \$477 million driven by an increase in retail gross profit of \$741 million, partially offset by an increase in retail SG&A of \$264 million.

- retail gross profit percentage of 30.7% increased by 120 basis points compared to 2020, from favourable changes in sales mix in both food and drug retail and improved business initiatives.
- retail SG&A as a percentage of sales was 20.5%, an increase of 30 basis points compared to 2020. The unfavourable increase was driven by higher expenses related to the normalization of post-lockdown operating conditions, corporate costs including network optimization costs, and higher costs incurred in drug retail from providing pharmacy related services, partially offset by a reduction in COVID-19 costs.

Financial services adjusted EBITDA⁽¹⁾ increased by \$106 million compared to 2020, primarily driven by the reversal of certain commodity tax accrued in the amount of \$37 million, higher revenue as described above, the reduction of expected credit loss provision in the current year and the lapping of an increase in expected credit loss provision from the previous year, lower contractual charge-off and lower funding costs. This increase was partially offset by higher loyalty program costs and operating costs, and higher customer acquisition costs.

Loblaw adjusted EBITDA⁽¹⁾ included no impact in 2021 and 2020 related to the sale and leaseback of properties to Choice Properties.

DEPRECIATION AND AMORTIZATION Loblaw's depreciation and amortization in 2021 was \$2,664 million, an increase of \$68 million compared to 2020. The increase in depreciation and amortization in 2021 was primarily driven by an increase in depreciation of IT and leased assets and an increase in depreciation in financial services due to the launch of the *PC Money* Account.

Depreciation and amortization in 2021 included \$506 million (2020 – \$509 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart.

CONSOLIDATION OF FRANCHISES Loblaw has more than 500 franchise food retail stores in its network. Non-controlling interests at Loblaw represents the share of earnings that relates to Loblaw's food retail franchisees. Loblaw's net earnings attributable to non-controlling interests were \$101 million in 2021. When compared to 2020, this represented an increase of \$17 million or 20.2%. The increases in non-controlling interests at Loblaw were primarily driven by an improvement in franchisee earnings when compared to 2020.

LOBLAW OTHER BUSINESS MATTERS

Network Optimization In the fourth quarter of 2021, Loblaw finalized network optimization plans that will result in banner conversions, closures and right-sizing of approximately 20 unprofitable retail locations across a range of banners and formats, the majority of which will be banner conversions and 3 will be closures within food retail. Loblaw expects to record charges of approximately \$25 million to \$35 million resulting from this network optimization. These charges will be recorded as incurred and are expected to include equipment, severance, lease related and other costs and will not be considered an adjusting item. Loblaw expects to realize approximately \$25 million in annualized EBITDA run-rate savings related to these plans. In the fourth quarter of 2021, Loblaw recorded charges of \$19 million as a result of this network optimization project. Further charges will be recorded as they are incurred throughout 2022.

2.2 Choice Properties Operating Results

(\$ millions except where otherwise indicated) For the years ended as indicated	2021 (52 weeks)	2020 (52 weeks)	\$ Change	% Change
Revenue	\$ 1,292	\$ 1,271	\$ 21	1.7%
Net interest expense and other financing charges ⁽ⁱ⁾	\$ 1,377	\$ 173	\$ 1,204	696.0%
Net income	\$ 24	\$ 451	\$ (427)	(94.7)%
Funds from Operations ⁽¹⁾	\$ 690	\$ 652	\$ 38	5.8%

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

REVENUE Revenue was \$1,292 million in 2021, an increase of \$21 million, or 1.7%, compared to 2020 and included \$722 million (2020 – \$724 million) generated from tenants within Loblaw retail. The increase in revenue was primarily driven by:

- the contribution from acquisitions and development transfers completed in 2020 and 2021; partially offset by,
- declines due to foregone revenue from dispositions; and
- vacancies in select office assets.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES Net interest expense and other financing charges in 2021 were \$1,377 million compared to \$173 million in 2020. The increase of \$1,204 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on the Class B LP units (“Exchangeable Units”) of \$1,217 million, partially offset by a decline in fees incurred on early repayment of senior unsecured debentures, the general reduction in indebtedness from a lower balance on the credit facility and a decline in interest costs due to refinancing over the past year at lower interest rates.

NET INCOME Net income in 2021 was \$24 million, compared to \$451 million in 2020. The decrease of \$427 million was primarily driven by:

- an increase in net interest expense and other financing charges as described above; partially offset by,
- the favourable year-over-year impact of the fair value adjustment on investment properties, including those held within equity accounted joint ventures;
- a decline in expected credit loss provisions; and
- an increase in rental revenue as described above.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in 2021 was \$690 million, an increase of \$38 million compared to 2020, primarily driven by a decline in expected credit loss provisions, savings from lower borrowing costs and contributions from acquisitions and development transfers completed in 2020 and 2021.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

Subsequent to year end, Choice Properties entered into an agreement to increase its interest in two of its residential projects for consideration of \$25 million. The agreement included the purchase of one of Choice Properties’ partners’ existing interest in the projects and the cancellation of the same partners’ option to increase their equity interest in the projects. This transaction closed in January 2022, following which Choice Properties’ interest in these projects is now 50%.

Management's Discussion and Analysis

3. Liquidity and Capital Resources

The Company's ownership in Weston Foods has been presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

3.1 Cash Flows

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

(\$ millions) For the years ended as indicated	2021 (52 weeks)	2020 (53 weeks)	\$ Change
Cash and cash equivalents, beginning of year	\$ 2,581	\$ 1,834	\$ 747
Cash flows from operating activities	\$ 5,107	\$ 5,521	\$ (414)
Cash flows used in investing activities	\$ (279)	\$ (1,738)	\$ 1,459
Cash flows used in financing activities	\$ (4,426)	\$ (3,035)	\$ (1,391)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ 1	\$ (1)	\$ 2
Cash and cash equivalents, end of year	\$ 2,984	\$ 2,581	\$ 403

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$5,107 million in 2021, a decrease of \$414 million compared to 2020. The decrease in cash flows from operating activities was primarily driven by an increase in credit card receivables from a rise in customer spending and higher income taxes paid, partially offset by higher cash earnings.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were \$279 million in 2021, a decrease of \$1,459 million compared to 2020. The decrease in year-to-date cash flows used in investing activities was primarily due to net consideration received from the disposal of the Weston Foods business and lower capital expenditures.

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

(\$ millions) For the years ended as indicated	2021 (52 weeks)	2020 ⁽⁴⁾ (53 weeks)
Loblaw ⁽ⁱ⁾	\$ 1,183	\$ 1,224
Choice Properties	196	263
Other and Intersegment	2	9
Capital investments from continuing operations	\$ 1,381	\$ 1,496
Discontinued operations	76	162
Total capital investments	\$ 1,457	\$ 1,658

(i) During 2021, additions to fixed assets in Loblaw included \$1 million of prepayments that were made in 2020 and transferred from other assets. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of \$66 million.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$4,426 million in 2021, an increase of \$1,391 million compared to 2020. The increase in cash flows used in financing activities was primarily driven by the net settlement of net debt associated with the equity forward sale agreement, higher repurchases of the Company's common shares under its NCIB and higher proceeds received from Choice Properties' transactions in the prior year.

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

FREE CASH FLOW⁽¹⁾

(\$ millions) For the years ended as indicated	2021 (52 weeks)	2020 ⁽⁴⁾ (53 weeks)	\$ Change
Cash flows from operating activities	\$ 5,107	\$ 5,521	\$ (414)
Less: Cash flows from operating activities from discontinued operations	–	157	(157)
Cash flows from operating activities from continuing operations	5,107	5,364	(257)
Less: Interest paid	853	883	(30)
Capital Investments	1,381	1,496	(115)
Lease payments, net	795	844	(49)
Free cash flow ⁽¹⁾ from continuing operations	\$ 2,078	\$ 2,141	\$ (63)

Free cash flow⁽¹⁾ from continuing operations in 2021 was \$2,078 million, a decrease of \$63 million compared to 2020. The decrease in free cash flow⁽¹⁾ was primarily driven by an increase in credit card receivables from a rise in customer spending and higher income taxes paid, partially offset by lower capital expenditures and higher cash earnings.

3.2 Liquidity

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

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

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

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

Management's Discussion and Analysis

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

(\$ millions)	As at				Dec. 31, 2020			
	Dec. 31, 2021				Dec. 31, 2020			
	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total
Bank indebtedness	\$ 52	\$ –	\$ –	\$ 52	\$ 86	\$ –	\$ –	\$ 86
Demand deposits from customer	75	–	–	75	24	–	–	24
Short-term debt	450	–	–	450	575	–	760	1,335
Long-term debt due within one year	1,002	518	–	1,520	597	327	–	924
Long-term debt	6,211	5,709	570	12,490	6,449	6,155	915	13,519
Certain other liabilities ⁽ⁱ⁾	74	664	–	738	71	666	–	737
Fair value of financial derivatives related to the above debt	–	–	–	–	–	–	(630)	(630)
Total debt excluding lease liabilities	\$ 7,864	\$ 6,891	\$ 570	\$ 15,325	\$ 7,802	\$ 7,148	\$ 1,045	\$ 15,995
Lease liabilities due within one year ⁽ⁱⁱ⁾	\$ 1,297	\$ 1	\$ (556)	\$ 742	\$ 1,379	\$ 1	\$ (581)	\$ 799
Lease liabilities ⁽ⁱⁱ⁾	\$ 7,542	\$ 1	\$ (3,301)	\$ 4,242	\$ 7,522	\$ 3	\$ (3,319)	\$ 4,206
Total debt including total lease liabilities	\$ 16,703	\$ 6,893	\$ (3,287)	\$ 20,309	\$ 16,703	\$ 7,152	\$ (2,855)	\$ 21,000

(i) Includes financial liabilities of \$664 million (December 31, 2020 – \$666 million) recorded primarily as a result of Choice Properties' transactions.

(ii) Lease liabilities due within one year of \$2 million (December 31, 2020 – \$3 million) and lease liabilities of \$7 million (December 31, 2020 – \$8 million) relating to GWL Corporate are included in Other and Intersegment.

Management targets credit metrics consistent with those of an investment grade profile. GWL Corporate holds cash and cash equivalents and short-term investments and as a result monitors its leverage on a net debt basis. GWL Corporate has total debt including lease liabilities of \$579 million (2020 – \$1,056 million) and cash and cash equivalents and short-term investments of \$1,338 million (2020 – \$1,013 million), resulting in a net cash position of \$759 million (2020 – net debt of \$43 million). The settlement of the net debt associated with the equity forward sale agreement was offset by a reduction in cash and had no impact on GWL Corporate⁽²⁾ net debt. See Section 3.3, "Components of Total Debt" of this MD&A for details.

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

- Loblaw targets maintaining retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the retail segment's debt to retail adjusted EBITDA⁽¹⁾ ratio as a measure of the leverage being employed. Loblaw retail segment debt to adjusted EBITDA⁽¹⁾ ratio decreased compared to 2020 primarily due to an improvement in adjusted EBITDA⁽¹⁾.
- PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory requirements as defined by the Office of the Superintendent of Financial Institutions.

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

COVENANTS AND REGULATORY REQUIREMENTS The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at year end 2021 and throughout the year, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at year end 2021 and throughout the year, PC Bank and Choice Properties met all applicable regulatory requirements.

3.3 Components of Total Debt

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

(\$ millions)	Interest Rate	Maturity Date	2021	2020
			Principal Amount	Principal Amount
Loblaw Companies Limited notes	2.28%	May 7, 2030 ⁽ⁱ⁾	\$ –	\$ 350
Choice Properties senior unsecured debentures				
– Series N	2.98%	March 4, 2030	–	400
– Series O	3.83%	March 4, 2050	–	100
– Series P	2.85%	May 21, 2027	–	500
– Series Q	2.46%	November 30, 2026	350	–
Total debentures issued			\$ 350	\$ 1,350

- (i) In connection with this issuance, during 2020, \$350 million of bond forward agreements were settled, resulting in a realized fair value loss of \$34 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the consolidated statements of earnings over the life of the May 7, 2030 notes. This settlement also resulted in a net effective interest rate of 3.34% on the May 7, 2030 notes issued.

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

(\$ millions)	Interest Rate	Maturity Date	2021	2020
			Principal Amount	Principal Amount
George Weston debenture – Series A	7.00%	November 10, 2031 ⁽ⁱ⁾	\$ 466	\$ –
Loblaw Companies Limited notes	5.22%	June 18, 2020	–	350
Choice Properties senior unsecured debentures				
– Series 8	3.60%	April 20, 2020	–	300
– Series 9	3.60%	September 20, 2021 ⁽ⁱⁱ⁾	200	–
– Series B-C	4.32%	January 15, 2021	–	100
– Series C	3.50%	February 8, 2021	–	250
– Series E	2.30%	September 14, 2020	–	250
– Series I	3.01%	March 21, 2022 ⁽ⁱⁱⁱ⁾	300	–
Total debentures repaid			\$ 966	\$ 1,250

- (i) See Section 3.3, “Components of Total Debt – Net Debt Associated with Equity Forward Sale Agreement” for details on the settlement of the Net debt associated with the equity forward sale agreement.

(ii) Choice Properties senior unsecured debentures Series 9 was redeemed on June 21, 2021.

(iii) Choice Properties senior unsecured debentures Series I was redeemed on December 10, 2021.

COMMITTED CREDIT FACILITIES The components of the committed lines of credit available as at year end 2021 and 2020 were as follows:

(\$ millions)	Maturity Date	As at			
		Dec. 31, 2021		Dec. 31, 2020	
		Available Credit	Drawn	Available Credit	Drawn
George Weston	September 13, 2024 ⁽ⁱ⁾	\$ 350	\$ 121	\$ –	\$ –
Loblaw	October 7, 2023	1,000	–	1,000	–
Choice Properties	June 24, 2026	1,500	–	1,500	–
Total committed credit facilities		\$ 2,850	\$ 121	\$ 2,500	\$ –

- (i) Subsequent to year end, GWL repaid \$121 million of its committed credit facility.

In 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024.

Management's Discussion and Analysis

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

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

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Securitized to independent securitization trusts:		
Securitized to <i>Eagle Credit Card Trust</i> ®	\$ 1,350	\$ 1,050
Securitized to Other Independent Securitization Trusts	450	575
Total securitized to independent securitization trusts	\$ 1,800	\$ 1,625

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at year end 2021 and throughout the year.

During 2021, *Eagle* issued \$300 million (2020 – \$300 million) of senior and subordinated term notes with a maturity date of June 17, 2026 (2020 – July 17, 2025) at a weighted average interest rate of 1.61% (2020 – 1.34%). In connection with this issuance, \$175 million (2020 – \$200 million) of bond forward agreements were settled, resulting in a realized fair value loss of \$1 million (2020 – loss of \$11 million) before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the consolidated statements of earnings over the life of the aforementioned *Eagle* notes. This settlement also resulted in a net effective interest rate of 1.65% (2020 – 2.07%) on the *Eagle* notes issued.

During 2020, \$250 million of the senior and subordinated term notes at a weighted average interest rate of 2.23% previously issued by *Eagle*, matured and were repaid on September 17, 2020. There were no repayments of notes issued by *Eagle* in 2021.

INDEPENDENT FUNDING TRUSTS As at year end 2021, the independent funding trusts had drawn \$570 million (2020 – \$512 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at year end 2021, Loblaw provided a credit enhancement of \$64 million (2020 – \$64 million) for the benefit of the independent funding trusts representing not less than 10% (2020 – not less than 10%) of the principal amount of the loans outstanding.

The revolving committed credit facility relating to the independent funding trusts has a maturity date until May 27, 2022.

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

(\$ millions)	2021	2020
Balance, beginning of year	\$ 1,185	\$ 1,311
GICs issued	414	410
GICs matured	(603)	(536)
Balance, end of year	\$ 996	\$ 1,185

As at year end 2021, \$182 million in GICs were recorded as long-term debt due within one year (2020 – \$597 million).

NET DEBT ASSOCIATED WITH EQUITY FORWARD SALE AGREEMENT In 2001, Weston Holdings Limited (“WHL”), a subsidiary of GWL, issued \$466 million of 7.00% Series A Debentures due 2031, which are serviced by the issuance of Series B Debentures. In addition, WHL entered into an equity forward sale agreement with the lender to sell 9.6 million Loblaw common shares at an initial forward sale price of \$48.50 which increases by the interest rates on Series A Debentures and Series B Debentures.

In the second quarter of 2021, the Company began to settle the net debt associated with the equity forward sale agreement, and was fully settled in the fourth quarter of 2021. The 9.6 million Loblaw shares have been released to the Company such that its economic interest in Loblaw is now equal to its voting interest.

In aggregate, \$790 million was paid to extinguish the net debt associated with the equity forward sale agreement. The following table presents details of the settlements, redemptions and the net amount paid to extinguish the net debt associated with the equity forward sale agreement.

(\$ millions except where otherwise indicated)	12 Weeks Ended	16 Weeks Ended	12 Weeks Ended	Total
	Jun. 19, 2021	Oct. 9, 2021	Dec. 31, 2021	
Number of shares settled (millions)	0.75	5.83	3.02	9.6
Gain on settlement of shares	\$ (43)	\$ (298)	\$ (123)	\$ (464)
Series A Debentures redeemed	\$ 36	\$ 283	\$ 147	\$ 466
Series B Debentures redeemed	\$ 60	\$ 475	\$ 249	\$ 784
Net payment , including accrued interest	\$ 53	\$ 462	\$ 275	\$ 790
% settled	7.8%	60.7%	31.5%	100%

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

(\$ millions)	Maturity Date	As at	
		Dec. 31, 2021	Dec. 31, 2020
Series A	2031	\$ –	\$ 466
Series B	On demand	–	760
Fair value of financial derivatives related to the above debt	n/a	–	(630)
Debt associated with equity forward sale agreement		\$ –	\$ 596
Debentures	2024 - 2033	450	450
George Weston credit facility	2024	121	–
Transaction costs and other	n/a	(1)	(1)
Other and Intersegment debt		\$ 570	\$ 1,045

Associate Guarantees Loblaw has arranged for its pharmacist owners of corporations licensed to operate retail drug stores at specific location using Loblaw’s trademarks (“Associates”) to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at year end 2021, Loblaw’s maximum obligation in respect of such guarantees was \$580 million (2020 – \$580 million) with an aggregate amount of \$469 million (2020 – \$470 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2021, the Associates had drawn an aggregate amount of \$52 million (2020 – \$86 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company’s consolidated balance sheets. As recourse in the event that any payments are made under the guarantees, Loblaw holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

Management's Discussion and Analysis

3.4 Financial Condition

	As at	
	Dec. 31, 2021	Dec. 31, 2020 ⁽⁴⁾
Adjusted return on average equity attributable to common shareholders of the Company ⁽¹⁾	18.7%	15.2%
Adjusted return on capital ⁽¹⁾	12.6%	10.7%

The adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ increased as at year end 2021 compared to 2020 primarily due to an increase in adjusted net earnings⁽¹⁾ as a result of an improvement in the Company's consolidated underlying performance.

The adjusted return on capital⁽¹⁾ increased as at year end 2021 compared to 2020, primarily due to an increase in adjusted operating income⁽¹⁾, a decrease in total debt, and an increase in cash and cash equivalents and short term investments.

3.5 Credit Ratings

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

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

During 2021, DBRS Morningstar ("DBRS") confirmed the credit ratings and trend of GWL. Subsequent to 2021, S&P Global Ratings ("S&P") confirmed the credit ratings and outlook of GWL, including downgrading the medium term notes from BBB to BBB-.

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

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

During 2021, DBRS confirmed the credit ratings and trend of Loblaw, and S&P confirmed the credit ratings and outlook of Loblaw.

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

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

During 2021, DBRS confirmed the credit ratings and trend of Choice Properties, and S&P confirmed the credit ratings and outlook of Choice Properties.

3.6 Share Capital

OUTSTANDING SHARE CAPITAL AND CAPITAL SECURITIES GWL's outstanding share capital is comprised of common shares and preferred shares. The following table details the authorized and outstanding common shares and preferred shares as at December 31, 2021:

(number of common shares)	Authorized	Outstanding
Common shares	Unlimited	146,789,503
Preferred shares – Series I	10,000,000	9,400,000
– Series II	10,600,000	–
– Series III	10,000,000	8,000,000
– Series IV	8,000,000	8,000,000
– Series V	8,000,000	8,000,000

COMMON SHARE CAPITAL Common shares issued are fully paid and have no par value. The following table summarizes the activity in the Company's common shares issued and outstanding for the years ended December 31, 2021 and December 31, 2020:

(\$ millions except where otherwise indicated)	2021		2020	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	152,374,416	\$ 2,786	153,667,750	\$ 2,809
Issued for settlement of stock options	323,461	36	6,666	1
Purchased and cancelled ⁽ⁱ⁾	(5,908,374)	(108)	(1,300,000)	(24)
Issued and outstanding, end of year	146,789,503	\$ 2,714	152,374,416	\$ 2,786
Shares held in trusts, beginning of year	(254,525)	(4)	(88,832)	–
Purchased for future settlement of RSUs and PSUs	–	–	(229,000)	(4)
Released for settlement of RSUs and PSUs	113,419	2	63,307	–
Shares held in trusts, end of year	(141,106)	(2)	(254,525)	(4)
Issued and outstanding, net of shares held in trusts, end of year	146,648,397	\$ 2,712	152,119,891	\$ 2,782
Weighted average outstanding, net of shares held in trusts	149,893,834		153,406,800	

(i) Includes 1,930 shares cancelled during 2021 in a private transaction and are excluded from the Company's NCIB.

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

Management's Discussion and Analysis

DIVIDENDS The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Company's Board of Directors ("Board") which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over time, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. In the third quarter of 2021 and in the fourth quarter of 2020, the Board raised the quarterly common share dividend by \$0.050 to \$0.60 and \$0.025 to \$0.55 per share, respectively. The Board declared dividends for the years ended as follows:

(\$)	2021	2020
Dividends declared per share ⁽ⁱ⁾ :		
Common share	\$ 2.30	\$ 2.125
Preferred share:		
Series I	\$ 1.45	\$ 1.45
Series III	\$ 1.30	\$ 1.30
Series IV	\$ 1.30	\$ 1.30
Series V	\$ 1.1875	\$ 1.1875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were payable on January 1, 2022 and subsequently paid on January 4, 2022. Dividend declared on Preferred Shares, Series I was paid on December 15, 2021.

The following table summarizes the Company's cash dividends declared subsequent to year end 2021:

(\$)		
Dividends declared per share ⁽ⁱ⁾	- Common share	\$ 0.600
	- Preferred share:	
	Series I	\$ 0.3625
	Series III	\$ 0.3250
	Series IV	\$ 0.3250
	Series V	\$ 0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2022. Dividends declared on Preferred Shares, Series I are payable on March 15, 2022.

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

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

(\$ millions except where otherwise indicated)	2021 (52 weeks)	2020 (53 weeks)
Purchased for future settlement of RSUs and PSUs (number of shares)	–	229,000
Purchased for current settlement of RSUs and DSUs (number of shares)	10,862	33,325
Purchased and cancelled (number of shares)	5,906,444	1,300,000
Cash consideration paid		
Purchased and held in trusts	\$ –	\$ (21)
Purchased and settled	–	(3)
Purchased and cancelled ⁽ⁱ⁾	(744)	(123)
Premium charged to retained earnings		
Purchased and held in trusts	\$ –	\$ 17
Purchased and settled	–	–
Purchased and cancelled	642	99
Reduction in share capital	\$ 108	\$ 24

(i) \$6 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the fourth quarter of 2021 was paid in the first quarter of 2022.

In the second quarter of 2021, GWL renewed its NCIB to purchase on the TSX or through alternative trading systems up to 7,596,891 of its common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

As of December 31, 2021, 4,951,418 common shares were purchased under the Company's current NCIB.

Management's Discussion and Analysis

3.7 Off-Balance Sheet Arrangements

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

LETTERS OF CREDIT Standby and documentary letters of credit are used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and performance guarantees, surety bond, securitization of PC Bank's credit card receivables and third-party financing made available to Loblaw's franchisees. As at year end 2021, the aggregate gross potential liability related to the Company's letters of credit was approximately \$629 million (2020 - \$638 million).

GUARANTEES In addition to the letters of credit mentioned above, the Company has entered into various guarantee arrangements including obligations to indemnify third parties in connection with leases, business dispositions and other transactions in the normal course of the Company's business. Additionally, Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2021, the guarantee on behalf of PC Bank to MasterCard® was U.S. dollars \$190 million (2020 - U.S. dollars \$190 million).

CPH Master Limited Partnership, a subsidiary of Choice Properties, guarantees certain debt assumed by purchasers in connection with past dispositions of properties made by CREIT before the acquisition. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risks arise in the event that the purchasers default on repayment of their debt. These credit risks are mitigated by the recourse which Choice Properties has under these guarantees, in which case it would have a claim against the underlying property. In the current year the debt associated with such guarantees has been fully repaid. Therefore, the remaining exposure to credit risk is nil (2020 - \$36 million).

LEASE OBLIGATIONS In connection with historical dispositions of certain of its assets, Loblaw has assigned leases to third parties. Loblaw remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. Loblaw has guaranteed lease obligations of a third-party distributor in the amount of \$2 million (2020 - \$3 million).

CASH COLLATERALIZATION As at year end 2021, GWL and Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of \$45 million (2020 - \$52 million) and \$93 million (2020 - \$102 million), respectively. As at year end 2021, GWL and Loblaw had \$45 million (2020 - \$52 million) and a nominal amount (2020 - nominal) deposited with major financial institutions, respectively, and classified as security deposits on the consolidated balance sheets.

3.8 Contractual Obligations

The following table summarizes certain of the Company's significant contractual obligations and other obligations as at year end 2021:

SUMMARY OF CONTRACTUAL OBLIGATIONS

(\$ millions)	Payments due by year						Total
	2022	2023	2024	2025	2026	Thereafter	
Total debt ⁽ⁱ⁾	\$ 2,192	\$ 2,484	\$ 2,495	\$ 1,591	\$ 1,171	\$ 8,109	\$ 18,042
Foreign exchange forward contracts	321	–	–	–	–	–	321
Financial liabilities ⁽ⁱⁱ⁾	44	48	49	53	48	220	462
Lease payments	751	770	662	599	456	1,802	5,040
Contracts for purchases of real property and capital investment projects ⁽ⁱⁱⁱ⁾	311	327	286	206	46	–	1,176
Purchase obligations ^(iv)	689	676	607	508	500	15	2,995
Total contractual obligations	\$ 4,308	\$ 4,305	\$ 4,099	\$ 2,957	\$ 2,221	\$ 10,146	\$ 28,036

- (i) Includes short-term debt, bank indebtedness, demand deposits, Loblaw's certain other liabilities and the fair value of the equity forward included in other assets. Total debt also includes fixed interest payments on long-term debt which are based on the maturing face values and annual interest for each instrument, including GICs, and an independent funding trust, as well as annual payment obligations for consolidated structured entities and mortgages. Variable interest payments are based on the forward rates as at year end 2021.
- (ii) Represents the contractual payments that Loblaw is committed to related to the Choice Properties' dispositions.
- (iii) Includes agreements for the purchase of real property and capital commitments for construction, expansion and renovation of buildings. These agreements may contain conditions that may or may not be satisfied. If the conditions are not satisfied, it is possible the Company will no longer have the obligation to proceed with the underlying transactions.
- (iv) Includes contractual obligations of a material amount to purchase goods or services where the contract prescribes fixed or minimum volumes to be purchased or payments to be made within a fixed period of time for a set or variable price. These are only estimates of anticipated financial commitments under these arrangements and the amount of actual payments will vary. The purchase obligations do not include purchase orders issued or agreements made in the ordinary course of business which are solely for goods that are meant for resale, nor do they include any contracts which may be terminated on relatively short notice or with insignificant cost or liability to the Company.

As at year end 2021, the Company had additional long-term liabilities which included post-employment and other long-term employee benefit plan liabilities, deferred vendor allowances, deferred income tax liabilities, Trust Unit liability and provisions, including insurance liabilities. These long-term liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

Management's Discussion and Analysis

4. Quarterly Results of Operations

4.1 Quarterly Financial Information

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2021 and December 31, 2020 contained 52 weeks and 53 weeks, respectively. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year contains 53 weeks, the fourth quarter is 13 weeks in duration.

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters. The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information reflects the Company's results from continuing operations.

(\$ millions except where otherwise indicated)	2021					2020 ^(3,4)				
	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (audited) (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (13 weeks)	Total (audited) (53 weeks)
Revenue	\$ 12,017	\$ 12,637	\$ 16,192	\$ 12,902	\$ 53,748	\$ 11,942	\$ 12,092	\$ 15,806	\$ 13,430	\$ 53,270
Operating income	\$ 828	\$ 1,065	\$ 1,125	\$ 1,009	\$ 4,027	\$ 595	\$ 447	\$ 964	\$ 869	\$ 2,875
Adjusted EBITDA ⁽¹⁾	\$ 1,300	\$ 1,462	\$ 1,780	\$ 1,453	\$ 5,995	\$ 1,246	\$ 1,070	\$ 1,644	\$ 1,396	\$ 5,356
Depreciation and amortization ⁽ⁱ⁾	\$ 525	\$ 541	\$ 704	\$ 537	\$ 2,307	\$ 517	\$ 523	\$ 682	\$ 532	\$ 2,254
Net earnings (loss) from continuing operations	\$ 118	\$ 361	\$ 513	\$ 755	\$ 1,747	\$ 741	\$ (137)	\$ 484	\$ 488	\$ 1,576
Net (loss) earnings attributable to shareholders of the Company from continuing operations	\$ (52)	\$ 125	\$ 252	\$ 428	\$ 753	\$ 590	\$ (210)	\$ 303	\$ 274	\$ 957
Net (loss) earnings available to common shareholders of the Company	\$ (62)	\$ 108	\$ 124	\$ 217	\$ 387	\$ 582	\$ (255)	\$ 303	\$ 289	\$ 919
Continuing operations	\$ (62)	\$ 115	\$ 238	\$ 418	\$ 709	\$ 580	\$ (220)	\$ 289	\$ 264	\$ 913
Discontinued operations	\$ -	\$ (7)	\$ (114)	\$ (201)	\$ (322)	\$ 2	\$ (35)	\$ 14	\$ 25	\$ 6
Net (loss) earnings per common share (\$) - basic	\$ (0.41)	\$ 0.71	\$ 0.83	\$ 1.48	\$ 2.59	\$ 3.79	\$ (1.66)	\$ 1.98	\$ 1.89	\$ 5.99
Continuing operations	\$ (0.41)	\$ 0.75	\$ 1.59	\$ 2.84	\$ 4.73	\$ 3.78	\$ (1.43)	\$ 1.89	\$ 1.73	\$ 5.95
Discontinued operations	\$ -	\$ (0.04)	\$ (0.76)	\$ (1.36)	\$ (2.14)	\$ 0.01	\$ (0.23)	\$ 0.09	\$ 0.16	\$ 0.04
Net (loss) earnings per common share (\$) - diluted	\$ (0.41)	\$ 0.70	\$ 0.82	\$ 1.44	\$ 2.52	\$ 3.78	\$ (1.66)	\$ 1.96	\$ 1.88	\$ 5.96
Continuing operations	\$ (0.41)	\$ 0.74	\$ 1.58	\$ 2.80	\$ 4.66	\$ 3.77	\$ (1.43)	\$ 1.87	\$ 1.72	\$ 5.92
Discontinued operations	\$ -	\$ (0.04)	\$ (0.76)	\$ (1.36)	\$ (2.14)	\$ 0.01	\$ (0.23)	\$ 0.09	\$ 0.16	\$ 0.04
Adjusted diluted net earnings per common share ⁽¹⁾ from continuing operations (\$)	\$ 1.60	\$ 1.80	\$ 2.43	\$ 2.32	\$ 8.14	\$ 1.46	\$ 1.03	\$ 2.22	\$ 1.74	\$ 6.44

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

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

- Loblaw's revenue was impacted by various factors including the following:
 - COVID-19 pandemic related impacts on sales volume and sales mix;
 - seasonality, which was greatest in the fourth quarter and least in the first quarter;
 - the 53rd week in the fourth quarter of fiscal year 2020;
 - the timing of holidays;
 - macro-economic conditions impacted food and drug retail prices; and
 - changes in net retail square footage. Over the past eight quarters, Loblaw's net retail square footage increased by 0.4 million square feet to 71.2 million square feet.
- Choice Properties revenue was impacted by the contribution from acquisitions and development transfers completed in 2020 and 2021, foregone revenue from sold properties and vacancies in select office assets.

NET (LOSS) EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS AND DILUTED NET (LOSS) EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS Net (loss) earnings available to common shareholders of the Company from continuing operations and diluted net (loss) earnings per common share from continuing operations for the last eight quarters were impacted by the underlying operating performance of each of the Company's reportable operating segments and certain adjusting items as described in Section 14, "Non-GAAP Financial Measures", of this MD&A.

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

- change in Loblaw's underlying operating performance was driven by:
 - seasonality, which was greatest in the fourth quarter and least in the first quarter;
 - the impact of the 53rd week in the fourth quarter of fiscal year 2020;
 - the timing of holidays;
 - cost savings and operating efficiencies from process and efficiency initiatives and benefits from strategic initiatives;
 - Loblaw's financial results for 2021 show increased revenue, driven by increased demand for Loblaw's products, as well as increased cost of merchandise inventories sold. In addition, SG&A had increased in 2020 as a result of the incremental cost of COVID-19 related investments to benefit and protect colleagues and customers which have stabilized in 2021;
 - fluctuations in the performance of the Loblaw's financial services including the continued investments in strategic initiatives; and
 - the 2021 reversal of certain commodity taxes accrued.
- change in Choice Properties' underlying operating performance was driven by:
 - the contribution from acquisitions and development transfers completed in 2020 and 2021; and
 - a decline in expected credit loss provisions;
 partially offset by
 - declines due to foregone revenue from dispositions.
- the impact of asset impairments, net of recoveries and certain one-time gains related to Choice Properties' transactions recorded on consolidation in Other and Intersegment;
- year-over-year quarterly adjusted net interest and other financing charges⁽¹⁾ decreased during 2021 due to:
 - lower interest expense at Loblaw financial services;
 - a reduction in interest expense from lease liabilities at Loblaw, including Other and Intersegment adjustments; and
 - a decrease in interest expense in Choice Properties, including Other and Intersegment adjustments, primarily related to the special distribution in the fourth quarter of 2020, a decline in fees incurred on early repayment of senior unsecured debentures, lower overall debt levels compared to the prior year and the completion of refinancing activity over the past year at lower interest rates;
 partially offset by,
 - higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties' dispositions.
- year-over-year quarterly adjusted effective tax rate⁽¹⁾ increased during 2021 due to:
 - an increase in tax expense related to temporary differences in respect of GWL's investment in certain Loblaw shares as a result of GWL's participation in Loblaw's NCIB;
 - the unfavourable year-over-year impact of the non-taxable portion of the gain from Choice Properties' transactions; and
 - the impact of certain other non-deductible items.
- during 2021, diluted net earnings per common share included the favourable impact of shares purchased for cancellation.

Management's Discussion and Analysis

4.2 Fourth Quarter Results

Loblaw experienced strong demand as consumers continued to eat-at-home, particularly over the holiday period. Loblaw's focus on retail excellence resulted in operational and financial improvements, despite supply chain and inflationary pressures. Loblaw's food retail performance was strong, driven by impactful promotional strategies, and benefited from the return of price-sensitive customers. Loblaw's drug retail sales benefited from the loosening of social restrictions in the quarter. Loblaw's drug retail business continued to play an important role in supporting communities nationwide with COVID-19 testing and vaccine services. Additionally, Loblaw continued to progress its ambitious Environmental, Social and Governance ("ESG") program by announcing its intention to reach net-zero carbon emissions by 2050.

Choice Properties posted solid financial and operational performance driven by its portfolio of high-quality real estate assets. Choice Properties completed over \$275 million of real estate transactions and \$115 million of new developments for the quarter, continuing to improve its portfolio and delivering net asset growth. During the quarter, Choice Properties also advanced its commitment to sustainability with the inaugural issuance of \$350 million of green bonds and by committing to set enhanced science-based emission reduction targets. Choice Properties' balance sheet remains strong and is well positioned to support the continued advancement of development initiatives.

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

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

The Company's results reflect the impact of COVID-19 and the year-over-year impact of the fair value adjustment of Trust Unit liability.

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended		\$ Change	% Change
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ^(3,4) (13 weeks)		
Revenue	\$ 12,902	\$ 13,430	\$ (528)	(3.9)%
Operating income	\$ 1,009	\$ 869	\$ 140	16.1%
Adjusted EBITDA ⁽¹⁾	\$ 1,453	\$ 1,396	\$ 57	4.1%
Adjusted EBITDA margin ⁽¹⁾	11.3%	10.4%		
Depreciation and amortization⁽ⁱ⁾	\$ 537	\$ 532	\$ 5	0.9%
Net interest expense and other financing charges	\$ 190	\$ 244	\$ (54)	(22.1)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 253	\$ 285	\$ (32)	(11.2)%
Income taxes	\$ 64	\$ 137	\$ (73)	(53.3)%
Adjusted income taxes ⁽¹⁾	\$ 204	\$ 164	\$ 40	24.4%
Adjusted effective tax rate ⁽¹⁾	26.2%	23.6%		
Net earnings attributable to shareholders of the Company from continuing operations	\$ 428	\$ 274	\$ 154	56.2%
Net earnings available to common shareholders of the Company	\$ 217	\$ 289	\$ (72)	(24.9)%
Continuing operations	\$ 418	\$ 264	\$ 154	58.3%
Discontinued operations	\$ (201)	\$ 25	\$ (226)	(904.0)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾ from continuing operations	\$ 347	\$ 268	\$ 79	29.5%
Diluted net earnings per common share (\$)	\$ 1.44	\$ 1.88	\$ (0.44)	(23.4)%
Continuing operations	\$ 2.80	\$ 1.72	\$ 1.08	62.8%
Discontinued operations	\$ (1.36)	\$ 0.16	\$ (1.52)	(950.0)%
Adjusted diluted net earnings per common share ⁽¹⁾ from continuing operations (\$)	\$ 2.32	\$ 1.74	\$ 0.58	33.3%
Dividends declared per share (\$):				
Common shares	\$ 0.600	\$ 0.550		
Preferred shares – Series I	\$ 0.3625	\$ 0.3625		
Preferred shares – Series III	\$ 0.3250	\$ 0.3250		
Preferred shares – Series IV	\$ 0.3250	\$ 0.3250		
Preferred shares – Series V	\$ 0.296875	\$ 0.296875		

(i) Depreciation and amortization includes \$117 million (2020 – \$117 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw

As a result of the Company's reporting calendar, the fourth quarter of 2020 included a 53rd week. The 53rd week of 2020 resulted in an additional \$878 million of revenue, \$67 million of operating income, and net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations of \$18 million and \$0.12 per common share, respectively.

Management's Discussion and Analysis

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

In the fourth quarter of 2021, the Company recorded net earnings available to common shareholders of the Company from continuing operations of \$418 million (\$2.80 per common share), an increase of \$154 million (\$1.08 per common share) compared to the fourth quarter of 2020. The increase was due to the favourable year-over-year net impact of adjusting items totaling \$75 million (\$0.50 per common share) and an improvement in the Company's consolidated underlying operating performance of \$79 million (\$0.58 per common share) described below.

- The favourable year-over-year net impact of adjusting items totaling \$75 million (\$0.50 per common share) was due to:
 - the favourable impact of the recovery related to Glenhuron at Loblaw of \$165 million (\$1.12 per common share); and
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$69 million (\$0.46 per common share);partially offset by,
 - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$102 million (\$0.70 per common share) as a result of the increase in Choice Properties' unit price in the fourth quarter of 2021; and
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement of Loblaw common shares of \$56 million (\$0.36 per common share). The Company settled the net debt associated with the forward sale agreement in the fourth quarter of 2021, see section 1.3 "Consolidated Other Business Matters" and Section 3.3, "Components of Total Debt" of this MD&A.
- The improvement in the Company's consolidated underlying operating performance of \$79 million (\$0.58 per common share), which included the negative year-over-year impact of the 53rd week of \$18 million (\$0.12 per common share), was due to:
 - the favourable underlying operating performance of Loblaw;
 - the favourable year-over-year impact in Other and Intersegment, primarily driven by the year-over-year impact of asset impairments, net of recoveries of \$25 million, net of tax recorded on consolidation, and the gain related to Choice Properties' sale and leaseback transactions of \$7 million, net of tax, as described in section 1.3, "Consolidated Other Business Matters" of this MD&A; and
 - a decrease in adjusted net interest expense and other financing charges⁽¹⁾;partially offset by,
 - an increase in the adjusted effective tax rate⁽¹⁾.
- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months (\$0.09 per common share) pursuant to the Company's NCIB.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ from continuing operations in the fourth quarter of 2021 were \$347 million, an increase of \$79 million, or 29.5%, compared to the fourth quarter of 2020. The increase was due to the improvement in the Company's consolidated underlying operating performance described above.

Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations in the fourth quarter of 2021 were \$2.32 per common share, an increase of \$0.58 per common share, or 33.3%, compared to the fourth quarter of 2020. The increase was due to the improvement in adjusted net earnings available to common shareholders of the Company⁽¹⁾ from continuing operations and the favourable impact of share repurchases.

REVENUE

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended			
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)	\$ Change	% Change
Loblaws	\$ 12,757	\$ 13,286	\$ (529)	(4.0)%
Choice Properties	\$ 325	\$ 322	\$ 3	0.9%
Intersegment	\$ (180)	\$ (178)		
Consolidated	\$ 12,902	\$ 13,430	\$ (528)	(3.9)%

Revenue in the fourth quarter of 2021 was \$12,902 million, a decrease of \$528 million, or 3.9%, compared to the fourth quarter of 2020. The decrease in revenue was impacted by each of the Company's reportable operating segments as follows:

- Negatively by 3.9% due to revenue decline of 4.0% at Loblaws. The decline was primarily driven by a decrease in retail sales, partially offset by an increase in financial services revenue. The decrease in retail sales included the negative year-over-year impact of the 53rd week of \$878 million, positive same-store sales growth and a net increase in retail square footage. Food retail same-store sales growth was 1.1% (2020 - 8.6%) for the quarter. Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. On a comparable week basis, food retail basket size decreased and traffic increased in the quarter. The CPI as measured by The Consumer Price Index for Food Purchased from Stores was 4.8% (2020 - 1.5%), which was slightly lower than Loblaws' internal food inflation. Drug retail same-store sales growth was 7.9% (2020 - 3.7%) for the quarter. Pharmacy same-store sales growth benefited from strong sales in pharmacy related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021.
- Positively by a nominal amount due to the revenue growth of 0.9% at Choice Properties. The increase of \$3 million was primarily driven by increased occupancy in the industrial portfolio, partially offset by vacancies in the office portfolio.

OPERATING INCOME

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended			
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)	\$ Change	% Change
Loblaws	\$ 703	\$ 700	\$ 3	0.4%
Choice Properties	\$ 336	\$ 332	\$ 4	1.2%
Other and Intersegment	\$ (30)	\$ (163)		
Consolidated	\$ 1,009	\$ 869	\$ 140	16.1%

Operating income in the fourth quarter of 2021 was \$1,009 million compared to \$869 million in the fourth quarter of 2020, an increase of \$140 million, or 16.1%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling \$88 million and the improvement in underlying operating performance of \$52 million described below:

- the favourable year-over-year net impact of adjusting items totaling \$88 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$84 million; and
 - the favourable year-over-year impact of restructuring and other related costs of \$16 million; partially offset by,
 - the unfavourable year-over-year impact of the fair value adjustment of derivatives of \$13 million.
- the improvement in underlying operating performance of \$52 million, which included the negative year-over-year impact of the 53rd week of \$67 million, was due to:
 - the favourable year-over-year impact in Other and Intersegment, primarily driven by the year-over-year impact of asset impairments, net of recoveries of \$35 million, net of tax recorded on consolidation, and the gain related to Choice Properties' Sale and Leaseback Transactions of \$7 million, net of tax, as described in Section 1.3 "Consolidated Other Business Matters"; and
 - the favourable underlying operating performance of Loblaws, including the negative year-over-year impact of the 53rd week; partially offset by,
 - an increase in depreciation and amortization at Loblaws.

Management's Discussion and Analysis

ADJUSTED EBITDA⁽¹⁾

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended			
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ^(3,4) (13 weeks)	\$ Change	% Change
Loblaw	\$ 1,322	\$ 1,311	\$ 11	0.8%
Choice Properties	\$ 229	\$ 226	\$ 3	1.3%
Other and Intersegment	\$ (98)	\$ (141)		
Consolidated	\$ 1,453	\$ 1,396	\$ 57	4.1%

Adjusted EBITDA⁽¹⁾ in the fourth quarter of 2021 was \$1,453 million compared to \$1,396 million in the fourth quarter of 2020, an increase of \$57 million, or 4.1%. The increase included the favourable year-over-year impact in Other and Intersegment, as described above, and was also impacted by each of the Company's reportable operating segments as follows:

- Positively by 0.8% due to an increase of 0.8% in adjusted EBITDA⁽¹⁾ at Loblaw, primarily driven by improvements in Loblaw financial services, partially offset by a decline in Loblaw retail. The decrease in Loblaw retail adjusted EBITDA⁽¹⁾ included the negative year-over-year impact of the 53rd week of \$67 million, an increase in retail SG&A, partially offset by an increase in retail gross profit.
- Positively by 0.2% due to an increase of 1.3% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by the increase in revenue, a decline in expected credit loss provisions and the reversal of an expected credit loss on a specific mortgage receivable.

DEPRECIATION AND AMORTIZATION

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended			
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)	\$ Change	% Change
Loblaw	\$ 623	\$ 609	\$ 14	2.3%
Choice Properties	\$ –	\$ 1	\$ (1)	(100.0)%
Other and Intersegment	\$ (86)	\$ (78)		
Consolidated	\$ 537	\$ 532	\$ 5	0.9%

Depreciation and amortization in the fourth quarter of 2021 was \$537 million, an increase of \$5 million compared to the fourth quarter of 2020. Depreciation and amortization in the fourth quarter included \$117 million (2020 – \$117 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart recorded by Loblaw. Excluding these amounts, depreciation and amortization increased in the fourth quarter by \$5 million driven by an increase in depreciation of IT and leased assets at Loblaw and an increase in depreciation in Loblaw financial services due to the launch of the *PC Money* Account.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended			
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)	\$ Change	% Change
Net interest expense and other financing charges	\$ 190	\$ 244	\$ (54)	(22.1)%
Add: Fair value adjustment of the Trust Unit liability	(122)	(20)	(102)	(510.0)%
Fair value adjustment of the forward sale agreement for Loblaw common shares	(4)	61	(65)	(106.6)%
Recovery related to Glenhuron	189	–	189	100.0%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 253	\$ 285	\$ (32)	(11.2)%

Net interest expense and other financing charges in the fourth quarter of 2021 were \$190 million, a decrease of \$54 million compared to the fourth quarter of 2020. The decrease was primarily due to a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$32 million and the favourable year-over-year impact of adjusting items totaling \$22 million, itemized in the table above. Included in the adjusting items was the favourable recovery of interest expense related to Glenhuron of \$189 million, partially offset by the unfavourable year-over-year fair value adjustment of the Trust Unit liability of \$102 million, as a result of the increase in Choice Properties' unit price in the fourth quarter of 2021. The Company is exposed to market price fluctuations as a result of units held by unitholders other than the Company which are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet.

Adjusted net interest expense and other financing charges⁽¹⁾ decreased by \$32 million, primarily driven by a decrease in interest expense in Choice Properties, including Other and Intersegment adjustments, mainly driven by the special distribution in the fourth quarter of 2020.

INCOME TAXES

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended		\$ Change	% Change
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ^(3,4) (13 weeks)		
Income taxes	\$ 64	\$ 137	\$ (73)	(53.3)%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱ⁾	11	25	(14)	(56.0)%
Recovery related to Glenhuron	128	–	128	100.0%
Remeasurement of deferred tax balances	–	(2)	2	100.0%
Outside basis difference in certain Loblaw shares	1	4	(3)	(75.0)%
Adjusted income taxes ⁽¹⁾	\$ 204	\$ 164	\$ 40	24.4%
Effective tax rate applicable to earnings before taxes	7.8%	21.9%		
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	26.2%	23.6%		

(i) See the adjusted EBITDA⁽¹⁾ table and the adjusted net interest expense and other financing charges⁽¹⁾ table included in Section 14, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes⁽¹⁾.

The effective tax rate in the fourth quarter of 2021 was 7.8%, compared to 21.9% in the fourth quarter of 2020. The decrease was primarily attributable to a recovery of \$128 million related to Glenhuron and the impact of the reversal of the non-deductible interest related to Glenhuron, partially offset by the impact of the non-taxable fair value adjustment of the Trust Unit liability.

The adjusted effective tax rate⁽¹⁾ for the fourth quarter of 2021 was 26.2%, compared to 23.6% in the fourth quarter of 2020. The increase was primarily attributable to the unfavourable year-over-year impact of the non-taxable portion of the gain from Choice Properties' transactions and the impact of certain other non-deductible items.

DISCONTINUED OPERATIONS Discontinued operations represent the results of Weston Foods, net of intersegment eliminations.

Net loss available to common shareholders of the Company from discontinued operations in the fourth quarter of 2021 was \$201 million (\$1.36 per common share) compared to net earnings available to common shareholders of the Company from discontinued operations of \$25 million (\$0.16 per common share) in the fourth quarter of 2020, a decrease of \$226 million (\$1.52 per common share). The decrease included the loss on the sale of Weston Foods of \$204 million, after income taxes, recorded in the fourth quarter of 2021, and the underlying operating performance of Weston Foods.

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

(unaudited) (\$ millions)	Quarters Ended		Change
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 (13 weeks)	
Cash and cash equivalents, beginning of period	\$ 2,013	\$ 2,436	\$ (423)
Cash flows from operating activities	\$ 1,155	\$ 1,574	\$ (419)
Cash flows from (used in) investing activities	\$ 687	\$ (649)	\$ 1,336
Cash flows used in financing activities	\$ (872)	\$ (779)	\$ (93)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ 1	\$ (1)	\$ 2
Cash and cash equivalents, end of period	\$ 2,984	\$ 2,581	\$ 403

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$1,155 million in the fourth quarter of 2021, a decrease of \$419 million compared to the fourth quarter of 2020. The decrease in cash flows from operating activities was primarily due to an increase in credit card receivables from the rise in customer spending and higher income taxes paid.

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES Cash flows from investing activities were \$687 million in the fourth quarter of 2021, an increase of \$1,336 million compared to the fourth quarter of 2020. The increase in cash flows from investing activities was primarily due to net consideration received from the disposal of the Weston Foods business.

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

(unaudited) (\$ millions)	Quarters Ended	
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)
Loblaw	\$ 392	\$ 418
Choice Properties	95	161
Other	–	2
Capital Investments from continuing operations	487	581
Discontinued operations	–	54
Total capital investments	\$ 487	\$ 635

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$872 million in the fourth quarter of 2021, an increase of \$93 million compared to the fourth quarter of 2020. The increase in cash flows used in financing activities was primarily driven by the net settlement of net debt associated with the equity forward sale agreement, higher repurchases of the Company's common shares under its NCIB and higher proceeds received from Choice Properties' investment property dispositions in the prior year, partially offset by higher net repayments of debt in the prior year.

FREE CASH FLOW⁽¹⁾

(unaudited) (\$ millions)	Quarters Ended		
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)	Change
Cash flows from operating activities	\$ 1,155	\$ 1,574	\$ (419)
Less: Cash flows from operating activities from discontinued operations	12	56	(44)
Cash flows from operating activities from continuing operations	1,143	1,518	(375)
Less: Interest paid	173	180	(7)
Capital Investments	487	581	(94)
Lease payments, net	202	191	11
Free cash flow ⁽¹⁾ from continuing operations	\$ 281	\$ 566	\$ (285)

The year-over-year decrease in free cash flow⁽¹⁾ from continuing operations in the fourth quarter of 2021 was \$285 million, primarily due to an increase in credit card receivables from the rise in customer spending and higher income taxes paid, partially offset by lower capital expenditures.

Management's Discussion and Analysis

5. Fourth Quarter Results of Reportable Operating Segments

The following discussion provides details of the 2021 fourth quarter results of operations of each of the Company's reportable operating segments.

5.1 Loblaw Fourth Quarter Operating Results

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended		\$ Change	% Change
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽³⁾ (13 weeks)		
Revenue	\$ 12,757	\$ 13,286	\$ (529)	(4.0)%
Operating income	\$ 703	\$ 700	\$ 3	0.4%
Adjusted EBITDA ⁽¹⁾	\$ 1,322	\$ 1,311	\$ 11	0.8%
Adjusted EBITDA margin ⁽¹⁾	10.4%	9.9%		
Depreciation and amortization ⁽ⁱ⁾	\$ 623	\$ 609	\$ 14	2.3%

(i) Depreciation and amortization includes \$117 million (2020 - \$117 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Unless otherwise indicated, Loblaw's operating results include the 53rd week in 2020.

REVENUE Loblaw revenue in the fourth quarter of 2021 was \$12,757 million, a decrease of \$529 million, or 4.0%, compared to the fourth quarter of 2020. The decrease was primarily driven by a decrease in retail sales, partially offset by an improvement in financial services revenue.

Retail sales were \$12,486 million, a decrease of \$557 million, or 4.3%, compared to the fourth quarter of 2020, which included the negative impact of the 53rd week in 2020 of \$878 million.

- food retail sales were \$8,742 million (2020 - \$9,302 million) and food retail same-store sales growth was 1.1% (2020 - 8.6%) for the quarter. Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. The two year food retail sales CAGR was 4.8%. On a comparable week basis, food retail basket size decreased and traffic increased in the quarter;
- the CPI as measured by The Consumer Price Index for Food Purchased from Stores was 4.8% (2020 - 1.5%), which was slightly lower than Loblaw's internal food inflation; and
- drug retail sales of \$3,744 million (2020 - \$3,741 million) and drug retail same-store sales growth was 7.9% (2020 - 3.7%) for the quarter. Pharmacy same-store sales growth benefited from strong sales in pharmacy related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021. The two year drug retail sales CAGR was 5.5%. Pharmacy same-store sales growth was 10.2% (2020 - 5.0%) and front store same-store sales growth was 6.1% (2020 - 2.8%).

In 2021, 23 food and drug stores were opened and 24 food and drug stores were closed, resulting in a net increase in retail square footage of 0.2 million square feet, or 0.3%.

Financial services revenue in the fourth quarter of 2021 increased by \$40 million compared to the fourth quarter of 2020 mainly due to higher interchange income from an increase in customer spending and higher sales attributable to *The Mobile Shop*.

OPERATING INCOME Loblaw operating income in the fourth quarter of 2021 was \$703 million, an increase of \$3 million compared to the fourth quarter of 2020, which was negatively impacted by \$67 million due to the 53rd week in 2020. The increase in operating income was driven by the favourable year-over-year net impact of adjusting items totaling \$6 million, partially offset by a decline in underlying operating performance of \$3 million, as described below:

- the favourable year-over-year net impact of adjusting items totaling \$6 million was primarily due to the following:
 - the favourable year-over-year impact of restructuring and other related costs of \$16 million; and
 - the favourable year-over-year impact of the fair value adjustment on non-operating properties of \$11 million; partially offset by,
 - the unfavourable year-over-year impact of the fair value adjustment of derivatives of \$13 million; and
 - the unfavourable year-over-year impact in net gain on sale of non-operating properties of \$8 million.

partially offset by,

- an overall decline in the underlying operating performance of retail primarily driven by the 53rd week in 2020. This was partially offset by improvements in financial services.

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the fourth quarter of 2021 was \$1,322 million. When compared to the fourth quarter of 2020, this represented an increase of \$11 million, or 0.8%, which was negatively impacted by \$67 million due to the 53rd week in 2020. The increase in adjusted EBITDA⁽¹⁾ was primarily due to an improvement in financial services of \$18 million, partially offset by a decline in retail of \$7 million.

Financial services adjusted EBITDA⁽¹⁾ increased by \$18 million compared to the fourth quarter of 2020, primarily driven by higher revenue as described above, the reversal of commodity taxes that were accrued in the amount of \$27 million, lower contractual charge-off and lower funding costs. This was partially offset by higher loyalty program costs and operating costs.

Retail adjusted EBITDA⁽¹⁾ in the fourth quarter of 2021 decreased by \$7 million, which included the negative impact of the 53rd week in 2020 of \$67 million. The decrease was driven by an increase in retail SG&A of \$34 million, partially offset by an increase in retail gross profit of \$27 million.

- retail SG&A as a percentage of sales was 20.9%, an increase of 110 basis points compared to the fourth quarter of 2020. The unfavourable increase of 110 basis points was primarily driven by higher expenses related to the normalization of post-lockdown operating conditions, corporate costs including network optimization costs and higher costs incurred in drug retail from providing pharmacy related services, partially offset by a reduction in COVID-19 costs.
- retail gross profit percentage of 30.9% increased by 150 basis points compared to the fourth quarter of 2020, from favourable changes in sales mix in both food and drug retail and improved business initiatives.

Loblaw adjusted EBITDA⁽¹⁾ included no impact in the fourth quarter of 2021 and 2020 related to the sale and leaseback of properties to Choice Properties.

DEPRECIATION AND AMORTIZATION Loblaw's depreciation and amortization in the fourth quarter of 2021 was \$623 million, an increase of \$14 million compared to the fourth quarter of 2020. The increase in depreciation and amortization in the fourth quarter of 2021 was primarily driven by an increase in depreciation of IT and leased assets and an increase in depreciation in financial services due to the launch of the *PC Money* Account.

Depreciation and amortization in the fourth quarter of 2021 included \$117 million (2020 – \$117 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart.

CONSOLIDATION OF FRANCHISES Loblaw recorded a net loss attributable to non-controlling interests of \$28 million in the fourth quarter of 2021. When compared to the fourth quarter of 2020, this represented a decrease of \$74 million or 160.9%. Loblaw's franchisee earnings are impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements.

LOBLAW OTHER BUSINESS MATTERS

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

Management's Discussion and Analysis

5.2 Choice Properties Fourth Quarter Operating Results

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended		\$ Change	% Change
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 (12 weeks)		
Revenue	\$ 325	\$ 322	\$ 3	0.9%
Net interest expense and other financing charges ⁽ⁱ⁾	\$ 499	\$ 217	\$ 282	130.0%
Net (loss) income	\$ (162)	\$ 117	\$ (279)	(238.5)%
Funds from Operations ⁽¹⁾	\$ 175	\$ 172	\$ 3	1.7%

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

REVENUE Revenue in the fourth quarter of 2021 was \$325 million, an increase of \$3 million, or 0.9%, compared to the fourth quarter of 2020, and included \$183 million (2020 - \$180 million) generated from tenants within Loblaw retail. The increase in revenue was primarily driven by increased occupancy in the industrial portfolio, partially offset by vacancies in the office portfolio.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES Net interest expense and other financing charges in the fourth quarter of 2021 were \$499 million compared to \$217 million in the fourth quarter of 2020. The increase of \$282 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on Exchangeable Units of \$285 million.

NET (LOSS) INCOME Net loss in the fourth quarter of 2021 was \$162 million, compared to net income of \$117 million in the fourth quarter of 2020. The decrease of \$279 million was primarily driven by higher interest expense and other financing charges as described above.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in the fourth quarter of 2021 was \$175 million, an increase of \$3 million compared to the fourth quarter of 2020, primarily driven by an increase in rental revenue as described above, a decline in expected credit loss provisions and the reversal of an expected credit loss on a specific mortgage receivable, partially offset by fees incurred on the early repayment of a debenture.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

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

6. Disclosure Controls and Procedures

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

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109") the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2021.

7. Internal Control Over Financial Reporting

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

As required by NI 52-109, the Chairman and CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control - Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2021.

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

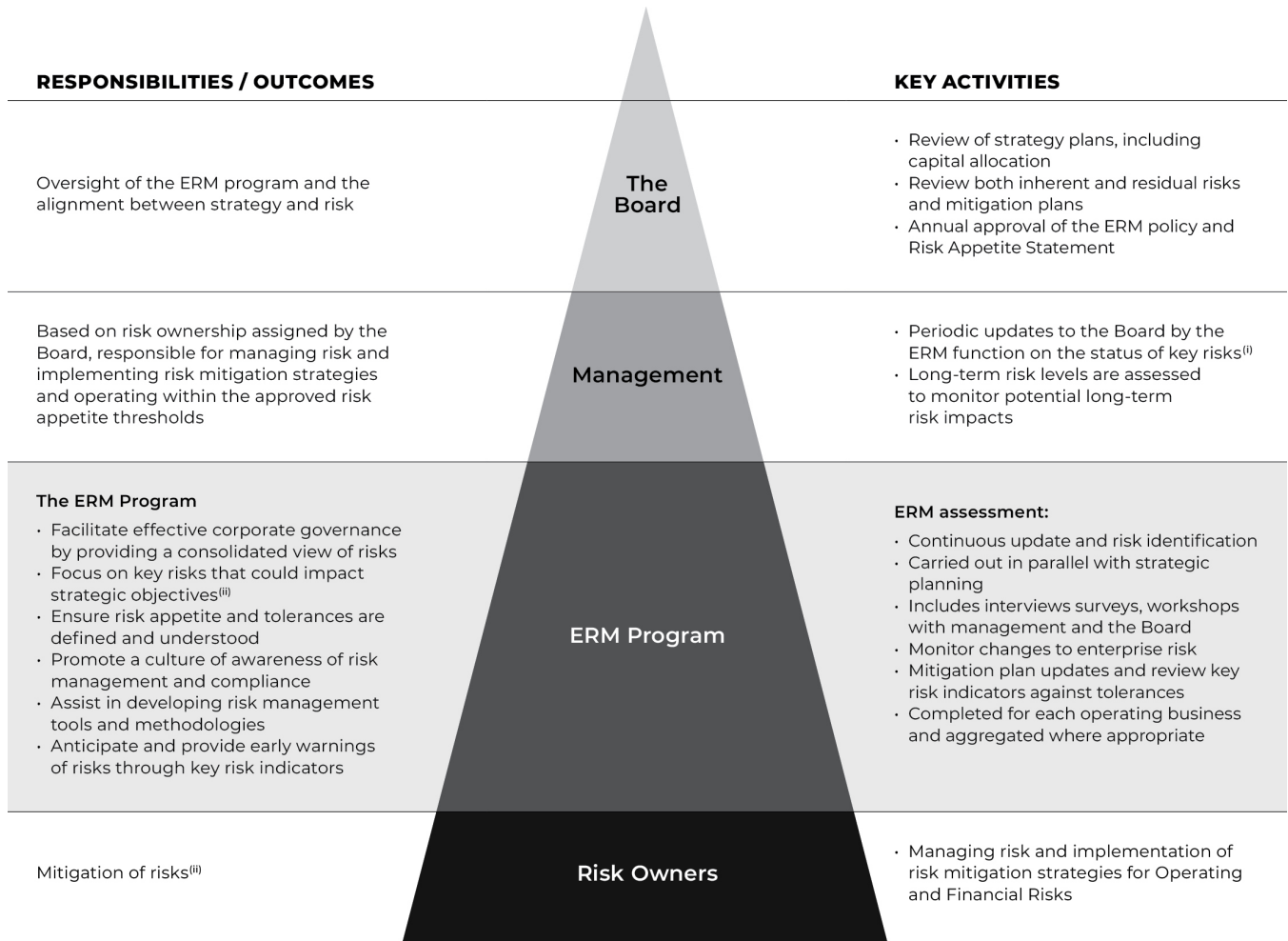
CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING There were no changes in the Company's internal controls over financial reporting in 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management’s Discussion and Analysis

8. Enterprise Risks and Risk Management

The Company is committed to maintaining a framework that ensures risk management is an integral part of its activities. The Company’s Enterprise Risk Management (“ERM”) program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk mitigation activities and develop a risk-based internal audit plan.

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



- (i) Risks are assessed and evaluated based on the Company’s vulnerability to the risk and the potential impact that the underlying risks would have on the Company’s ability to execute on its strategies and achieve its objectives.
- (ii) Any of the key risks have the potential to negatively affect the Company and its financial performance. The Company has risk management strategies in place for key risks. However, there can be no assurance that the risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Company.

8.1 COVID-19 Risks and Risk Management

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Since the onset of the pandemic, the Company and its operating segments have taken and will continue to take actions to mitigate the effects of COVID-19 on day-to-day business operations, with the best interests of its employees, customers, tenants, suppliers and other stakeholders at the crux of every decision.

The duration and full impact of the COVID-19 pandemic remains unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the future financial results and operations of the Company. The Company continues to closely monitor the situation as it continues to evolve and may take further actions in response to directives of government and public health authorities or that the Company believes are in the best interests of its colleagues, customers, suppliers or other stakeholders, as necessary.

Loblaw remains committed to keeping its grocery stores and pharmacies, including its Shoppers Drug Mart locations, open and stocked, all while ensuring appropriate measures are in place to protect the health and safety of its frontline colleagues and customers. A dedicated COVID-19 response team established by its management in the early stages of the pandemic continues to coordinate Loblaw's response. Loblaw also remains dedicated to promoting the health of the communities in which it operates and has played an important role in administering COVID-19 testing and vaccinations in Canada.

Choice Properties introduced several protocols to protect its employees, tenants and guests including mandating that employees work from home to the full extent possible, increasing sanitation and health and safety measures at its properties and restricting access to its office buildings. Choice Properties established a COVID-19 response team to coordinate critical aspects of crisis management and continues to actively execute its pandemic plan to ensure business continuity while safeguarding the well-being of its employees, tenants, and guests. As the pandemic evolves, Choice Properties continues to support its tenants and employees. Choice Properties implemented additional safety measures at all of its properties, including increased frequency in cleaning and disinfecting as well as physical distancing practices and offering COVID-19 testing at certain of its properties.

The COVID-19 pandemic has influenced and may continue to influence several of the risk factors set out in the "Operating Risks and Risk Management" and "Financial Risks and Risk Management" sections below and in the AIF. Changes in the Company's operations in response to COVID-19 could materially impact financial results and may include temporary closures of facilities, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on supply chains and distribution channels, temporary or long-term restrictions on cross-border commerce and travel including mandatory quarantine periods, greater currency volatility, and increased risks to IT systems, networks and digital services. In addition, the COVID-19 pandemic has changed consumer behaviours and accelerated the advancement of disruptive technologies and has resulted in a significant increase in e-commerce competition. The Company's inability to keep up with the pace of such behavioural changes or technological advancements or with its competitors could adversely affect the Company's operations or financial performance. The Company's performance may also be affected by the availability and efficacy of vaccines, including booster shots, and the effectiveness of plans to administer those vaccines across the country.

The continuing spread of COVID-19 has caused economic uncertainty and increased volatility in financial markets. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may adversely affect the performance of the Company.

Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, adversely impact operations and the financial performance of the Company, including by adversely impacting demand for certain of the Company's products and services and/or the debt and equity markets. Governmental interventions aimed at containing COVID-19 could also impact the Company's available workforce, its supply chain and distribution channels, the products and services it is able to offer and/or its ability to engage in cross-border commerce.

Management's Discussion and Analysis

8.2 Operating Risks and Risk Management

OPERATING RISKS The following risks are a subset of the key risks identified through the ERM program. They should be read in conjunction with the full set of risks inherent in the Company's business, as included in the Company's Annual Information Form ("AIF") for the year ended December 31, 2021, which is hereby incorporated by reference:

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

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

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

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

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

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

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

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

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

EMPLOYEE ATTRACTION, DEVELOPMENT AND SUCCESSION PLANNING The Company's operations and continued growth are dependent on its ability to hire, retain and develop its leaders and other key personnel, including those with scarce and/or specialized skill sets. Any failure to effectively attract and retain talented and experienced colleagues and to establish adequate succession planning and retention strategies could result in a lack of requisite knowledge, skill and experience. This could erode the Company's competitive position or result in increased costs, competition for or high turn-over of colleagues. Any of the foregoing could negatively affect the Company's ability to operate its businesses and execute its strategies, which in turn, could adversely affect the Company's reputation, operations or financial performance.

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

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

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

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

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

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

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

LEGAL PROCEEDINGS In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve suppliers, customers, patients, Associates, franchisees, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain.

Shoppers Drug Mart has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of \$500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. The Superior Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. Loblaw believes this claim is without merit and is vigorously defending it. Loblaw does not currently have any significant accruals or provisions for this matter recorded in the consolidated financial statements.

In 2017, the Company and Loblaw announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Loblaw as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its or Loblaw's dividend, dividend policy or share buyback plans. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2021 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company and Loblaw will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated

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and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Loblaw will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and Loblaw. The allegations in the Ontario, Quebec and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, Loblaw, Shoppers Drug Mart Inc., and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, Loblaw, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

Loblaw had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court granted the Crown leave to appeal. On May 13, 2021, the Crown's appeal was heard by the Supreme Court and on December 3, 2021, the Supreme Court dismissed the Crown's appeal. As a result, Loblaw has reversed \$301 million of previously recorded charges, of which \$173 million is recorded as interest income and \$128 million is recorded as income tax recovery.

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

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

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

PROPERTY DEVELOPMENT AND CONSTRUCTION Choice Properties engages in development, redevelopment and major renovation activities with respect to certain properties. It is subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or availability at all; (b) the availability and timely receipt of zoning, occupancy, land use and other regulatory and governmental approvals; (c) changes in zoning and land use laws; (d) the ability to achieve an acceptable level of occupancy upon completion; (e) the potential that Choice Properties may fail to recover expenses already incurred if it

abandons redevelopment opportunities after commencing to explore them; (f) the potential that Choice Properties may expend funds on and devote management time to projects which are not completed; (g) construction or redevelopment costs of a project, including rising construction costs and development charges and shortages of experienced labour in certain construction related trades, may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (h) the time required to complete the construction or redevelopment of a project or to lease-up the completed project may be greater than originally anticipated, thereby adversely affecting Choice Properties' cash flows and liquidity; (i) the cost and timely completion of construction (including risks beyond Choice Properties' control, such as weather, labour conditions or material shortages); (j) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) Choice Properties' ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund Choice Properties' development activities on favourable terms or availability at all.

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

ENVIRONMENTAL AND SOCIAL The Company and its operating segments are committed to creating positive environmental and social change by focusing on issues that matter most to the Company's customers, employees, communities and other stakeholders, with a particular focus on combatting climate change and advancing social equity. Any failure or perceived failure to advance the environmental and social priorities of the Company or its stakeholders may negatively affect the Company's reputation, operations or financial performance.

Environmental

The Company and its operating segments face environmental risks that could, directly or indirectly, negatively impact the Company's reputation, operations or performance over the short or long-term.

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

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

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

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Social

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

ECONOMIC CONDITIONS The Company's revenue and profitability are impacted by consumer discretionary spending which is influenced by general economic conditions. These economic conditions could include high levels of unemployment and household debt, political uncertainty, fuel and energy costs, the impact of natural disasters or acts of terrorism, pandemics, changes in interest rates, inflation, tax, exchange rates and access to consumer credit. A number of these conditions could impact consumer spending and, as a result, payment patterns could deteriorate or remain unpredictable due to global, national, regional or local economic volatility. Uncertain economic conditions may adversely impact demand for the Company's products and services which could adversely affect the Company's operations or financial performance.

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

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

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

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

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

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

FRANCHISEE RELATIONSHIPS Loblaw has entered into agreements with third party franchisees that permit the franchisees to own and operate retail stores in accordance with prescribed procedures and standards. A substantial portion of Loblaw's revenues and earnings comes from amounts paid by franchisees in connection with their store operations and leased property. Franchisees are independent operators and their operations may be negatively affected by factors beyond Loblaw's control. If franchisees do not operate their stores in accordance with Loblaw's standards or otherwise in accordance with good business

practices, franchisee fees and rent paid to Loblaw could be negatively affected, which in turn could adversely affect the Company's reputation, operations or financial performance. In addition, the Company's reputation could be harmed if a significant number of franchisees were to experience operational failures, health and safety exposures or were unable to pay Loblaw for products, fees or rent.

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

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

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

CHANGE MANAGEMENT, PROCESS AND EFFICIENCY Many initiatives are underway to reduce the complexity and cost of the Company's business operations, ensuring a low cost operating structure that allows for continued investments in the Company's strategic growth areas. These efforts include initiatives focused on improving processes and generating efficiencies across the Company's administrative, store, and distribution network infrastructures, and other organizational changes.

The success of these initiatives is dependent on effective leadership and realizing intended benefits. Ineffective change management could result in a lack of integrated processes and procedures, unclear accountabilities and decision-making rights, decreased colleague engagement, ineffective communication and training or a lack of requisite knowledge. Any of the foregoing could disrupt operations, increase the risk of customer dissatisfaction, adversely affect the Company's reputation or financial performance or adversely affect the ability of the Company to implement and achieve its long-term strategic objectives.

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

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

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

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

REGULATORY COMPLIANCE The Company is subject to a wide variety of laws, regulations and orders across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, pharmacy, food safety, intellectual property, privacy, environmental and other matters.

The Company is subject to taxation by various taxation authorities in Canada and a number of foreign jurisdictions. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, minimum wage laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, pharmaceuticals, and general merchandise products, could adversely affect the operations, financial condition or performance of the Company.

Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business.

The Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

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

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

8.3 Financial Risks and Risk Management

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

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

Liquidity	Trust Unit Prices
Commodity Prices	Interest Rates
Foreign Currency Exchange Rates	Credit Rating
Credit	

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

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

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

FOREIGN CURRENCY EXCHANGE RATES The Company's consolidated financial statements are expressed in Canadian dollars, however, a portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars through its foreign subsidiaries with a functional currency that is the same as that of the Company. The U.S. dollar denominated net assets are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, the Company is exposed to foreign currency translation gains and losses. Those gains and losses arising from the translation of the U.S. dollar denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss).

Loblaw is exposed to fluctuations in the prices of U.S. dollar denominated purchases as a result of changes in U.S. dollar exchange rates. A depreciating Canadian dollar relative to the U.S. dollar will negatively impact operating income and net earnings, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. Loblaw entered into derivative instruments in the form of futures contracts and forward contracts to manage its current and anticipated exposure to fluctuations in U.S. dollar exchange rates.

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

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

9. Related Party Transactions

Galen G. Weston beneficially owns or controls, directly and indirectly, through Wittington Investments, Limited ("Wittington"), a total of 78,650,662 of GWL's common shares, representing approximately 53.6% of GWL's outstanding common shares (2020 - 51.6%).

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

In 2021, the Company made nominal rental payments to Wittington (2020 - \$3 million). As at year end 2021 and 2020, there were no rental payments outstanding.

In 2021, inventory purchases from Associated British Foods plc, a related party by virtue of a common director of such entity's parent company and GWL's parent company, amounted to \$42 million (2020 - \$51 million). As at year end 2021, \$1 million (2020 - \$3 million) was included in trade payables and other liabilities relating to these inventory purchases.

TRANSACTION BETWEEN CHOICE PROPERTIES AND WITTINGTON In 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a subsidiary of Wittington, for an aggregate purchase price of \$209 million, excluding transaction costs, which was satisfied in full by the issuance of 16.5 million Trust Units of Choice Properties.

The assets acquired included: (i) the Weston Centre, an office and retail property in Toronto, Ontario for \$129 million and (ii) the remaining 60% interest in a joint venture between Choice Properties and Wittington Properties Limited for \$80 million, less a cost-to-complete receivable of \$16 million, giving Choice Properties 100% ownership of the joint venture.

Weston Centre The Company had multiple lease arrangements with Wittington, in addition to existing leases with Choice Properties at the Weston Centre. Upon acquisition of the property, in 2020, the Company recognized a gain of \$6 million in operating income from the derecognition of its net impact of lease obligations and right-of-use assets associated with the property and ceased paying rents to Wittington. Due to continued tenancy on the property through its group of companies, in 2020, \$51 million was recorded in fixed assets as own-use property and \$78 million was recorded in investment properties.

Operating Lease Choice Properties entered into a ten-year lease for office space with Wittington that commenced in 2014. Lease payments totaled \$3 million over the term of the lease. As of the acquisition date, Choice Properties de-recognized its right-of-use assets and lease liabilities with the office lease and ceased paying rents to Wittington.

Joint Venture In 2014, a joint venture, partnership known as West Block between Choice Properties and Wittington Properties Limited, completed the acquisition of a parcel of land located on 500 Lakeshore Boulevard West in Toronto, Ontario from Loblaw. Choice Properties used the equity method of accounting to record its 40% interest in the joint venture.

During the second quarter of 2020, Loblaw recognized \$65 million of right-of-use assets and lease liabilities related to the leases of retail stores and a corporate office with the joint venture.

During the third quarter of 2020, Choice Properties acquired the remaining 60% interest of the joint venture, after which the investment was accounted for on a consolidated basis. As a result of the increase in ownership, in 2020 the Company recorded a \$5 million fair value loss before income taxes in other comprehensive income, and a gain of \$4 million in operating income from the derecognition of its net impact of lease obligations and right-of-use assets associated with the property and ceased paying rents to Wittington. Due to continued tenancy on the property through its group of companies, in 2020 \$95 million was recorded in fixed assets as own-use property and \$13 million was recorded in investment properties. Wittington continued to act as the development and construction manager for the commercial space until development was completed.

Management's Discussion and Analysis

VENTURE FUND During the second quarter of 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund"). A wholly-owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in the Fund. The Company participates in the Fund's Investment Committee which, among other items, approves the initial investments. The Company uses the equity method of accounting to record its consolidated 66% interest in the Venture Fund. The Company has a consolidated capital commitment of \$66 million over a 10-year period. To date, on a consolidated basis, the Company invested \$31 million in the Venture Fund, of which \$18 million (2020 - \$13 million) was invested in 2021, which was recorded in other assets.

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

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

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

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

(\$ millions)	2021 (52 weeks)	2020 (53 weeks)
Salaries, director fees and other short-term employee benefits	\$ 14	\$ 12
Equity-based compensation	12	11
Total compensation	\$ 26	\$ 23

10. Critical Accounting Estimates and Judgments

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

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

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

BASIS OF CONSOLIDATION

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

INVENTORIES

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

IMPAIRMENT OF NON-FINANCIAL ASSETS (GOODWILL, INTANGIBLE ASSETS, FIXED ASSETS AND RIGHT-OF-USE ASSETS)

Judgments Made in Relation to Accounting Policies Applied Management is required to use judgment in determining the grouping of assets to identify their cash generating units ("CGU") for the purposes of testing fixed assets and right-of-use assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. The Company has determined that each retail location is a separate CGU for the purposes of fixed asset and right-of-use asset impairment testing. For the purpose of goodwill and indefinite life intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and indefinite life intangible assets are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key Sources of Estimation In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, recoverable operating costs for leases with tenants, non-recoverable operating costs, future cash flows, discount rates, capitalization rates and terminal rates. The Company determines value in use by using estimates including projected future revenues, earnings and capital investments consistent with approved strategic plans, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

CUSTOMER LOYALTY AWARDS PROGRAMS

Key Sources of Estimation Loblaw defers revenue at the time the award is earned by members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the PC Optimum® program is determined based on the program reward schedule and is \$1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members.

Management's Discussion and Analysis

IMPAIRMENT OF CREDIT CARD RECEIVABLES

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

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

FAIR VALUE OF INCOME PRODUCING PROPERTIES

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

INCOME AND OTHER TAXES

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results and the timing and reversal of temporary differences.

PROVISIONS

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

LEASES

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

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

11. Accounting Standards

The following new amendment was issued and adopted in 2021: Interest Rate Benchmark Reform-Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16:

Interbank Offered Rates (“IBORs”) reform is the market-wide reform of interest rate benchmarks in which some IBORs are replaced with alternative risk-free rates. The replacement is expected to be mostly complete by the end of 2021. Consistent with global efforts, in Canada, benchmark reform initiatives are being led by the Canadian Alternative Reference Rate Committee (“CARR”), a group of financial sector firms and public sector institutions. CARR is tasked with promoting the use of the Canadian Overnight Repo Rate Average as a key risk-free interest rate benchmark as well as analyzing the current status of the Canadian Dollar Offered Rate (“CDOR”). As of May 17, 2021, the 6-month and 12-month CDOR tenors were discontinued on account of their minimal use. The 1-month, 2-month and 3-month CDOR tenors will continue to be published, though their relevance may decline or may ultimately be discontinued as well.

To address the impact IBOR reform has on financial reporting, in August 2020, the International Accounting Standards Board issued Interest Rate Benchmark Reform-Phase 2, which amends IFRS 9, “Financial Instruments”, IAS 39, “Financial Instruments: Recognition and Measurement”, IFRS 7, “Financial Instruments: Disclosures”, IFRS 4, “Insurance Contracts” (“IFRS 4”) and IFRS 16, “Leases”. These amendments became effective for annual periods beginning on or after January 1, 2021.

Phase 2 amendments provide certain practical reliefs related to modifications of financial asset or liability and lease contracts:

- As a practical expedient, if the basis for determining the contractual cash flows of a financial asset or liability changes as a direct consequence of the IBOR reform and on an economically equivalent basis, the financial asset or liability shall be remeasured reflecting the updated effective interest rate prospectively with no immediate gain or loss recognized.
- As a practical expedient, the lessee can account for a lease modification that is required by the IBOR reform through revising the discount rate that reflects the change in interest rate and remeasure the lease liability prospectively with no immediate gain or loss recognized. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Additionally, phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by the IBOR reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption.

The Company assessed the impacts of the IBOR reform on its financial instruments, leases, insurance contracts and hedges, and noted only certain financial instruments and the interest rate swap hedge are directly or indirectly dependent on the 1-month or 3-month CDOR tenors. As a result, the Company is not immediately impacted by the IBOR reform. The Company will continue to monitor future developments of CDOR and other applicable interest rate benchmarks, and will elect the practical reliefs relating to financial instruments, leases, insurances and hedges when applicable.

The following accounting policy related to discontinued operations was applied during the third quarter of 2021:

A discontinued operation is a component of the Company’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographic areas of operations; or is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale or distribution.

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

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

Management's Discussion and Analysis

12. Future Accounting Standard

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

13. Outlook⁽⁵⁾

For 2022, the Company expects adjusted net earnings⁽¹⁾ from continuing operations to increase due to the results from its operating segments, and to use excess cash to repurchase shares.

Loblaw Loblaw will continue to execute on retail excellence in its core grocery, pharmacy and apparel businesses while advancing its growth initiatives in 2022. In the third year of the pandemic, Loblaw's businesses remain well placed to service the everyday needs of Canadians. However, Loblaw cannot predict the precise impacts of COVID-19 and the current industry volatility on its 2022 financial results. Loblaw anticipates that in the first half of 2022 sales will benefit from the continued impact of the pandemic and elevated industry-wide inflation. As economies reopen and Loblaw starts to lap elevated 2021 inflationary prices and COVID-related drug pharmacy services, year on year revenue growth will be more challenged.

Loblaw expects:

- its retail business to grow earnings faster than sales;
- Earnings Per Share growth in the low double digits, with higher growth in the first half of the year;
- to invest approximately \$1.4 billion in capital expenditures, net of proceeds from property disposals, reflecting incremental store and distribution network investments; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Choice Properties Choice Properties' goal is to provide net asset value appreciation, stable net operating income growth and capital preservation, all with a long-term focus.

Although there remains uncertainty about the long-term impacts of the COVID-19 pandemic, Choice Properties is confident that its business model, stable tenant base, and disciplined approach to financial management will continue to position it well. At the end of 2021, Choice Properties' diversified portfolio of retail, industrial, residential and office properties was 97.1% occupied and leased to high-quality tenants across Canada. Choice Properties' portfolio is primarily leased to necessity-based tenants, and logistics providers, who continue to perform well in this environment and provide stability to Choice Properties' overall portfolio. The stability is evident in Choice Properties' financial results and rent collections, which were approximately 99% of contractual rents for the year. Despite the unpredictable re-opening of the economy, Choice Properties is encouraged by high vaccination rates and anticipate the further lifting of re-opening measures.

Choice Properties continues to advance its development program, which provides Choice Properties with the best opportunity to add high-quality real estate to its portfolio at a reasonable cost and drive net asset value appreciation over time. Choice Properties has a mix of active development projects ranging in size, scale, and complexity, including retail intensification projects, industrial development and rental residential projects located in urban markets with a focus on transit accessibility.

Underpinning all aspects of Choice Properties' business model is a strong balance sheet and a disciplined approach to financial management. Choice Properties takes a conservative approach to leverage and financing risk by maintaining strong leverage ratios and a staggered debt maturity profile.

14. Non-GAAP Financial Measures

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

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

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

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

Management's Discussion and Analysis

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

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

(unaudited) (\$ millions)	Quarters Ended							
	Dec. 31, 2021 (12 weeks)				Dec. 31, 2020 ^(3,4) (13 weeks)			
	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Other & Intersegment	Consolidated
Net earnings attributable to shareholders of the Company from continuing operations				\$ 428				\$ 274
Add impact of the following:								
Non-controlling interests				327				214
Income taxes				64				137
Net interest expense and other financing charges				190				244
Operating income	\$ 703	\$ 336	\$ (30)	\$ 1,009	\$ 700	\$ 332	\$ (163)	\$ 869
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 117	\$ –	\$ –	\$ 117	\$ 117	\$ –	\$ –	\$ 117
Fair value adjustment on investment properties	–	(107)	20	(87)	–	(103)	100	(3)
Gain on sale of non-operating properties	–	–	(2)	(2)	(8)	–	–	(8)
Fair value adjustment of derivatives	6	–	–	6	(7)	–	–	(7)
Fair value adjustment on non-operating properties	(2)	–	–	(2)	9	–	–	9
Restructuring and other related costs	(8)	–	–	(8)	8	–	–	8
Foreign currency translation and other company level activities	–	–	–	–	–	(4)	–	(4)
Adjusting items	\$ 113	\$ (107)	\$ 18	\$ 24	\$ 119	\$ (107)	\$ 100	\$ 112
Adjusted operating income	\$ 816	\$ 229	\$ (12)	\$ 1,033	\$ 819	\$ 225	\$ (63)	\$ 981
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	506	–	(86)	420	492	1	(78)	415
Adjusted EBITDA	\$ 1,322	\$ 229	\$ (98)	\$ 1,453	\$ 1,311	\$ 226	\$ (141)	\$ 1,396

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$117 million (2020 – \$117 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw.

(unaudited) (\$ millions)	Years Ended							
	Dec. 31, 2021 (52 weeks)				Dec. 31, 2020 ^(3,4) (53 weeks)			
	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Other & Intersegment	Consolidated
Net earnings attributable to shareholders of the Company from continuing operations				\$ 753				\$ 957
Add impact of the following:								
Non-controlling interests				994				619
Income taxes				630				470
Net interest expense and other financing charges				1,650				829
Operating income	\$ 2,929	\$ 1,400	\$ (302)	\$ 4,027	\$ 2,357	\$ 622	\$ (104)	\$ 2,875
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 506	\$ –	\$ –	\$ 506	\$ 509	\$ –	\$ –	\$ 509
Fair value adjustment on investment properties	–	(500)	177	(323)	–	257	(72)	185
Gain on sale of non-operating properties	(12)	–	(2)	(14)	(9)	–	–	(9)
Fair value adjustment of derivatives	(13)	–	–	(13)	5	–	–	5
Fair value adjustment on non-operating properties	(2)	–	–	(2)	9	–	–	9
Restructuring and other related costs	13	–	–	13	38	–	–	38
Acquisition transaction costs and other related costs	–	–	–	–	–	2	–	2
Foreign currency translation and other company level activities	–	–	–	–	–	(5)	2	(3)
Adjusting items	\$ 492	\$ (500)	\$ 175	\$ 167	\$ 552	\$ 254	\$ (70)	\$ 736
Adjusted operating income	\$ 3,421	\$ 900	\$ (127)	\$ 4,194	\$ 2,909	\$ 876	\$ (174)	\$ 3,611
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	2,158	3	(360)	1,801	2,087	3	(345)	1,745
Adjusted EBITDA	\$ 5,579	\$ 903	\$ (487)	\$ 5,995	\$ 4,996	\$ 879	\$ (519)	\$ 5,356

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$506 million (2020 – \$509 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw.

The following items impacted adjusted EBITDA in 2021 and 2020:

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

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

Gain on sale of non-operating properties In 2021, Loblaw recorded a gain related to the sale of non-operating properties of \$12 million. In 2020, Loblaw disposed of non-operating properties to a third party and recorded a gain of \$9 million related to the sale.

Management's Discussion and Analysis

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

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

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

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

In the fourth quarter of 2021, Loblaw recovered approximately \$8 million of restructuring and other related recoveries related to the previously announced closure of two distribution centres in Laval and Ottawa. The recovery is due to a true-up in estimate of restructuring charges. The year-to-date restructuring and other related charges were \$13 million. Loblaw is investing to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec. Volumes from the distribution centres in Laval will be transferred to Cornwall and Loblaw expects to incur additional restructuring costs in 2022 related to these closures.

Acquisition transaction costs and other related costs Choice Properties recorded transaction and other related costs in connection with the acquisition of Canadian Real Estate Investment Trust.

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

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

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

(unaudited) (\$ millions)	Quarters Ended		Years Ended	
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 ⁽⁴⁾ (53 weeks)
Net interest expense and other financing charges	\$ 190	\$ 244	\$ 1,650	\$ 829
Add: Fair value adjustment of the Trust Unit liability	(122)	(20)	(601)	239
Fair value adjustment of the forward sale agreement for Loblaw common shares	(4)	61	(188)	47
Recovery related to Glenhuron	189	–	189	–
Adjusted net interest expense and other financing charges	\$ 253	\$ 285	\$ 1,050	\$ 1,115

In addition to certain items described in the "Adjusted EBITDA" section above, the following items impacted adjusted net interest expense and other financing charges in 2021 and 2020:

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

Fair value adjustment of the forward sale agreement for Loblaw common shares The fair value adjustment of the forward sale agreement for Loblaw common shares is included in net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw common shares. An increase (decrease) in the market price of Loblaw common shares results in a charge (income) to net interest expense and other financing charges. See Section 3.3, "Components of Total Debt", of this MD&A.

Recovery related to Glenhuron In the fourth quarter of 2021, Loblaw recorded a recovery of \$301 million related to the Supreme Court decision on Glenhuron. Of the total recovery, \$173 million was recorded in net interest and other financing charges and \$128 million was recorded in income taxes. In addition, interest of \$16 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

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

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

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended		Years Ended	
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ^(3,4) (13 weeks)	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 ^(3,4) (53 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 1,033	\$ 981	\$ 4,194	\$ 3,611
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	253	285	1,050	1,115
Adjusted earnings before taxes	\$ 780	\$ 696	\$ 3,144	\$ 2,496
Income taxes	\$ 64	\$ 137	\$ 630	\$ 470
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾				
Recovery related to Glenhuron	11	25	99	173
Remeasurement of deferred tax balances	128	–	128	–
Remeasurement of deferred tax balances	–	(2)	–	7
Outside basis difference in certain Loblaw shares	1	4	(6)	(2)
Adjusted income taxes	\$ 204	\$ 164	\$ 851	\$ 648
Effective tax rate applicable to earnings before taxes	7.8%	21.9%	26.5%	23.0%
Adjusted effective tax rate applicable to adjusted earnings before taxes	26.2%	23.6%	27.1%	26.0%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges above.

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

In addition to certain items described in the "Adjusted EBITDA" and "Adjusted Net Interest Expense and Other Financing Charges" sections above, the following items impacted adjusted income taxes and the adjusted effective tax rate in 2021 and 2020:

Recovery related to Glenhuron In the fourth quarter of 2021, Loblaw recorded a recovery of \$301 million related to the Supreme Court decision on Glenhuron. Of the total recovery, \$173 million was recorded in net interest and other financing charges and \$128 million was recorded in income taxes. In addition, interest of \$16 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

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Remeasurement of deferred tax balances In the third quarter of 2020, as a result of Choice Properties issuing Trust Units to a related party, the Company recorded a tax recovery of \$9 million related to the remeasurement of certain deferred income tax balances resulting from the dilution of its interest in Choice Properties. In the fourth quarter of 2020, as a result of Choice Properties issuing Class B partnership units to the Company, the Company recorded a tax expense of \$2 million related to the remeasurement of certain deferred income tax balances resulting from the change in its interest in Choice Properties.

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

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

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

(unaudited) (\$ millions except where otherwise indicated)	Quarters Ended		Years Ended	
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ^(3,4) (13 weeks)	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 ^(3,4) (53 weeks)
Net earnings attributable to shareholders of the Company	\$ 227	\$ 299	\$ 431	\$ 963
Less: Net (loss) earnings from discontinued operations	(201)	25	(322)	6
Net earnings attributable to shareholders of the Company from continuing operations	\$ 428	\$ 274	\$ 753	\$ 957
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)	(44)	(44)
Net earnings available to common shareholders of the Company from continuing operations	\$ 418	\$ 264	\$ 709	\$ 913
Less: Reduction in net earnings due to dilution at Loblaw	(5)	(1)	(9)	(4)
Net earnings available to common shareholders from continuing operations for diluted earnings per share	\$ 413	\$ 263	\$ 700	\$ 909
Net earnings attributable to shareholders of the Company from continuing operations	\$ 428	\$ 274	\$ 753	\$ 957
Adjusting items (refer to the following table)	(71)	4	523	80
Adjusted net earnings attributable to shareholders of the Company from continuing operations	\$ 357	\$ 278	\$ 1,276	\$ 1,037
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)	(44)	(44)
Adjusted net earnings available to common shareholders of the Company from continuing operations	\$ 347	\$ 268	\$ 1,232	\$ 993
Less: Reduction in net earnings due to dilution at Loblaw	(5)	(1)	(9)	(4)
Adjusted net earnings available to common shareholders for diluted earnings per share from continuing operations	\$ 342	\$ 267	\$ 1,223	\$ 989
Diluted weighted average common shares outstanding (in millions)	147.6	153.3	150.2	153.5

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

	Quarters Ended			
	Dec. 31, 2021 (12 weeks)		Dec. 31, 2020 ^(3,4) (13 weeks)	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Continuing Operations	\$ 418	\$ 2.80	\$ 264	\$ 1.72
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 47	\$ 0.31	\$ 45	\$ 0.29
Fair value adjustment on investment properties	(72)	(0.48)	(3)	(0.02)
Gain on sale of non-operating properties	(2)	(0.01)	(3)	(0.02)
Fair value adjustment of derivatives	1	0.01	(3)	(0.02)
Fair value adjustment on non-operating properties	–	–	4	0.03
Restructuring and other related costs	(4)	(0.03)	3	0.02
Fair value adjustment of the Trust Unit liability	122	0.83	20	0.13
Fair value adjustment of the forward sale agreement for Loblaw common shares	3	0.02	(53)	(0.34)
Outside basis difference in certain Loblaw shares	(1)	(0.01)	(4)	(0.03)
Remeasurement of deferred tax balances	–	–	2	0.01
Recovery related to Glenhuron	(165)	(1.12)	–	–
Foreign currency translation and other company level activities	–	–	(4)	(0.03)
Adjusting items Continuing Operations	\$ (71)	\$ (0.48)	\$ 4	\$ 0.02
Adjusted Continuing Operations	\$ 347	\$ 2.32	\$ 268	\$ 1.74

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

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	Years Ended			
	Dec. 31, 2021 (52 weeks)		Dec. 31, 2020 ^(3,4) (53 weeks)	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Continuing Operations	\$ 709	\$ 4.66	\$ 913	\$ 5.92
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 196	\$ 1.30	\$ 195	\$ 1.28
Fair value adjustment on investment properties	(270)	(1.80)	155	1.02
Gain on sale of non-operating properties	(7)	(0.04)	(4)	(0.03)
Fair value adjustment of derivatives	(6)	(0.04)	2	0.01
Fair value adjustment on non-operating properties	–	–	4	0.03
Restructuring and other related costs	5	0.03	14	0.09
Acquisition transaction costs and other related costs	–	–	2	0.01
Fair value adjustment of the Trust Unit liability	601	4.00	(239)	(1.56)
Fair value adjustment of the forward sale agreement for Loblaw common shares	163	1.09	(41)	(0.27)
Outside basis difference in certain Loblaw shares	6	0.04	2	0.01
Remeasurement of deferred tax balances	–	–	(7)	(0.05)
Recovery related to Glenhuron	(165)	(1.10)	–	–
Foreign currency translation and other company level activities	–	–	(3)	(0.02)
Adjusting items Continuing Operations	\$ 523	\$ 3.48	\$ 80	\$ 0.52
Adjusted Continuing Operations	\$ 1,232	\$ 8.14	\$ 993	\$ 6.44

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

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

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

(unaudited) (\$ millions)	Quarters Ended			Years Ended		
	Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 ⁽⁴⁾ (13 weeks)	\$ Change	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 ⁽⁴⁾ (53 weeks)	\$ Change
Cash flows from operating activities	\$ 1,155	\$ 1,574	\$ (419)	\$ 5,107	\$ 5,521	\$ (414)
Less: Cash flows from operating activities from discontinued operations	12	56	(44)	–	157	(157)
Cash flows from operating activities from continuing operations	\$ 1,143	\$ 1,518	\$ (375)	\$ 5,107	\$ 5,364	\$ (257)
Less: Interest paid	173	180	(7)	853	883	(30)
Capital Investments ⁽ⁱ⁾	487	581	(94)	1,381	1,496	(115)
Lease payments, net	202	191	11	795	844	(49)
Free cash flow from continuing operations	\$ 281	\$ 566	\$ (285)	\$ 2,078	\$ 2,141	\$ (63)

(i) During 2021, additions to fixed assets in Loblaw included \$1 million of prepayments that were made in 2020 and transferred from other assets. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of \$66 million.

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

Funds from operations is calculated in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019.

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

(unaudited) (\$ millions)	Quarters Ended		Years Ended	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Net (loss) income	\$ (162)	\$ 117	\$ 24	\$ 451
Add (deduct) impact of the following:				
Fair value adjustment on Exchangeable Units	372	87	863	(354)
Unit distributions on Exchangeable Units	73	73	293	289
Fair value adjustment on investment properties	(96)	(104)	(459)	220
Fair value adjustment on investment property held in equity accounted joint ventures	(13)	–	(43)	37
Internal expenses for leasing	3	2	8	7
Capitalized interest on equity accounted joint ventures	–	1	3	5
Acquisition transaction costs and other related costs	–	–	–	2
Amortization of intangible assets	–	–	1	1
Foreign exchange gain	–	–	–	(1)
Other fair value (losses) gains, net	(1)	(2)	1	(3)
Income taxes	(1)	(2)	(1)	(2)
Funds from Operations	\$ 175	\$ 172	\$ 690	\$ 652

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14.1 Non-GAAP Financial Measures - Selected Comparative Reconciliation

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

(unaudited) (\$ millions)	2021					2020 ⁽ⁱ⁾				2019 ⁽ⁱ⁾	
	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (13 weeks)	Total (53 weeks)	Total (52 weeks)
Net earnings (loss) attributable to shareholders of the Company from continuing operations	\$ (52)	\$ 125	\$ 252	\$ 428	\$ 753	\$ 590	\$ (210)	\$ 303	\$ 274	\$ 957	\$ 175
Add impact of the following:											
Non-controlling interests	\$ 170	\$ 236	\$ 261	\$ 327	\$ 994	\$ 151	\$ 73	\$ 181	\$ 214	\$ 619	\$ 581
Income taxes	\$ 165	\$ 201	\$ 200	\$ 64	\$ 630	\$ 112	\$ 64	\$ 157	\$ 137	\$ 470	\$ 417
Net interest expense and other financing charges	\$ 545	\$ 503	\$ 412	\$ 190	\$ 1,650	\$ (258)	\$ 520	\$ 323	\$ 244	\$ 829	\$ 1,702
Operating income	\$ 828	\$ 1,065	\$ 1,125	\$ 1,009	\$ 4,027	\$ 595	\$ 447	\$ 964	\$ 869	\$ 2,875	\$ 2,875
Add impact of the following:											
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 117	\$ 117	\$ 155	\$ 117	\$ 506	\$ 119	\$ 118	\$ 155	\$ 117	\$ 509	\$ 508
Fair value adjustment on investment properties	(46)	(149)	(41)	(87)	(323)	102	93	(7)	(3)	185	100
Gain on sale of non-operating properties	(3)	–	(9)	(2)	(14)	–	–	(1)	(8)	(9)	(12)
Fair value adjustment of derivatives	(8)	(3)	(8)	6	(13)	15	(3)	–	(7)	5	–
Fair value adjustment on non-operating properties	–	–	–	(2)	(2)	–	–	–	9	9	(7)
Restructuring and other related costs	4	8	9	(8)	13	15	9	6	8	38	10
Acquisition transaction costs and other related costs	–	–	–	–	–	2	–	–	–	2	9
Foreign currency translation and other company level activities	–	–	–	–	–	–	1	–	(4)	(3)	(3)
Adjusting items	\$ 64	\$ (27)	\$ 106	\$ 24	\$ 167	\$ 253	\$ 218	\$ 153	\$ 112	\$ 736	\$ 605
Adjusted operating income	\$ 892	\$ 1,038	\$ 1,231	\$ 1,033	\$ 4,194	\$ 848	\$ 665	\$ 1,117	\$ 981	\$ 3,611	\$ 3,480
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	\$ 408	\$ 424	\$ 549	\$ 420	\$ 1,801	\$ 398	\$ 405	\$ 527	\$ 415	\$ 1,745	\$ 1,665
Adjusted EBITDA	\$ 1,300	\$ 1,462	\$ 1,780	\$ 1,453	\$ 5,995	\$ 1,246	\$ 1,070	\$ 1,644	\$ 1,396	\$ 5,356	\$ 5,145

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

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

(unaudited) (\$ millions)	Dec. 31, 2021 (52 weeks)	Years Ended	
		Dec. 31, 2020 ⁽⁴⁾ (53 weeks)	Dec. 31, 2019 ⁽⁴⁾ (52 weeks)
Net interest expense and other financing charges	\$ 1,650	\$ 829	1,702
Add: Fair value adjustment of the Trust Unit liability	(601)	239	(550)
Fair value adjustment of the forward sale agreement for Loblaw common shares	(188)	47	(69)
Recovery related to Glenhuron	189	—	—
Choice Properties issuance costs	—	—	(14)
Adjusted net interest expense and other financing charges	\$ 1,050	\$ 1,115	\$ 1,069

Choice Properties issuance costs Choice Properties incurred issuance costs of \$14 million related to the offering of Trust Units in 2019.

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

(unaudited) (\$ millions except where otherwise indicated)	Dec. 31, 2021 (52 weeks)	Years Ended	
		Dec. 31, 2020 ^(3,4) (53 weeks)	Dec. 31, 2019 ^(3,4) (52 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 4,194	\$ 3,611	\$ 3,480
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	1,050	1,115	1,069
Adjusted earnings before taxes	\$ 3,144	\$ 2,496	\$ 2,411
Income taxes	\$ 630	\$ 470	\$ 417
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾	99	173	156
Recovery related to Glenhuron	128	—	—
Remeasurement of deferred tax balances	—	7	15
Outside basis difference in certain Loblaw shares	(6)	(2)	—
Adjusted income taxes	\$ 851	\$ 648	\$ 588
Effective tax rate applicable to earnings before taxes	26.5%	23.0%	35.5%
Adjusted effective tax rate applicable to adjusted earnings before taxes	27.1%	26.0%	24.4%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges above.

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

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The following tables reconcile adjusted net earnings available to common shareholders of the Company from continuing operations and adjusted diluted net earnings per common share from continuing operations to GAAP net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations as reported for the periods ended as indicated.

(unaudited) (\$ millions)	2021					2020 ^(3,4)					2019 ^(3,4)
	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (13 weeks)	Total (53 weeks)	Total (52 weeks)
Continuing Operations	\$ (62)	\$ 115	\$ 238	\$ 418	\$ 709	\$ 580	\$ (220)	\$ 289	\$ 264	\$ 913	\$ 131
Add (deduct) impact of the following ⁽ⁱ⁾ :											
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 45	\$ 46	\$ 58	\$ 47	\$ 196	\$ 46	\$ 45	\$ 59	\$ 45	\$ 195	\$ 194
Fair value adjustment on investment properties	(38)	(125)	(35)	(72)	(270)	85	78	(5)	(3)	155	86
Gain on sale of non-operating properties	–	–	(5)	(2)	(7)	–	–	(1)	(3)	(4)	(5)
Fair value adjustment of derivatives	(3)	(1)	(3)	1	(6)	6	(1)	–	(3)	2	–
Fair value adjustment on non-operating properties	–	–	–	–	–	–	–	–	4	4	(3)
Restructuring and other related costs	2	2	5	(4)	5	5	3	3	3	14	9
Acquisition transaction costs and other related costs	–	–	–	–	–	2	–	–	–	2	8
Fair value adjustment of the Trust Unit liability	239	188	52	122	601	(504)	257	(12)	20	(239)	550
Fair value adjustment of the forward sale agreement for Loblaw common shares	46	50	64	3	163	(9)	(2)	23	(53)	(41)	60
Outside basis difference in certain Loblaw shares	16	–	(9)	(1)	6	14	(4)	(4)	(4)	2	–
Remeasurement of deferred tax balances	–	–	–	–	–	–	–	(9)	2	(7)	(15)
Recovery related to Glenhuron	–	–	–	(165)	(165)	–	–	–	–	–	–
Choice Properties issuance costs	–	–	–	–	–	–	–	–	–	–	14
Foreign currency translation and other company level activities	–	–	–	–	–	–	1	–	(4)	(3)	(3)
Adjusting Items Continuing Operations	\$ 307	\$ 160	\$ 127	\$ (71)	\$ 523	\$ (355)	\$ 377	\$ 54	\$ 4	\$ 80	\$ 895
Adjusted Continuing Operations	\$ 245	\$ 275	\$ 365	\$ 347	\$ 1,232	\$ 225	\$ 157	\$ 343	\$ 268	\$ 993	\$ 1,026

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

(unaudited) (\$)	2021					2020 ^(3,4)				2019 ^(3,4)	
	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (13 weeks)	Total (53 weeks)	Total (52 weeks)
Continuing Operations	\$ (0.41)	\$ 0.74	\$ 1.58	\$ 2.80	\$ 4.66	\$ 3.77	\$ (1.43)	\$ 1.87	\$ 1.72	\$ 5.92	\$ 0.82
Add (deduct) impact of the following ⁽ⁱ⁾ :											
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 0.29	\$ 0.31	\$ 0.39	\$ 0.31	\$ 1.30	\$ 0.30	\$ 0.29	\$ 0.38	\$ 0.29	\$ 1.28	\$ 1.26
Fair value adjustment on investment properties	(0.25)	(0.82)	(0.24)	(0.48)	(1.80)	0.56	0.51	(0.03)	(0.02)	1.02	0.57
Gain on sale of non-operating properties	–	–	(0.03)	(0.01)	(0.04)	–	–	(0.01)	(0.02)	(0.03)	(0.03)
Fair value adjustment of derivatives	(0.02)	(0.01)	(0.02)	0.01	(0.04)	0.04	(0.01)	–	(0.02)	0.01	–
Fair value adjustment on non-operating properties	–	–	–	–	–	–	–	–	0.03	0.03	(0.02)
Restructuring and other related costs	0.01	0.01	0.03	(0.03)	0.03	0.03	0.02	0.03	0.02	0.09	0.06
Acquisition transaction costs and other related costs	–	–	–	–	–	0.01	–	–	–	0.01	0.05
Fair value adjustment of the Trust Unit liability	1.57	1.24	0.35	0.83	4.00	(3.28)	1.68	(0.08)	0.13	(1.56)	3.58
Fair value adjustment of the forward sale agreement for Loblaw common shares	0.30	0.33	0.43	0.02	1.09	(0.06)	(0.01)	0.15	(0.34)	(0.27)	0.39
Outside basis difference in certain Loblaw shares	0.11	–	(0.06)	(0.01)	0.04	0.09	(0.03)	(0.03)	(0.03)	0.01	–
Remeasurement of deferred tax balances	–	–	–	–	–	–	–	(0.06)	0.01	(0.05)	(0.10)
Recovery related to Glenhuron	–	–	–	(1.12)	(1.10)	–	–	–	–	–	–
Choice Properties issuance costs	–	–	–	–	–	–	–	–	–	–	0.09
Foreign currency translation and other company level activities	–	–	–	–	–	–	0.01	–	(0.03)	(0.02)	(0.02)
Adjusting items Continuing Operations	\$ 2.01	\$ 1.06	\$ 0.85	\$ (0.48)	\$ 3.48	\$ (2.31)	\$ 2.46	\$ 0.35	\$ 0.02	\$ 0.52	\$ 5.83
Adjusted Continuing Operations	\$ 1.60	\$ 1.80	\$ 2.43	\$ 2.32	\$ 8.14	\$ 1.46	\$ 1.03	\$ 2.22	\$ 1.74	\$ 6.44	\$ 6.65
Diluted weighted common shares (in millions)	152.1	151.8	149.7	147.6	150.2	153.8	153.4	153.5	153.3	153.5	153.7

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

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14.2 Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021

In 2020, management undertook a review of historical adjusting items as part of an effort to reduce the number of non-GAAP items it adjusts for in its financial reporting. Management concluded that, in order to present adjusting items in a manner more consistent with that of its Canadian and U.S. peers, the Company will no longer adjust for asset impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory corporate income tax rate changes or other items.

Starting in the first quarter of 2021, restructuring and other related costs will be considered an adjusting item only if significant and if part of a publicly announced restructuring plan. Other unusual items will be assessed on a case by case basis based on their nature, magnitude and propensity to re-occur. This change took effect in the first quarter of 2021 with restatement of comparative periods at that time.

The summaries below reconcile the non-GAAP financial measures as previously reported in 2020 and 2019 to those reported under the new policy starting in the first quarter of 2021.

The Company's interest in Weston Foods has been presented separately as discontinued operations in the Company's current and comparative results. As a result, all financial information represents the Company's results from continuing operations unless otherwise indicated, including the following previously reported Adjusted Operating Income and Adjusted EBITDA.

Adjusted Operating Income and Adjusted EBITDA:

(unaudited) (\$ millions)	Quarters Ended											
	March 21, 2020 (12 weeks)				June 13, 2020 (12 weeks)				October 3, 2020 (16 weeks)			
	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated
Adjusted Operating income - Previously Reported	\$ 692	\$ 226	\$ (66)	\$ 852	\$ 534	\$ 201	\$ (62)	\$ 673	\$ 882	\$ 224	\$ 17	\$ 1,123
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring and other related costs	(4)	-	-	(4)	(8)	-	-	(8)	(6)	-	-	(6)
Adjusting Items	\$ (4)	\$ -	\$ -	\$ (4)	\$ (8)	\$ -	\$ -	\$ (8)	\$ (6)	\$ -	\$ -	\$ (6)
Adjusted operating income - Restated	\$ 688	\$ 226	\$ (66)	\$ 848	\$ 526	\$ 201	\$ (62)	\$ 665	\$ 876	\$ 224	\$ 17	\$ 1,117
Depreciation and amortization	594	1	(78)	517	598	-	(75)	523	795	1	(114)	682
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	-	-	(119)	(118)	-	-	(118)	(155)	-	-	(155)
Adjusted EBITDA - Restated	\$1,163	\$ 227	\$ (144)	\$ 1,246	\$1,006	\$ 201	\$ (137)	\$ 1,070	\$1,516	\$ 225	\$ (97)	\$ 1,644

(unaudited) (\$ millions)	Quarter Ended								Year Ended			
	December 31, 2020 (13 weeks)				December 31, 2020 (53 weeks)							
	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated				
Adjusted Operating income - Previously Reported	\$ 838	\$ 225	\$ (57)	\$ 1,006	\$ 2,946	\$ 876	\$ (168)	\$ 3,654				
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	(17)	-	(6)	(23)	(17)	-	(6)	(23)				
Restructuring and other related costs	(2)	-	-	(2)	(20)	-	-	(20)				
Adjusting Items	\$ (19)	\$ -	\$ (6)	\$ (25)	\$ (37)	\$ -	\$ (6)	\$ (43)				
Adjusted operating income - Restated	\$ 819	\$ 225	\$ (63)	\$ 981	\$ 2,909	\$ 876	\$ (174)	\$ 3,611				
Depreciation and amortization	609	1	(78)	532	2,596	3	(345)	2,254				
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(117)	-	-	(117)	(509)	-	-	(509)				
Adjusted EBITDA - Restated	\$ 1,311	\$ 226	\$ (141)	\$ 1,396	\$ 4,996	\$ 879	\$ (519)	\$ 5,356				

(unaudited) (\$ millions)	Quarters Ended											
	March 23, 2019 (12 weeks)				June 15, 2019 (12 weeks)				October 5, 2019 (16 weeks)			
	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated
Adjusted Operating income - Previously Reported	\$ 577	\$ 230	\$ (81)	\$ 726	\$ 709	\$ 232	\$ (63)	\$ 878	\$ 872	\$ 226	\$ (12)	\$ 1,086
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring and other related costs	(12)	-	-	(12)	(16)	-	-	(16)	(22)	-	-	(22)
Pension annuities and buy-outs	(10)	-	-	(10)	-	-	-	-	-	-	-	-
Certain prior period items	-	-	-	-	15	-	-	15	-	-	-	-
Adjusting Items	\$ (22)	\$ -	\$ -	\$ (22)	\$ (1)	\$ -	\$ -	\$ (1)	\$ (22)	\$ -	\$ -	\$ (22)
Adjusted operating income - Restated	\$ 555	\$ 230	\$ (81)	\$ 704	\$ 708	\$ 232	\$ (63)	\$ 877	\$ 850	\$ 226	\$ (12)	\$ 1,064
Depreciation and amortization	580	-	(76)	504	580	1	(82)	499	775	-	(118)	657
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	-	-	(119)	(116)	-	-	(116)	(157)	-	-	(157)
Adjusted EBITDA - Restated	\$ 1,016	\$ 230	\$ (157)	\$ 1,089	\$ 1,172	\$ 233	\$ (145)	\$ 1,260	\$ 1,468	\$ 226	\$ (130)	\$ 1,564

(unaudited) (\$ millions)	Quarter Ended								Year Ended			
	December 31, 2019 (12 weeks)				December 31, 2019 (52 weeks)							
	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated				
Adjusted Operating income - Previously Reported	\$ 730	\$ 225	\$ (59)	\$ 896	\$ 2,888	\$ 913	\$ (215)	\$ 3,586				
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	(75)	-	38	(37)	(75)	-	38	(37)				
Restructuring and other related costs	(24)	-	-	(24)	(74)	-	-	(74)				
Pension annuities and buy-outs	-	-	-	-	(10)	-	-	(10)				
Certain prior period items	7	-	(7)	-	22	-	(7)	15				
Adjusting Items	\$ (92)	\$ -	\$ 31	\$ (61)	\$ (137)	\$ -	\$ 31	\$ (106)				
Adjusted operating income - Restated	\$ 638	\$ 225	\$ (28)	\$ 835	\$ 2,751	\$ 913	\$ (184)	\$ 3,480				
Depreciation and amortization	589	-	(76)	513	2,524	1	(352)	2,173				
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(116)	-	-	(116)	(508)	-	-	(508)				
Adjusted EBITDA - Restated	\$ 1,111	\$ 225	\$ (104)	\$ 1,232	\$ 4,767	\$ 914	\$ (536)	\$ 5,145				

Management's Discussion and Analysis

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net earnings per Common Share are presented below:

	Quarters Ended								Year Ended	
	March 21, 2020		June 13, 2020		October 3, 2020		December 31, 2020		December 31, 2020	
	(12 weeks)		(12 weeks)		(16 weeks)		(13 weeks)		(53 weeks)	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Adjusted Total Company - Previously Reported	\$ 239	\$ 1.55	\$ 142	\$ 0.93	\$ 362	\$ 2.35	\$ 312	\$ 2.03	\$ 1,055	\$ 6.85
Add (deduct) impact of the following:										
Asset impairments, net of recoveries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11)	\$ (0.08)	\$ (11)	\$ (0.08)
Restructuring and other related costs	(2)	(0.01)	(3)	(0.02)	(3)	(0.02)	-	-	(8)	(0.04)
Statutory corporate income tax rate change	2	0.01	-	-	(1)	(0.01)	1	0.01	2	0.01
Adjusting items	\$ -	\$ -	\$ (3)	\$ (0.02)	\$ (4)	\$ (0.03)	\$ (10)	\$ (0.07)	\$ (17)	\$ (0.11)
Adjusted Total Company - Restated	\$ 239	\$ 1.55	\$ 139	\$ 0.91	\$ 358	\$ 2.32	\$ 302	\$ 1.96	\$ 1,038	\$ 6.74
Continuing Operations	\$ 225	\$ 1.46	\$ 157	\$ 1.03	\$ 343	\$ 2.22	\$ 268	\$ 1.74	\$ 993	\$ 6.44
Discontinued Operations⁽ⁱ⁾	\$ 14	\$ 0.09	\$ (18)	\$ (0.12)	\$ 15	\$ 0.10	\$ 34	\$ 0.22	\$ 45	\$ 0.30

(i) The Company's interest in Weston Foods presented separately as discontinued operations was not impacted as a result of the non-GAAP financial measures policy change.

	Quarters Ended								Year Ended	
	March 23, 2019		June 15, 2019		October 5, 2019		December 31, 2019		December 31, 2019	
	(12 weeks)		(12 weeks)		(16 weeks)		(12 weeks)		(52 weeks)	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Adjusted Total Company - Previously Reported	\$ 201	\$ 1.30	\$ 263	\$ 1.70	\$ 391	\$ 2.54	\$ 262	\$ 1.69	\$ 1,117	\$ 7.24
Add (deduct) impact of the following:										
Asset impairments, net of recoveries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2)	\$ (0.01)	\$ (2)	\$ (0.01)
Restructuring and other related costs	(5)	(0.03)	(6)	(0.04)	(7)	(0.05)	(10)	(0.07)	(28)	(0.18)
Pension annuities and buy-outs	(4)	(0.03)	-	-	-	-	-	-	(4)	(0.03)
Certain prior period items	-	-	6	0.04	-	-	-	-	6	0.04
Reserve release related to 2014 tax audit	-	-	-	-	4	0.03	-	-	4	0.03
Statutory corporate income tax rate change	-	-	8	0.05	-	-	-	-	8	0.05
Adjusting items	\$ (9)	\$ (0.06)	\$ 8	\$ 0.05	\$ (3)	\$ (0.02)	\$ (12)	\$ (0.08)	\$ (16)	\$ (0.10)
Adjusted Total Company - Restated	\$ 192	\$ 1.24	\$ 271	\$ 1.75	\$ 388	\$ 2.52	\$ 250	\$ 1.61	\$ 1,101	\$ 7.14
Continuing Operations	\$ 179	\$ 1.15	\$ 257	\$ 1.66	\$ 361	\$ 2.34	\$ 229	\$ 1.48	\$ 1,026	\$ 6.65
Discontinued Operations⁽ⁱ⁾	\$ 13	\$ 0.09	\$ 14	\$ 0.09	\$ 27	\$ 0.18	\$ 21	\$ 0.13	\$ 75	\$ 0.49

(i) The Company's interest in Weston Foods presented separately as discontinued operations was not impacted as a result of this change.

There were no impacts to previously reported adjusted net interest expense and other financing charges as a result of this change as reported in the Company's 2020 annual and interim MD&A.

15. Forward-Looking Statements

This Annual Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Annual Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementation. These specific forward-looking statements are contained throughout this Annual Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 13, "Outlook", and Section 14, "Non-GAAP Financial Measures", of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Enterprise Risks and Risk Management" of the Company's 2021 Annual Report and the Company's AIF for the year ended December 31, 2021. Such risks and uncertainties include:

- duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company, as well as on vendor operations, consumer behaviour and the economy in general;
- inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to attract and retain talent for key roles that may impact the Company's ability to effectively operate and achieve financial performance goals;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure by Choice Properties to realize the anticipated benefits associated with its strategic priorities and major initiatives, including failure to develop quality assets and effectively manage development, redevelopment, and renovation initiatives and the timelines and costs related to such initiatives;
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business and located in both advanced and developing markets;
- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Associates;
- the inability of the Company to effectively develop and execute its strategy; and
- changes to any of the laws, rules, regulations or policies applicable to the Company's business.

Management's Discussion and Analysis

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 2021. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

16. Additional Information

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

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

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

Toronto, Canada

March 1, 2022

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Management's Statement of Responsibility for Financial Reporting

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

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

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

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

[signed]

Galen G. Weston
Chairman and
Chief Executive Officer

[signed]

Richard Dufresne
President and
Chief Financial Officer

Toronto, Canada
March 1, 2022

Independent Auditors' Report

TO THE SHAREHOLDERS OF GEORGE WESTON LIMITED

Opinion

We have audited the consolidated financial statements of George Weston Limited (the "Entity"), which comprise:

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of Impairment of Certain Non-Financial Assets for Food Retail Locations

Description of the matter

We draw attention to Notes 2, 3, 16 and 33 to the financial statements. At each balance sheet date, the Entity reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Fixed assets and right-of-use assets are \$10,782 million and \$4,059 million, respectively. The Entity has determined that each retail location is a separate cash generating unit (CGU) for purposes of impairment testing of non-financial assets for food retail locations. The recoverable amount of a CGU is the higher of its value in use and its fair value less costs to sell. In determining the recoverable amount, various estimates are employed. The Entity's estimates include:

- Discount rate, projected future sales and earnings for value in use
- Discount rate, capitalization rates, terminal capitalization rates, future cash flows over the holding period and market rental rates for fair value less costs to sell.

Why the matter is a key audit matter

We identified the evaluation of impairment of certain non-financial assets, specifically fixed assets and right-of-use assets, for food retail locations as a key audit matter. Food retail assets comprised the largest portion of the Loblaw operating segment tested for impairment. This matter represented an area of significant risk of material misstatement due to the magnitude of the balance and the high degree of estimation uncertainty in determining the recoverable amount. Significant auditor judgment and the involvement of professionals with specialized skills and knowledge was required to evaluate the evidence supporting the Entity's estimates due to the sensitivity of the recoverable amount to minor changes in those estimates.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We evaluated the design and tested the operating effectiveness of the control over the Entity's review of the recoverable amount of the CGU. This control included the review of estimates used to determine the recoverable amount.

For a selection of food retail locations, where value-in-use was used in the evaluation of impairment, we evaluated the appropriateness of the:

- Projected future sales and earnings estimates used in determining value in use by comparing to the actual historical sales and earnings generated by the food retail location. We took into account changes in conditions and events affecting the retail location to assess the adjustments or lack of adjustments made in arriving at the projected future sales and earnings estimates
- Discount rate by involving valuations professionals with specialized skills and knowledge by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities.

Independent Auditors' Report

For a selection of food retail locations, where fair value less cost to sell was used in the evaluation of impairment, we evaluated the appropriateness of the:

- Future cash flows over the holding period based on representative leases. We took into account the changes in conditions and events affecting those future cash flows to assess the adjustments, or lack of adjustments, made by the Entity
- Terminal capitalization rates and discount rates on a portfolio basis by involving valuations professionals with specialized skills and knowledge. These rates were evaluated by comparing them to published reports of real estate industry commentators and considering the various characteristics of the portfolio
- Capitalization rates and market rental rates by comparing to external information such as industry reports and commercial real estate property listings.

Evaluation of the fair value of income producing properties

Description of the matter

We draw attention to Note 2, 3, and Note 17 of the financial statements. The income producing properties are measured using the fair value model. The Entity has recorded income producing properties at fair value for an amount of \$5,183 million. The Entity's significant assumptions in evaluating the fair value of income producing properties include:

- Future cash flows over the holding period
- Terminal capitalization rates and discount rates applied to these cash flows.

Why the matter is a key audit matter

We identified the evaluation of the fair value of income producing properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of income producing properties and the high degree of estimation uncertainty in determining the fair value of income producing properties. Significant auditor judgment and involvement of those with specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the fair value of income producing properties to minor changes in certain significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of income producing properties, we assessed the Entity's ability to accurately forecast by comparing the Entity's future cash flows over the holding period used in the prior year's fair value of income producing properties to actual results.

For a selection of income producing properties, we compared the future cash flows over the holding period to the actual historical cash flows generated by the income producing properties. We took into account the changes in conditions and events affecting the income producing properties to assess the adjustments, or lack of adjustments, made by the Entity in arriving at those future cash flows.

For a selection of income producing properties, we involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the terminal capitalization rates and discount rates. These rates were evaluated by comparing them to published reports of real estate industry commentators and considering the features of the specific income producing property.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "2021 Annual Report".

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

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

We obtained the information included in Management's Discussion and Analysis and a document entitled "2021 Annual Report" filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Sebastian Distefano.

Toronto, Canada
March 1, 2022

Consolidated Statements of Earnings

For the years ended December 31 (millions of Canadian dollars except where otherwise indicated)	2021 (52 weeks)	2020 ⁽ⁱ⁾ (53 weeks)
Revenue	\$ 53,748	\$ 53,270
Operating Expenses		
Cost of inventories sold (note 14)	36,435	36,724
Selling, general and administrative expenses	13,286	13,671
	49,721	50,395
Operating Income	4,027	2,875
Net Interest Expense and Other Financing Charges (note 8)	1,650	829
Earnings Before Income Taxes	2,377	2,046
Income Taxes (note 9)	630	470
Net Earnings from Continuing Operations	1,747	1,576
Net (Loss) Earnings from Discontinued Operations (note 5)	(322)	6
Net Earnings	1,425	1,582
Attributable to:		
Shareholders of the Company (note 10)	431	963
Non-Controlling Interests	994	619
Net Earnings	\$ 1,425	\$ 1,582
Net Earnings (Loss) per Common Share - Basic (\$) (note 10)	\$ 2.59	\$ 5.99
Continuing Operations	\$ 4.73	\$ 5.95
Discontinued Operations	\$ (2.14)	\$ 0.04
Net Earnings (Loss) per Common Share - Diluted (\$) (note 10)	\$ 2.52	\$ 5.96
Continuing Operations	\$ 4.66	\$ 5.92
Discontinued Operations	\$ (2.14)	\$ 0.04

(i) Comparative figures have been restated (note 5).
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31 (millions of Canadian dollars)	2021 (52 weeks)	2020 ⁽ⁱ⁾ (53 weeks)
Net Earnings from Continuing Operations	\$ 1,747	\$ 1,576
Other comprehensive income (loss), net of taxes		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment (note 34)	3	(28)
Gains (losses) on cash flow hedges (note 34)	9	(31)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gains (losses) (note 30)	293	(41)
Adjustment to fair value of investment properties	50	17
Other comprehensive income (loss) from continuing operations	355	(83)
Comprehensive Income from Continuing Operations	2,102	1,493
Net (Loss) Earnings from Discontinued Operations (note 5)	(322)	6
Other comprehensive loss from discontinued operations	(130)	(2)
Comprehensive (Loss) Income from Discontinued Operations	(452)	4
Total Comprehensive Income	1,650	1,497
Attributable to:		
Shareholders of the Company	521	910
Non-Controlling Interests	1,129	587
Total Comprehensive Income	\$ 1,650	\$ 1,497

(i) Comparative figures have been restated (note 5).
See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at December 31
(millions of Canadian dollars)

	2021	2020 ⁽ⁱ⁾
ASSETS		
Current Assets		
Cash and cash equivalents (note 11)	\$ 2,984	\$ 2,581
Short-term investments (note 11)	879	575
Accounts receivable (note 12)	1,010	1,183
Credit card receivables (note 13)	3,443	3,109
Income taxes recoverable	301	–
Inventories (note 14)	5,166	5,385
Prepaid expenses and other assets	348	304
Assets held for sale (note 15)	91	108
Total Current Assets	14,222	13,245
Fixed Assets (note 16)	10,782	11,943
Right-of-Use Assets (note 33)	4,059	4,043
Investment Properties (note 17)	5,344	4,930
Equity Accounted Joint Ventures (note 18)	564	573
Intangible Assets (note 19)	6,430	7,032
Goodwill (note 20)	4,479	4,772
Deferred Income Taxes (note 9)	113	139
Security Deposits (note 11)	75	75
Other Assets (note 21)	1,015	1,326
Total Assets	\$ 47,083	\$ 48,078
LIABILITIES		
Current Liabilities		
Bank indebtedness (note 37)	\$ 52	\$ 86
Trade payables and other liabilities	5,923	6,026
Loyalty liability (note 22)	190	194
Provisions (note 23)	119	98
Income taxes payable	269	128
Demand deposits from customers	75	24
Short-term debt (note 24)	450	1,335
Long-term debt due within one year (note 25)	1,520	924
Lease liabilities due within one year (note 33)	742	799
Associate interest	433	349
Total Current Liabilities	9,773	9,963
Provisions (note 23)	90	116
Long-Term Debt (note 25)	12,490	13,519
Lease Liabilities (note 33)	4,242	4,206
Trust Unit Liability (note 34)	4,209	3,600
Deferred Income Taxes (note 9)	2,003	2,059
Other Liabilities (note 26)	1,139	1,197
Total Liabilities	33,946	34,660
EQUITY		
Share Capital (note 27)	3,529	3,599
Retained Earnings	4,808	5,226
Contributed Surplus (notes 28 & 31)	(1,462)	(1,180)
Accumulated Other Comprehensive Income	84	166
Total Equity Attributable to Shareholders of the Company	6,959	7,811
Non-Controlling Interests	6,178	5,607
Total Equity	13,137	13,418
Total Liabilities and Equity	\$ 47,083	\$ 48,078

(i) Certain comparative figures have been restated to conform with current year presentation. Contingent liabilities (note 36). Subsequent event (note 40). See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2020	\$ 2,782	\$ 817	\$ 3,599	\$ 5,226	\$ (1,180)	\$ 153	\$ (22)	\$ 35	\$ 166	\$ 5,607	\$ 13,418
Net earnings	–	–	–	431	–	–	–	–	–	994	1,425
Other comprehensive income (loss) ⁽ⁱ⁾	–	–	–	160	–	(128)	8	50	(70)	135	225
Comprehensive income (loss)	\$ –	\$ –	\$ –	\$ 591	\$ –	\$ (128)	\$ 8	\$ 50	\$ (70)	\$ 1,129	\$ 1,650
Effect of equity-based compensation (notes 27 & 31)	36	–	36	–	6	–	–	–	–	3	45
Shares purchased and cancelled (note 27)	(108)	–	(108)	(642)	–	–	–	–	–	–	(750)
Net effect of shares held in trusts (notes 27 & 31)	2	–	2	9	–	–	–	–	–	–	11
Loblaw capital transactions and dividends (notes 28 & 31)	–	–	–	–	(288)	–	–	–	–	(561)	(849)
Transfer of remeasurement gain on sale of investment properties	–	–	–	12	–	–	–	(12)	(12)	–	–
Dividends declared											
Per common share (\$) (note 27)											
– \$2.30	–	–	–	(345)	–	–	–	–	–	–	(345)
Per preferred share (\$) (note 27)											
– Series I – \$1.45	–	–	–	(13)	–	–	–	–	–	–	(13)
– Series III – \$1.30	–	–	–	(10)	–	–	–	–	–	–	(10)
– Series IV – \$1.30	–	–	–	(10)	–	–	–	–	–	–	(10)
– Series V – \$1.1875	–	–	–	(10)	–	–	–	–	–	–	(10)
	\$ (70)	\$ –	\$ (70)	\$ (1,009)	\$ (282)	\$ –	\$ –	\$ (12)	\$ (12)	\$ (558)	\$ (1,931)
Balance as at Dec. 31, 2021	\$ 2,712	\$ 817	\$ 3,529	\$ 4,808	\$ (1,462)	\$ 25	\$ (14)	\$ 73	\$ 84	\$ 6,178	\$ 13,137

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2019	\$ 2,809	\$ 817	\$ 3,626	\$ 4,766	\$ (979)	\$ 182	\$ (4)	\$ 18	\$ 196	\$ 5,566	\$ 13,175
Net earnings	–	–	–	963	–	–	–	–	–	619	1,582
Other comprehensive income (loss) ⁽ⁱ⁾	–	–	–	(23)	–	(29)	(18)	17	(30)	(32)	(85)
Comprehensive income (loss)	\$ –	\$ –	\$ –	\$ 940	\$ –	\$ (29)	\$ (18)	\$ 17	\$ (30)	\$ 587	\$ 1,497
Effect of equity-based compensation (notes 27 & 31)	1	–	1	(1)	12	–	–	–	–	4	16
Shares purchased and cancelled (note 27)	(24)	–	(24)	(99)	–	–	–	–	–	–	(123)
Net effect of shares held in trusts (notes 27 & 31)	(4)	–	(4)	(11)	–	–	–	–	–	–	(15)
Loblaw capital transactions and dividends (notes 28 & 31)	–	–	–	–	(213)	–	–	–	–	(550)	(763)
Dividends declared											
Per common share (\$) (note 27)											
– \$2.125	–	–	–	(326)	–	–	–	–	–	–	(326)
Per preferred share (\$) (note 27)											
– Series I – \$1.45	–	–	–	(13)	–	–	–	–	–	–	(13)
– Series III – \$1.30	–	–	–	(10)	–	–	–	–	–	–	(10)
– Series IV – \$1.30	–	–	–	(10)	–	–	–	–	–	–	(10)
– Series V – \$1.1875	–	–	–	(10)	–	–	–	–	–	–	(10)
	\$ (27)	\$ –	\$ (27)	\$ (480)	\$ (201)	\$ –	\$ –	\$ –	\$ –	\$ (546)	\$ (1,254)
Balance as at Dec. 31, 2020	\$ 2,782	\$ 817	\$ 3,599	\$ 5,226	\$ (1,180)	\$ 153	\$ (22)	\$ 35	\$ 166	\$ 5,607	\$ 13,418

(i) Other comprehensive income (loss) includes actuarial gain of \$293 million (2020 – loss of \$43 million), of which \$160 million (2020 – loss of \$23 million) is presented in retained earnings, and \$133 million (2020 – loss of \$20 million) in non-controlling interests. Also included in non-controlling interests was a gain of \$1 million on foreign currency translation adjustments (2020 – gain of \$1 million) and a gain of \$1 million on cash flow hedges (2020 – loss of \$13 million).

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31 (millions of Canadian dollars)	2021 (52 weeks)	2020 (53 weeks)
Operating Activities		
Net earnings	\$ 1,425	\$ 1,582
Add (deduct):		
Net interest expense and other financing charges (note 8)	1,651	831
Income taxes (note 9)	629	475
Depreciation and amortization	2,419	2,427
Loss on sale of discontinued operations, after income taxes (note 5)	317	–
Asset impairments, net of recoveries	25	39
Adjustment to fair value of investment properties and assets held for sale (notes 15 and 17)	(325)	194
Change in allowance for credit card receivables (note 13)	(32)	41
Change in provisions (note 23)	10	(6)
	6,119	5,583
Change in gross credit card receivables (note 13)	(302)	368
Change in non-cash working capital	13	(57)
Income taxes paid	(706)	(448)
Interest received	18	25
Interest received from finance leases (note 33)	3	3
Other	(38)	47
Cash Flows from Operating Activities	5,107	5,521
Investing Activities		
Fixed asset and investment properties purchases	(1,056)	(1,235)
Intangible asset additions	(400)	(357)
Cash assumed on initial consolidation of franchises (note 7)	–	14
Proceeds from disposal of assets	334	301
Net consideration from disposal of discontinued operations (note 5)	1,207	–
Lease payments received from finance leases (note 33)	10	5
Change in short-term investments (note 11)	(272)	(346)
Other	(102)	(120)
Cash Flows used in Investing Activities	(279)	(1,738)
Financing Activities		
Change in bank indebtedness	(34)	68
Change in short-term debt (note 24)	(101)	(154)
Change in demand deposits from customers	51	24
Change in other financing (note 26)	(2)	231
Interest paid	(853)	(883)
Settlement of net debt associated with equity forward sale agreement (note 25)	(790)	–
Long-term debt – Issued (note 25)	1,440	2,492
– Repayments (note 25)	(1,408)	(2,598)
Cash rent paid on lease liabilities – Interest (note 33)	(191)	(207)
Cash rent paid on lease liabilities – Principal (note 33)	(620)	(650)
Share capital – Issued (notes 27 & 31)	32	1
– Purchased and held in trusts (note 27)	–	(21)
– Purchased and cancelled (note 27)	(744)	(123)
Loblaw common share capital – Issued (notes 28 & 31)	102	30
– Purchased and held in trusts (note 28)	(50)	(10)
– Purchased and cancelled (note 28)	(637)	(552)
Dividends – To common shareholders	(342)	(328)
– To preferred shareholders	(44)	(44)
– To non-controlling interests	(235)	(284)
Other	–	(27)
Cash Flows used in Financing Activities	(4,426)	(3,035)
Effect of foreign currency exchange rate changes on cash and cash equivalents	1	(1)
Change in Cash and Cash Equivalents	403	747
Cash and Cash Equivalents, Beginning of Period	2,581	1,834
Cash and Cash Equivalents, End of Period	\$ 2,984	\$ 2,581

See accompanying notes to the consolidated financial statements.

See note 5, Discontinued Operations for additional cash flow information.

Notes to the Consolidated Financial Statements

Note 1. Nature and Description of the Reporting Entity

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

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

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

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

In December 2021, the Company completed the sale of the entire Weston Foods bakery business. Refer to note 5, "Discontinued Operations" for details.

Note 2. Significant Accounting Policies

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on March 1, 2022.

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

- investment properties as described in note 17;
- defined benefit pension plan assets with the obligations related to these pension plans measured at their discounted present value as described in note 30;
- amounts recognized for cash-settled equity-based compensation arrangements as described in note 31; and
- certain financial instruments as described in note 34.

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

The consolidated financial statements are presented in Canadian dollars.

FISCAL YEAR The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31.

As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2021 and December 31, 2020 contained 52 weeks and 53 weeks, respectively.

BASIS OF CONSOLIDATION The consolidated financial statements include the accounts of GWL and other entities that the Company controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company assesses control on an ongoing basis. The Company's interest in the voting share capital of its subsidiaries is 100%, except for Loblaw and Choice Properties (see note 6).

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

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

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

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

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

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

ASSETS HELD FOR SALE Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. To qualify as assets held for sale, the sale must be highly probable, assets must be available for immediate sale in their present condition and management must be committed to a plan to sell assets that should be expected to close within one year from the date of classification. Assets that were previously classified as investment properties are measured using the fair value model consistent with properties classified as investment properties.

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

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

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

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

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

Loblaw Retail revenue includes the sale of goods and services to customers through corporate stores and consolidated franchise stores and Associates, and sales to non-consolidated franchise stores and independent wholesale account customers. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of estimated returns, sales incentives and franchise fee reductions. The Company recognizes revenue made through corporate stores, consolidated franchise stores and Associates at the time the point of sale is made or when service is delivered to the customers. The Company recognizes revenue made through non-consolidated franchise stores and independent wholesale customers at the time of delivery of inventory and when administrative and management services are rendered.

Notes to the Consolidated Financial Statements

On the initial sale of franchising arrangements, the Company offered products and services as part of an arrangement with multiple performance obligations. Prior to the implementation of the Franchise Agreement, the initial sale to non-consolidated franchise stores were recorded using a relative fair value approach.

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

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

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

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

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

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

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

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

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

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

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

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

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

SHORT-TERM INVESTMENTS Short-term investments consist of marketable investments with an original maturity date greater than 90 days and less than 365 days from the date of acquisition.

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

ACCOUNTS RECEIVABLE Accounts receivable consists primarily of receivables from Loblaw's non-consolidated franchisees, government and third-party drug plans arising from prescription drug sales, and independent accounts, and are recorded net of allowances.

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

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

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

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

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

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

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

Loblaw estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining

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selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

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

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

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

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

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

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

Buildings	10 to 40 years
Equipment and fixtures	2 to 16 years
Building improvements	up to 10 years
Leasehold improvements	Lesser of term of the lease and useful life up to 25 years ⁽ⁱ⁾

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

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

LEASES

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

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

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

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

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

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

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

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

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

Income producing properties are measured using the fair value model. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Under the discounted cash flow methodology, discount rates are applied to the future cash flows over the holding period, generally over a minimum term of ten years, including a terminal value

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of the investment properties based on a terminal capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

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

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

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

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

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

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

The financial statements of the equity-accounted investment are prepared for the same reporting period as Choice Properties. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's.

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

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

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

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

INTANGIBLE ASSETS Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from three to 30 years, and are tested for impairment as described in the Impairment of Non-Financial Assets policy.

Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Amortization expense for intangible assets is recognized in SG&A.

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

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

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

Corporate assets, which include head office facilities and distribution centers, do not generate separate cash inflows. Corporate assets are tested for impairment or reversals at the minimum grouping of CGUs to which the corporate assets can be reasonably and consistently allocated. Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

Impairment losses and reversals are recognized in SG&A.

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

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

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

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

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in Note 34 "Financial Instruments" and Note 35 "Financial Risk Management".

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

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

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

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

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

Type	Valuation Approach
Cash and Cash Equivalents, Short-Term Investments, Security Deposits, Accounts Receivable, Credit Card Receivables, Bank Indebtedness, Trade Payables and Other Liabilities, Demand deposits from other customers and Short-Term Debt	The carrying amount approximates fair value due to the short-term maturity of these instruments.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: <ul style="list-style-type: none"> · Quoted market prices or dealer quotes for similar instruments; and · The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valuers with experience in financial markets.
Long-Term Debt, Trust Unit Liability and certain Other Financial Instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

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

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

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

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

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

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

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

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

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

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

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

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

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

defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

EMPLOYEE SHARE OWNERSHIP PLAN (“ESOP”) GWL’s and Loblaw’s contributions to the ESOPs are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOPs are administered through a trust which purchases GWL’s and Loblaw’s common shares on the open market on behalf of its employees.

NEW AMENDMENT ISSUED AND ADOPTED IN 2021

Interest Rate Benchmark Reform-Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16

Interbank Offered Rates (“IBORs”) reform is the market-wide reform of interest rate benchmarks in which some IBORs are replaced with alternative risk-free rates. The replacement is expected to be mostly complete by the end of 2021. Consistent with global efforts, in Canada, benchmark reform initiatives are being led by the Canadian Alternative Reference Rate Committee (“CARR”), a group of financial sector firms and public sector institutions. CARR is tasked with promoting the use of the Canadian Overnight Repo Rate Average as a key risk-free interest rate benchmark as well as analyzing the current status of the Canadian Dollar Offered Rate (“CDOR”). As of May 17, 2021, the 6-month and 12-month CDOR tenors were discontinued on account of their minimal use. The 1-month, 2-month and 3-month CDOR tenors will continue to be published, though their relevance may decline or may ultimately be discontinued as well.

To address the impact IBOR reform has on financial reporting, in August 2020, the International Accounting Standards Board issued Interest Rate Benchmark Reform-Phase 2, which amends IFRS 9, “Financial Instruments”, IAS 39, “Financial Instruments: Recognition and Measurement”, IFRS 7, “Financial Instruments: Disclosures”, IFRS 4, “Insurance Contracts” (“IFRS 4”) and IFRS 16, “Leases”. These amendments became effective for annual periods beginning on or after January 1, 2021.

Phase 2 amendments provide certain practical reliefs related to modifications of financial asset or liability and lease contracts:

- As a practical expedient, if the basis for determining the contractual cash flows of a financial asset or liability changes as a direct consequence of the IBOR reform and on an economically equivalent basis, the financial asset or liability shall be remeasured reflecting the updated effective interest rate prospectively with no immediate gain or loss recognized.
- As a practical expedient, the lessee can account for a lease modification that is required by the IBOR reform through revising the discount rate that reflects the change in interest rate and remeasure the lease liability prospectively with no immediate gain or loss recognized. The amount of the remeasurement is recognized as an adjustment to the right-of-use asset.

Additionally, phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by the IBOR reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be continued without interruption.

The Company assessed the impacts of the IBOR reform on its financial instruments, leases, insurance contracts and hedges, and noted only certain financial instruments and the interest rate swap hedge are directly or indirectly dependent on the 1-month or 3-month CDOR tenors. As a result, the Company is not immediately impacted by the IBOR reform. The Company will continue to monitor future developments of CDOR and other applicable interest rate benchmarks, and will elect the practical reliefs relating to financial instruments, leases, insurances and hedges when applicable.

Note 3. Critical Accounting Estimates and Judgments

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

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

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company’s significant accounting policies are disclosed in note 2.

Notes to the Consolidated Financial Statements

BASIS OF CONSOLIDATION

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

INVENTORIES

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

IMPAIRMENT OF NON-FINANCIAL ASSETS (GOODWILL, INTANGIBLE ASSETS, FIXED ASSETS AND RIGHT-OF-USE ASSETS)

Judgments Made in Relation to Accounting Policies Applied Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing fixed assets and right-of-use assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. The Company has determined that each retail location is a separate CGU for the purposes of fixed asset and right-of-use asset impairment testing. For the purpose of goodwill and indefinite life intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and indefinite life intangible assets are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key Sources of Estimation In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, recoverable operating costs for leases with tenants, non-recoverable operating costs, future cash flows, discount rates, capitalization rates and terminal rates. The Company determines value in use by using estimates including projected future revenues, earnings and capital investments consistent with approved strategic plans, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

CUSTOMER LOYALTY AWARDS PROGRAMS

Key Sources of Estimation Loblaw defers revenue at the time the award is earned by members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the *PC Optimum*[®] program is determined based on the program reward schedule and is \$1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members.

IMPAIRMENT OF CREDIT CARD RECEIVABLES

Judgments Made in Relation to Accounting Policies Applied and Key Sources of Estimation In each stage of the impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables, discounted using an average portfolio yield rate. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

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

FAIR VALUE OF INCOME PRODUCING PROPERTIES

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

INCOME AND OTHER TAXES

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results and the timing and reversal of temporary differences.

PROVISIONS

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

LEASES

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

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

Note 4. Future Accounting Standard

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

Note 5. Discontinued Operations

WESTON FOODS On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods business, comprised of the fresh, frozen and ambient bakery businesses.

On December 10, 2021, the Company announced the sale of Weston Foods' fresh and frozen bakery business to FGF Brands Inc. for gross proceeds of \$1,100 million, and on December 29, 2021, the Company announced the sale of Weston Foods' ambient business to affiliated entities of Hearthside Foods Solution, LLC for gross proceeds of \$370 million. In aggregate, the Company sold its entire Weston Foods bakery business for total gross proceeds of \$1,470 million. Upon closing of each respective transaction, the respective purchaser entered into a supply agreement with Loblaw. After closing adjustments, net consideration was \$1,207 million and a loss on sale of \$317 million, after income taxes, was included in discontinued operations within the consolidated statements of earnings.

Upon the respective sale dates, the net assets of Weston Foods were de-recognized from the Company's 2021 consolidated balance sheet and the Weston Foods results, net of intersegment eliminations, were presented separately as discontinued operations in the Company's consolidated statement of earnings and comprehensive income in the current and comparative periods. Unless otherwise specified, all other notes to the consolidated financial statements include amounts from both continuing and discontinued operations.

Notes to the Consolidated Financial Statements

The results of Discontinued Operations presented in the consolidated statements of earnings is as follows:

(\$ millions)	Years Ended					
	Dec. 31, 2021 (52 weeks)			Dec. 31, 2020 (53 weeks)		
	Weston Foods	Intersegment Eliminations	Discontinued Operations	Weston Foods	Intersegment Eliminations	Discontinued Operations
Revenue	\$ 1,868	\$ (552)	\$ 1,316	\$ 2,062	\$ (627)	\$ 1,435
Operating Expenses						
Cost of inventories sold	1,389	(541)	848	1,482	(623)	859
Selling, general and administrative expenses	491	(18)	473	577	(14)	563
	\$ 1,880	\$ (559)	\$ 1,321	\$ 2,059	\$ (637)	\$ 1,422
Operating (Loss) Income			\$ (5)			\$ 13
Net interest expense and other financing charges			1			2
(Loss) Earnings before Income Taxes			\$ (6)			\$ 11
Income tax (recovery) expense			(1)			5
Net (Loss) Earnings after Income Taxes			\$ (5)			\$ 6
Loss on sale after income taxes			(317)			–
Net (Loss) Earnings from Discontinued Operations			\$ (322)			\$ 6

The loss on sale after income taxes is comprised of the following components:

(\$ millions)	2021
Gross proceeds	\$ 1,470
Less: Certain other amendments, including an adjustment to the working capital provisions ⁽ⁱ⁾	(210)
Less: Transaction and other related costs	(53)
Net consideration⁽ⁱⁱ⁾	\$ 1,207
Less: Net assets of the discontinued operations	(1,615)
Loss on sale before tax and the undernoted⁽ⁱⁱⁱ⁾	\$ (408)
Reclassification of foreign currency translation gain	130
Income tax expense	(39)
Loss on sale after income taxes	\$ (317)

- (i) Net consideration reflects management's best estimate of working capital adjustments and subject to finalization, in accordance with the sale agreements.
- (ii) Includes \$32 million of consideration receivable.
- (iii) Loss on sale before tax and the undernoted includes \$87 million non-cash goodwill impairment charge, recorded in the third quarter of 2021.

The Company reclassified the accumulated foreign currency translation gain from accumulated other comprehensive income to the discontinued operations as all foreign operations were disposed in the transactions.

Transaction and other related costs of \$53 million were incurred in connection with the sale of Weston Foods.

The net cash flows (used in) provided by the Discontinued Operations, excluding the net consideration above, are as follows:

(\$ millions)	Years Ended	
	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 (53 weeks)
Cash flows from operating activities	\$ –	\$ 157
Cash flows used in investing activities	\$ (122)	\$ (160)
Cash flows used in financing activities	\$ (6)	\$ (8)
Effect of foreign currency rate changes on cash and cash equivalents	\$ 2	\$ 3
Cash flows used in Discontinued Operations	\$ (126)	\$ (8)

Note 6. Subsidiaries

The table below summarizes the Company's principal subsidiaries. The proportion of ownership interests held equals the voting rights held by the Company. GWL's ownership in Loblaw and Choice Properties is impacted by changes in Loblaw's common share equity and Choice Properties' Trust Units, respectively.

		As at			
		Dec. 31, 2021		Dec. 31, 2020	
		Number of shares / units held	Ownership interest	Number of shares / units held	Ownership interest
Loblaw	Common shares ⁽ⁱ⁾	175,475,019	52.6%	182,874,456	52.6%
	Class B LP Units ⁽ⁱⁱ⁾	395,786,525	n/a	395,786,525	n/a
	Trust Units	50,661,415	n/a	50,661,415	n/a
Choice Properties		446,447,940	61.7%	446,447,940	61.8%

- (i) In 2021, GWL settled the equity forward sale agreement, releasing all Loblaw common shares pledged under the equity forward sale agreement (December 31, 2020 – 9.6 million Loblaw common shares pledged) (see note 25). Additionally, commencing in the first quarter of 2020, GWL participated in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership (see note 28).
- (ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

Notes to the Consolidated Financial Statements

Note 7. Business Acquisitions

CONSOLIDATION OF FRANCHISES Loblaw accounted for the consolidation of existing franchises as business acquisitions and consolidated its franchises as of the date the franchisee entered into a Franchise Agreement with Loblaw. The assets acquired and liabilities assumed through the consolidation were valued at the acquisition date using fair values, which approximated the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises have been included in Loblaw's results of operations from the date of acquisition.

Loblaw has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2020, Loblaw consolidated all of its remaining franchisees for accounting purposes under the Franchise Agreement.

The following table summarizes the amounts recognized for the assets acquired, liabilities assumed and non-controlling interests recognized at the acquisition dates:

(\$ millions)	2021	2020
Net assets acquired:		
Cash and cash equivalents	\$ –	\$ 14
Inventories	–	42
Fixed assets (note 16)	–	44
Trade payables and other liabilities ⁽ⁱ⁾	–	(54)
Other liabilities ⁽ⁱ⁾	–	(30)
Non-controlling interests	–	(16)
Total net assets acquired	\$ –	\$ –

(i) On consolidation, trade payables and other liabilities and other liabilities eliminated against existing accounts receivable, franchise loans receivable and franchise investments held by Loblaw.

Note 8. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

(\$ millions)	2021 (52 weeks)	2020 ⁽ⁱ⁾ (53 weeks)
Interest expense:		
Long-term debt	\$ 580	\$ 638
Lease liabilities (note 33)	191	205
Borrowings related to credit card receivables	37	48
Trust Unit distributions	205	223
Independent funding trusts	13	14
Post-employment and other long-term employee benefits (note 30)	9	9
Bank indebtedness	4	4
Financial liabilities (note 26)	46	31
Capitalized interest (capitalization rate 3.6% (2020 – 3.7%)) (notes 16 & 19)	(3)	(4)
	\$ 1,082	\$ 1,168
Interest income:		
Accretion income	\$ (6)	\$ (5)
Short-term interest income	(18)	(24)
	\$ (24)	\$ (29)
Forward sale agreement ⁽ⁱⁱ⁾	\$ 180	\$ (71)
Fair value adjustment of the Trust Unit liability (note 34)	601	(239)
Recovery related to Glenhuron Bank Limited (note 9)	(189)	–
Net interest expense and other financing charges from Continuing Operations	\$ 1,650	\$ 829

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

(ii) See note 25 for details on the settlement of the net debt associated with the equity forward sale agreement. Included is a charge of \$188 million (2020 – income of \$47 million) related to the fair value adjustment of the forward sale agreement, forward accretion income of \$24 million (2020 – \$46 million), and the forward fee of \$16 million (2020 – \$22 million), associated with the forward sale agreement.

Note 9. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings from continuing operations were as follows:

(\$ millions)	2021 (52 weeks)	2020 ⁽ⁱ⁾ (53 weeks)
Current income taxes		
Current period	\$ 791	\$ 546
Recovery related to Glenhuron Bank Limited	(128)	–
Adjustment in respect of prior periods	10	(18)
Deferred income taxes		
Origination and reversal of temporary differences	(37)	(68)
Effect of change in income tax rates	–	(3)
Adjustment in respect of prior periods	(6)	13
Income taxes from Continuing Operations	\$ 630	\$ 470

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

Loblaw had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited (“Glenhuron”), a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court of Canada (“Tax Court”) released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal, and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court of Canada (“Supreme Court”) granted the Crown leave to appeal. On May 13, 2021, the Crown’s appeal was heard by the Supreme Court and on December 3, 2021, the Supreme Court dismissed the Crown’s appeal. As a result, Loblaw has reversed \$301 million of previously recorded charges, of which \$173 million is recorded as interest income and \$128 million is recorded as income tax recovery. In addition, interest of \$16 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds (see note 36).

Notes to the Consolidated Financial Statements

Income tax expense recognized in other comprehensive income from continuing operations was as follows:

(\$ millions)	2021 (52 weeks)	2020 (53 weeks)
Net defined benefit plan actuarial gains (losses) (note 30)	\$ 104	\$ (15)
Adjustment to fair value on transfer of investment properties	10	3
Gains (losses) on cash flow hedges (note 34)	1	(10)
Total income tax expense (recoveries) recognized in other comprehensive income	\$ 115	\$ (22)

The effective tax rates in the consolidated statements of earnings from continuing operations were reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2021	2020 ⁽ⁱ⁾
Weighted average basic Canadian federal and provincial statutory income tax rate	26.5%	26.6%
Net (decrease) increase resulting from:		
Effect of tax rate in foreign jurisdictions	(0.1)	–
Recovery related to Glenhuron	(5.4)	–
Non-deductible and non-taxable items	(2.3)	(0.1)
Impact of fair value adjustment of Trust Unit liability	6.7	(3.1)
Impact of income tax rate changes on deferred income tax balances	–	(0.2)
Adjustments in respect of prior periods	0.2	(0.1)
Other	0.9	(0.1)
Effective tax rate applicable to earnings before income taxes	26.5%	23.0%

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

Deferred income tax assets which were not recognized on the consolidated balance sheets were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Deductible temporary differences	\$ 12	\$ 15
Income tax losses and credits	166	171
Unrecognized deferred income tax assets	\$ 178	\$ 186

The portion of the income tax losses and credits which have a limited carry-forward period expire in the years 2026 to 2041. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Deferred income tax assets and liabilities recognized on the consolidated balance sheets were attributable to the following:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Trade payables and other liabilities	\$ 80	\$ 82
Other liabilities	261	372
Lease liabilities	1,296	1,301
Fixed assets	(1,225)	(1,153)
Right-of-use assets	(1,049)	(1,064)
Goodwill and intangible assets	(1,336)	(1,559)
Non-capital losses carried forward (expiring 2026 to 2041)	48	97
Capital losses carried forward	14	19
Other	21	(15)
Net deferred income tax liabilities	\$ (1,890)	\$ (1,920)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	\$ 113	\$ 139
Deferred income tax liabilities	(2,003)	(2,059)
Net deferred income tax liabilities	\$ (1,890)	\$ (1,920)

Note 10. Basic and Diluted Net Earnings per Common Share

(\$ millions except where otherwise indicated)	2021 (52 weeks)	2020 ⁽ⁱ⁾ (53 weeks)
Net earnings attributable to shareholders of the Company	\$ 431	\$ 963
Less: Discontinued Operations (note 5)	(322)	6
Net earnings from continuing operations attributable to shareholders of the Company	\$ 753	\$ 957
Prescribed dividends on preferred shares in share capital	(44)	(44)
Net earnings from continuing operations available to common shareholders of the Company	\$ 709	\$ 913
Reduction in net earnings due to dilution at Loblaw	(9)	(4)
Net earnings from continuing operations available to common shareholders for diluted earnings per share	\$ 700	\$ 909
Weighted average common shares outstanding (in millions) (note 27)	149.9	153.4
Dilutive effect of equity-based compensation ⁽ⁱⁱ⁾ (in millions)	0.3	0.1
Diluted weighted average common shares outstanding (in millions)	150.2	153.5
Net earnings (loss) per common share – Basic (\$)		
Continuing Operations	\$ 4.73	\$ 5.95
Discontinued Operations	\$ (2.14)	\$ 0.04
Net earnings (loss) per common share – Diluted (\$)		
Continuing Operations	\$ 4.66	\$ 5.92
Discontinued Operations	\$ (2.14)	\$ 0.04

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

(ii) Excluded from the computation of diluted net earnings per common share were nominal (2020 – 1.4 million) potentially dilutive instruments, as they were anti-dilutive.

Notes to the Consolidated Financial Statements

Note 11. Cash and Cash Equivalents, Short-Term Investments and Security Deposits

The components of cash and cash equivalents, short-term investments and security deposits were as follows:

CASH AND CASH EQUIVALENTS

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Cash	\$ 1,255	\$ 1,228
Cash equivalents:		
Government treasury bills	632	758
Bankers' acceptances	1,073	570
Corporate commercial paper	3	–
Guaranteed investment certificates	21	22
Other	–	3
Cash and cash equivalents	\$ 2,984	\$ 2,581

SHORT-TERM INVESTMENTS

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Government treasury bills	\$ 776	\$ 485
Bankers' acceptances	97	81
Corporate commercial paper	1	1
Guaranteed Investment Certificates	5	7
Other	–	1
Short-term investments	\$ 879	\$ 575

SECURITY DEPOSITS

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Cash	\$ 46	\$ 52
Government treasury bills	29	23
Total security deposits	\$ 75	\$ 75

Note 12. Accounts Receivable

The following is an aging of the Company's accounts receivable:

(\$ millions)	As at				Dec. 31, 2020 ⁽ⁱ⁾			
	Dec. 31, 2021				0 - 90 days	> 90 days	> 180 days	Total
Accounts receivable, net	\$ 909	\$ 60	\$ 41	\$ 1,010	\$ 1,073	\$ 53	\$ 57	\$ 1,183

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

The following are continuities of the Company's allowances for uncollectible accounts receivable:

(\$ millions)	2021	2020
Allowance, beginning of year	\$ (31)	\$ (34)
Transfer to assets held for sale (note 5)	11	–
Net (additions) write-offs	(3)	3
Allowance, end of year	\$ (23)	\$ (31)

Credit risk associated with accounts receivable is discussed in note 35.

Note 13. Credit Card Receivables

The components of credit card receivables were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Gross credit card receivables	\$ 3,648	\$ 3,346
Allowance for credit card receivables	(205)	(237)
Credit card receivables	\$ 3,443	\$ 3,109
Securitized to independent securitization trusts:		
Securitized to <i>Eagle Credit Card Trust</i> [®] (note 25)	\$ 1,350	\$ 1,050
Securitized to Other Independent Securitization Trusts (note 24)	450	575
Total securitized to independent securitization trusts	\$ 1,800	\$ 1,625

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

The associated liability of *Eagle* is recorded in long-term debt (see note 25). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short-term debt (see note 24).

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2021, with their respective maturity dates extended to 2023 and with all other terms and conditions remaining substantially the same.

On a year-to-date basis in 2021, PC Bank recorded a \$125 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of issuance of *Eagle* notes in 2021.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts at year end 2021 were \$250 million (2020 – \$400 million).

Loblaw has arranged letters of credit on behalf of PC Bank for the benefit of the Independent Securitization Trusts (see note 37).

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at year end 2021 and throughout the year.

Notes to the Consolidated Financial Statements

The following is an aging of gross credit card receivables:

(\$ millions)	As at							
	Dec. 31, 2021				Dec. 31, 2020			
	1-90 days		> 90 days		1-90 days		> 90 days	
	Current	past due	past due	Total	Current	past due	past due	Total
Gross credit card receivables	\$ 3,477	\$ 146	\$ 25	\$ 3,648	\$ 3,169	\$ 150	\$ 27	\$ 3,346

The following are continuities of Loblaw's allowances for credit card receivables for the years ended December 31, 2021 and December 31, 2020:

(\$ millions)	2021			2021
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of the year	\$ 90	\$ 116	\$ 31	\$ 237
Increase / (Decrease) during the year:				
Transfers ⁽ⁱ⁾				
To Stage 1	44	(44)	–	–
To Stage 2	(5)	7	(2)	–
To Stage 3	(1)	(18)	19	–
New loans originated ⁽ⁱⁱ⁾	7	14	2	23
New remeasurements ⁽ⁱⁱⁱ⁾	(60)	23	65	28
Write-offs	–	–	(108)	(108)
Recoveries	–	–	25	25
Balance, end of year	\$ 75	\$ 98	\$ 32	\$ 205

- (i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurement of loss allowance includes impact from changes in loan balances and credit quality during the year.

(\$ millions)	2020			2020
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of the year	\$ 72	\$ 92	\$ 32	\$ 196
Increase / (Decrease) during the year:				
Transfers ⁽ⁱ⁾				
To Stage 1	33	(33)	–	–
To Stage 2	(5)	7	(2)	–
To Stage 3	(1)	(18)	19	–
New loans originated ⁽ⁱⁱ⁾	7	16	1	24
New remeasurements ⁽ⁱⁱⁱ⁾	(16)	52	93	129
Write-offs	–	–	(138)	(138)
Recoveries	–	–	26	26
Balance, end of year	\$ 90	\$ 116	\$ 31	\$ 237

- (i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurement of loss allowance includes impact from changes in loan balances and credit quality during the year.

The allowances for credit card receivables recorded on the consolidated balance sheets are maintained at a level which is considered adequate to endure credit-related losses on credit card receivables.

Note 14. Inventories

The components of inventories were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Finished goods	\$ 5,166	\$ 5,314
Raw materials and supplies	–	71
Inventories	\$ 5,166	\$ 5,385

As at year end 2021, Loblaw recorded an inventory provision of \$67 million (December 31, 2020 – \$34 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during the year ended December 31, 2021 and December 31, 2020.

Note 15. Assets Held for Sale

Loblaw classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were either originally used in Loblaw's retail business segment or held in investment properties. In 2021, Loblaw recorded a net gain of \$12 million (2020 – net gain of \$9 million) from the sale of these assets. Net fair value gain of \$1 million (2020 – fair value write-down of \$20 million) was recognized on investment properties held for sale in 2021.

Notes to the Consolidated Financial Statements

Note 16. Fixed Assets

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2021:

(\$ millions)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost, beginning of year	\$ 2,082	\$ 9,394	\$ 10,391	\$ 2,393	\$ 649	\$ 24,909
Additions ⁽ⁱ⁾	9	16	28	17	899	969
Disposals	(47)	(22)	(93)	(14)	(3)	(179)
Transfer to assets held for sale	(25)	(384)	(1,627)	(35)	(124)	(2,195)
Net transfer to investment properties (note 17)	(22)	(93)	–	–	(1)	(116)
Transfer from assets under construction	14	214	681	102	(1,011)	–
Impact of foreign currency translation	–	(5)	(9)	–	(3)	(17)
Cost, end of year	\$ 2,011	\$ 9,120	\$ 9,371	\$ 2,463	\$ 406	\$ 23,371
Accumulated depreciation and impairment losses, beginning of year	\$ 3	\$ 3,897	\$ 7,566	\$ 1,497	\$ 3	\$ 12,966
Depreciation	–	234	585	152	–	971
Impairment losses	–	–	29	4	–	33
Reversal of impairment losses	–	(9)	(7)	(4)	–	(20)
Disposals	–	(11)	(91)	(14)	–	(116)
Transfer to assets held for sale	–	(148)	(996)	(29)	–	(1,173)
Transfer to investment properties (note 17)	–	(59)	–	–	–	(59)
Impact of foreign currency translation	–	(3)	(10)	–	–	(13)
Accumulated depreciation and impairment losses, end of year	\$ 3	\$ 3,901	\$ 7,076	\$ 1,606	\$ 3	\$ 12,589
Carrying amount as at:						
December 31, 2021	\$ 2,008	\$ 5,219	\$ 2,295	\$ 857	\$ 403	\$ 10,782

(i) Additions to fixed assets in Loblaw includes \$1 million prepayment that was made in 2020. The balance was transferred from other assets in 2021.

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2020:

(\$ millions)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost, beginning of year	\$ 2,071	\$ 9,062	\$ 9,648	\$ 2,347	\$ 713	\$ 23,841
Additions ⁽ⁱ⁾	1	2	145	32	920	1,100
Disposals	(2)	(43)	(63)	(26)	(7)	(141)
Transfer to assets held for sale	(29)	–	–	–	–	(29)
Net transfer from investment properties (note 17)	11	42	–	–	75	128
Transfer from assets under construction	30	340	640	40	(1,050)	–
Business acquisitions	–	–	44	–	–	44
Impact of foreign currency translation	–	(9)	(23)	–	(2)	(34)
Cost, end of year	\$ 2,082	\$ 9,394	\$ 10,391	\$ 2,393	\$ 649	\$ 24,909
Accumulated depreciation and impairment losses, beginning of year	\$ 2	\$ 3,680	\$ 7,000	\$ 1,383	\$ 3	\$ 12,068
Depreciation	–	268	632	134	–	1,034
Impairment losses	1	6	12	9	–	28
Reversal of impairment losses	–	(9)	(2)	(4)	–	(15)
Disposals	–	(22)	(63)	(25)	–	(110)
Net transfer to investment properties (note 17)	–	(23)	–	–	–	(23)
Impact of foreign currency translation	–	(3)	(13)	–	–	(16)
Accumulated depreciation and impairment losses, end of year	\$ 3	\$ 3,897	\$ 7,566	\$ 1,497	\$ 3	\$ 12,966
Carrying amount as at:						
December 31, 2020	\$ 2,079	\$ 5,497	\$ 2,825	\$ 896	\$ 646	\$ 11,943

(i) Additions to fixed assets in Loblaw includes \$66 million prepayment that was made in 2019. The balance was transferred from other assets in 2020.

ASSETS UNDER CONSTRUCTION The cost of additions to properties under construction for 2021 was \$899 million (2020 – \$920 million). Included in this amount were capitalized borrowing costs of \$3 million (2020 – \$4 million) with a weighted average capitalization rate of 3.6% (2020 – 3.7%) (see note 8).

SECURITY AND ASSETS PLEDGED As at year end 2021, the Company had fixed assets with a carrying amount of \$51 million (2020 – \$52 million) which were encumbered by mortgages of \$37 million (2020 – \$38 million) (see note 25).

FIXED ASSET COMMITMENTS As at year end 2021, the Company had entered into commitments of \$1,176 million (2020 – \$502 million) for the construction, expansion and renovation of buildings and the purchase of real property.

IMPAIRMENT LOSSES AND REVERSALS OF FIXED ASSETS AND RIGHT-OF-USE ASSETS In 2021, the Company recorded \$18 million (2020 – \$20 million) of impairment losses on fixed assets and \$6 million (2020 – \$20 million) of impairment losses on right-of-use assets (see note 33) in respect of 10 CGUs (2020 – 23 CGUs). The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use. Approximately 10% (2020 – 13%) of impaired CGUs had carrying values which were \$1 million (2020 – \$5 million) greater than their fair value less costs to sell. The remaining 90% (2020 – 87%) of impaired CGUs had carrying values which were \$23 million (2020 – \$35 million) greater than their value in use.

In 2021, the Company recorded \$20 million (2020 – \$15 million) of impairment reversals on fixed assets and \$8 million (2020 – \$2 million) of impairment reversals on right-of-use assets (see note 33) in respect to 14 CGUs (2020 – 10 CGUs). Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. Approximately 14% (2020 – 50%) of CGUs with impairment reversals had fair value less costs to sell greater than their carrying values of \$5 million (2020 – \$8 million). The remaining 86% (2020 – 50%) of CGUs with impairment reversals had value in use of \$23 million (2020 – \$9 million) greater than their carrying values.

Notes to the Consolidated Financial Statements

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU. Projected future sales and earnings for cash flows are based on actual operating results, operating budgets, and long-term growth rates that are consistent with industry averages, all of which are consistent with strategic plans presented to GWL's and Loblaw's Boards. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 7.9% to 8.4% at the end of 2021 (2020 – 8.0% to 8.5%).

Additional impairment losses on fixed assets of \$15 million (2020 – \$8 million) were incurred related to Loblaw's store closures, renovations, conversions of retail locations and restructuring activities. No impairment losses (2020 – \$3 million) were recognized on right-of-use assets (see note 33) related to restructuring activities.

Note 17. Investment Properties

The following are continuities of investment properties for the years ended December 31, 2021 and December 31, 2020:

(\$ millions)	2021	2020
Balance, beginning of the year	\$ 4,930	\$ 4,888
Adjustment to fair value of investment properties	283	(138)
Additions ⁽ⁱ⁾	88	444
Disposals	(193)	(159)
Net transfer from (to) fixed assets ⁽ⁱⁱ⁾ (note 16)	117	(125)
Net transfer to other assets	(10)	–
Net transfer to assets held for sale	(18)	(25)
Net transfer from equity accounted joint ventures	143	43
Other	4	2
Balance, end of the year ⁽ⁱⁱⁱ⁾	\$ 5,344	\$ 4,930

(i) In 2020, additions to investment properties includes \$243 million of non-cash consideration.

(ii) Includes the fair value gain of \$60 million (2020 – \$20 million) recognized in other comprehensive income related to transfer of fixed assets to investment properties.

(iii) Includes \$5,183 million (2020 – \$4,832 million) of income producing properties and \$161 million (2020 – \$98 million) of properties under development.

During 2021, the Company recognized in operating income \$408 million (2020 – \$394 million) of rental revenue and incurred direct operating costs of \$104 million (2020 – \$137 million) related to its investment properties. In addition, the Company recognized direct operating costs of \$2 million (2020 – \$2 million) related to its investment properties for which no rental revenue was earned.

INTERNAL APPRAISALS

Investment properties are measured at fair value, which was primarily determined by using the discounted cash flow method. Management reviews the valuation process and results prepared by the internal valuation team at least once per quarter. The valuations exclude any portfolio premium or value for the management platform and reflect the highest and best use for each of the Company's investment properties. As part of the internal valuation process, Management considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Company's portfolio. On a quarterly basis, the internal valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to capitalization rates, discount rates, market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

INDEPENDENT APPRAISALS

Properties are typically independently appraised at the time of acquisition. In addition, the Company has engaged independent nationally-recognized valuation firms to appraise its investment properties such that the majority of the portfolio will be independently appraised at least once over a four-year period. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuers in preparing their reports and holds discussions with them on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Company will record the internal value in its consolidated financial statements.

Note 18. Equity Accounted Joint Ventures

Choice Properties accounts for its investments in joint ventures using the equity method. These investments hold primarily development properties and some income-producing properties. The table below summarizes Choice Properties' investment in joint ventures.

	As at			
	Dec. 31, 2021		Dec. 31, 2020	
	Number of joint ventures	Ownership interest	Number of joint ventures	Ownership interest
Retail	15	25% - 75%	16	25% - 75%
Industrial	1	50%	2	50%
Residential	3	47% - 50%	3	47% - 50%
Land, held development	2	50% - 85%	1	50%
Total equity accounted joint ventures	21		22	
Investment in equity accounted joint ventures (\$ millions)		\$ 564		\$ 573

Notes to the Consolidated Financial Statements

Note 19. Intangible Assets

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2021:

(\$ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Software	Other definite life intangible assets	Total
Cost, beginning of year	\$ 3,491	\$ 20	\$ 20	\$ 3,535	\$ 6,024	\$ 13,090
Additions	–	–	7	393	–	400
Business acquisitions	–	–	–	–	1	1
Impact of foreign currency translation	–	–	–	–	(1)	(1)
Transfer to assets held for sale (note 5)	–	–	(27)	(105)	(123)	(255)
Cost, end of year	\$ 3,491	\$ 20	\$ –	\$ 3,823	\$ 5,901	\$ 13,235
Accumulated amortization and impairment losses, beginning of year	\$ –	\$ 20	\$ 12	\$ 2,446	\$ 3,580	\$ 6,058
Amortization	–	–	–	351	505	856
Impairment losses	–	–	–	13	–	13
Impact of foreign currency translation	–	–	–	–	(1)	(1)
Transfer to assets held for sale (note 5)	–	–	(12)	(45)	(64)	(121)
Accumulated amortization and impairment losses, end of year	\$ –	\$ 20	\$ –	\$ 2,765	\$ 4,020	\$ 6,805
Carrying amount as at:						
December 31, 2021	\$ 3,491	\$ –	\$ –	\$ 1,058	\$ 1,881	\$ 6,430

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2020:

(\$ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Software	Other definite life intangible assets	Total
Cost, beginning of year	\$ 3,490	\$ 20	\$ 20	\$ 3,186	\$ 6,018	\$ 12,734
Additions	–	–	–	350	7	357
Business acquisitions	1	–	–	–	2	3
Impact of foreign currency translation	–	–	–	(1)	(3)	(4)
Cost, end of year	\$ 3,491	\$ 20	\$ 20	\$ 3,535	\$ 6,024	\$ 13,090
Accumulated amortization and impairment losses, beginning of year	\$ –	\$ 20	\$ 11	\$ 2,142	\$ 3,073	\$ 5,246
Amortization	–	–	1	304	510	815
Impairment losses	–	–	–	–	1	1
Impact of foreign currency translation	–	–	–	–	(4)	(4)
Accumulated amortization and impairment losses, end of year	\$ –	\$ 20	\$ 12	\$ 2,446	\$ 3,580	\$ 6,058
Carrying amount as at:						
December 31, 2020	\$ 3,491	\$ –	\$ 8	\$ 1,089	\$ 2,444	\$ 7,032

INDEFINITE LIFE INTANGIBLE ASSETS Indefinite life intangible assets recorded by Loblaw are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. The brand names and trademarks are a result of Loblaw's acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and T&T Supermarket Inc. Loblaw expects to renew the registration of the brand names, trademarks, import purchase quotas and liquor licenses at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, Loblaw assessed these intangibles to have indefinite useful lives.

The Company completed its annual impairment tests for indefinite life intangible assets and concluded there was no impairment.

Key Assumptions The key assumptions used to calculate the fair value less costs to sell are those regarding cash flow forecasts, growth rates, discount rates, and terminal rate. These assumptions are consistent with the assumptions used to calculate fair value less costs to sell for goodwill (see note 20).

SOFTWARE Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2021 (2020 - nil).

OTHER DEFINITE LIFE INTANGIBLE ASSETS Other definite life intangible assets recorded by Loblaw primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Note 20. Goodwill

The following are continuities of the cost and accumulated impairment losses of goodwill for the years ended December 31, 2021 and December 31, 2020:

(\$ millions)	2021	2020
Cost, beginning of year	\$ 5,839	\$ 5,842
Business acquisitions	1	2
Transfer to assets held for sale (note 5)	(290)	-
Impact of foreign currency translation	(4)	(5)
Cost, end of year	\$ 5,546	\$ 5,839
Accumulated impairment losses, beginning of year	\$ 1,067	\$ 1,067
Impairment losses	-	-
Accumulated impairment losses, end of year	\$ 1,067	\$ 1,067
Carrying amount as at:		
December 31	\$ 4,479	\$ 4,772

The carrying amount of goodwill attributed to each CGU was as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Shoppers Drug Mart	\$ 2,976	\$ 2,976
Market	376	375
Discount	461	461
T&T Supermarket Inc.	129	129
Other	537	533
Discontinued Operations (note 5)	-	298
Carrying amount of goodwill, as at the end of year	\$ 4,479	\$ 4,772

Notes to the Consolidated Financial Statements

KEY ASSUMPTIONS The key assumptions used to calculate the fair value less costs to sell are cash flow forecasts, growth rates, discount rate, and terminal rate. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be 7.1% to 7.9% (2020 – 7.1% to 9.3%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of comparable public traded companies.

Cash flow projections were discounted using a rate derived from an after-tax weighted average cost of capital. As at year end 2021, the after-tax discount rate used in the recoverable amount calculations was 7.1% to 7.9% (2020 – 7.1% to 9.3%). The pre-tax discount rate was 9.7% to 10.8% (2020 – 9.7% to 12.7%).

The Company included a minimum of three years of cash flows in its discounted cash flow models. The cash flow forecasts were extrapolated beyond the three year period using an estimated long-term growth rate of 2.0% (2020 – 2.0%). The budgeted adjusted EBITDA⁽ⁱ⁾ growth was based on the strategic plans approved by GWL's or Loblaw's Board.

(i) Excludes certain items and is used internally by management when analyzing segment underlying operating performance.

Note 21. Other Assets

The components of other assets were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec 31, 2020 ^(iv)
Sundry investments and other receivables ⁽ⁱ⁾	\$ 206	\$ 157
Net accrued benefit plan asset (note 30)	495	184
Finance lease receivable	67	77
Mortgages, loans and notes receivable	187	168
Other	138	159
Fair value of equity forward ⁽ⁱⁱ⁾	–	630
Total Other Assets	\$ 1,093	\$ 1,375
Current portion of mortgages, loans and notes receivable ⁽ⁱⁱⁱ⁾	(78)	(49)
Other Assets	\$ 1,015	\$ 1,326

(i) In 2020, Shoppers Drug Mart Inc. agreed to invest a total of \$75 million in Maple Corporation ("Maple"), the leading virtual care provider in Canada, in exchange for a significant minority stake. In 2021, Loblaw executed the remaining investment of \$14 million. As at December 31, 2021, Loblaw had invested \$75 million in exchange for approximately 30% of the ownership interest in Maple.

(ii) See note 25 for details on the settlement of the net debt associated with the equity forward sale agreement.

(iii) Current portion of mortgages, loans and notes receivable are included in prepaid expenses and other assets in the consolidated balance sheets.

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

Note 22. Customer Loyalty Awards Program Liability

The carrying amount of the liability associated with Loblaw's customer loyalty awards programs ("loyalty liability") was as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Loyalty liability	\$ 190	\$ 194

The majority of the Company's loyalty liability, which is a contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

Note 23. Provisions

The following are continuities of provisions for the years ended December 31, 2021 and December 31, 2020:

(\$ millions)	2021	2020 ⁽ⁱ⁾
Provisions, beginning of year	\$ 214	\$ 237
Additions	74	106
Payments	(57)	(98)
Reversals	(11)	(19)
Reclasses	(1)	(12)
Transfer to assets held for sale (note 5)	(10)	–
Provisions, end of year	\$ 209	\$ 214

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020 ⁽ⁱ⁾
Carrying amount of provisions recorded in:		
Current provisions	\$ 119	\$ 98
Non-current provisions	90	116
Provisions	\$ 209	\$ 214

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

Provisions consist primarily of amounts recorded in respect of restructuring, self-insurance, environmental and decommissioning liabilities, certain onerous costs on leased properties, legal claims, the Loblaw Card Program and a MEPP withdrawal liability.

The Company's accrued insurance liabilities were \$91 million (2020 – \$86 million), of which \$46 million (2020 – \$47 million) was included in non-current provisions and \$45 million (2020 – \$39 million) in current provisions. Included in total accrued insurance liabilities were \$17 million (2020 – \$19 million) of U.S. workers' compensation liabilities. The related cost and accrued workers' compensation liabilities are based on actuarial valuations which are dependent on assumptions determined by management. The discount rate used in determining the 2021 U.S. workers' compensation cost and liability was 2.0% (2020 – 2.0%). The total workers' compensation liability is equal to the ultimate actuarial loss estimate less any actual losses paid to date. Any change in the workers' compensation liability is recognized immediately in operating income.

In 2021, the U.S. workers' compensation cost associated with the worker's compensation liabilities was \$3 million (2020 – \$4 million).

COMPETITION BUREAU INVESTIGATION In 2017, the Company and Loblaw announced actions taken to address their involvement in an industry-wide price-fixing arrangement. In connection with the arrangement, Loblaw offered customers a \$25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. As at December 31, 2021, the Loblaw Card Program liability is \$15 million (2020 – \$15 million). Loblaw expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages (see note 36).

RESTRUCTURING AND OTHER RELATED COSTS The Company continuously evaluates strategic and cost reduction initiatives that focus on improving processes and generating efficiencies across administrative, store, manufacturing and distribution network infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing. As at December 31, 2021, the provision related to restructuring and other related costs was \$56 million (2020 – \$59 million).

Notes to the Consolidated Financial Statements

Note 24. Short-Term Debt

The components of short-term debt were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Other Independent Securitization Trusts (note 13)	\$ 450	\$ 575
Series B Debentures ⁽ⁱ⁾	–	760
Short-term debt	\$ 450	\$ 1,335

(i) See note 25 for details on the settlement of net debt associated with the equity forward sale agreement, including the Series B Debentures.

OTHER INDEPENDENT SECURITIZATION TRUSTS The outstanding short-term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts with recourse (see note 13).

Note 25. Long-Term Debt

The components of long-term debt were as follows:

(\$ millions)	As at		
	Dec. 31, 2021	Dec. 31, 2020	
Debentures			
George Weston Limited Notes			
Series A, 7.00%, due 2031	\$ –	\$ 466	
4.12%, due 2024	200	200	
7.10%, due 2032	150	150	
6.69%, due 2033	100	100	
Loblaw Companies Limited Notes			
4.86%, due 2023	800	800	
3.92% due 2024	400	400	
6.65%, due 2027	100	100	
6.45%, due 2028	200	200	
4.49%, due 2028	400	400	
6.50%, due 2029	175	175	
2.28%, due 2030	350	350	
11.40%, due 2031			
Principal	151	151	
Effect of coupon repurchase	32	33	
6.85%, due 2032	200	200	
6.54%, due 2033	200	200	
8.75%, due 2033	200	200	
6.05%, due 2034	200	200	
6.15%, due 2035	200	200	
5.90%, due 2036	300	300	
6.45%, due 2039	200	200	
7.00%, due 2040	150	150	
5.86%, due 2043	55	55	
Choice Properties Debentures			
Series B 4.90%, due 2023	200	200	
Series D 4.29%, due 2024	200	200	
Series F 4.06%, due 2025	200	200	
Series G 3.20%, due 2023	250	250	
Series H 5.27%, due 2046	100	100	
Series I 3.01%, due 2022	–	300	
Series J 3.55%, due 2025	350	350	
Series K 3.56%, due 2024	550	550	
Series L 4.18%, due 2028	750	750	
Series M 3.53%, due 2029	750	750	
Series N 2.98%, due 2030	400	400	
Series O 3.83%, due 2050	100	100	
Series P 2.85%, due 2027	500	500	
Series Q 2.46%, due 2026	350	–	
Series 9 3.60%, due 2021	–	200	
Series 10 3.60%, due 2022	300	300	
Series D-C 2.95%, due 2023	125	125	
Long-Term Debt Secured by Mortgage	2.04% - 5.60%, due 2022 - 2038 (note 16)	1,112	1,207
Guaranteed Investment Certificates	0.10% - 3.78%, due 2022 - 2026	996	1,185
Independent Securitization Trust (note 13)	2.71%, due 2022	250	250
	3.10%, due 2023	250	250
	2.28%, due 2024	250	250
	1.34%, due 2025	300	300
	1.61%, due 2026	300	–
Independent Funding Trusts		570	512
George Weston Limited Credit Facility		121	–
Choice Properties Construction Loans		13	25
Transaction costs and other		(40)	(41)
Total long-term debt	\$ 14,010	\$ 14,443	
Less amount due within one year	1,520	924	
Long-term debt	\$ 12,490	\$ 13,519	

Notes to the Consolidated Financial Statements

Significant long-term debt transactions are described below:

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

(\$ millions)	Interest Rate	Maturity Date	2021	2020
			Principal Amount	Principal Amount
Loblaw Companies Limited notes	2.28%	May 7, 2030 ⁽ⁱ⁾	\$ –	\$ 350
Choice Properties senior unsecured debentures				
– Series N	2.98%	March 4, 2030	–	400
– Series O	3.83%	March 4, 2050	–	100
– Series P	2.85%	May 21, 2027	–	500
– Series Q	2.46%	November 30, 2026	350	–
Total debentures issued			\$ 350	\$ 1,350

- (i) In connection with this issuance, during 2020, \$350 million of bond forward agreements were settled, resulting in a realized fair value loss of \$34 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the consolidated statements of earnings over the life of the May 7, 2030 notes. This settlement also resulted in a net effective interest rate of 3.34% on the May 7, 2030 notes issued.

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

(\$ millions)	Interest Rate	Maturity Date	2021	2020
			Principal Amount	Principal Amount
George Weston debenture – Series A	7.00%	November 10, 2031 ⁽ⁱ⁾	\$ 466	\$ –
Loblaw Companies Limited notes	5.22%	June 18, 2020	–	350
Choice Properties senior unsecured debentures				
– Series 8	3.60%	April 20, 2020	–	300
– Series 9	3.60%	September 20, 2021 ⁽ⁱⁱ⁾	200	–
– Series B-C	4.32%	January 15, 2021	–	100
– Series C	3.50%	February 8, 2021	–	250
– Series E	2.30%	September 14, 2020	–	250
– Series I	3.01%	March 21, 2022 ⁽ⁱⁱⁱ⁾	300	–
Total debentures repaid			\$ 966	\$ 1,250

- (i) In 2021, the Company settled the net debt associated with the equity forward sale agreement. As a result, the 9.6 million Loblaw shares securing the net debt were released from security and the Company's economic interest in Loblaw is now equal to its voting interest. In aggregate, \$790 million was paid to settle the net debt, resulting in the extinguishment of the Series A Debentures (\$466 million), Series B Debentures (\$784 million), plus accrued interest, and the settlement of the equity forward sale agreement (\$464 million gain).
- (ii) Choice Properties senior unsecured debentures Series 9 was redeemed on June 21, 2021.
- (iii) Choice Properties senior unsecured debentures Series I was redeemed on December 10, 2021.

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

(\$ millions)	2021	2020
Balance, beginning of year	\$ 1,185	\$ 1,311
GICs issued	414	410
GICs matured	(603)	(536)
Balance, end of year	\$ 996	\$ 1,185

INDEPENDENT SECURITIZATION TRUST The notes issued by *Eagle* are debentures, which are collateralized by PC Bank's credit card receivables (see note 13).

During 2021, *Eagle* issued \$300 million (2020 – \$300 million) of senior and subordinated term notes with a maturity date of June 17, 2026 (2020 – July 17, 2025) at a weighted average interest rate of 1.61% (2020 – 1.34%). In connection with this issuance, \$175 million (2020 – \$200 million) of bond forward agreements were settled, resulting in a realized fair value loss of \$1 million (2020 – loss of \$11 million) before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the consolidated statements of earnings over the life of the aforementioned *Eagle* notes. This settlement also resulted in a net effective interest rate of 1.65% (2020 – 2.07%) on the *Eagle* notes issued (see note 34).

During 2020, \$250 million of the senior and subordinated term notes at a weighted average interest rate of 2.23% previously issued by *Eagle*, matured and were repaid on September 17, 2020. There were no repayments of notes issued by *Eagle* in 2021.

INDEPENDENT FUNDING TRUSTS As at year end 2021, the independent funding trusts had drawn \$570 million (2020 – \$512 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

The revolving committed credit facility relating to the independent funding trusts has a maturity date until May 27, 2022.

COMMITTED CREDIT FACILITIES The components of the committed lines of credit available as at year end 2021 and 2020 were as follows:

(\$ millions)	Maturity Date	As at			
		Dec. 31, 2021		Dec. 31, 2020	
		Available Credit	Drawn	Available Credit	Drawn
George Weston	September 13, 2024 ⁽ⁱ⁾	\$ 350	\$ 121	\$ –	\$ –
Loblaw	October 7, 2023	1,000	–	1,000	–
Choice Properties	June 24, 2026	1,500	–	1,500	–
Total committed credit facilities		\$ 2,850	\$ 121	\$ 2,500	\$ –

(i) Subsequent to year end, GWL repaid \$121 million of its committed credit facility.

These facilities contain certain financial covenants (see note 29).

In 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024.

LONG-TERM DEBT DUE WITHIN ONE YEAR The components of long-term debt due within one year were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Debentures	\$ 296	\$ 196
GICs	182	597
Independent Securitization Trust	250	–
Independent funding trusts	570	–
Long-term debt secured by mortgage	217	106
Construction Loans	5	25
Long-term debt due within one year	\$ 1,520	\$ 924

Notes to the Consolidated Financial Statements

SCHEDULE OF REPAYMENTS The schedule of repayment of long-term debt, based on maturity is as follows:

(\$ millions)	Dec. 31, 2021
2022	\$ 1,524
2023	1,985
2024	2,075
2025	1,226
2026	828
Thereafter	6,412
Long-Term Debt (excludes transaction costs)	\$ 14,050

See note 34 for the fair value of long-term debt.

RECONCILIATION OF LONG-TERM DEBT The following table reconciles the changes in cash flows from financing activities for long-term debt for the years ended as indicated:

(\$ millions)	2021	2020
Total long-term debt, beginning of year	\$ 14,443	\$ 14,554
Long-term debt issuances ⁽ⁱ⁾	1,440	2,492
Long-term debt repayments ⁽ⁱⁱ⁾	(1,874)	(2,598)
Total cash flow (used in) from long-term debt financing activities	(434)	(106)
Other non-cash changes	1	(5)
Total long-term debt, end of year	\$ 14,010	\$ 14,443

(i) Includes net movements from the independent funding trust, which are revolving debt instruments.

(ii) Includes George Weston Series A debenture repayments of \$466 million in 2021 which are presented within the line "Settlement of net debt associated with equity forward sale agreement" in the consolidated statements of cash flows.

Note 26. Other Liabilities

The components of other liabilities were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Financial liabilities ⁽ⁱ⁾	\$ 660	\$ 661
Net defined benefit plan obligation (note 30)	340	382
Other long-term employee benefit obligation	115	129
Equity-based compensation liability (note 31)	6	7
Other	18	18
Other liabilities	\$ 1,139	\$ 1,197

(i) Financial liabilities represent land and buildings disposed or partially disposed of by Choice Properties to third parties. On consolidation, these transactions were not recognized as a sale of assets as under the terms of the leases, the Company did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities and as at December 31, 2021, \$4 million (December 31, 2020 - \$5 million) was recorded in trade payables and other liabilities and \$660 million (December 31, 2020 - \$661 million) was recorded in other liabilities.

Note 27. Share Capital

The components of share capital were as follows:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Common share capital	\$ 2,712	\$ 2,782
Preferred shares, Series I	228	228
Preferred shares, Series III	196	196
Preferred shares, Series IV	197	197
Preferred shares, Series V	196	196
Share capital	\$ 3,529	\$ 3,599

COMMON SHARE CAPITAL (AUTHORIZED - UNLIMITED) Common shares issued are fully paid and have no par value. The following table summarizes the activity in the Company's common shares issued and outstanding for the years ended December 31, 2021 and December 31, 2020:

(\$ millions except where otherwise indicated)	2021		2020	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	152,374,416	\$ 2,786	153,667,750	\$ 2,809
Issued for settlement of stock options (note 31)	323,461	36	6,666	1
Purchased and cancelled ⁽ⁱ⁾	(5,908,374)	(108)	(1,300,000)	(24)
Issued and outstanding, end of year	146,789,503	\$ 2,714	152,374,416	\$ 2,786
Shares held in trusts, beginning of year	(254,525)	(4)	(88,832)	–
Purchased for future settlement of RSUs and PSUs	–	–	(229,000)	(4)
Released for settlement of RSUs and PSUs (note 31)	113,419	2	63,307	–
Shares held in trusts, end of year	(141,106)	(2)	(254,525)	(4)
Issued and outstanding, net of shares held in trusts, end of year	146,648,397	\$ 2,712	152,119,891	\$ 2,782
Weighted average outstanding, net of shares held in trusts	149,893,834		153,406,800	

(i) Includes 1,930 shares cancelled during 2021 in a private transaction and are excluded from the Company's NCIB.

Preferred Shares, Series I (authorized - 10.0 million) GWL has 9.4 million 5.80% non-voting Preferred Shares, Series I outstanding, with a face value of \$235 million, which entitle the holders to a fixed cumulative preferred cash dividend of \$1.45 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at \$25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series III (authorized - 10.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of \$200 million, which entitle the holders to a fixed cumulative preferred cash dividend of \$1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at \$25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Notes to the Consolidated Financial Statements

Preferred Shares, Series IV (authorized – 8.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of \$200 million, which entitle the holders to a fixed cumulative preferred cash dividend of \$1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at \$25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series V (authorized – 8.0 million) GWL has 8.0 million 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of \$200 million, which entitle the holders to a fixed cumulative preferred cash dividend of \$1.1875 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at \$25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

DIVIDENDS The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Company's Board which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over time, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. In the third quarter of 2021 and in the fourth quarter of 2020, the Board raised the quarterly common share dividend by \$0.050 to \$0.60 and \$0.025 to \$0.55 per share, respectively. The Board declared dividends for the years ended as follows:

(\$)	2021	2020
Dividends declared per share ⁽ⁱ⁾ :		
Common share	\$ 2.30	\$ 2.125
Preferred share:		
Series I	\$ 1.45	\$ 1.45
Series III	\$ 1.30	\$ 1.30
Series IV	\$ 1.30	\$ 1.30
Series V	\$ 1.1875	\$ 1.1875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were payable on January 1, 2022 and subsequently paid on January 4, 2022. Dividend declared on Preferred Shares, Series I was paid on December 15, 2021.

The following table summarizes the Company's cash dividends declared subsequent to year end 2021:

(\$)		
Dividends declared per share ⁽ⁱ⁾	– Common share	\$ 0.600
	– Preferred share:	
	Series I	\$ 0.3625
	Series III	\$ 0.3250
	Series IV	\$ 0.3250
	Series V	\$ 0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2022. Dividends declared on Preferred Shares, Series I are payable on March 15, 2022.

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

(\$ millions except where otherwise indicated)	2021 (52 weeks)	2020 (53 weeks)
Purchased for future settlement of RSUs and PSUs (number of shares)	–	229,000
Purchased for current settlement of RSUs and DSUs (number of shares)	10,862	33,325
Purchased and cancelled (number of shares)	5,906,444	1,300,000
Cash consideration paid		
Purchased and held in trusts	\$ –	\$ (21)
Purchased and settled	–	(3)
Purchased and cancelled ⁽ⁱ⁾	(744)	(123)
Premium charged to retained earnings		
Purchased and held in trusts	\$ –	\$ 17
Purchased and settled	–	–
Purchased and cancelled	642	99
Reduction in share capital	\$ 108	\$ 24

(i) \$6 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the fourth quarter of 2021 was paid in the first quarter of 2022.

In the second quarter of 2021, GWL renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,596,891 of its common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

As of December 31, 2021, 4,951,418 common shares were purchased under the Company's current NCIB.

Notes to the Consolidated Financial Statements

Note 28. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at year end of 2021, the Second Preferred Shares, Series B in the amount of \$221 million net of \$4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's condensed consolidated balance sheet. In 2021, Loblaw declared dividends of \$12 million (2020 – \$12 million) related to the Second Preferred Shares, Series B.

LOBLAW COMMON SHARES The following table summarizes Loblaw's common share activity under its equity-based compensation arrangements and NCIB, and includes the impact on the Company's consolidated financial statements for the years ended as indicated:

(\$ millions except where otherwise indicated)	2021 (52 weeks)	2020 (53 weeks)
Issued (number of shares)	2,416,459	1,187,274
Purchased and held in trusts (number of shares)	(510,000)	(145,000)
Purchased and cancelled ⁽ⁱ⁾ (number of shares)	(15,663,281)	(13,304,751)
	(13,756,822)	(12,262,477)
Cash consideration received (paid)		
Equity-based compensation	\$ 102	\$ 30
Purchased and held in trusts	(50)	(10)
Purchased and cancelled	(1,200)	(888)
	\$ (1,148)	\$ (868)
Increase (decrease) in contributed surplus		
Equity-based compensation	\$ 38	\$ 16
Purchased and held in trusts	(17)	(3)
Purchased and cancelled	(309)	(226)
	\$ (288)	\$ (213)

(i) Includes 15,395 shares cancelled during the third quarter of 2021 in a private transaction and are excluded from Loblaw's Normal Course Issuer Bid.

NORMAL COURSE ISSUER BID During the first quarter of 2020, the TSX accepted an amendment to Loblaw's NCIB. The amendment permitted Loblaw to purchase its common shares from GWL under Loblaw's NCIB, pursuant to an automatic disposition plan agreement among Loblaw's broker, Loblaw and GWL ("ADP Agreement"), in order for GWL to maintain its proportionate ownership interest in Loblaw.

In the second quarter of 2021, Loblaw renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,106,459 of Loblaw's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, Loblaw may purchase its common shares from time to time at the then market price of such shares. Loblaw will continue to be permitted to purchase its common shares from GWL in accordance with the exemption granted by the TSX. Purchases from GWL will be made pursuant to the ADP Agreement. As at December 31, 2021, Loblaw had purchased 10,276,022 common shares for cancellation under its current NCIB.

During the year ended 2021, 15,647,886 (2020 – 13,304,751) Loblaw common shares were purchased under the Loblaw NCIB for cancellation, for aggregate consideration of \$1,200 million (2020 – \$888 million), including 7,399,437 (2020 – 4,940,680) Loblaw common shares purchased from GWL, for aggregate consideration of \$563 million (2020 – \$336 million).

During 2020, pursuant to an exemption granted by the Ontario Securities Commission ("OSC"), Loblaw purchased, for cancellation, 3,269,208 common shares from an entity controlled by Mr. W. Galen Weston, the then controlling shareholder of Weston. Total aggregate cash consideration paid was \$205 million. The common shares were purchased at a price approved by the OSC and count towards the common shares Loblaw is entitled to purchase under its NCIB.

Note 29. Capital Management

In order to manage its capital structure, the Company may, among other activities, adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB, issue new shares or issue or repay long-term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions;
- utilizing short-term funding sources to manage its working capital requirements and long-term funding sources to manage the long-term capital investments of the business; and
- targeting an appropriate leverage and capital structure for the Company and each of its reportable operating segments.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Bank indebtedness	\$ 52	\$ 86
Demand deposits from customer	75	24
Short-term debt	450	1,335
Long-term debt due within one year	1,520	924
Long-term debt	12,490	13,519
Certain other liabilities ⁽ⁱ⁾	738	737
Fair value of financial derivatives related to the above debt	–	(630)
Total debt excluding lease liabilities	\$ 15,325	\$ 15,995
Lease liabilities due within one year	742	799
Lease liabilities	4,242	4,206
Total debt including lease liabilities	\$ 20,309	\$ 21,000
Equity attributable to shareholders of the Company	6,959	7,811
Total capital under management	\$ 27,268	\$ 28,811

(i) Includes financial liabilities of \$664 million (December 31, 2020 – \$666 million) recorded primarily as a result of Choice Properties' transactions.

COVENANTS AND REGULATORY REQUIREMENTS The Company and Loblaw are subject to certain key financial and non-financial covenants under their existing credit facilities, certain debentures and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by the Company and Loblaw on a quarterly basis to ensure compliance with these agreements. As at year end 2021 and throughout the year, the Company and Loblaw were in compliance with each of their covenants under their agreements.

Loblaw is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), the primary regulator of PC Bank. PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework, which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio. PC Bank is also subject to the OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at year end 2021 and throughout the year, PC Bank has met all applicable regulatory requirements.

Notes to the Consolidated Financial Statements

Choice Properties has certain key financial covenants in its debentures and committed credit facility which include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by Choice Properties on an on-going basis to ensure compliance with the agreements. As at year end 2021 and throughout the year, Choice Properties was in compliance with each of the key financial covenants under these agreements.

In addition, the Company has wholly-owned subsidiaries that engage in insurance related activities. These subsidiaries each exceeded their minimum regulatory capital and surplus requirements as at year end 2021.

Note 30. Post-Employment and Other Long-Term Employee Benefits

POST-EMPLOYMENT BENEFITS The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

GWL's and Loblaw's Pension Committees ("the Committees") oversee the Company's pension plans. The Committees are responsible for assisting GWL's and Loblaw's Boards in fulfilling their general oversight responsibilities for the plans. The Committees assist the Boards with oversight of management's administration of the plans, pension investment and monitoring responsibilities, and compliance with legal and regulatory requirements.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on a solvency valuation for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefit plans are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan for salaried employees. All newly hired salaried employees are only eligible to participate in this defined contribution plan.

The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements.

The Company expects to make contributions in 2022 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as make benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long-term employee benefit plans.

OTHER LONG-TERM EMPLOYEE BENEFITS The Company offers other long-term employee benefit plans that include long-term disability benefits and continuation of health care and dental benefits while on disability.

DEFINED BENEFIT PENSION PLANS AND OTHER DEFINED BENEFIT PLANS Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

(\$ millions)	As at			
	Dec. 31, 2021		Dec. 31, 2020	
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	\$ (1,740)	\$ –	\$ (2,026)	\$ –
Present value of unfunded obligations	(187)	(149)	(208)	(168)
Total present value of defined benefit obligations	\$ (1,927)	\$ (149)	\$ (2,234)	\$ (168)
Fair value of plan assets	2,232	–	2,207	–
Total funded status of surpluses (obligations)	\$ 305	\$ (149)	\$ (27)	\$ (168)
Assets not recognized due to asset ceiling	(1)	–	(3)	–
Total net defined benefit plan surpluses (obligations)	\$ 304	\$ (149)	\$ (30)	\$ (168)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 21)	\$ 495	\$ –	\$ 184	\$ –
Other liabilities (note 26)	\$ (191)	\$ (149)	\$ (214)	\$ (168)

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

(\$ millions)	2021			2020		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Changes in the fair value of plan assets						
Fair value, beginning of year	\$ 2,207	\$ –	\$ 2,207	\$ 1,899	\$ –	\$ 1,899
Employer contributions	27	–	27	47	–	47
Employee contributions	3	–	3	4	–	4
Benefits paid	(51)	–	(51)	(52)	–	(52)
Interest income	55	–	55	62	–	62
Actuarial gains in other comprehensive income ⁽ⁱ⁾	34	–	34	252	–	252
Settlements ⁽ⁱⁱ⁾	–	–	–	(1)	–	(1)
Other	(4)	–	(4)	(4)	–	(4)
Settlement related to sale of Weston Foods	(39)	–	(39)	–	–	–
Fair value, end of year	\$ 2,232	\$ –	\$ 2,232	\$ 2,207	\$ –	\$ 2,207
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	\$ 2,234	\$ 168	\$ 2,402	\$ 1,866	\$ 156	\$ 2,022
Current service cost	73	5	78	67	4	71
Interest cost	57	4	61	62	5	67
Benefits paid	(63)	(5)	(68)	(64)	(7)	(71)
Employee contributions	3	–	3	4	–	4
Actuarial (gains) losses in other comprehensive income ⁽ⁱ⁾	(338)	(23)	(361)	300	10	310
Settlements ⁽ⁱⁱ⁾	–	–	–	(1)	–	(1)
Curtailement gain ⁽ⁱⁱⁱ⁾	(2)	–	(2)	–	–	–
Settlement related to sale of Weston Foods	(37)	–	(37)	–	–	–
Balance, end of year	\$ 1,927	\$ 149	\$ 2,076	\$ 2,234	\$ 168	\$ 2,402

(i) Included in the 2020 actuarial (gains) losses in other comprehensive income is \$2 million of actuarial losses related to discontinued operations.

(ii) Settlements relate to annuity purchases in 2020.

(iii) Curtailement gain relates to the sale of Weston Foods and was remeasured as at November 30, 2021 using a discount rate of 3.50%.

Notes to the Consolidated Financial Statements

In 2021, Weston Foods completed an annuity purchase and paid \$39 million from the impacted plans' assets to settle \$37 million of pension obligations. Weston Foods recognized a loss of \$2 million on completion of annuity purchase in discontinued operations (see note 5).

In 2020, the Company completed annuity purchases with respect to former employees. These activities are designed to reduce the Company's defined benefit pension plan obligations and decrease future risks and volatility associated with these obligations. In 2020, the Company paid \$1 million from the impacted plans' assets to settle \$1 million of pension obligations and recorded nominal settlement charge in SG&A. The settlement charges resulted from the difference between the amount paid for the annuity purchases and the value of the Company's defined benefit plan obligations related to these annuity purchases at the time of the settlement.

For the year ended 2021, the actual return on plan assets was \$89 million (2020 – \$314 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants – 60% (2020 – 63%)
- Deferred plan participants – 12% (2020 – 12%)
- Retirees – 28% (2020 – 25%)

During 2022, the Company expects to contribute approximately \$2 million (2021 – contributed \$27 million) to its registered defined benefit pension plans. The actual amount of contributions may vary from the estimate depending on the funded positions of the plans, filing of any actuarial valuations, any new regulatory requirements or other factors.

The net cost recognized in net earnings before income taxes from continuing operations for the Company's defined benefit pension plans and other defined benefit plans was as follows:

	2021			2020		
	(52 weeks)			(53 weeks)		
(\$ millions)	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	\$ 73	\$ 5	\$ 78	\$ 65	\$ 4	\$ 69
Interest cost on net defined benefit plan obligations	2	4	6	–	5	5
Settlement charges ⁽ⁱ⁾	2	–	2	–	–	–
Curtailment gain ⁽ⁱⁱ⁾	(2)	–	(2)	–	–	–
Other	4	–	4	4	–	4
Net post-employment defined benefit costs	\$ 79	\$ 9	\$ 88	\$ 69	\$ 9	\$ 78

(i) Relates to annuity purchases.

(ii) Curtailment gain relates to the sale of Weston Foods and was remeasured as at November 30, 2021 using a discount rate of 3.50%.

The actuarial (gains) losses recognized in other comprehensive income from continuing operations for defined benefit plans were as follows:

	2021 (52 weeks)			2020 (53 weeks)		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
(\$ millions)						
Return on plan assets excluding amounts included in interest income	\$ (34)	\$ –	\$ (34)	\$ (250)	\$ –	\$ (250)
Experience adjustments	(45)	(8)	(53)	–	(3)	(3)
Actuarial (gains) losses from change in financial assumptions	(293)	(15)	(308)	296	13	309
Change in liability arising from asset ceiling	(2)	–	(2)	–	–	–
Total net actuarial (gains) losses recognized in other comprehensive income before income taxes	\$ (374)	\$ (23)	\$ (397)	\$ 46	\$ 10	\$ 56
Income tax expenses (recoveries) on actuarial (gains) losses (note 9)	98	6	104	(13)	(2)	(15)
Actuarial (gains) losses net of income tax expenses (recoveries)	\$ (276)	\$ (17)	\$ (293)	\$ 33	\$ 8	\$ 41

The cumulative actuarial (gains) losses before income taxes recognized in equity for the Company's defined benefit plans were as follows:

	2021			2020		
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
(\$ millions)						
Cumulative amount, beginning of year	\$ (11)	\$ (71)	\$ (82)	\$ (57)	\$ (81)	\$ (138)
Net actuarial (gains) losses recognized in the year before income taxes	(374)	(23)	(397)	46	10	56
Cumulative amount, end of year	\$ (385)	\$ (94)	\$ (479)	\$ (11)	\$ (71)	\$ (82)

COMPOSITION OF PLAN ASSETS The defined benefit pension plan assets are held in trust and consist of the following asset categories:

(\$ millions except where otherwise indicated)	As at			
	Dec. 31, 2021		Dec. 31, 2020	
Equity securities				
Canadian – pooled funds	\$ 47	2%	\$ 13	1%
Foreign – pooled funds	1,172	53%	1,195	53%
Total equity securities	\$ 1,219	55%	\$ 1,208	54%
Debt securities				
Fixed income securities – government	\$ 731	33%	\$ 743	34%
– corporate	81	3%	79	4%
Total debt securities	\$ 812	36%	\$ 822	38%
Other investments	\$ 158	7%	\$ 125	6%
Cash and cash equivalents	\$ 43	2%	\$ 52	2%
Total	\$ 2,232	100%	\$ 2,207	100%

Notes to the Consolidated Financial Statements

As at year end 2021 and 2020, the defined benefit pension plans did not directly include any GWL, Loblaw or Choice Properties securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly as prices or indirectly, either derived from prices or as per agreements for contractual returns.

The Company's asset allocation reflects a balance of interest rate sensitive investments, such as fixed income investments, and equities, which are expected to provide higher returns over the long-term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

PRINCIPAL ACTUARIAL ASSUMPTIONS The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

	2021		2020	
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	3.30%	3.20%	2.50%	2.50%
Rate of compensation increase	3.00%	n/a	3.00%	n/a
Mortality table ⁽ⁱ⁾	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	2.50%	2.50%	3.25%	3.00%
Rate of compensation increase	3.00%	n/a	3.00%	n/a
Mortality table ⁽ⁱ⁾	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational

n/a - not applicable

(i) Public or private sector mortality table is used depending on the prominent demographics of each plan.

The weighted average duration of the defined benefit obligations as at year end 2021 is 17.0 years (2020 - 19.1 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at year end 2021 was estimated at 4.50% and is expected to increase to 4.60% as at year end 2022.

SENSITIVITY OF KEY ACTUARIAL ASSUMPTIONS The following table outlines the key assumptions for 2021 (expressed as weighted averages) and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan cost.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

Increase (Decrease) (\$ millions)	Defined Benefit Pension Plans		Other Defined Benefit Plans	
	Defined Benefit Plan Obligations	Net Defined Benefit Plan Cost ⁽ⁱ⁾	Defined Benefit Plan Obligations	Net Defined Benefit Plan Cost ⁽ⁱ⁾
Discount rate	3.30%	2.50%	3.20%	2.50%
Impact of: 1% increase	\$ (293)	\$ (28)	\$ (18)	\$ -
1% decrease	\$ 376	\$ 29	\$ 23	\$ -
Expected growth rate of health care costs			4.50%	4.50%
Impact of: 1% increase	n/a	n/a	\$ 14	\$ 1
1% decrease	n/a	n/a	\$ (11)	\$ (1)

n/a - not applicable

(i) Discount rate and expected growth rate of health care costs sensitivity is for current service and interest costs only.

MULTI-EMPLOYER PENSION PLANS During 2021, the Company recognized an expense of \$73 million (2020 - \$74 million) in operating income from continuing operations, which represents the contributions made in connection with MEPPs. During 2021, the Company expects to continue to make contributions into these MEPPs.

Loblaw, together with its franchises, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 56,000 (2020 - 60,000) employees as members. Included in the 2021 expense described above are contributions of \$72 million (2020 - \$73 million) to CCWIPP.

POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFIT COSTS The net cost recognized in net earnings before income taxes from continuing operations for the Company's post-employment and other long-term employee benefit plans was as follows:

(\$ millions)	2021 (52 weeks)	2020 (53 weeks)
Net post-employment defined benefit cost ⁽ⁱ⁾	\$ 88	\$ 78
Defined contribution costs ⁽ⁱⁱ⁾	30	29
Multi-employer pension plan costs ⁽ⁱⁱⁱ⁾	73	74
Total net post-employment benefit costs	\$ 191	\$ 181
Other long-term employee benefit costs ^(iv)	31	30
Net post-employment and other long-term employee benefit costs	\$ 222	\$ 211
Recorded on the consolidated statements of earnings as follows:		
Operating income ^(note 32)	\$ 213	\$ 202
Net interest expense and other financing charges ^(note 8)	9	9
Net post-employment and other long-term employee benefits costs	\$ 222	\$ 211

(i) Includes \$2 million settlement charge (2020 - nominal) related to annuity purchases and \$2 million curtailment gain related to the sale of Weston Foods.

(ii) Amounts represent the Company's contributions made in connection with defined contribution plans.

(iii) Amounts represent the Company's contributions made in connection with MEPPs.

(iv) Other long-term employee benefit costs include \$3 million (2020 - \$4 million) of net interest expense and other financing charges.

Notes to the Consolidated Financial Statements

Note 31. Equity-Based Compensation

The Company's equity-based compensation arrangements include stock option plans, RSU plans, PSU plans, DSU plans, EDSU plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements in 2021 were \$78 million (2020 - \$65 million).

The following is the carrying amount of the Company's equity-based compensation arrangements:

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Trade payables and other liabilities	\$ 11	\$ 9
Other liabilities (note 26)	\$ 6	\$ 7
Contributed surplus	\$ 131	\$ 125

Details related to the equity-based compensation plans of GWL and Loblaw are as follows:

STOCK OPTION PLANS GWL maintains a stock option plan for certain employees. Under this plan, GWL may grant options for up to 6,453,726 of its common shares.

Loblaw maintains a stock option plan for certain employees. Under this plan, Loblaw may grant options for up to 28,137,162 of its common shares.

The following is a summary of GWL's stock option plan activity:

	2021		2020	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	1,746,483	\$ 101.44	1,246,718	\$ 100.22
Granted	397,956	\$ 100.92	548,868	\$ 104.15
Exercised	(323,461)	\$ 98.18	(6,666)	\$ 84.20
Forfeited/cancelled	(3,430)	\$ 109.75	(42,437)	\$ 103.33
Outstanding options, end of year	1,817,548	\$ 101.89	1,746,483	\$ 101.44
Options exercisable, end of year	640,091	\$ 103.63	674,386	\$ 101.41

The following table summarizes information about GWL's outstanding stock options:

Range of Exercise Prices (\$)	2021				
	Outstanding Options			Exercisable Options	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
\$93.17 - \$100.73	505,246	3	\$ 94.82	254,176	\$ 96.46
\$100.74 - \$104.48	908,871	6	\$ 102.71	91,417	\$ 104.14
\$104.49 - \$132.17	403,431	2	\$ 108.89	294,498	\$ 109.66
	1,817,548		\$ 101.89	640,091	\$ 103.63

During 2021, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$129.12 (2020 - \$93.05) per common share and received cash consideration of \$32 million (2020 - \$1 million).

During 2021, GWL granted stock options with a weighted average exercise price of \$100.92 (2020 - \$104.15) per common share and a fair value of \$6 million (2020 - \$6 million). The assumptions used to measure the grant date fair value of the GWL options granted during the years ended under the Black-Scholes stock option valuation model were as follows:

	2021	2020
Expected dividend yield	2.2%	2.0%
Expected share price volatility	18.8 - 19.4%	14.3% - 14.9%
Risk-free interest rate	0.9% - 1.1%	0.9%
Expected life of options	4.9 - 6.7 years	4.9 - 6.7 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2021 was 1.4% (2020 - 1.4%).

The following is a summary of Loblaw's stock option plan activity:

	2021		2020	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	7,259,645	\$ 61.19	6,317,922	\$ 57.57
Granted	1,926,951	\$ 64.27	1,851,415	\$ 70.03
Exercised	(1,829,170)	\$ 56.02	(601,756)	\$ 50.32
Forfeited/cancelled	(925,977)	\$ 64.22	(307,936)	\$ 61.28
Outstanding options, end of year	6,431,449	\$ 63.15	7,259,645	\$ 61.19
Options exercisable, end of year	2,285,608	\$ 59.79	2,758,738	\$ 55.99

The following table summarizes information about Loblaw's outstanding stock options:

	2021				
	Outstanding Options			Exercisable Options	
Range of Exercise Prices (\$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
\$53.41 - \$60.40	2,392,382	2	\$ 56.92	1,674,267	\$ 57.03
\$60.41 - \$65.57	2,352,559	5	\$ 63.93	360,807	\$ 65.52
\$65.58 - \$97.44	1,686,508	5	\$ 70.90	250,534	\$ 69.98
	6,431,449		\$ 63.15	2,285,608	\$ 59.79

During 2021, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$81.97 (2020 - \$68.22) per common share and received cash consideration of \$102 million (2020 - \$30 million).

During 2021, Loblaw granted stock options with a weighted average exercise price of \$64.27 (2020 - \$70.03) per common share and a fair value of \$17 million (2020 - \$13 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the years ended as indicated under the Black-Scholes stock option valuation model were as follows:

	2021	2020
Expected dividend yield	1.7%	1.9%
Expected share price volatility	18.3% - 20.6%	13.5% - 20.1%
Risk-free interest rate	0.6% - 1.6%	0.3% - 1.2%
Expected life of options	3.8 - 6.2 years	3.7 - 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2021 and 2020 was 9.0%.

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RESTRICTED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's RSU plan activity:

(Number of awards)	GWL		Loblaw	
	2021	2020	2021	2020
Outstanding RSUs, beginning of year	133,038	136,788	894,272	1,032,832
Granted	32,444	47,957	372,015	242,797
Reinvested	2,364	2,741	14,835	23,666
Settled	(99,471)	(48,291)	(371,474)	(367,020)
Forfeited	(38,598)	(6,157)	(110,303)	(38,003)
Outstanding RSUs, end of year	29,777	133,038	799,345	894,272

The fair value of GWL's and Loblaw's RSUs granted during 2021 was \$3 million (2020 - \$5 million) and \$25 million (2020 - \$17 million), respectively.

PERFORMANCE SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's PSU plan activity:

(Number of awards)	GWL		Loblaw	
	2021	2020	2021	2020
Outstanding PSUs, beginning of year	151,058	114,473	666,400	662,695
Granted	58,335	58,555	281,099	237,391
Reinvested	3,455	3,026	11,177	16,301
Settled	(23,606)	(20,425)	(231,952)	(218,955)
Forfeited	(5,401)	(4,571)	(110,307)	(31,032)
Outstanding PSUs, end of year	183,841	151,058	616,417	666,400

The fair value of GWL's and Loblaw's PSUs granted during 2021 was \$6 million (2020 - \$6 million) and \$18 million (2020 - \$17 million), respectively.

SETTLEMENT OF AWARDS FROM SHARES HELD IN TRUSTS The following table summarizes GWL's settlement of RSUs and PSUs from shares held in trusts for the years ended as indicated:

(Number of awards)	2021	2020
Settled	123,077	68,716
Released from trusts (note 27)	113,419	63,307

During 2021, the settlement of awards from shares held in trusts resulted in a \$9 million increase (2020 - \$6 million) in retained earnings and a \$2 million increase (2020 - nominal) in share capital.

DIRECTOR DEFERRED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's DSU plan activity:

(Number of awards)	GWL		Loblaw	
	2021	2020	2021	2020
Outstanding DSUs, beginning of year	149,537	155,418	380,481	336,897
Granted	15,902	22,878	32,829	35,008
Reinvested	2,864	3,111	6,162	8,576
Settled	–	(31,870)	(58,156)	–
Outstanding DSUs, end of year	168,303	149,537	361,316	380,481

The fair value of GWL's and Loblaw's DSUs granted during 2021 was \$2 million (2020 - \$2 million) and \$2 million (2020 - \$2 million), respectively.

EXECUTIVE DEFERRED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's EDSU plan activity:

(Number of awards)	GWL		Loblaw	
	2021	2020	2021	2020
Outstanding EDSUs, beginning of year	44,911	43,947	56,856	45,258
Granted	–	–	5,399	10,310
Reinvested	820	964	1,066	1,288
Settled	(1,204)	–	(848)	–
Outstanding EDSUs, end of year	44,527	44,911	62,473	56,856

There were no GWL EDSUs granted in 2021 and 2020. The fair value of Loblaw's EDSUs granted during 2021 was nominal (2020 – \$1 million).

CHOICE PROPERTIES The following are details related to the unit-based compensation plans of Choice Properties:

UNIT OPTION PLAN Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Unit Options totaling up to 19,744,697 Units, as approved at the annual and special meeting of Unitholders on April 29, 2015. The Unit Options vest in tranches over a period of four years.

The following is a summary of Choice Properties' Unit Option plan activity:

	2021		2020	
	Number of awards	Weighted average exercise price/unit	Number of awards	Weighted average exercise price/unit
Outstanding Unit Options, beginning of year	1,082,640	\$ 12.54	1,287,314	\$ 12.51
Exercised	(647,184)	\$ 12.34	(148,794)	\$ 12.09
Cancelled	–	\$ –	(54,414)	\$ 13.15
Expired	–	\$ –	(1,466)	\$ 13.93
Outstanding Unit Options, end of year	435,456	\$ 12.84	1,082,640	\$ 12.54
Unit Options exercisable, end of year	292,592	\$ 13.13	706,804	\$ 12.56

The assumptions used to measure the fair value of the Unit Options under the Black-Scholes model were as follows:

	2021	2020
Expected average distribution yield	5.0%	5.5%
Expected average Unit price volatility	13.4% - 21.5%	15.6% - 35.0%
Average risk-free interest rate	0.001% - 0.8%	0.01% - 0.3%
Expected average life of options	0.1 - 1.7 years	0.1 - 2.7 years

RESTRICTED UNIT PLAN RUs entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when a RU is outstanding. The fair value of each RU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no RUs vested as at year end 2021 and 2020.

Notes to the Consolidated Financial Statements

The following is a summary of Choice Properties' RU plan activity:

(Number of awards)	2021	2020
Outstanding RUs, beginning of year	405,713	484,544
Granted	119,134	69,227
Reinvested	22,014	24,451
Exercised	(104,563)	(161,044)
Cancelled	(2,724)	(11,465)
Outstanding RUs, end of year	439,574	405,713

UNIT-SETTLED RESTRICTED UNIT PLAN Under the terms of the URU plan, certain employees are granted URUs, which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs would not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six or seven-year holding period during which the Units cannot be disposed. There were 996,896 URUs vested, but still subject to disposition restrictions as at year end 2021 (2020 - 764,385).

The following is a summary of Choice Properties' URU plan activity for units not yet vested:

(Number of awards)	2021	2020
Outstanding URUs, beginning of year	588,534	624,419
Granted	189,887	159,083
Vested	(177,502)	(194,968)
Outstanding URUs, end of year	600,919	588,534

PERFORMANCE UNIT PLAN PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on Choice Properties achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no PUs vested as at year end 2021 and 2020.

The following is a summary of Choice Properties' PU plan activity:

(Number of awards)	2021	2020
Outstanding PUs, beginning of year	135,695	103,868
Granted	82,847	59,273
Reinvested	9,403	7,241
Exercised	(30,336)	(40,205)
Cancelled	–	(3,543)
Added by performance factor	–	9,061
Outstanding PUs, end of year	197,609	135,695

TRUSTEE DEFERRED UNIT PLAN Non-management members of the Choice Properties' Board of Trustees are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. All DUs vest when granted, however, they cannot be exercised while Trustees are members of the Board.

The following is a summary of Choice Properties' DU plan activity:

(Number of awards)	2021	2020
Outstanding Trustee DUs, beginning of year	368,290	277,139
Granted	82,969	76,632
Reinvested	18,942	17,338
Exercised	(80,739)	(2,819)
Outstanding Trustee DUs, end of year	389,462	368,290

Note 32. Employee Costs

Included in operating income were the following employee costs from continuing operations:

(\$ millions)	2021 (52 weeks)	2020 ⁽ⁱ⁾ (53 weeks)
Wages, salaries and other short-term employee benefits	\$ 7,065	\$ 6,926
Post-employment benefits (note 30)	185	176
Other long-term employee benefits (note 30)	28	26
Equity-based compensation	69	59
Capitalized to fixed assets and intangible assets	(112)	(69)
Employee costs	\$ 7,235	\$ 7,118

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

Notes to the Consolidated Financial Statements

Note 33. Leases

The Company leases certain of Loblaw's retail stores and distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of Loblaw's retail stores are a substantial portion of the Company's lease portfolio. Loblaw retail store leases typically have an initial lease term with additional renewal options available thereafter.

The Company has owned and leased properties that are leased and subleased to third parties, respectively. Owned properties are held to either earn rental income, for capital appreciation, or both. Subleases are primarily related to non-consolidated franchise stores, medical centres and ancillary tenants within Loblaw stores.

AS A LESSEE

Right-of-Use Assets The following is a continuity of the cost and accumulated depreciation of right-of-use assets for the year ended December 31, 2021:

(\$ millions)			2021
	Property	Other	Total
Cost			
Balance, beginning of year	\$ 5,139	\$ 87	\$ 5,226
Lease additions, net of terminations	121	–	121
Lease extensions and other items	499	12	511
Transfers to assets held for sale	(42)	–	(42)
Balance, end of year	\$ 5,717	\$ 99	\$ 5,816
Accumulated depreciation			
Balance, beginning of year	\$ 1,138	\$ 45	\$ 1,183
Depreciation	574	18	592
Impairment reversals, net of losses (note 16)	(2)	–	(2)
Transfers to assets held for sale	(16)	–	(16)
Balance, end of year	\$ 1,694	\$ 63	\$ 1,757
Carrying amount as at December 31, 2021	\$ 4,023	\$ 36	\$ 4,059

The following is a continuity of the cost and accumulated depreciation of right-of-use assets for the year ended December 31, 2020:

(\$ millions)			2020
	Property	Other	Total
Cost			
Balance, beginning of year	\$ 4,588	\$ 70	\$ 4,658
Lease additions, net of terminations	165	–	165
Lease extensions and other items	386	17	403
Balance, end of year	\$ 5,139	\$ 87	\$ 5,226
Accumulated depreciation			
Balance, beginning of year	\$ 560	\$ 24	\$ 584
Depreciation	557	21	578
Impairment losses, net of reversals (note 16)	21	–	21
Balance, end of year	\$ 1,138	\$ 45	\$ 1,183
Carrying amount as at December 31, 2020	\$ 4,001	\$ 42	\$ 4,043

Lease Liabilities The following is the continuity of lease liabilities for the year ended December 31, 2021 and December 31, 2020:

(\$ millions)	2021	2020
Balance, beginning of year	\$ 5,005	\$ 5,107
Lease additions, net of terminations	128	161
Lease extensions and other items	500	387
Lease payments	(811)	(857)
Interest expense on lease liabilities (note 8)	191	207
Transfers to liabilities held for sale	(29)	-
Balance, end of year	\$ 4,984	\$ 5,005
Lease liabilities due within one year	\$ 742	\$ 799
Lease liabilities	4,242	4,206
Total lease liabilities	\$ 4,984	\$ 5,005

Liquidity The future undiscounted contractual lease payments are as follows:

(\$ millions)	Payments due by year						As at	
	2022	2023	2024	2025	2026	Thereafter	Dec. 31, 2021	Dec. 31, 2020
							Total	Total
Lease payments	\$ 751	\$ 770	\$ 662	\$ 599	\$ 456	\$ 1,802	\$ 5,040	\$ 5,044

As at December 31, 2021, the Company also had commitments of \$223 million (December 31, 2020 - \$270 million) related to leases not yet commenced.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2021, \$26 million (2020 - \$25 million) was recognized in cost of inventories sold and SG&A.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2021, \$238 million (2020 - \$235 million) was recognized in SG&A.

Extension Options Substantially all of Loblaw's retail store leases have extension options for additional lease terms. As at December 31, 2021, approximately 14% (December 31, 2020 - 15%) of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at December 31, 2021, approximately \$6 billion (December 31, 2020 - \$6 billion) of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2021, the Company disposed of and leased back four retail properties, and recognized a gain of \$8 million (2020 - loss of \$1 million) in SG&A.

Notes to the Consolidated Financial Statements

AS A LESSOR

Finance Leases Finance lease receivable is included in other assets on the Company's consolidated balance sheet (see note 21). During 2021, the Company recognized finance interest income of \$3 million (2020 - \$3 million) and nil impairment losses (2020 - \$5 million). The future finance lease payments to be received by the Company relating to properties that are subleased to third parties are as follows:

(\$ millions)	Payments to be received by year						As at	
	2022	2023	2024	2025	2026	Thereafter	Dec. 31, 2021 Total	Dec. 31, 2020 Total
Finance lease payments to be received	\$ 14	\$ 15	\$ 9	\$ 6	\$ 4	\$ 270	\$ 318	\$ 332
Less: unearned finance interest income	(3)	(3)	(2)	(2)	(2)	(236)	(248)	(252)
Total finance lease receivable (note 21)	\$ 11	\$ 12	\$ 7	\$ 4	\$ 2	\$ 34	\$ 70	\$ 80

Operating Leases During 2021, the Company recognized operating lease income of \$383 million (2020 - \$373 million), of which \$20 million (2020 - \$20 million) is related to subleases of right-of-use assets.

The future undiscounted operating lease payments to be received by the Company are as follows:

(\$ millions)	Payments to be received by year						As at	
	2022	2023	2024	2025	2026	Thereafter	Dec. 31, 2021 Total	Dec. 31, 2020 Total
Operating lease income	\$ 352	\$ 322	\$ 283	\$ 246	\$ 194	\$ 594	\$ 1,991	\$ 2,147

The Company has certain owned land and buildings that it leases to third parties, which as at December 31, 2021 had a net carrying amount of \$1 billion (2020 - \$1 billion).

Note 34. Financial Instruments

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short-term in nature. The carrying values of the Company's financial instruments approximate their fair values except for long-term debt.

(\$ millions)	As at							
	Dec. 31, 2021				Dec. 31, 2020 ⁽ⁱ⁾			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Amortized cost:								
Certain other assets ⁽ⁱⁱ⁾	\$ –	\$ –	\$ 89	\$ 89	\$ –	\$ –	\$ 113	\$ 113
Fair value through other comprehensive income:								
Certain long-term investments and other assets ⁽ⁱⁱ⁾	96	–	–	96	117	–	–	117
Derivatives included in prepaid expenses and other assets	–	1	–	1	–	–	–	–
Fair value through profit and loss:								
Security deposits	75	–	–	75	75	–	–	75
Certain long-term investments and other assets ⁽ⁱⁱ⁾	–	20	119	139	–	20	73	93
Derivatives included in accounts receivable	–	–	–	–	3	–	–	3
Derivatives included in prepaid expenses and other assets	3	4	–	7	–	–	3	3
Derivatives included in other assets	–	–	–	–	–	630	–	630
Financial liabilities								
Amortized cost:								
Long-term debt	–	15,170	–	15,170	–	16,389	–	16,389
Certain other liabilities ⁽ⁱⁱ⁾	–	–	668	668	–	–	671	671
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	–	5	–	5	–	–	–	–
Fair value through profit and loss:								
Trust Unit liability	4,209	–	–	4,209	3,600	–	–	3,600
Derivatives included in trade payables and other liabilities	–	–	–	–	4	16	–	20

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

(ii) Certain other assets, certain other long-term investments and other assets, and certain other liabilities are included in the consolidated balance sheets in Other Assets and Other Liabilities, respectively.

There were no transfers between the levels of the fair value hierarchy during the years presented.

During 2021, a loss of \$1 million (2020 – loss of \$2 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, a net loss of \$774 million (2020 – net gain of \$268 million) was recognized in earnings before income taxes from continuing operations on financial instruments required to be classified as fair value through profit or loss.

Cash and Cash Equivalents, Short-Term Investments and Security Deposits As at the end of 2021, the Company had cash and cash equivalents, short-term investments and security deposits of \$3,938 million (2020 – \$3,231 million), including U.S. dollars of \$221 million (2020 – \$199 million).

During 2021, a gain of \$3 million (2020 – loss of \$28 million) was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

Embedded Derivatives The Level 3 financial instruments classified as fair value through profit or loss consist of Loblaw embedded derivatives on purchase orders placed in neither Canadian dollars nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any one of the inputs would result in a significantly higher (lower) fair value measurement.

During 2021, a loss of \$3 million (2020 – gain of \$2 million) was recorded in operating income related to these derivatives. In addition, as at year end 2021, a corresponding \$1 million liability was included in trade payables and other liabilities (2020 – \$3 million asset). As at year end 2021, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of \$1 million.

Notes to the Consolidated Financial Statements

Trust Unit Liability In 2021, a fair value loss of \$601 million (2020 – gain of \$239 million) was recorded in net interest expense and other financing charges (see note 8).

Other Derivatives The Company uses bond forwards and interest rate swaps to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes from continuing operations related to the Company's other derivatives:

(\$ millions)	Dec. 31, 2021		
	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Currency Risk - Foreign Exchange Forwards ⁽ⁱ⁾	\$ –	\$ –	\$ (1)
Interest Rate Risk - Bond Forwards ⁽ⁱⁱ⁾	(1)	6	(7)
Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱⁱ⁾	2	7	–
Total derivatives designated as cash flow hedges	\$ 1	\$ 13	\$ (8)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ 2	\$ –	\$ 1
Other Non-Financial Derivatives	3	–	18
Total derivatives not designated in a formal hedging relationship	\$ 5	\$ –	\$ 19
Total derivatives	\$ 6	\$ 13	\$ 11

- (i) PC Bank uses foreign exchange forwards, with a notional amount of \$19 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.
- (ii) PC Bank uses bond forwards, with a notional value of \$120 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2021, PC Bank settled \$175 million of bond forward (see note 25).
- (iii) PC Bank uses interest rate swaps, with notional value of \$225 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets. Choice Properties uses interest rate swaps, with a notional value of \$62 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

(\$ millions)	Dec. 31, 2020		
	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Interest Rate Risk - Bond Forwards ⁽ⁱ⁾	\$ –	\$ (40)	\$ (5)
Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱ⁾	7	(3)	(4)
Total derivatives designated as cash flow hedges	\$ 7	\$ (43)	\$ (9)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ (6)	\$ –	\$ (4)
Other Non-Financial Derivatives	(4)	–	(20)
Total derivatives not designated in a formal hedging relationship	\$ (10)	\$ –	\$ (24)
Total derivatives	\$ (3)	\$ (43)	\$ (33)

- (i) PC Bank uses bond forwards, with a notional value of \$25 million, to manage its interest rate risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2020, PC Bank settled \$200 million of bond forward and the Company issued and settled \$350 million of bond forward. The Company has concluded that these hedges were effective as at their respective settlement date.
- (ii) PC Bank uses interest rate swaps, with a notional value of \$225 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. Choice Properties uses interest rate swaps, with a notional value of \$129 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

Note 35. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to certain risks. The following is a description of those risks and how the exposures are managed:

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

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

Maturity Analysis The following are the undiscounted contractual maturities of significant financial liabilities as at December 31, 2021:

(\$ millions)	2022	2023	2024	2025	2026	Thereafter	Total ⁽ⁱⁱ⁾
Long-term debt including interest payments ⁽ⁱ⁾	\$ 2,062	\$ 2,484	\$ 2,495	\$ 1,591	\$ 1,163	\$ 8,117	\$ 17,912
Foreign exchange forward contracts	321	–	–	–	–	–	321
Short-term debt (note 24)	450	–	–	–	–	–	450
Financial liabilities ⁽ⁱⁱⁱ⁾	44	48	49	53	48	220	462
Bank indebtedness	52	–	–	–	–	–	52
Demand deposits from customers	75	–	–	–	–	–	75
Certain other liabilities	3	–	–	–	–	–	3
Total	\$ 3,007	\$ 2,532	\$ 2,544	\$ 1,644	\$ 1,211	\$ 8,337	\$ 19,275

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long-term independent securitization trusts and an independent funding trust, as well as annual payment obligations for structured entities and mortgages. Variable interest payments are based on the forward rates as at year end 2021.

(ii) The Trust Unit liability has been excluded as this liability does not have a contractual maturity date. The Company also excluded trade payables and other liabilities, which are due within the next 12 months.

(iii) Represents the contractual payments that Loblaw is committed to related to the Choice Properties' dispositions (see note 26).

FOREIGN CURRENCY EXCHANGE RATE RISK The Company's consolidated financial statements are expressed in Canadian dollars, however, a portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars through its foreign subsidiaries with a functional currency that is the same as that of the Company. The U.S. dollar denominated net assets are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, the Company is exposed to foreign currency translation gains and losses. Those gains and losses arising from the translation of the U.S. dollar denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss). The Company estimates that based on the U.S. net assets held by foreign operations that have the same functional currency as that of the Company at the end of 2021, an appreciation of the Canadian dollar of one cent relative to the U.S. dollar would result in a nominal loss in earnings before income taxes.

Loblaw is exposed to fluctuations in the prices of U.S. dollar denominated purchases as a result of changes in U.S. dollar exchange rates. A depreciating Canadian dollar relative to the U.S. dollar will negatively impact operating income and net earnings, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. Loblaw entered into derivative instruments in the form of futures contracts and forward contracts to manage its current and anticipated exposure to fluctuations in U.S. dollar exchange rates.

Notes to the Consolidated Financial Statements

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

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

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

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

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

The Company's maximum exposure to credit risk as it relates to derivative instruments is approximated by the positive fair market value of the derivatives on the consolidated balance sheets (see note 34).

Refer to notes 12 and 13 for additional information on the credit quality performance of Loblaw's credit card receivables and other receivables, mentioned above, of Loblaw.

TRUST UNIT PRICE RISK The Company is exposed to market price risk from Choice Properties' Trust Units that are held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holders. The liability is recorded at fair value at each reporting period based on the market price of Trust Units. The change in the fair value of the liability negatively impacts net earnings when the Trust Unit price increases and positively impacts net earnings when the Trust Unit price declines. A one dollar increase in the market value of Trust Units, with all other variables held constant, would result in an increase of \$277 million in net interest expense and other financing charges.

INTEREST RATE RISK The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates. The Company estimates that a 1% increase (decrease) in short-term interest rates, with all other variables held constant, would result in a decrease (increase) of \$27 million in net interest expense and other financing charges.

COMMODITY PRICE RISK Loblaw is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of Loblaw. To manage a portion of this exposure, Loblaw uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities. Loblaw estimates that based on the outstanding derivative contracts held as at year end 2021, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a net loss of \$4 million in earnings before income taxes. This amount excludes the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Note 36. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

Shoppers Drug Mart has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of \$500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. The Superior Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. Loblaw believes this claim is without merit and is vigorously defending it. Loblaw does not currently have any significant accruals or provisions for this matter recorded in the consolidated financial statements.

In 2017, the Company and Loblaw announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Loblaw as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its or Loblaw's dividend, dividend policy or share buyback plans. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2021 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company and Loblaw will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Loblaw will not face criminal charges or penalties.

Notes to the Consolidated Financial Statements

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and Loblaw. The allegations in the Ontario, Quebec and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, Loblaw, Shoppers Drug Mart Inc., and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, Loblaw, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

Loblaw had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court granted the Crown leave to appeal. On May 13, 2021, the Crown's appeal was heard by the Supreme Court and on December 3, 2021, the Supreme Court dismissed the Crown's appeal. As a result, Loblaw has reversed \$301 million of previously recorded charges, of which \$173 million is recorded as interest income and \$128 million is recorded as income tax recovery.

INDEMNIFICATION PROVISIONS The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 37. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately \$424 million (2020 – \$425 million). In addition, Loblaw and Choice Properties have provided to third parties the following significant guarantees:

ASSOCIATE GUARANTEES Loblaw has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at year end 2021, Loblaw's maximum obligation in respect of such guarantees was \$580 million (2020 – \$580 million) with an aggregate amount of \$469 million (2020 – \$470 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2021, the Associates had drawn an aggregate amount of \$52 million (2020 – \$86 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse in the event that any payments are made under the guarantees, Loblaw holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

INDEPENDENT FUNDING TRUSTS The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 25). As at year end 2021, Loblaw has agreed to provide a credit enhancement of \$64 million (2020 – \$64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (2020 – not less than 10%) of the principal amount of the loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to Loblaw's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to Loblaw and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

LEASE OBLIGATIONS In connection with historical dispositions of certain of its assets, Loblaw has assigned leases to third parties. Loblaw remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. Loblaw has guaranteed lease obligations of a third-party distributor in the amount of \$2 million (2020 – \$3 million).

GLENHURON BANK LIMITED SURETY BOND In connection with the Canada Revenue Agency's reassessment of Loblaw on certain income earned by Glenhuron (see note 36), Loblaw arranged for a surety bond to the Ministry of Finance in order to appeal the reassessments. As a result of the decision of the Tax Court and incremental payments by Loblaw, the amount of the surety bond is \$56 million (2020 – \$52 million). Loblaw expects the surety bond to be released in 2022 as a result of the favourable decision of the Supreme Court (see note 36).

CASH COLLATERALIZATION As at year end 2021, GWL and Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of \$45 million (2020 – \$52 million) and \$93 million (2020 – \$102 million), respectively. As at year end 2021, GWL and Loblaw had \$45 million (2020 – \$52 million) and a nominal amount (2020 – nominal) deposited with major financial institutions, respectively, and classified as security deposits on the consolidated balance sheets.

FINANCIAL SERVICES Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2021, the guarantee on behalf of PC Bank to MasterCard® was U.S. dollars \$190 million (2020 – U.S. dollars \$190 million).

Loblaw had in place an irrevocable standby letter of credit from a major Canadian chartered bank on behalf of one of its wholly-owned subsidiaries in the amount of \$11 million (2020 – \$11 million).

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was \$41 million (2020 – \$52 million), which represented approximately 9% (2020 – 9%) of the securitized credit card receivables amount (see note 13).

Notes to the Consolidated Financial Statements

CHOICE PROPERTIES Letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities are issued by Choice Properties. As at year end 2021, the aggregate gross potential liability related to these letters of credit totaled \$33 million (2020 - \$34 million).

Choice Properties' credit facility and debentures are guaranteed by each of the General Partner, the Partnership and any other person that becomes a subsidiary of Choice Properties (with certain exceptions). In the case of default by Choice Properties, the indenture trustee will be entitled to seek redress from the guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of Choice Properties. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of Choice Properties' assets being primarily held in its various subsidiaries.

CPH Master Limited Partnership, a subsidiary of Choice Properties, guarantees certain debt assumed by purchasers in connection with past dispositions of properties made by CREIT before the acquisition. These guarantees will remain until the debt is modified, refinanced or extinguished. Credit risks arise in the event that the purchasers default on repayment of their debt. These credit risks are mitigated by the recourse which Choice Properties has under these guarantees, in which case it would have a claim against the underlying property. In the current year the debt associated with such guarantees has been fully repaid. Therefore, the remaining exposure to credit risk is nil (2020 - \$36 million).

Note 38. Related Party Transaction

Galen G. Weston beneficially owns or controls, directly and indirectly, through Wittington, a total of 78,650,662 of GWL's common shares, representing approximately 53.6% of GWL's outstanding common shares (2020 – 51.6%).

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

In 2021, the Company made nominal rental payments to Wittington (2020 – \$3 million). As at year end 2021 and 2020, there were no rental payments outstanding.

In 2021, inventory purchases from Associated British Foods plc, a related party by virtue of a common director of such entity's parent company and GWL's parent company, amounted to \$42 million (2020 – \$51 million). As at year end 2021, \$1 million (2020 – \$3 million) was included in trade payables and other liabilities relating to these inventory purchases.

TRANSACTION BETWEEN CHOICE PROPERTIES AND WITTINGTON In 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a subsidiary of Wittington, for an aggregate purchase price of \$209 million, excluding transaction costs, which was satisfied in full by the issuance of 16.5 million Trust Units of Choice Properties.

The assets acquired included: (i) the Weston Centre, an office and retail property in Toronto, Ontario for \$129 million and (ii) the remaining 60% interest in a joint venture between Choice Properties and Wittington Properties Limited for \$80 million, less a cost-to-complete receivable of \$16 million, giving Choice Properties 100% ownership of the joint venture.

Weston Centre The Company had multiple lease arrangements with Wittington, in addition to existing leases with Choice Properties at the Weston Centre. Upon acquisition of the property, in 2020, the Company recognized a gain of \$6 million in operating income from the derecognition of its net impact of lease obligations and right-of-use assets associated with the property and ceased paying rents to Wittington. Due to continued tenancy on the property through its group of companies, in 2020, \$51 million was recorded in fixed assets as own-use property and \$78 million was recorded in investment properties.

Operating Lease Choice Properties entered into a ten-year lease for office space with Wittington that commenced in 2014. Lease payments totaled \$3 million over the term of the lease. As of the acquisition date, Choice Properties de-recognized its right-of-use assets and lease liabilities with the office lease and ceased paying rents to Wittington.

Joint Venture In 2014, a joint venture, partnership known as West Block between Choice Properties and Wittington Properties Limited, completed the acquisition of a parcel of land located on 500 Lakeshore Boulevard West in Toronto, Ontario from Loblaw. Choice Properties used the equity method of accounting to record its 40% interest in the joint venture.

During the second quarter of 2020, Loblaw recognized \$65 million of right-of-use assets and lease liabilities related to the leases of retail stores and a corporate office with the joint venture.

During the third quarter of 2020, Choice Properties acquired the remaining 60% interest of the joint venture, after which the investment was accounted for on a consolidated basis. As a result of the increase in ownership, in 2020 the Company recorded a \$5 million fair value loss before income taxes in other comprehensive income, and a gain of \$4 million in operating income from the derecognition of its net impact of lease obligations and right-of-use assets associated with the property and ceased paying rents to Wittington. Due to continued tenancy on the property through its group of companies, in 2020 \$95 million was recorded in fixed assets as own-use property and \$13 million was recorded in investment properties. Wittington continued to act as the development and construction manager for the commercial space until development was completed.

VENTURE FUND During the second quarter of 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund"). A wholly-owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in the Fund. The Company participates in the Fund's Investment Committee which, among other items, approves the initial investments. The Company uses the equity method of accounting to record its consolidated 66% interest in the Venture Fund. The Company has a consolidated capital commitment of \$66 million over a 10-year period. To date, on a consolidated basis, the Company invested \$31 million in the Venture Fund, of which \$18 million (2020 – \$13 million) was invested in 2021, which was recorded in other assets.

Notes to the Consolidated Financial Statements

POST-EMPLOYMENT BENEFIT PLANS The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 30.

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

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

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

(\$ millions)	2021 (52 weeks)	2020 (53 weeks)
Salaries, director fees and other short-term employee benefits	\$ 14	\$ 12
Equity-based compensation	12	11
Total compensation	\$ 26	\$ 23

Note 39. Segment Information

The Company has two reportable operating segments: Loblaw and Choice Properties. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation, cash and short-term investments held by the Company and all other company level activities that are not allocated to the reportable operating segments, as further illustrated below.

The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies (see note 2). The Company measures each reportable operating segment's performance based on adjusted EBITDA⁽ⁱ⁾ and adjusted operating income⁽ⁱ⁾. No reportable operating segment is reliant on any single external customer.

(\$ millions)	2021 (52 weeks)				2020 ⁽ⁱⁱⁱ⁾ (53 weeks)			
	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total
Revenue	\$ 53,170	\$ 1,292	\$ (714)	\$ 53,748	\$ 52,714	\$ 1,271	\$ (715)	\$ 53,270
Operating income (loss)	\$ 2,929	\$ 1,400	\$ (302)	\$ 4,027	\$ 2,357	\$ 622	\$ (104)	\$ 2,875
Net interest expense (income) and other financing charges	495	1,377	(222)	1,650	742	173	(86)	829
Earnings (loss) before income taxes	\$ 2,434	\$ 23	\$ (80)	\$ 2,377	\$ 1,615	\$ 449	\$ (18)	\$ 2,046
Operating income (loss)	\$ 2,929	\$ 1,400	\$ (302)	\$ 4,027	\$ 2,357	\$ 622	\$ (104)	\$ 2,875
Depreciation and amortization	2,664	3	(360)	2,307	2,596	3	(345)	2,254
Adjusting items ⁽ⁱ⁾	(14)	(500)	175	(339)	43	254	(70)	227
Adjusted EBITDA ⁽ⁱ⁾	\$ 5,579	\$ 903	\$ (487)	\$ 5,995	\$ 4,996	\$ 879	\$ (519)	\$ 5,356
Depreciation and amortization ⁽ⁱⁱⁱ⁾	2,158	3	(360)	1,801	2,087	3	(345)	1,745
Adjusted operating income (loss)⁽ⁱ⁾	\$ 3,421	\$ 900	\$ (127)	\$ 4,194	\$ 2,909	\$ 876	\$ (174)	\$ 3,611

(i) Certain items are excluded from operating income (loss) to derive adjusted EBITDA⁽ⁱ⁾. Adjusted EBITDA⁽ⁱ⁾ is used internally by management when analyzing segment underlying operating performance.

(ii) Excludes \$506 million (2020 - \$509 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw.

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

Notes to the Consolidated Financial Statements

Other and Intersegment includes the following items:

(\$ millions)	2021 (52 weeks)			2020 ⁽ⁱ⁾ (53 weeks)		
	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	\$ (508)	\$ (87)	\$ (108)	\$ (513)	\$ (95)	\$ (132)
Elimination of cost recovery	(206)	–	–	(202)	–	–
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(39)	–	–	(45)	–
Fair value adjustment on investment properties	–	(177)	–	–	72	–
Elimination of fair value adjustment on Choice Properties' Exchangeable Units	–	–	(863)	–	–	354
Fair value adjustment on Trust Unit liability	–	–	601	–	–	(239)
Elimination of unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(293)	–	–	(289)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	205	–	–	223
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	–	–	188	–	–	(47)
Asset impairments, net of recoveries	–	29	–	–	(6)	–
Gain on sale of a property	–	–	–	–	15	–
Other	–	(28)	48	–	(45)	44
Total Consolidated	\$ (714)	\$ (302)	\$ (222)	\$ (715)	\$ (104)	\$ (86)

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

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020 ⁽ⁱ⁾
Total Assets		
Loblaw	\$ 36,777	\$ 36,021
Choice Properties	16,173	15,647
Other and Intersegment	(5,867)	(3,590)
Consolidated	\$ 47,083	\$ 48,078

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

(\$ millions)	2021 (52 weeks)	2020 ⁽ⁱⁱⁱ⁾ (53 weeks)
Additions to Fixed Assets, Investment Properties and Intangible Assets		
Loblaw ⁽ⁱ⁾	\$ 1,183	\$ 1,224
Choice Properties ⁽ⁱⁱ⁾	196	506
Other and Intersegment	2	9
Discontinued Operations	76	162
Consolidated	\$ 1,457	\$ 1,901

- (i) During 2021, additions to fixed assets in Loblaw includes prepayments that were made in 2020 and transferred from other assets in 2020 of \$1 million. During 2020, additions to fixed assets in Loblaw includes prepayments that were made in 2019 and transferred from other assets in 2020 of \$66 million.
- (ii) During 2020, additions to investment properties in Choice Properties includes non-cash consideration of \$243 million.
- (iii) Certain comparative figures have been restated to conform with current year presentation.

(\$ millions)	As at	
	Dec. 31, 2021	Dec. 31, 2020
Fixed Assets, Goodwill and Intangible Assets		
Canada	\$ 21,691	\$ 22,862
United States	-	885
Consolidated	\$ 21,691	\$ 23,747

Note 40. Subsequent Event

CHOICE PROPERTIES Subsequent to year end, Choice Properties entered into an agreement to increase its interest in two of its residential projects for consideration of \$25 million. The agreement included the purchase of one of Choice Properties' partners' existing interest in the projects and the cancellation of the same partners' option to increase their equity interest in the projects. This transaction closed in January 2022, following which Choice Properties' interest in these projects is now 50%.

Three Year Summary

The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations

CONSOLIDATED INFORMATION⁽ⁱ⁾

As at or for the years ended December 31 (\$ millions except where otherwise indicated)	2021 (52 weeks)	2020 ⁽ⁱⁱ⁾ (53 weeks)	2019 ⁽ⁱⁱ⁾ (52 weeks)
Operating Results			
Revenue	53,748	53,270	48,586
Operating income	4,027	2,875	2,875
Adjusted EBITDA ⁽ⁱⁱⁱ⁾	5,995	5,356	5,145
Depreciation and amortization ^(iv)	2,307	2,254	2,173
Net interest expense and other financing charges	1,650	829	1,702
Adjusted net interest expense and other financing charges ⁽ⁱⁱⁱ⁾	1,050	1,115	1,069
Income taxes	630	470	417
Adjusted income taxes ⁽ⁱⁱⁱ⁾	851	648	588
Net earnings (loss)	1,425	1,582	823
Continuing operations	1,747	1,576	756
Discontinued operations	(322)	6	67
Net earnings attributable to shareholders of the Company from continuing operations	753	957	175
Net earnings (loss) available to common shareholders of the Company	387	919	198
Continuing operations	709	913	131
Discontinued operations	(322)	6	67
Adjusted net earnings available to common shareholders of the Company ⁽ⁱⁱⁱ⁾ from continuing operations	1,232	993	1,026
Financial Position^(v)			
Fixed assets	10,782	11,943	11,773
Goodwill and intangible assets	10,909	11,804	12,263
Total assets	47,083	48,078	47,813
Cash and cash equivalents, short-term investments and security deposits	3,938	3,231	2,139
Total debt including lease liabilities	20,309	21,000	21,131
Total equity attributable to shareholders of the Company	6,959	7,811	7,609
Total equity	13,137	13,418	13,175
Cash Flows^(v)			
Cash Flows from operating activities	5,107	5,521	4,555
Capital Investments	1,457	1,658	1,571
Consolidated Per Common Share (\$)			
Diluted net earnings (loss) per common share	2.52	5.96	1.26
Continuing operations	4.66	5.92	0.82
Discontinued operations	(2.14)	0.04	0.44
Adjusted diluted net earnings per common share ⁽ⁱⁱⁱ⁾ from continuing operations	8.14	6.44	6.65
Consolidated Financial Measures and Ratios			
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾ (%)	11.2	10.1	10.6
Adjusted return on average equity attributable to common shareholders of the Company ⁽ⁱⁱⁱ⁾⁽ⁱⁱⁱ⁾ (%)	18.7	15.2	15.5
Adjusted return on capital ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾ (%)	12.6	10.7	9.5

(i) For financial definitions and ratios refer to the Glossary beginning on page 180.

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

(iii) See Section 14. "Non-GAAP Financial Measures" of the Company's 2021 Annual Management's Discussion and Analysis. Certain comparative figures have been restated due to a non-GAAP policy change. See section 14.2, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Annual MD&A.

(iv) Depreciation and amortization for the calculation of EBITDA excludes \$506 million (2020 - \$509 million, 2019 - \$508 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw.

(v) Inclusive of Discontinued Operations.

SEGMENT INFORMATION⁽ⁱ⁾

As at or for the years ended December 31

(\$ millions except where otherwise indicated)

		2021 (52 weeks)	2020 ⁽ⁱⁱ⁾ (53 weeks)	2019 ⁽ⁱⁱⁱ⁾ (52 weeks)
OPERATING RESULTS				
Revenue	Loblaw	53,170	52,714	48,037
	Choice Properties	1,292	1,271	1,289
	Other & Intersegment	(714)	(715)	(740)
	Consolidated	53,748	53,270	48,586
Operating income	Loblaw	2,929	2,357	2,262
	Choice Properties	1,400	622	890
	Other & Intersegment	(302)	(104)	(277)
	Consolidated	4,027	2,875	2,875
Adjusted EBITDA⁽ⁱⁱⁱ⁾	Loblaw	5,579	4,996	4,767
	Choice Properties	903	879	914
	Other & Intersegment	(487)	(519)	(536)
	Consolidated	5,995	5,356	5,145
Adjusted EBITDA Margin (%)⁽ⁱⁱⁱ⁾	Loblaw	10.5	9.5	9.9
Depreciation and Amortization^(iv)	Loblaw	2,664	2,596	2,524
	Choice Properties	3	3	1
	Other & Intersegment	(360)	(345)	(352)
	Consolidated	2,307	2,254	2,173
FINANCIAL POSITION				
Total Assets	Loblaw	36,777	36,021	36,451
	Choice Properties	16,173	15,647	15,575
	Other & Intersegment ^(v)	(5,867)	(3,590)	(8,474)
	Consolidated	47,083	48,078	43,552
CASH FLOWS				
Capital Expenditures	Loblaw	1,183	1,224	1,206
	Choice Properties	196	263	163
	Other & Intersegment	2	9	8
	Consolidated	1,381	1,496	1,377

(i) For financial definitions and ratios refer to the Glossary beginning on page 180.

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

(iii) See Section 14. "Non-GAAP Financial Measures" of the Company's 2021 Management's Discussion and Analysis ("MD&A"). Certain comparative figures have been restated due to a non-GAAP policy change. See section 14.2, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Annual MD&A.

(iv) Includes \$506 million (2020 - \$509 million; 2019 - \$508 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw.

(v) Other includes cash and cash equivalents and short-term investments held by foreign operations.

Glossary

Term	Definition
Adjusted diluted net earnings per common share	Adjusted net earnings available to common shareholders of the Company including the effect of all dilutive instruments divided by the weighted average number of common shares outstanding during the period adjusted for the impact of dilutive items (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted EBITDA	Adjusted operating income before depreciation and amortization (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted EBITDA margin	Adjusted EBITDA divided by sales (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted income taxes	Income taxes adjusted for the tax impact of items included in adjusted operating income less adjusted net interest and other financing charges (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted effective tax rate	Adjusted income taxes divided by adjusted operating income less adjusted net interest and other financing charges (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted net earnings attributable to shareholders of the Company	Net earnings attributable to shareholders of the Company adjusted for items that are not necessarily reflective of the Company’s underlying operating performance (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted net earnings available to common shareholders of the Company	Adjusted net earnings attributable to shareholders of the Company less preferred dividends (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted net interest expense and other financing charges	Net interest expense and other financing charges adjusted for items that are not necessarily reflective of the Company’s ongoing net financing costs (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted operating income	Operating income adjusted for items that are not necessarily reflective of the Company’s underlying operating performance (see Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted return on average equity attributable to common shareholders of the Company	Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company (see Section 3.4, “Financial Condition” and Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Adjusted return on capital	Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short-term investments (see Section 3.4, “Financial Condition” and Section 14, “Non-GAAP Financial Measures”, of the Company’s Management’s Discussion and Analysis).
Annualized credit loss rate on average quarterly gross credit card receivables	Total credit card losses year-to-date divided by the number of days year-to-date times 365 divided by average quarterly gross credit card receivables.
Annualized yield on average quarterly gross credit card receivables	Interest earned on credit card receivables year-to-date divided by the number of days year-to-date times 365 divided by average quarterly gross credit card receivables.
Average article price	The year over year growth in Loblaw food retail revenue over the average number of articles sold in Loblaw’s stores in the quarter. Average Article Price is calculated by dividing Sales in Scope by Article Count for the timeframe chosen.
Basic net earnings per common share	Net earnings available to common shareholders of the Company divided by the weighted average number of common shares outstanding during the period.
Capital	Total debt, plus total equity attributable to shareholders of the Company, less cash and cash equivalents, short-term investments and amounts held in escrow.
Compound Average Growth Rate	Measure of annualized growth over a period longer than one year. It is the mean annual growth rate over a two year period, 2019 to 2021.
Capital under management	Total debt plus total equity attributable to shareholders of the Company.
Capital investment	Fixed asset purchases, investment properties purchases and intangible asset additions.

Term	Definition
Choice Properties' Funds from Operations	Choice Properties' net income (loss) adjusted for items that are not necessarily reflective of Choice Properties' underlying operating performance capital (see Section 14, "Non-GAAP Financial Measures", of the Company's Management's Discussion and Analysis).
Choice Properties' Funds From Operations per unit - diluted	Choice Properties' Funds from Operations available to unit holders adjusted for the impact of dilutive items divided by the weighted average number of average unit outstanding during the period adjusted for the impact of dilutive items.
Choice Properties' Net Operating income for same properties, excluding development activities	Choice Properties' net operating income for same properties, adjusting for the impact of recent property acquisition and disposition transactions.
Control brand	A brand and associated trademark that is owned by Loblaw for use in connection with its own products and services.
Conversion	A store that changes from one Loblaw banner to another Loblaw banner.
Diluted net earnings per common share	Net earnings available to common shareholders of the Company adjusted for the impact of dilutive items divided by the weighted average number of common shares outstanding during the period adjusted for the impact of dilutive items.
Diluted weighted average common shares outstanding	Weighted average number of common shares outstanding including the effects of all dilutive instruments.
Free cash flow	Cash flows from operating activities less intangible asset additions, fixed asset and investment properties purchases, interest paid, and net lease payments (see Section 14, "Non-GAAP Financial Measures", of the Company's Management's Discussion and Analysis).
Net earnings attributable to shareholders of the Company	Net earnings less non-controlling interests.
Net earnings available to common shareholders of the Company	Net earnings attributable to shareholders of the Company less preferred dividends.
Operating income	Net earnings before net interest expense and other financing charges and income taxes.
Renovation	A capital investment in a store resulting in no significant change to the store square footage.
Retail debt to adjusted EBITDA	Loblaw retail total debt divided by Loblaw retail adjusted EBITDA for the last four quarters.
Retail segment adjusted gross profit	Loblaw retail segment gross profit, adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see Section 14 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis).
Retail segment adjusted gross profit percentage	Loblaw retail segment adjusted gross profit divided by Retail segment sales.
Retail segment gross profit	Loblaw retail segment sales less cost of merchandise inventories sold.
Retail square footage	Retail square footage includes Loblaw's corporate stores, franchised stores and associate-owned drug stores.
Same-store sales	Loblaw retail sales from the same location for stores in operation in that location in both periods excluding sales from a store that has undergone a major expansion/contraction in the period.
Total equity attributable to common shareholders of the Company	Total equity less preferred shares outstanding and non-controlling interests.
Total equity attributable to shareholders of the Company	Total equity less non-controlling interests.
Weighted average common shares outstanding	The number of common shares outstanding determined by relating the portion of time within the period the common shares were outstanding to the total time in that period.
Year	The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31, usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2021 and December 31, 2020 contained 52 weeks and 53 weeks, respectively.

Corporate Directory

Board of Directors

Galen G. Weston, B.A., M.B.A.

Chairman and Chief Executive Officer of the Corporation; Chairman and President, Loblaw Companies Limited; Chairman, Wittington Investments, Limited; Director, Selfridges Group Limited; President, W. Garfield Weston Foundation; former Chairman, President's Choice Bank; former Chairman, Choice Properties Real Estate Investment Trust.

Paviter S. Binning⁽³⁾

Deputy Chairman and Director, Wittington Investments, Limited, former President of Wittington Investments, Limited; former President and, Chief Executive Officer and Chief Financial Officer of the Corporation; Director, Loblaw Companies Limited; former Chief Financial Officer and Chief Restructuring Officer, Nortel Networks Corporation; former Chief Financial Officer, Hanson plc and Marconi Corporation plc.

Andrew Ferrier⁽¹⁾

Executive Chairman of Canz Capital Limited; Chair, New Zealand Trade and Enterprise; former Chief Executive Officer of Fonterra Co-operative Group Limited; former President and Chief Executive Officer, GSW Inc.; former Director, Orion Health Group Limited and Bunge Limited.

(1) Audit Committee

(2) Governance, Human Resource, Nominating and Compensation Committee

(3) Pension Committee

* Chair of the Committee

Nancy H.O. Lockhart, O. Ont.^(2, 3)

Corporate Director; Trustee, Choice Properties Real Estate Investment Trust; Chair of Alignvest Student Housing; Director, Atrium Mortgage Investment Corporation, and The Royal Conservatory of Music; Chair Emeritus, Crow's Theatre Company; former Chief Administrative Officer, Frum Development Group, former Vice President, Shoppers Drug Mart Corporation; former Chair, Ontario Science Centre and Canadian Film Centre; former President, Canadian Club of Toronto; former Director, Loblaw Companies Limited, Gluskin Sheff & Associates Inc., Barrick Gold Corporation, Canada Deposit Insurance Corporation, Centre for Addiction and Mental Health Foundation, and the Loran Scholars Foundation.

Sarabjit (Sabi) S. Marwah^(1, 2)

Senator with the Senate of Canada; former Vice-Chairman and Chief Operating Officer of The Bank of Nova Scotia; Director, Cineplex Inc.; former Director, TELUS Corporation; former Trustee and Chair, Hospital for Sick Children; former Chair, Humber River Regional Hospital; former member of the Board of Directors, C.D.Howe Institute and Toronto International Film Festival.

Gordon M. Nixon, C.M., O.Ont.⁽²⁾

Corporate Director; Chair, BCE Inc. and Director, BlackRock, Inc.; former President and Chief Executive Officer, Royal Bank of Canada; Advisory Board, KingSett Canadian Real Estate Income Fund L.P.; Trustee, Art Gallery of Ontario.

J. Robert S. Prichard, O.C., O.Ont., LL.B., M.B.A., LL.M., LL.D.^(2, 3)

Non-Executive Chair, Torys LLP; former Chair, Bank of Montreal; Director, Onex Corporation; Director, Alamos Gold Inc.; President Emeritus, University of Toronto; Chair and Trustee, Hospital for Sick Children; former Chair, President and Chief Executive Officer, Metrolinx; former Director, President and Chief Executive Officer, Torstar Corporation.

Christi Strauss⁽¹⁾

Corporate Director; former President and Chief Executive Officer, Cereal Partners Worldwide, a General Mills joint venture with Nestlé; Director of two not-for-profit organizations, Social Venture Partners Minnesota and Health Partners International; past Chair, Advertising Standards Canada; past Chair, Canadian Food Information Council; former Board member; The Stratford Festival and Food and Consumer Products of Canada.

Barbara Stymiest, C.M., F.C.A., F.C.P.A.^(1, 2)

Corporate Director; Director, Blackberry Limited; Director, Sun Life Financial Inc.; Director, President's Choice Bank; former Member, Group Executive, Royal Bank of Canada; former Chief Executive Officer, TMX Group Inc., former Executive Vice-President and Chief Financial Officer, BMO Capital Markets; former Partner, Ernst & Young LLP; Director, Canadian Institute for Advanced Research; A Vice Chair, University Health Network; Director, Advisory Council for the Ivey Institute for Leadership.

Corporate Officers

Galen G. Weston

Chairman and Chief Executive Officer

Richard Dufresne

President and Chief Financial Officer

Gordon A.M. Currie

Executive Vice President and Chief Legal Officer

Rashid Wasti

Executive Vice President and Chief Talent Officer

Khush Dadyburjor

Chief Strategy Officer

John Williams

Group Treasurer and Head of Corporate Finance

Lina Taglieri

Group Head, Controller

Jeff Gobeil

Group Head, Tax

Anemona Turcu

Group Chief Risk Officer

Andrew Bunston

Vice President, General Counsel and Secretary

Shareholder and Corporate Information

Executive Office

George Weston Limited
22 St. Clair Avenue East
Toronto, Canada M4T 2S5
Tel: 416.922.2500
www.weston.ca

Stock Exchange Listing and Symbols

The Company's common and preferred shares are listed on the Toronto Stock Exchange and trade under the symbols: "WN", "WN.PR.A", "WN.PR.C", "WN.PR.D" and "WN.PR.E".

Common Shares

At year end 2021, there were 146,789,503 common shares issued and outstanding, which reflects 41,700 shares repurchased for cancellation in 2021, and settled after year end 2021.

The average 2021 daily trading volume of the Company's common shares was 182,322.

Preferred Shares

As at year end 2021, there were 9,400,000 preferred shares Series I, 8,000,000 preferred shares Series III, 8,000,000 preferred shares Series IV and 8,000,000 preferred shares Series V issued and outstanding.

The average 2021 daily trading volume of the Company's preferred shares was:

Series I:	5,815
Series III:	3,481
Series IV:	3,936
Series V:	5,447

Preferred Dividend Dates

The declaration and payment of quarterly preferred dividends are made subject to approval by the Board of Directors. The record and payment dates for 2022 are:

Series I

Record Date	Payment Date
Feb. 28	March 15
May 31	June 15
Aug. 31	Sept. 15
Nov. 30	Dec. 15

Series III, Series IV and Series V

Record Date	Payment Date
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1
Dec. 15	Jan. 1

Common Dividend Policy

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

Common Dividend Dates

The declaration and payment of quarterly common dividends are made subject to approval by the Board of Directors. The anticipated record and payment dates for 2022 are:

Record Date	Payment Date
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1
Dec. 15	Jan. 1

Printing: TC Transcontinental Printing www.tc.tc

Normal Course Issuer Bid

The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

Value of Common Shares

For capital gains purposes, the valuation day (December 22, 1971) cost base for the Company, adjusted for the 4 for 1 stock split (effective May 27, 1986) and the 3 for 1 stock split (effective May 8, 1998), is \$1.50 per share. The value on February 22, 1994 was \$13.17 per share.

Registrar and Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Canada M5J 2Y1

Toll Free Tel: 1.800.564.6253 (Canada and U.S.A.)
International Tel: 514.982.7555 (direct dial)
Fax: 416.263.9394
Toll Free Fax: 1.888.453.0330

To change your address or eliminate multiple mailings, or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Annual Meeting

The 2022 Annual Meeting of Shareholders of George Weston Limited will be held on Tuesday, May 11, 2022 at 11:00 a.m. (EDT) at The Royal Conservatory, TELUS Centre for Performance and Learning, Koerner Hall, 273 Bloor Street West, Toronto, Ontario, Canada and virtually via a live webcast.

Trademarks

George Weston Limited, Loblaw Companies Limited, Choice Properties Real Estate Investment Trust and their respective subsidiaries own a number of trademarks. These trademarks are the exclusive property of George Weston Limited, Loblaw Companies Limited, Choice Properties Real Estate Investment Trust and their respective subsidiary companies. Trademarks where used in this report are in italics.

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Roy MacDonald, Group Vice-President, Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

Additional financial information has been filed electronically with the Canadian securities regulatory authorities in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR). The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the Investor Centre section of the Company's website.

This Annual Report includes selected information on Loblaw Companies Limited, a public company with shares, and Choice Properties Real Estate Investment Trust, a public entity with units, both of which are traded on the Toronto Stock Exchange.

Ce rapport est disponible en français.



Cashier in Loblaw at the West Block, Toronto, Ontario

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