Loblaw

COMPANIES LIMITED

2006

ANNUAL INFORMATION FORM

March 13, 2007

LOBLAW COMPANIES LIMITED

2006 ANNUAL INFORMATION FORM

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements which reflect management's expectations and are contained in discussions regarding the Company's objectives, plans, goals, aspirations, strategies, potential future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are typically, though not always, identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends" and other similar expressions.

These forward-looking statements are not guarantees, but only predictions. Although the Company believes that these statements are based on information and assumptions which are current, reasonable and complete, these statements are necessarily subject to a number of factors that could cause actual results to vary significantly from the estimates, projections and intentions. Such differences may be caused by factors which include, but are not limited to, changes in consumer spending and preferences, heightened competition including new competitors and expansion of current competitors, changes in the Company's or its competitors' pricing strategies, the ability to realize anticipated cost savings and efficiencies, including those resulting from restructuring, inventory liquidation and other cost reduction and simplification initiatives, the ability to execute restructuring plans, implement strategies and introduce innovative products successfully and in a timely manner, changes in the markets for the inventory intended for liquidation and changes in the expected realizable value and costs associated with the liquidation, unanticipated, increased or decreased costs associated with the announced initiatives, including those related to compensation costs, the Company's relationship with its employees, results of labour negotiations including the terms of future collective bargaining agreements, changes to the regulatory environment in which the Company operates now or in the future, changes in the Company's tax liabilities, either through changes in tax laws or future assessments, performance of third party service providers, public health events, the ability of the Company to attract and retain key executives and supply and quality control issues with vendors. The calculation of the goodwill impairment charge described in this AIF involves the estimation of several variables, including but not limited to market multiples, projected future sales and earnings, capital investment, discount rates, terminal growth rates and the fair values of those assets and liabilities being valued. The Company cautions that this list of factors is not exhaustive.

The assumptions applied in making the forward-looking statements contained in this Annual Information Form include the following: economic conditions do not materially change from those expected, patterns of consumer spending are reasonably consistent with historical trends, no new significant competitors enter our market nor does any existing competitor unexpectedly significantly increase its presence, neither the Company's nor its competitors' pricing strategies change materially, the Company successfully offers new and innovative products and executes its strategies as planned, anticipated cost savings and efficiencies are realized as planned, continuing future restructuring activities are effectively executed and executed in a timely manner, costs associated with the liquidation of inventory are not higher or lower than expected, the Company's assumptions regarding average compensation costs and average years of service for employees affected by the simplification initiatives are materially correct, the Company does not significantly change its approach to its current restructuring activities, there is no material amount of excess inventory in the Company's supply chain, there are no material work stoppages and the performance of third-party service providers is in accordance with expectations.

These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. This list of factors and other risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risks and Risk Management section of the Management's Discussion and Analysis included in the Company's 2006 Annual Report.

Potential investors and other readers are urged to consider these factors carefully in evaluating these forward-looking statements and are cautioned not to place undue reliance on them. The forward-looking statements included in this Annual Information Form, are made only as of the date of this Annual Information Form and the Company disclaims any obligation or intention to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events contained in these forward-looking statements may or may not occur. The Company cannot assure that projected results or events will be achieved.

The information in this Annual Information Form is current to December 30, 2006, unless otherwise noted. All amounts are in Canadian dollars.

CORPORATE STRUCTURE

Incorporation

Loblaw Companies Limited was incorporated on January 18, 1956, although portions of its business originated before 1900. It was continued under the *Canada Business Corporations Act* by certificate of continuance dated May 7, 1980. The registered office of the Company is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. The National Head Office and Store Support Centre of the Company is located at 1 President's Choice Circle, Brampton, Canada, L6Y 5S5.

Intercorporate Relationships

Loblaw Companies Limited is a holding company which carries on its business through its subsidiaries. A list of the subsidiaries of the Company that carry on its principal business operations is given below. In each case, the Company owns 100% of the voting and non-voting securities either directly or indirectly. Throughout this Annual Information Form, Loblaw Companies Limited and its subsidiaries are collectively referred to as the "Company".

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

GENERAL DEVELOPMENT OF THE BUSINESS

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

Senior Management Change and Strategies

2006 saw a number of significant changes in the operations of the Company, including the change in senior leadership. Galen G. Weston was appointed Executive Chairman of the Company's Board of Directors ("Board"), Mark Foote became President and Chief Merchandising Officer and Allan L. Leighton joined as Deputy Chairman. Early in 2007, Dalton Philips joined the Company as Chief Operating Officer and William M. Wells will be joining the Company as Chief Financial Officer effective April, 2007. The management team commenced a review of the Company in the latter half of 2006 which focused on key drivers of the business such as fresh food presentation, maximizing employee engagement, the performance of retailing basics and customer satisfaction.

New management embarked on an initiative to simplify the organization by more clearly defining accountabilities, eliminating duplication and establishing consistent, simple and efficient processes. The Company also planned and developed organizational transition, focusing on redesigned processes and a leaner administrative structure.

The Company is focused on simplifying its organizational structure, improving retailing basics such as availability and customer focus, innovation as a competitive advantage and executing the Company's "Formula for Growth".

Supply Chain

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

In 2006, the Company continued with its efforts to restructure its supply chain function. In part because of the factors described above, this proved to be more complex and costly than originally anticipated. By the end of 2006, the supply chain stabilized and delivered improved service levels.

Also in 2006, following a review of its inventory levels, the Company identified certain excess inventory, primarily general merchandise. The Company decided to proceed with the liquidation of this inventory, and engaged a third party to assist with the process.

Labour and Employment Matters

In 2006 a new four-year collective agreement was successfully negotiated with members of some Ontario locals of the United Food and Commercial Workers union and ratified. The agreement enables the Company to convert 44 stores in Ontario to the *Real Canadian Superstore* banner or food stores with equivalent labour economics and the flexibility to invest in additional store labour where appropriate.

Other Restructuring Activities

In 2005, the Company established a new National Head Office and Store Support Centre in Brampton, Ontario. The Company consolidated several regional offices and relocated the general merchandise operations from Calgary, Alberta to the National Head Office and Store Support Centre.

As part if its assessment of store operations, in the fourth quarter of 2006, management approved plans to close 19 underperforming stores in Quebec, mainly within the *Provigo* banner, 8 stores in the Atlantic region and 24 wholesale outlets. These closures are expected to be completed in 2007.

Early in 2007, the Company approved and announced the restructuring of its merchandising and store operations into more streamlined functions. This followed a thorough review of the retail and merchandising functions and processes across the Company. This action resulted in the announcement of the elimination of 800 - 1,000 positions in the National Head Office and Store Support Centre and regional offices.

Financial Performance

During the last three years, total sales increased at a cumulative average annual rate of 4.6%. The square footage of corporate and franchised stores increased at cumulative average annual growth rates of approximately 4.4% and 4.0%, respectively, over the same period. The number of corporate stores over the period increased marginally from 646 to 672. The number of franchised stores also increased marginally from 397 to 405 over the same period. The average store size for both corporate stores and franchised stores has increased by 7.1% and 5.4% respectively over the last three years as the Company has generally moved to larger store formats.

Over the past three years, the Company continued to expand and improve its asset base and to reinvest in existing assets in order to position the Company for sustainable future growth. During this period, cumulative capital investment, funded through cash flows from operating and financing activities, was $3.35 billion, comprised of $0.937 billion, $1.156 billion and $1.258 billion in fiscal years 2006, 2005, and 2004, respectively.

In the fourth quarter of 2006, the Company recorded a non-cash charge of $800 million related to the impairment of the goodwill associated with its acquisition of the *Provigo* business in 1998. This non-cash goodwill impairment charge is expected to be adjusted if necessary in the first half of 2007.

Further information on the Company's financial performance can be found in the Company's other filings including the Management's Discussion and Analysis section of the Company's 2006 Annual Report ("MD&A"). This information is incorporated by reference and is available at www.sedar.com or www.loblaw.ca.

Products and Services

The Company is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services. Traditional food offerings remain at the core of the Company's business. The Company primarily offers four distinct store formats: Superstore, Great Food, Hard Discount and Wholesale. The Company pursues a strategy of enhancing profitability on a market-by-market basis by selecting the best store format for the market. This multi-format approach enables the Company to serve a greater variety of consumers, ensure products are "priced right" and place the optimal offerings in the right markets. The Company has focused and will continue to focus on two key aspects of its food offering: fresh perception and product availability. In 2006 the Company formed positive action groups to develop and implement plans to help ensure excellence in these key areas.

Control Label Program

The Company offers a strong and innovative control label program for both its food and everyday household needs. This program helps to create customer loyalty and ensure price competitiveness. Over the past three years, the Company continued to add products to its control label program which, now provides over 7,900 products in the food and everyday household needs categories. In 2006, over 2,000 new control label products were launched, including over 1,400 new general merchandise products.

The Company strives to offer products and services centered around the theme of "Health, Home and Wholesome". To this end, the Company has been a leader in the offering of health-oriented control label products. The Company offers a range of certified organic products and now has approximately 302 of those products under the *President's Choice* Organics label. In 2004, the Company launched the *President's Choice Mini Chefs* line of healthy-choice products for children. Early in 2005 the Company introduced its *President's Choice Blue Menu* line of products for health and nutrition conscious consumers and now offers over 250 such products.

In April of 2006, the *Joe Fresh Style* brand of adult apparel was launched in 40 stores with positive customer response. By the end of the year, *Joe Fresh Style* apparel was in almost 100 stores in all regions of the country. To facilitate this launch, the Company redesigned the *Joe Fresh Style* shopping environment with wide aisles, a central cash desk and fitting rooms. New fixtures and a signing program were also introduced. The Company is pursuing the continued expansion of the *Joe Fresh Style* brand by expanding the number of stores in which it is available as well as launching children's wear and accessories in 2007.

The Company is also focused on its growing line of *PC* Home branded houseware products. A *PC* Home *Insider's Report* was issued in 2006 that featured over 100 items for the home including the kitchen, bed and bath, and home décor. In 2006, the Company distributed six issues of the *Insiders Report* that reached over 10 million homes.

The Company also provides gas bars adjacent to a number of its stores and has increased its gas bar presence in eastern Canada over the past three years.

<u>Financial Services</u>

The strength of the Company's control label program has also enabled the Company to expand its *President's Choice* brand to financial services. Since its launch in 1998, the number of customers using *President's Choice Financial* services has grown and the range of products and services now available includes chequing and savings accounts, mortgages, RRSPs, loans and lines of credit. These services are provided by the direct banking division of a major Canadian chartered bank. *President's Choice* Bank, a subsidiary of the Company, launched the *President's Choice Financial* MasterCard® in March 2001 throughout Canada except Quebec, where it was launched in February 2004. As at December 30, 2006, approximately $1.25 billion of credit card receivables had been securitized and $321 million of receivables were held by *President's Choice* Bank.

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

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

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

DESCRIPTION OF THE BUSINESS

Operations

Loblaw, a subsidiary of George Weston Limited, is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services. Loblaw is committed to providing consumers across the country with a one-stop destination in meeting their food and everyday household needs. For 50 years, the Company has supplied the Canadian market with innovative products and services through corporate, franchised and associated stores. Corporate owned store banners include *Atlantic Superstore, Dominion* (in Newfoundland and Labrador), *Extra Foods, Loblaws, Maxi, Maxi & Cie, Provigo*, the *Real Canadian Superstore* and *Zehrs* and wholesale outlets operating as Cash & Carry, *Presto* and *The Real Canadian Wholesale Club.* The Company's franchised and associated stores operate under the trade names *Atlantic SaveEasy, Fortinos, no frills, SuperValu, Valu-mart* and *Your Independent Grocer.* The store network is supported by 26 Company operated and 2 third-party warehouse facilities located across Canada, as well as temporary storage facilities when required.

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

Geographic and Banner Summary

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

	Corporate Stores	**Franchised Stores**	**Associated Stores**	**Independent Accounts**	**Warehouses**
Newfoundland and Labrador	16	7	10	483	2
Prince Edward Island	5	3	1	129	-
Nova Scotia	36	21	1	526	2
New Brunswick	22	23	6	276	2
Quebec	251	21	330	2,763	4
Ontario	171	262	14	98	6
Manitoba	25	5	36	864	1
Saskatchewan	33	14	24	669	2
Alberta	69	4	12	1,514	5
Northwest Territories	2	-	1	1	-
Yukon	1	2	-	-	-
British Columbia	41	43	16	-	2
Total	**672**	**405**	**451**	**7,323**	**26**

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

	Corporate Stores	Franchised Stores	Associated Stores
Superstore			
Atlantic Superstore	53		
Dominion* (in Newfoundland and Labrador)	14		
The Real Canadian Superstore	97		
Great Food			
Atlantic SaveEasy	1	44	7
Fortinos		20	
Loblaws	91		
Provigo	80	21	4
SuperValu	1	15	7
Valu-mart		57	11
Your Independent Grocer		50	1
Zehrs	50		
Other	2	37	282
Hard Discount			
Extra Foods	79	27	
Maxi	96		
Maxi & Cie	16		
No Frills		134	
Wholesale			
Cash & Carry	35		139
Presto	20		
The Real Canadian Wholesale Club	37		
Total	**672**	**405**	**451**

* Trademark used under license

The average store size at year end 2006 for corporate stores and franchised stores was 57,400 and 27,400 square feet, respectively. The average store size for both corporate stores and franchised stores has increased by 7.1% and 5.4% respectively over the last three years as the Company has generally moved to larger store formats.

Whenever practical, the Company follows a strategy of purchasing land for future store locations. At year end 2006, the Company owned 72% of the real estate on which its corporate stores are located, as well as various properties under development or held for future development. The Company's owned properties are essentially unencumbered, with only $23 million in mortgage debt on total fixed assets including real estate, having a net book value of approximately $8 billion at year end 2006. The total square footage of the corporate stores is approximately 38.6 million square feet.

A significant portion of the Company's stores are owned and operated by independent franchisees. Franchisees enter into agreements with the Company that generally require the franchisee to purchase inventory from the Company and pay certain fees in exchange for services provided by the Company and for the right to use certain trademarks owned by the Company. Services available to the franchisees by the Company include store set-up, marketing support, accounting, employee development and pension and benefit administration. Independent franchisees generally lease the land and store building from the Company and, if eligible, may obtain financing through a structure involving independent trusts to facilitate the purchase of the majority of their inventory and fixed assets, consisting mainly of fixtures and equipment.

Competitive Conditions

The retail industry in Canada is a changing and competitive market. Consumer needs drive industry changes, which are impacted by changing demographic and economic trends such as changes in disposable income, ethnic diversity, nutritional awareness and time availability. Over the past several years, consumers have demanded more choice, value and convenience.

The Company competes with non-traditional competitors as well as traditional supermarkets. Recent industry changes include the expansion of non-traditional competitors, such as mass merchandisers, warehouse clubs, drugstores, limited assortment stores, discount stores, convenience stores, and specialty stores, all of which continue to increase their offerings of products typically associated with traditional supermarkets. Over the past several years, there has been an increase in the number of retail outlets that traditionally exclusively featured food, general merchandise or drugstore items that now offer a selection of all these items, resulting in what is commonly referred to in the industry as "channel blurring". This evolution of the retail landscape presents a number of issues for traditional grocers: the need to reposition conventional supermarkets to either expand or, conversely, better focus their offerings; the reality of lower prices offered by discount retailers; and the need to reduce operating and labour costs in order to maintain earnings in light of lower prices and increased competition.

Although much work is to be done to successfully implement the strategies described above, the Company believes that its competitive position in Canada remains strong. The Company focuses and will continue to focus on the value proposition of its banners and ensuring the right format is in the right market. In addition, its strong and innovative control label offering promotes customer loyalty and allows pricing flexibility with respect to national brands.

Customers

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

Products and Services

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

There are currently over 7,900 control label products marketed by the Company under brand names including *President's Choice, PC, President's Choice* Organics, *President's Choice Blue Menu, President's Choice Mini Chefs, no name, Joe Fresh Style, Club Pack, GREEN, EXACT, Teddy's Choice* and *Life@Home* and. In 2006, over 2,000 new control label products were introduced including 1,400 general merchandise products.

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

In March of 2006, the *Joe Fresh Style* brand of adult apparel was launched in 40 stores with positive customer response. By the end of the year *Joe Fresh Style* apparel was in almost 100 stores in all regions of the Company. To facilitate this launch, the Company redesigned the *Joe Fresh Style* shopping environment with wide aisles, a central cash desk and fitting rooms. New fixtures and a signing program were also introduced. The Company is pursuing the continued expansion of the *Joe Fresh Style* brand by expanding the number of stores in which it is available as well as launching children's wear and accessories in 2007.

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

The *President's Choice Financial* MasterCard® is offered throughout Canada by President's Choice Bank. Third-party service providers process credit card transactions and provide a call centre (services/support) in addition to credit and fraud monitoring for the *President's Choice Financial* MasterCard®.

The Company offers *PC Financial* auto and home insurance through its subsidiary *PC* Financial Insurance Agency Inc. to select Canadian markets including Ontario (launched in 2004), Quebec and Alberta (both launched in 2005). *PC Financial* pet insurance for dogs and cats, which is underwritten by SecuriCan General Insurance Company, is currently available in each Province and Territory except for Quebec and New Brunswick. *PC Financial* travel insurance, which is underwritten by American Home Assurance Company, is currently available in all Provinces and Territories except for Quebec.

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

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

<u>Intellectual Property</u>

The Company has established procedures to register or otherwise protect its intellectual property including the trademarks used in its store-trading or banner names and those associated with its control label programs. Store-trading or banner names are associated with specific retail concepts and are important to both corporate store and franchised store operations. Franchisees use the banner names associated with their franchised program pursuant to licensing arrangements. The Company's trademarks used in connection with its control label program are discussed under the section "Products and Services". Other intellectual property of the Company includes domain names, packaging designs and product formulations and specifications. The intellectual property rights associated with and used in connection with the Company's business are important assets and are defended vigorously. The trademarks of the Company when used in this Annual Information Form are presented in *italics*.

<u>Supply Chain</u>

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

The Company's supply chain and distribution network is comprised of a total of 26 owned and leased warehouses and distribution centres. Third-party logistics services are also used, including those in connection with a dedicated general merchandise warehouse and distribution centre located in Pickering, Ontario. The Company uses various modes of transportation including its own trucking fleet and third-party common carriers, railways and ships. The Company is not dependent on any one third-party transport provider.

Over the past several years, the Company has faced challenges with respect to its supply chain and in particular with on-shelf availability. These challenges are being addressed in part by ensuring that the Company's supply chain operates as a single national function, focusing on end to end supply chain effectiveness including effective forecasting, delivery, receiving and replenishment.

A new food distribution center in Ajax, Ontario is scheduled to open in 2008.

Seasonality

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

Foreign Operations

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

Employees

As of December 30, 2006, the Company and its franchisees together employ over 139,000 full-time and part-time employees. A significant majority of the Company's store level and distribution centre employees are unionized.

Lending

In the course of providing the *President's Choice Financial* MasterCard® to its customers, *President's Choice* Bank grants credit to its customers with the intention of increasing the loyalty of those customers and the Company's profitability. Board approved risk management policies provide governance and oversight to effectively manage and control existing or potential credit risks. In order to minimize the associated credit risk, *President's Choice* Bank employs stringent credit scoring techniques, actively monitors the credit card portfolio and reviews techniques and technology that can improve the effectiveness of its collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Environmental and Health and Safety Matters

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

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

Community Support

Acting with its employees, the Company supports and contributes to local organizations through its various operating divisions by sponsoring numerous charitable fundraising activities and initiating work experience programs for the physically and developmentally challenged. The Company operates *President's Choice* Children's Charity which is dedicated to helping children who are physically or developmentally challenged.

Food Safety and Labelling

The Company is subject to potential liabilities connected with its business operations, including potential exposures associated with product defects, food safety and product handling. Such liabilities may arise in relation to the storage, distribution and display of products and, with respect to the Company's control label products, in relation to the production, packaging and design of products.

A majority of the Company's sales are generated from food products and the Company could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could negatively affect the Company's financial performance. Procedures are in place to manage such events, should they occur. These procedures identify risks, provide clear communication to employees and consumers and are aimed at ensuring that potentially harmful products are expeditiously removed from inventory. The ability of these procedures to address such events is dependent on their successful execution. Food safety related liability exposures are insured by the Company's insurance program. In addition, the Company has food safety procedures and programs which address safe food handling and preparation standards. The Company endeavours to employ best practices for the storage and distribution of food products and also actively supports consumer awareness of safe food handling and consumption.

The Company strives to ensure its control label products have informative nutritional labelling so that today's health conscious consumer can make informed choices.

Privacy and Ethics

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

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

The Company has adopted a Vendor Code of Conduct which sets out the Company's expectations of its vendor community in the areas of social, environmental and legal compliance.

Risks and Risk Management

Each year, the Company performs an Enterprise Risk Assessment ("ERA") which identifies the key risks facing the Company and evaluates the risk management effectiveness for each of these risks. The assessment is primarily carried out through interviews with senior management, who assess the potential impact of risks and the likelihood that negative impact will occur. The results of the ERA are used to prioritize risk management activities, allocate resources effectively and inform overall business direction. The Audit Committee receives a report on the ERA. The risks identified for 2006 included: Information Technology, Customer Satisfaction, Excess Inventory, Food Safety, Human Resources, Competition and Labour Relations.

A description of these and other risks are included in the MD&A on pages 27 through 33 of the Company's 2006 Financial Report, included in the Company's Annual Report, which is incorporated herein by reference.

Further information on the Company's business can be found in the MD&A. This information is incorporated herein by reference.

CAPITAL STRUCTURE AND MARKET FOR SECURITIES

Common Share Capital

Loblaw Companies Limited's share capital is composed entirely of common shares with voting rights of one vote per common share. The holders of common shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, to receive any dividend declared by the Company and to receive the remaining property of the Company upon dissolution. As at December 30, 2006, there were 274,173,564 common shares issued and outstanding and 5,696 registered common shareholders. There are an unlimited number of authorized common shares.

Common Share Trading Price and Volume

Loblaw Companies Limited's common shares are listed on the Toronto Stock Exchange and trade under the share symbol "L". The monthly highs and lows and average daily volume by month for Loblaw Companies Limited's common shares for the year ended December 30, 2006 were as follows:

Month	**High** ($ per common share)	**Low** ($ per common share)	**Average Daily Volume by Month** (in shares)
January	58.10	52.85	691,368
February	58.69	54.05	401,429
March	58.50	55.10	213,016
April	57.83	54.05	238,151
May	57.30	53.06	340,928
June	54.76	51.50	257,786
July	53.45	48.45	326,649
August	52.30	47.08	385,331
September	51.74	47.29	458,899
October	48.17	45.22	388,795
November	47.99	44.92	537,508
December	51.00	47.25	350,713

Loblaw Companies Limited's Medium Term Notes ("MTN") are not listed or quoted on a recognized exchange.

Credit Ratings (Canadian Standards)

Loblaw Companies Limited's credit ratings for its securities are as follows:

	Dominion Bond Rating Service	**Standard & Poor's**
Commercial Paper	R-1 (low)	A-1 (low)
Medium Term Notes	A	A -
Other Notes and Debentures	A	A -

During the third quarter of 2006, the Company's Medium Term Notes and Debentures were downgraded by Dominion Bond Rating Service ("DBRS") to "A" from "A (high)" and the Commercial Paper rating was confirmed at "R-1 (low)". In both cases the trend was changed to "stable" from "negative". During the fourth quarter of 2006, the Company's long-term corporate credit and commercial paper ratings were downgraded by Standard & Poor's ("S&P") to "A-" from "A" and to "A-1 (low)" from "A-1 (mid)", respectively. The Company was removed from CreditWatch with negative implications and the outlook was changed to "stable".

Subsequent to year end, DBRS placed the Company's Debentures and Medium Term Notes Under Review with Negative Implications and at the same time, confirmed the Company's Commercial Paper rating at its current level with a "stable" trend; and S&P placed the Company's long term corporate credit and commercial paper ratings on CreditWatch with negative implications.

The rating organizations base the ratings on quantitative and qualitative considerations which are relevant for Loblaw Companies Limited. These ratings are intended to give an indication of the risk that Loblaw Companies Limited will not fulfill its obligations in a timely manner. These ratings are not recommendations to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

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

Dominion Bond Rating Service

Commercial Paper

Rating: R-1 (low): Short-term debt rated R-1 (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favourable as with higher rating categories, but these considerations are still respectable. Any qualifying negative factors that exist are considered manageable, and the entity is normally of sufficient size to have some influence in its industry.

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

Rating: A: Long-term debt rated "A" is of satisfactory credit quality. Protection of interest and principal is still substantial, but the degree of strength is less than that of AA rated entities. While "A" is a respectable rating, entities in this category are considered to be more susceptible to adverse economic conditions and have greater cyclical tendencies than higher-rated securities.

Some DBRS rating categories are appended with one of three rating trends - "Positive", "Stable", or "Negative". The rating trend helps to give the investor an understanding of DBRS's opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent. Ratings which are "Under Review" will be qualified with one of the following three provisional statements: "negative implications", "positive implications", or "developing implications". These qualifications indicate DBRS's preliminary evaluation of the impact on the credit quality of the security/issuer. Although the three provisional statements may provide some guidance to subscribers, situations and potential rating implications may vary widely and DBRS's final rating conclusion may depart from its preliminary assessment. For each of these three provisional statements, further due diligence has to be completed in order to determine the applicable rating. In this respect, and while the previous rating may no longer be appropriate and can no longer be relied upon to gauge credit quality, the three provisional statements are an attempt to provide initial guidance as to possible rating outcomes after the due diligence process has been completed and DBRS has finalized its view.

Standard & Poor’s

Commercial Paper

Rating A-1 (low): A short-term obligation rated 'A-1' is rated in the highest category by S&P. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

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

Rating A -: An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

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

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

COMMON SHARE DIVIDENDS

The declaration and payment of dividends are at the discretion of the Board. Loblaw Companies Limited's dividend policy is to maintain a dividend payment equal to approximately 20% to 25% of the prior year's adjusted basic net earnings per common share[1], giving consideration to the year end cash position, future cash flow requirements and investment opportunities. Currently, there is no restriction that would prevent Loblaw Companies Limited from paying dividends at historical levels. The amount of cash dividends declared per share for each of the three most recently completed years is as follows:

	2006	**2005**	**2004**
Dividends declared per common share	$ 0.84	$ 0.84	$0.76

Subsequent to year end 2006, the Board of Directors declared a quarterly dividend of $0.21 cents per common share, payable April 1, 2007.

[1] See Non GAAP Financial Measures, "Adjusted Basic Net Earnings per Common Share," on p. 42 of the MD&A

DIRECTORS AND OFFICERS

The following list of Directors and Officers is current to March 13, 2007.

Directors

Name, Province and Country of Residence	Principal Occupation	Director Since
Galen G. Weston[1] Ontario, Canada	Executive Chairman of the Corporation	2006
Allan L. Leighton[1] London, United Kingdom	Deputy Chairman of the Corporation and of George Weston Limited and Chairman of Royal Mail Group	2006
Paul M. Beeston, C.M. [2,5] Ontario, Canada	Corporate Director	2005
Gordon A.M. Currie[4] Ontario, Canada	Executive Vice President, Secretary and General Counsel, George Weston Limited	2006
Camilla H. Dalglish[5] Ontario, Canada	Corporate Director	1991
Anthony S. Fell, O.C. [3*, 4*] Ontario, Canada	Chairman, RBC Capital Markets Inc., investment and finance company	2001
Anthony R. Graham[1,3,4] Ontario, Canada	President, Wittington Investments, Limited, holding company controlled by Mr. W.G. Weston, Chairman, George Weston Limited	1999
Nancy H.O. Lockhart, O.Ont.[3,5*] Ontario, Canada	Chief Administrative Officer, Frum Development Group, property development and management company	2005
Pierre Michaud, C.M.[5] Quebec, Canada	Chairman, Provigo Inc., subsidiary of the Company	1999
Thomas C. O'Neill [2*] Ontario, Canada	Corporate Director	2003
G. Joseph Reddington[3] Arizona, USA	Corporate Director	1994
John D. Wetmore[2, 4] Ontario, Canada	Corporate Director	2006
Joseph H. Wright[2,3,4] Ontario, Canada	Managing Partner, Barnagain Capital, investment company	1996

1. Executive Committee
2. Audit Committee
3. Governance, Employee Development, Nominating and Compensation Committee
4. Pension and Benefits Committee
5. Environmental, Health and Safety Committee

* Chairman of the Committee

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

Officers

Name, Province and Country of Residence	**Principal Occupation**
Galen G. Weston Ontario, Canada	Executive Chairman
Allan L. Leighton London, United Kingdom	Deputy Chairman
Mark Foote Ontario, Canada	President, Chief Merchandising Officer
Dalton Philips Ontario, Canada	Executive Vice President, Chief Operating Officer
William M. Wells Ontario, Canada	Chief Financial Officer (Effective April, 2007)
Robert Adams Ontario, Canada	Executive Vice President, Hard Discount Format
David K. Bragg Ontario, Canada	Executive Vice President
Mark Butler Ontario, Canada	Executive Vice President, Ontario Market
Barry K. Columb Ontario, Canada	Executive Vice President
Daniel Dufresne Quebec, Canada	Executive Vice President, Quebec Market
Grant Froese Alberta, Canada	Executive Vice President, Western Market
Andrew Iacobucci Ontario, Canada	Executive Vice President, Superstore Format

Joseph Jackman Ontario, Canada	Executive Vice President, Marketing
Andrew MacIsaac, Nova Scotia, Canada	Executive Vice President, Atlantic Market
Richard P. Mavrinac Ontario, Canada	Executive Vice President
Peter McMahon Ontario, Canada	Executive Vice President, Supply Chain and Information Technology
Frank Rocchetti Ontario, Canada	Executive Vice President, General Merchandise
Pietro Satriano Ontario, Canada	Executive Vice President, Food
Vince Scorniaenchi Ontario, Canada	Executive Vice President, Great Food Format
Robert A. Balcom Ontario, Canada	Senior Vice President, Secretary and General Counsel
Roy R. Conliffe, Ontario, Canada	Senior Vice President, Labour Relations
Karen Hanna Ontario, Canada	Senior Vice President, Human Resources
Louise M. Lacchin Ontario, Canada	Senior Vice President, Finance
Michael Lovsin Ontario, Canada	Senior Vice President, Drugstore and HBA
Ann Weir Ontario, Canada	Senior Vice President, Internal Audit and Internal Control Compliance
Joseph J. Wilke Ontario, Canada	Senior Vice President, Financial Reporting & Control
Geoffrey H. Wilson Ontario, Canada	Senior Vice President, Financial Services and Investor Relations

All the foregoing directors and executive officers have held their present occupations or other positions with the same or associated companies or organizations for the past five years except: Mr. Barry K. Columb who was President at CitiCards Canada; Mr. Gordon A.M. Currie, who was Senior Vice President and General Counsel of Direct Energy Marketing Limited and prior to that a partner at Blake, Cassels & Graydon LLP; Mr. Mark Foote who was President, Canadian Tire Retail; Ms. Karen Hanna who was Senior Vice-President, Human Relations at Torstar; Mr. Andrew Iacobucci who was Global Account manager at Monitor Group; Mr. J. Jackman who was Chairman at Perennial Design; Michael

Lovsin who was Vice President, Merchandising, Cosmetics and Fragrances for Ulta Salons and previous to that was Vice President, Category Management for Shoppers Drug Mart Corporation; Mr. P. McMahon, who was a senior executive at Wal-Mart Europe; Mr. T.C. O'Neill, who was Chairman of PricewaterhouseCoopers Consulting; Mr. Dalton Philips who was CEO at Brown, Thomas and previous to that was COO at Wal-Mart's international division; Mr. Frank Rocchetti who was Senior Vice-President, Chief Merchant at Sears Canada; Mr. P. Satriano, who was Senior Vice President at the Loyalty Group/Air Miles; Mr. William Wells who is, as of the date of this Annual Information Form, Chief Financial Officer at Bunge Limited and prior to that held senior financial positions at McDonald's Corporation; and Mr. J. Wetmore who was Vice President, Contact Centre Development of IBM Americas and formerly President and Chief Executive Officer of IBM Canada.

Mr. Wright was, from July 2005 until April 2006, a director of Hollinger Inc. In connection therewith, since April 25, 2006, Mr. Wright has been subject to a cease trade order (with respect to trading in securities of that company) applicable to all persons who were directors, officers or insiders of the company after September 30, 2003 (the end of the period covered by the last financial statements filed by the company).

Mr. Wright is a former director of Fantom Technologies Inc. which applied for court protection under the *Companies Creditors Arrangement Act* in October, 2001, following the resignation of Mr. Wright from the board. Mr. Wright is also a former director of Hip Interactive Corp, which was the subject of an application for the appointment of a receiver under the *Bankruptcy and Insolvency Act* in July, 2005, following the resignation of Mr. Wright from the board.

As at December 30, 2006, George Weston Limited beneficially owned directly or indirectly through Weston Food Distribution Inc. and Weston Holdings Limited 169,576,651 common shares or 61.85% of the outstanding common shares. George Weston Limited is controlled by W. Galen Weston. Directors and executive officers as a group beneficially owned, exercised control or had direction over less than 1% of the issued and outstanding common shares of the Company.

LEGAL PROCEEDINGS

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

Subsequent to the year end, the Company was served with an action brought by certain beneficiaries of a multi-employer pension plan in the Superior Court of Ontario. In their claim against the employers and the trustees of the multi-employer pension plan, the plaintiffs claim that assets of the multi-employer pension plan have been mismanaged. The Company is one of the employers affected by the action. One billion dollars of damages are claimed in the action against a total of 17 defendants. In addition, the plaintiffs are seeking to have a representative defendant appointed for the employers of the members of the pension plan. The action is framed as a representative action on behalf of all of the beneficiaries of the multi employer pension plan. The action is at a very early stage and the Company intends to vigorously defend it. Statements of Defence have not yet been filed.

RELATED PARTY TRANSACTIONS

The Company's majority shareholder, George Weston Limited and its affiliates are related parties. It is the Company's policy to conduct all transactions and settle all balances with related parties on market terms and conditions.

Related party transactions between the Company and Weston include inventory purchases, cost sharing agreements, real estate matters, borrowings and lendings, income tax matters, and management agreements. Further information on related party transactions can be found in the MD&A, which information is incorporated by reference.

TRANSFER AGENTS AND REGISTRARS

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

EXPERTS

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

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter as approved by the Company's Board of Directors on March 7, 2006 is included in Appendix A. The members of the Audit Committee are indicated above. All members of the Audit Committee are independent and financially literate (as those terms are defined in Multilateral Instrument 52-110 of the Canadian Securities Administrators) and have the following education and experience which is relevant to their roles as Audit Committee Members:

> Mr. Beeston is an FCA and the former President and CEO of Major League Baseball. He received a B.A. from the University of Western Ontario.
>
> Mr. O'Neill is an FCA and former Chariman of PricewaterhouseCoopers Consulting, COO of PricewaterhouseCoopers LLP, Global, and CEO of PricewaterhouseCoopers LLP, Canada. Mr. O'Neill has a Bachelor of Commerce Degree from Queen's University.
>
> Mr. Wetmore is the former President and Chief Executive Officer and also former Chief Financial Officer of IBM Canada. He also held various senior finance positions at IBM Americas. He has a Bachelor of Mathematics from the University of Waterloo and graduated from the Advanced Executive Program at the Kellogg School, Northwestern University.
>
> Mr. Wright is Managing Partner of Barnagain Capital and is a former President and Chief Executive Officer of Swiss Bank Corporation (Canada). He received a BA from Princeton University, *magna cum laude.*

EXTERNAL AUDIT FEES

The aggregate fees of KPMG LLP for professional services rendered for the audit of the Company's financial statements and other services for the fiscal years 2006 and 2005 are as follows:

	2006 Actual $(000's)	**2005 Actual $(000's)**
Audit fees(1)	1,977	1,905
Audit-related fees(2)	847	726
Tax consultant fees(3)	102	65
All other fees(4)	217	34
Total Fees	**3,143**	**2,730**

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

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

ADDITIONAL INFORMATION

1. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's Management Proxy Circular for the Annual and Special Meeting of shareholders to be held May 1, 2007. Additional financial information is also provided in the Company's consolidated financial statements and MD&A for its most recently completed financial year.

2. Additional information has been filed on the System for Electronic Document Analysis and Retrieval (SEDAR) available online at www.sedar.com, and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, *President's Choice* Bank.

   The Company's internet address is: www.loblaw.ca

APPENDIX “A”

LOBLAW COMPANIES LIMITED

AUDIT COMMITTEE CHARTER

1. RESPONSIBILITY

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

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

2. MEMBERS

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

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

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

3. CHAIR

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

4. TENURE

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

5. QUORUM, REMOVAL AND VACANCIES

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

6. DUTIES

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

(a) Appointment and Review of Auditor

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

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

(b) Confirmation of Independence of Auditor

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

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

(c) Rotation of Engagement Partner/Lead Partners

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

(d) Pre-Approval of Non-Audit Services

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

(e) Communications with Auditor

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

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

(f) Review of Audit Plan

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

(g) Review of Audit Fees

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

(h) Review of Annual Audited Financial Statements

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

In conducting their review, the Audit Committee should:

- discuss the annual audited financial statements and MD&A with management and the Auditor;
- consider the quality of, and not just the acceptability of, the accounting principles applied, the reasonableness of management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss with the Auditor its report which addresses:
  - all critical accounting policies and practices to be used;
  - all alternative treatments of financial information within GAAP that have been discussed with management of the Company, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the Auditors; and
  - other material written communication between the Auditor and management of the Company, such as any management letter or schedule of unadjusted differences;
- discuss any analyses prepared by management and the Auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;

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

(i) Review of Interim Financial Statements

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

(j) Other Financial Information

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

(k) Review of Prospectuses and Other Regulatory Filings

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

(l) Review of Related Party Transactions

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

(m) Review of Internal Audit Function

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

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

- significant resolved and any unresolved issues between auditors and management have been brought to its attention;

- the principal risks of the Company's businesses have been identified by management and appropriate policies and systems have been implemented to manage these risks; and

- the integrity of the Company's internal control and management information systems are satisfactory.

(n) Relations with Management

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

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

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

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

(p) Legal Compliance

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

(q) Risk Management

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

(r) Taxation Matters

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

(s) Hiring Policies

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

7. COMPLAINTS PROCEDURE

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

8. REPORTING

The Audit Committee shall report to the Board on:

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

9. REVIEW AND DISCLOSURE

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

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

10. FREQUENCY OF MEETINGS

The Audit Committee shall meet at least five times annually.

11. RETENTION OF EXPERTS

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