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.

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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.

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]

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Our Business

Our history as a family business

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

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

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

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

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

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

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

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

What we do

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

WESTON
GEORGE WESTON LIMITED

Loblaw

Loblaw (TSX: L) is Canada's food and pharmacy leader and the nation's largest retailer. Loblaw provides Canadians with grocery, pharmacy, 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.

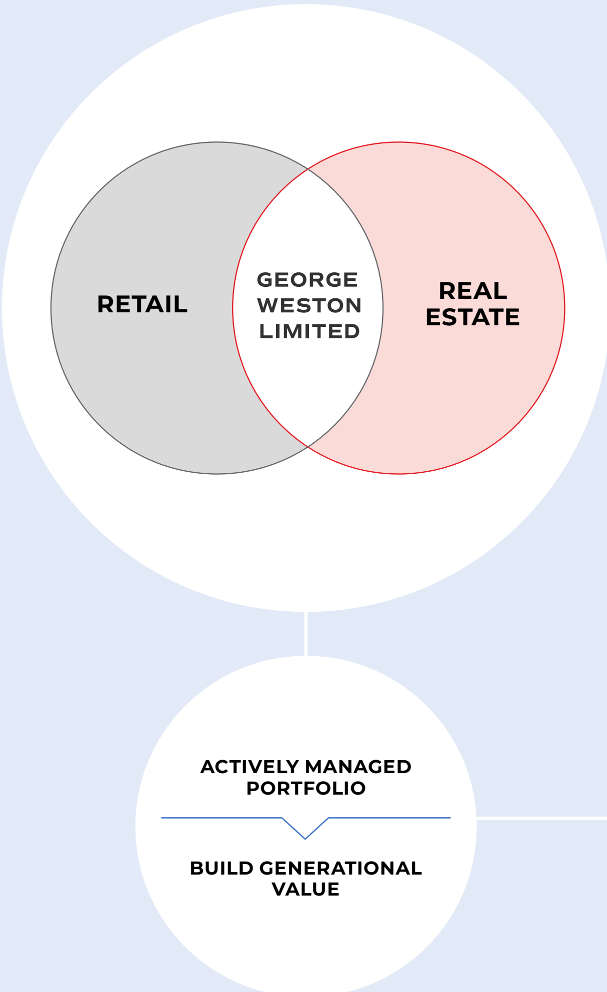
The Company is committed to supporting its portfolio of companies, providing expertise and decision support. This includes support in areas such as strategy, talent development, capital allocation and mergers and acquisitions.

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.
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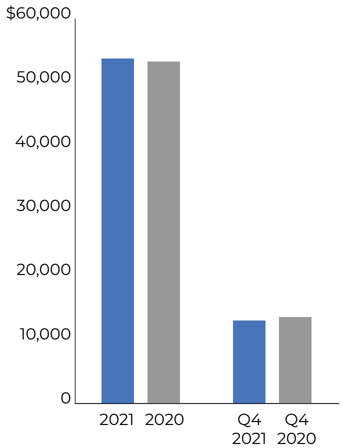
REVENUE

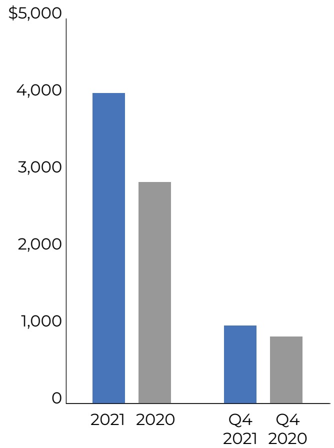


2021	**53,748**	**+0.9%**
2020[(4)]	53,270	
Q4 2021	**12,902**	**-3.9%**
Q4 2020[(4)]	13,430	

Performance in 2021

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

OPERATING INCOME

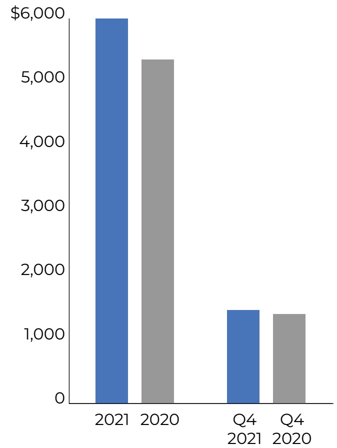


2021	**4,027**	**+40.1%**
2020[(4)]	2,875	
Q4 2021	**1,009**	**+16.1%**
Q4 2020[(4)]	869	

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

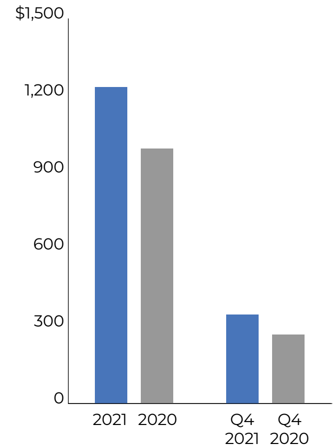
Adjusted EBITDA[(1)] increased by $639 million, primarily driven by an improvement in the underlying operating performance of Loblaw and Choice Properties.

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

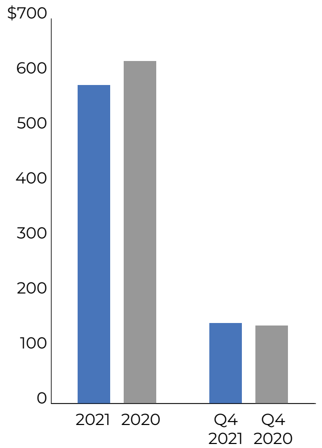
Adjusted net earnings available to common shareholders from continuing operations[(1)] increased by $239 million, driven by an increase in the underlying operating performance of Loblaw, Choice Properties, the favourable year-over-year impact of asset impairments recorded on consolidation, and a decrease 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

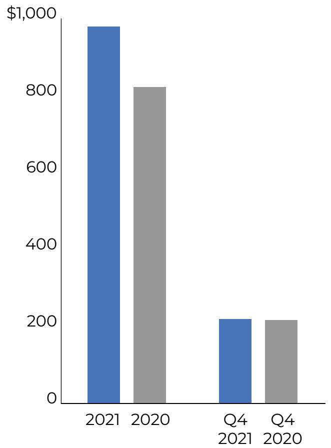


2021	579	-6.9%
2020[4]	622	
Q4 2021	146	+2.8%
Q4 2020[4]	142	

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



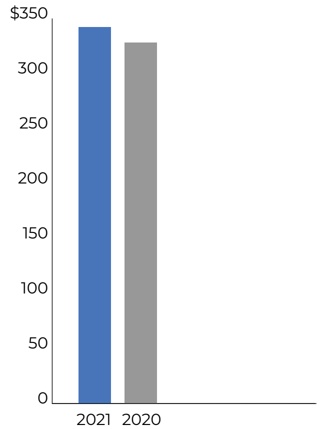
2021	978	+19.0%
2020[4]	822	
Q4 2021	213	-1.8%
Q4 2020[4]	217	

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.

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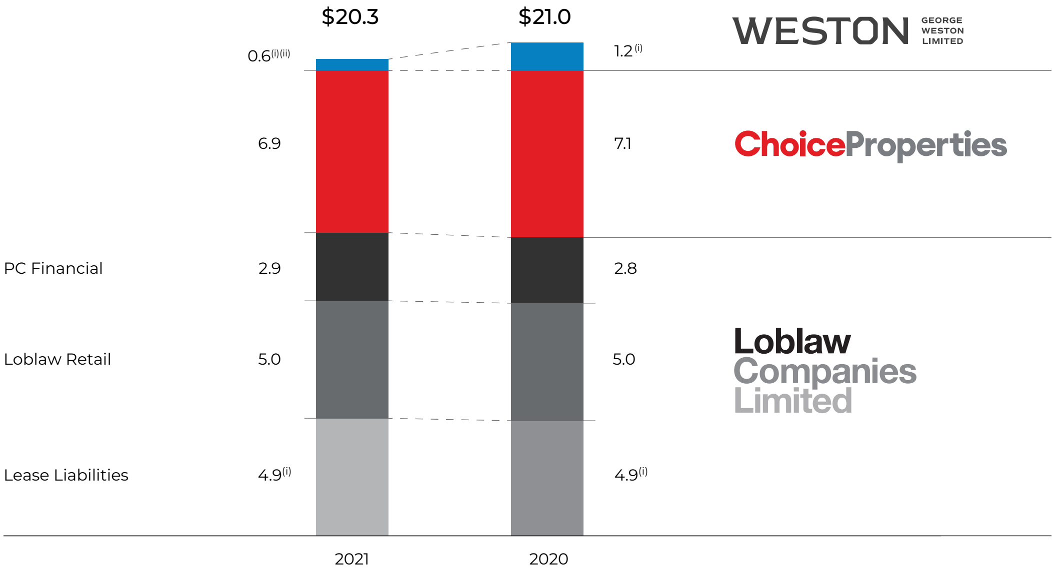
Total Debt

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

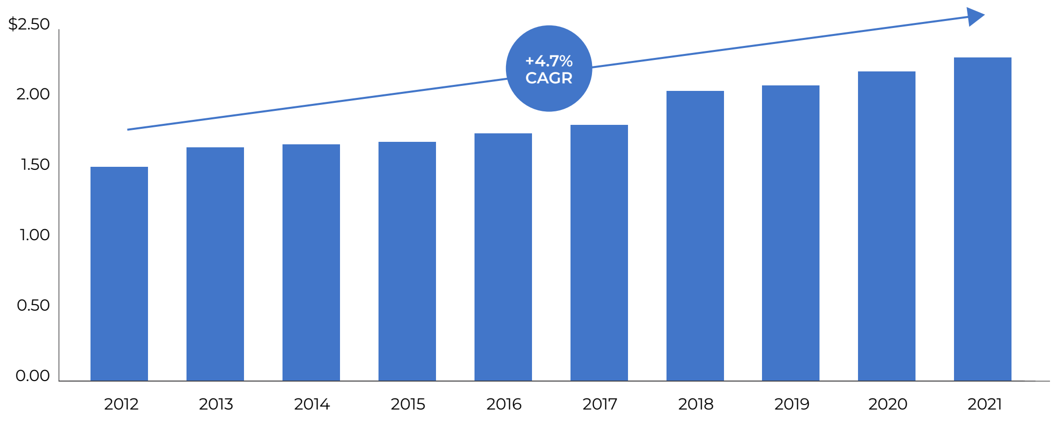
The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information reflects the Company's results from continuing operations. GWL Corporate[2] free cash flow[1] from continuing 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	Quarters ended		Years ended	
($ millions)	**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[i]	**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.



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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.

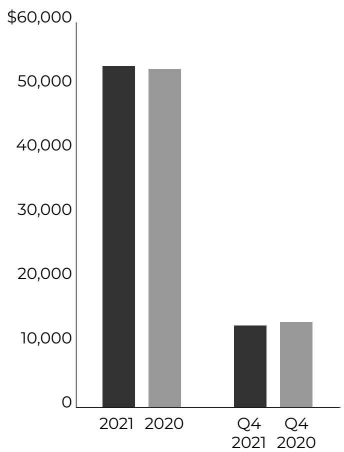
Loblaw Offerings

DIVISIONS:	BRANDS:
Discount	President's Choice
Market	No Name
Shoppers Drug Mart	Life Brand
PC Financial	PC Optimum
Joe Fresh	PC Money

Key performance indicators

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

REVENUE

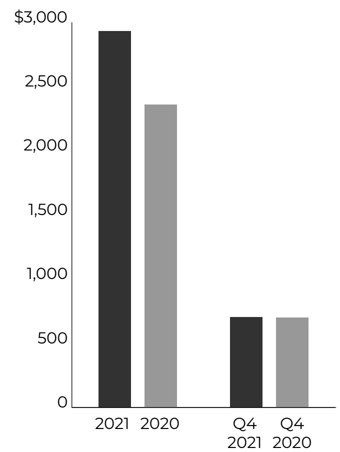


2021	**53,170**	**+0.9%**
2020	52,714	
Q4 2021	**12,757**	**-4.0%**
Q4 2020	13,286	

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

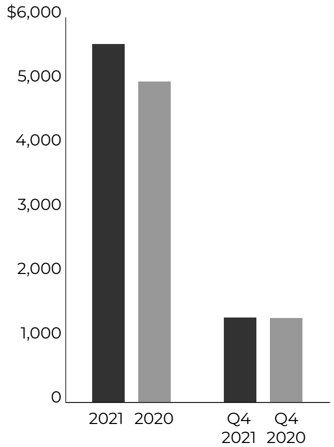


2021	**2,929**	**+24.3%**
2020	2,357	
Q4 2021	**703**	**+0.4%**
Q4 2020	700	

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]



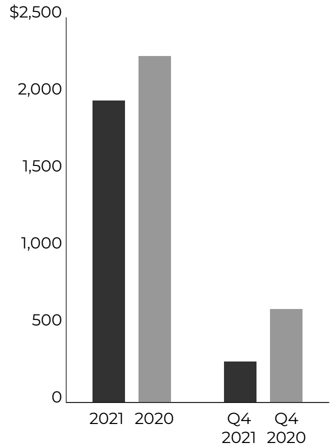
2021	**5,579**	+11.7%
2020[3]	4,996	
Q4 2021	**1,322**	+0.8%
Q4 2020[3]	1,311	

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

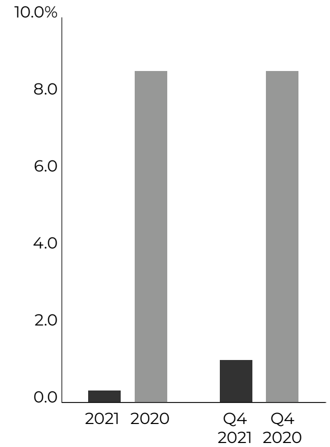
1.2 billion **-3.3%**
2021 vs. 2020

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(i) (%)

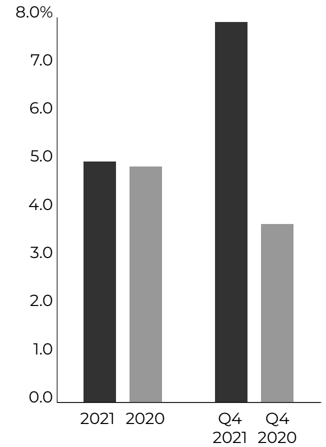


2021	**0.3%**	-830bps
2020	8.6%	
Q4 2021	**1.1%**	-750bps
Q4 2020	8.6%	

Performance in 2021

Food retail same-store sales growth(i) 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(i) (%)



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.

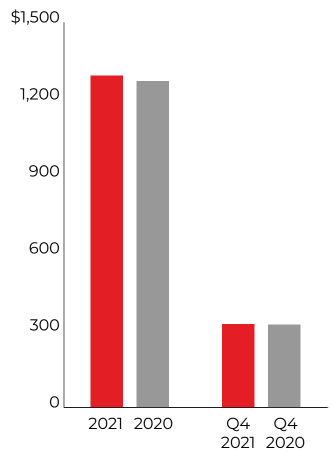
Top 10 tenants

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	

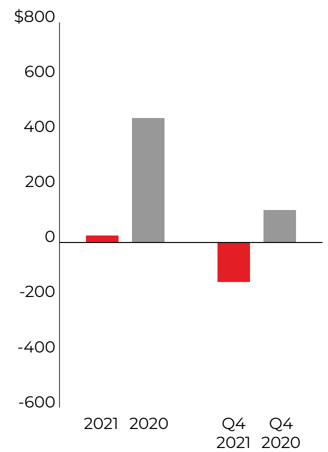
Performance in 2021

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)



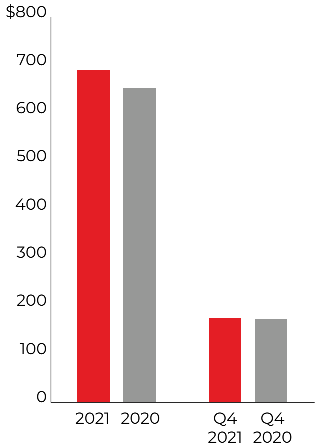
2021	**24**	**-94.7%**
2020	451	
Q4 2021	**(162)**	**-238.5%**
Q4 2020	117	

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]

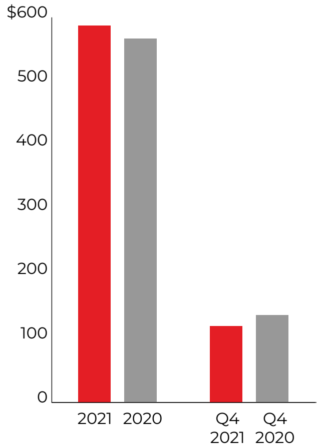


2021	690	+5.8%
2020	652	
Q4 2021	175	+1.7%
Q4 2020	172	

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[i]

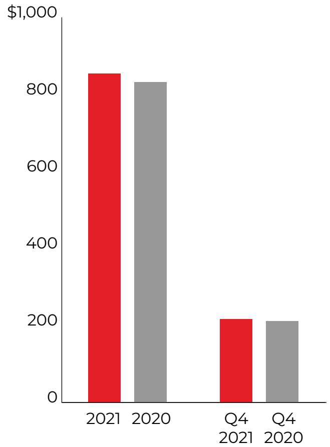


2021	587	+3.5%
2020	567	
Q4 2021	119	-12.6%
Q4 2020	136	

Performance in 2021

AFFO[i] increased mainly due to an increase in funds from operations, partially offset by an increase in capital spending.

SAME-ASSET NOI, CASH BASIS[i]

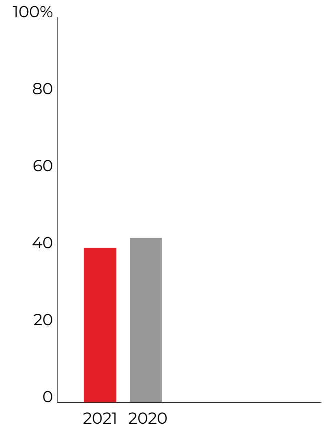


2021	853	+2.5%
2020	832	
Q4 2021	216	+2.6%
Q4 2020	211	

Performance in 2021

Same-asset NOI, cash basis[i] 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[i]



2021	40.1%	-260bps
2020	42.7%	

Performance in 2021

Adjusted debt to total assets[i] 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[i]

7.2x — 2021

-0.4x vs. 2020

DEBT SERVICE COVERAGE[i]

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.


NOW OPEN
JOE FRESH
NOW OPEN
Loblaws
NOW OPEN
SHOPPERS
DRUG MART
LOBLAW GROCETERIAS

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

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.

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 (52 weeks)	2020[3,4] (53 weeks)	$ Change	% 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.

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.

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[3,4] (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).

Management's Discussion and Analysis

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.

- 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 Dec. 31, 2021 (12 weeks)	Quarters Ended Dec. 31, 2020 (13 weeks)	Years Ended Dec. 31, 2021 (52 weeks)	Years Ended 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 Dec. 31, 2021 (12 weeks)	Quarters Ended Dec. 31, 2020 (13 weeks)	Years Ended Dec. 31, 2021 (52 weeks)	Years Ended 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.

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.

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%.

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:

	As at							
				Dec. 31, 2021				Dec. 31, 2020
($ millions)	**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** **Principal Amount**	2020 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** **Principal Amount**	2020 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:

		As at			
		Dec. 31, 2021		Dec. 31, 2020	
($ millions)	Maturity Date	**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.

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 *Eagle Credit Card Trust* ®	**$ 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 Jun. 19, 2021	16 Weeks Ended Oct. 9, 2021	12 Weeks Ended Dec. 31, 2021	**Total**
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.

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:

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

During 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:

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

During 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:

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

During 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:

		2021		2020
($ millions except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	**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.

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.

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

	Payments due by year						
($ millions)	2022	2023	2024	2025	2026	Thereafter	Total
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.

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.

					2021					2020[3,4]
($ millions except where otherwise indicated)	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.

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.

	Quarters Ended			
(unaudited) ($ millions except where otherwise indicated)	**Dec. 31, 2021** **(12 weeks)**	Dec. 31, 2020[3,4] (13 weeks)	$ Change	% Change
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.

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
Loblaw	$ 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 Loblaw, 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 Loblaw's 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
Loblaw	$ 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 Loblaw, including the negative year-over-year impact of the 53rd week;

  partially offset by,
  - an increase in depreciation and amortization at Loblaw.

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

	Quarters Ended						
(unaudited) **($ millions except where otherwise indicated)**		**Dec. 31, 2021** **(12 weeks)**		**Dec. 31, 2020[3,4]** **(13 weeks)**		**$ Change**	**% Change**
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.

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

(unaudited) ($ millions)	Quarters Ended Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 (13 weeks)	Change
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]

	Quarters Ended		
(unaudited) ($ millions)	**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.

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 Dec. 31, 2021 (12 weeks)	Dec. 31, 2020[(3)] (13 weeks)	$ Change	% Change
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.

5.2 Choice Properties Fourth Quarter Operating Results

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2021 (12 weeks)	Dec. 31, 2020 (12 weeks)	$ Change	% Change
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.

8. Enterprise Risks and Risk Management

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

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

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

(i) Risks are assessed and evaluated based on the Company's vulnerability to the risk and the potential impact that the underlying risks would have on the Company's ability to execute on its strategies and achieve its objectives.

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

8.1 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.

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
	Franchisee Relationships
Healthcare Reform	Associate-owned Drug Store Network and Relationships with Associates
Competitive Environment and Strategy	
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.

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 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.

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.

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.

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.

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.

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.

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.

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

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

	Quarters Ended							
	Dec. 31, 2021 (12 weeks)				Dec. 31, 2020[3,4] (13 weeks)			
(unaudited) ($ millions)	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)	Dec. 31, 2021 (52 weeks) Loblaw	Choice Properties	Other & Intersegment	Consolidated	Dec. 31, 2020[3,4] (53 weeks) 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

Years Ended

(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.

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.

	Quarters Ended		Years Ended	
(unaudited) ($ millions)	**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.

	Quarters Ended		Years Ended	
(unaudited) **($ millions except where otherwise indicated)**	**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]	**11**	25	**99**	173
Recovery related to Glenhuron	**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.

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.

	Quarters Ended		Years Ended	
(unaudited) **($ millions except where otherwise indicated)**	**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.

(unaudited) ($ except where otherwise indicated)	Years Ended Dec. 31, 2021 (52 weeks) Net Earnings Available to Common Shareholders of the Company ($ millions)	Dec. 31, 2021 (52 weeks) Diluted Net Earnings Per Common Share	Dec. 31, 2020[3,4] (53 weeks) Net Earnings Available to Common Shareholders of the Company ($ millions)	Dec. 31, 2020[3,4] (53 weeks) 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 Dec. 31, 2021 (12 weeks)	Dec. 31, 2020[4] (13 weeks)	$ Change	Years Ended 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

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 First Quarter (12 weeks)	2021 Second Quarter (12 weeks)	2021 Third Quarter (16 weeks)	2021 Fourth Quarter (12 weeks)	2021 Total (52 weeks)	2020 First Quarter (12 weeks)	2020 Second Quarter (12 weeks)	2020 Third Quarter (16 weeks)	2020 Fourth Quarter (13 weeks)	2020[(4)] Total (53 weeks)	2019[(4)] 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)	Years Ended Dec. 31, 2021 (52 weeks)	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)	Years Ended Dec. 31, 2021 (52 weeks)	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.

Management's Discussion and Analysis

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 First Quarter (12 weeks)	2021 Second Quarter (12 weeks)	2021 Third Quarter (16 weeks)	2021 Fourth Quarter (12 weeks)	2021 Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (13 weeks)	2020[3,4] Total (53 weeks)	2019[3,4] 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) ($)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	2021 Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (13 weeks)	2020[3,4] Total (53 weeks)	2019[3,4] Total (52 weeks)
Continuing Operations	**$ (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.

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:

	Quarters Ended											
	March 21, 2020 (12 weeks)				June 13, 2020 (12 weeks)				October 3, 2020 (16 weeks)			
(unaudited) ($ millions)	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated
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

	Quarter Ended				**Year Ended**			
	December 31, 2020 (13 weeks)				**December 31, 2020 (53 weeks)**			
(unaudited) ($ millions)	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**

	Quarters Ended											
	March 23, 2019 (12 weeks)				June 15, 2019 (12 weeks)				October 5, 2019 (16 weeks)			
(unaudited) ($ millions)	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated
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**

	Quarter Ended				**Year Ended**			
	December 31, 2019 (12 weeks)				**December 31, 2019 (52 weeks)**			
(unaudited) ($ millions)	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**

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 (12 weeks)		June 13, 2020 (12 weeks)		October 3, 2020 (16 weeks)		December 31, 2020 (13 weeks)		December 31, 2020 (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 (12 weeks)		June 15, 2019 (12 weeks)		October 5, 2019 (16 weeks)		December 31, 2019 (12 weeks)		December 31, 2019 (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.

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