Financial Results

Management's Statement of Responsibility for Financial Reporting		98
Independent Auditors' Report		99
Consolidated Financial Statements		102
Consolidated Statements of Earnings		102
Consolidated Statements of Comprehensive Income		102
Consolidated Balance Sheets		103
Consolidated Statements of Changes in Equity		104
Consolidated Statements of Cash Flows		105
Notes to the Consolidated Financial Statements		106
Note 1.	Nature and Description of the Reporting Entity	106
Note 2.	Significant Accounting Policies	106
Note 3.	Critical Accounting Estimates and Judgments	119
Note 4.	Future Accounting Standard	121
Note 5.	Discontinued Operations	121
Note 6.	Subsidiaries	123
Note 7.	Business Acquisitions	124
Note 8.	Net Interest Expense and Other Financing Charges	124
Note 9.	Income Taxes	125
Note 10.	Basic and Diluted Net Earnings per Common Share	127
Note 11.	Cash and Cash Equivalents, Short-Term Investments and Security Deposits	128
Note 12.	Accounts Receivable	129
Note 13.	Credit Card Receivables	129
Note 14.	Inventories	131
Note 15.	Assets Held for Sale	131
Note 16.	Fixed Assets	132
Note 17.	Investment Properties	134
Note 18.	Equity Accounted Joint Ventures	135
Note 19.	Intangible Assets	136
Note 20.	Goodwill	137
Note 21.	Other Assets	138
Note 22.	Customer Loyalty Awards Program Liability	138
Note 23.	Provisions	139
Note 24.	Short-Term Debt	140
Note 25.	Long-Term Debt	141
Note 26.	Other Liabilities	144
Note 27.	Share Capital	145
Note 28.	Loblaw Capital Transactions	148
Note 29.	Capital Management	149
Note 30.	Post-Employment and Other Long-Term Employee Benefits	150
Note 31.	Equity-Based Compensation	156
Note 32.	Employee Costs	161
Note 33.	Leases	162
Note 34.	Financial Instruments	165
Note 35.	Financial Risk Management	167
Note 36.	Contingent Liabilities	169
Note 37.	Financial Guarantees	171
Note 38.	Related Party Transaction	173
Note 39.	Segment Information	175
Note 40.	Subsequent Event	177
Three Year Summary		178
Glossary		180

Management's Statement of Responsibility for Financial Reporting

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

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

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

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

[signed]
Galen G. Weston
Chairman and
Chief Executive Officer

[signed]
Richard Dufresne
President and
Chief Financial Officer

Toronto, Canada
March 1, 2022

Independent Auditors' Report

TO THE SHAREHOLDERS OF GEORGE WESTON LIMITED

Opinion

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

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

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

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

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

Description of the matter

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

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

Why the matter is a key audit matter

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

How the matter was addressed in the audit

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

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

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

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

Independent Auditors' Report

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

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

Evaluation of the fair value of income producing properties

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

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

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

How the matter was addressed in the audit
The primary procedures we performed to address this key audit matter included the following:

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

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

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

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

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

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

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

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

We have nothing to report in this regard.

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors’ report is Sebastian Distefano.

Toronto, Canada
March 1, 2022

Consolidated Statements of Earnings

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

(i) Comparative figures have been restated (note 5).

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

(i) Comparative figures have been restated (note 5).

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

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

(i) Certain comparative figures have been restated to conform with current year presentation.

Contingent liabilities (note 36). Subsequent event (note 40).

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

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

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

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

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

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

See accompanying notes to the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

Note 1. Nature and Description of the Reporting Entity

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

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

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

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

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

Note 2. Significant Accounting Policies

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

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

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

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

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

The consolidated financial statements are presented in Canadian dollars.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LEASES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment losses and reversals are recognized in SG&A.

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

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

DEMAND DEPOSITS FROM CUSTOMERS Demand deposits from customers are comprised of balances in customers' *PC Money* Account.

FINANCIAL INSTRUMENTS AND DERIVATIVE FINANCIAL INSTRUMENTS Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments, including derivatives and embedded derivatives in certain contracts, are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Classification and Measurement The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit and loss ("FVTPL"). Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

Asset / Liability	**Classification / Measurement**
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Accounts receivable	Amortized cost
Credit card receivables	Amortized cost
Security deposits	Fair value through profit and loss
Certain other assets	Amortized cost / fair value through profit and loss
Certain long-term investments	Fair value through other comprehensive income
Bank indebtedness	Amortized cost
Trade payables and other liabilities	Amortized cost
Demand deposits from customers	Amortized cost
Short-term debt	Amortized cost
Long-term debt	Amortized cost
Trust Unit liability	Fair value through profit and loss
Certain other liabilities	Amortized cost
Derivatives	Fair value through profit and loss / fair value through other comprehensive income

Financial derivative instruments in the form of forwards and futures, as well as non-financial derivatives in the form of futures contracts, options contracts and forward contracts, are recorded at fair value on the consolidated balance sheet. The Company does not use derivative instruments for speculative purposes. Embedded derivatives are separated from the host contract and accounted for separately on the consolidated balance sheet at fair value if the host contract is not a financial asset. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship.

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in Note 34 "Financial Instruments" and Note 35 "Financial Risk Management".

Fair Value The Company measures financial assets and financial liabilities under the following fair value hierarchy. The different levels have been defined as follows:

- Fair Value Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Fair Value Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Fair Value Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Gains and losses on FVTPL financial assets and financial liabilities are recognized in net earnings in the period in which they are incurred. Settlement date accounting is used to account for the purchase and sale of financial assets. Gains or losses between the trade date and settlement date on FVTPL financial assets are recorded in net earnings.

Valuation Process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during the current year. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and Cash Equivalents, Short-Term Investments, Security Deposits, Accounts Receivable, Credit Card Receivables, Bank Indebtedness, Trade Payables and Other Liabilities, Demand deposits from other customers and Short-Term Debt	The carrying amount approximates fair value due to the short-term maturity of these instruments.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: • Quoted market prices or dealer quotes for similar instruments; and • The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valuators with experience in financial markets.
Long-Term Debt, Trust Unit Liability and certain Other Financial Instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Derecognition of Financial Instruments Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the carrying amount of the financial asset and the sum of the consideration received and receivable is recognized in earnings before income taxes.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in earnings before income taxes.

Impairment of Financial Assets The Company applies a forward-looking ECL model at each balance sheet date to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The ECL model outlines a three-stage approach to reflect the increase in credit risks of a financial instrument:

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risks since initial recognition or that have low credit risk at the reporting date. The Company is required to recognize impairment for Stage 1 financial instruments based on the expected losses over the expected life of the instrument arising from loss events that could occur during the 12 months following the reporting date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risks since initial recognition but that do not have objective evidence of a credit loss event. For Stage 2 financial instruments the impairment is recognized based on the expected losses over the expected life of the instrument arising from loss events that could occur over the expected life. The Company is required to recognize a lifetime ECL for Stage 2 financial instruments.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. The Company is required to recognize impairment based on a lifetime ECL for Stage 3 financial instruments.

The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability-weighted basis.

Impairment losses and reversals are recorded in SG&A with the carrying amount of the financial asset or group of financial assets adjusted through the use of allowance accounts.

FOREIGN CURRENCY TRANSLATION The functional currency of the Company is the Canadian dollar.

Transactions in foreign currencies are translated into the functional currency at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in operating income.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the foreign currency exchange rate in effect at the balance sheet date. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net earnings.

SHORT-TERM EMPLOYEE BENEFITS Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided or capitalized if the service rendered is in connection with the creation of a tangible or intangible asset. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

DEFINED BENEFIT POST-EMPLOYMENT PLANS The Company has a number of contributory and non-contributory defined benefit post-employment plans providing pension and other benefits to eligible employees. The defined benefit pension plans provide a pension based on length of service and eligible pay. The other defined benefits include health care, life insurance and dental benefits provided to eligible employees who retire at certain ages having met certain service requirements. The Company's net defined benefit plan obligations (assets) for each plan are actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method pro-rated based on service and management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit plan obligation for accounting purposes is based on high quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan ("asset ceiling"). If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future service, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net

defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses, the effect of the asset ceiling (if applicable) and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

OTHER LONG-TERM EMPLOYEE BENEFIT PLANS The Company offers other long-term employee benefits including contributory long-term disability benefits and non-contributory continuation of health care and dental benefits to employees who are on long-term disability leave. As the amount of the long-term disability benefit does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. The accounting for other long-term employee benefit plans is similar to the method used for defined benefit plans except that all actuarial gains and losses are recognized in operating income.

DEFINED CONTRIBUTION PLANS The Company maintains a number of defined contribution pension plans for employees in which the Company pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The costs of benefits for defined contribution plans are expensed as employees have rendered service.

MULTI-EMPLOYER PENSION PLANS The Company participates in multi-employer pension plans ("MEPP") which are accounted for as defined contribution plans. The Company's responsibility to make contributions to these plans is limited to amounts established pursuant to its collective agreements. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The contributions made by the Company to MEPPs are expensed as contributions are due.

TERMINATION BENEFITS Termination benefits are recognized as an expense at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. Benefits payable are discounted to their present value when the effect of the time value of money is material.

EQUITY-SETTLED EQUITY-BASED COMPENSATION PLANS Stock options, Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Director Deferred Share Units ("DSUs") and Executive Deferred Share Units ("EDSUs") issued by the Company are substantially all settled in common shares and are accounted for as equity-settled awards.

The Company and Loblaw's stock options outstanding have a seven year term to expiry, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is based on the greater of the volume weighted average trading prices of the GWL or Loblaw common shares for either the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected dividend yield is estimated based on the expected annual dividend prior to the option grant date and the closing share price as at the option grant date;
- The expected share price volatility is estimated based on the historical volatility of GWL or Loblaw over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

RSUs and PSUs vest after the end of a three year performance period. The number of PSUs that vest is based on the achievement of specified performance measures. The fair value of each RSU and PSU granted is measured separately at the grant date based on the market value of a GWL or Loblaw common share. Dividends paid may be reinvested in RSUs and PSUs and are treated as capital transactions.

GWL and Loblaw established trusts for each of their RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. Each company is the sponsor of their respective trusts and has assigned Computershare Trust Company of Canada as the trustee. GWL and Loblaw fund the purchase of shares for settlement and earn management fees from the trusts. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU obligations.

Members of GWL's, Loblaw's and Choice Properties' Board, who are not management, may elect to receive a portion of their annual retainers and fees in the form of DSUs. Eligible executives of the Company may elect to defer up to 100% of the Short-Term Incentive Plan earned in any year into the EDSU plan. Dividends paid earn fractional DSUs and EDSUs, respectively and are treated as capital transactions. DSUs and EDSUs vest upon grant.

The compensation expense for equity-settled plans is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures.

Upon exercise of options, the amount accumulated in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital. Upon settlement of RSUs and PSUs, the amount accumulated in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

CASH-SETTLED EQUITY-BASED COMPENSATION PLANS Unit Options, Restricted Units ("RUs"), Performance Units ("PUs"), Trustee Deferred Units ("DUs"), and Unit-Settled Restricted Units ("URUs") issued by Choice Properties, and certain DSUs and stock options are accounted for as cash-settled awards. The fair value of the amount payable to recipients in respect of these cash settled awards is re-measured at each balance sheet date, and a compensation expense is recognized in SG&A over the vesting period for each tranche with a corresponding change in the liability.

Choice Properties' Unit Options have a five to ten year term, vest 25% cumulatively on each anniversary date of the grant and are exercisable at the designated Unit price, which is based on the greater of the volume weighted average trading price of a Unit for the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche is valued separately using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected distribution yield is estimated based on the expected annual distribution prior to the balance sheet date and the closing Unit price as at the balance sheet date;
- The expected Unit price volatility is estimated based on the average volatility of Choice Properties unit price over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the balance sheet date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on expectations of option holder behaviour.

RUs entitle certain employees to receive the value of the RU award in cash or Units at the employee's discretion at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding. The fair value of each RU granted is measured based on the market value of a Unit at the balance sheet date.

PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on Choice Properties achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Unit and an estimate of the performance conditions being met at the balance sheet date.

Members of the Choice Properties' Board of Trustees, who are not management of Choice Properties, are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. DUs vest upon grant. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date.

URUs are accounted for as cash-settled awards. Typically, full vesting of the URUs would not occur until the employee had remained with Choice Properties for three or five years from the grant date. Depending on the nature of the grant, the URUs are subject to a six- or seven-year holding period during which the Units cannot be disposed. The fair value of each URU granted is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the vesting and holding period restriction placed on the URUs.

EMPLOYEE SHARE OWNERSHIP PLAN ("ESOP") GWL's and Loblaw's contributions to the ESOPs are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOPs are administered through a trust which purchases GWL's and Loblaw's common shares on the open market on behalf of its employees.

NEW AMENDMENT ISSUED AND ADOPTED IN 2021

Interest Rate Benchmark Reform-Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16

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

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

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

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

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

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

Note 3. Critical Accounting Estimates and Judgments

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

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

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company's significant accounting policies are disclosed in note 2.

BASIS OF CONSOLIDATION

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

INVENTORIES

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

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

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

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

CUSTOMER LOYALTY AWARDS PROGRAMS

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

IMPAIRMENT OF CREDIT CARD RECEIVABLES

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

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

FAIR VALUE OF INCOME PRODUCING PROPERTIES

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

INCOME AND OTHER TAXES

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

PROVISIONS

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

LEASES

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

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

Note 4. Future Accounting Standard

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

Note 5. Discontinued Operations

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

On December 10, 2021, the Company announced the sale of Weston Foods' fresh and frozen bakery business to FGF Brands Inc. for gross proceeds of $1,100 million, and on December 29, 2021, the Company announced the sale of Weston Foods' ambient business to affiliated entities of Hearthside Foods Solution, LLC for gross proceeds of $370 million. In aggregate, the Company sold its entire Weston Foods bakery business for total gross proceeds of $1,470 million. Upon closing of each respective transaction, the respective purchaser entered into a supply agreement with Loblaw. After closing adjustments, net consideration was $1,207 million and a loss on sale of $317 million, after income taxes, was included in discontinued operations within the consolidated statements of earnings.

Upon the respective sale dates, the net assets of Weston Foods were de-recognized from the Company's 2021 consolidated balance sheet and the Weston Foods results, net of intersegment eliminations, were presented separately as discontinued operations in the Company's consolidated statement of earnings and comprehensive income in the current and comparative periods. Unless otherwise specified, all other notes to the consolidated financial statements include amounts from both continuing and discontinued operations.

Notes to the Consolidated Financial Statements

The results of Discontinued Operations presented in the consolidated statements of earnings is as follows:

	Years Ended					
	Dec. 31, 2021 (52 weeks)			Dec. 31, 2020 (53 weeks)		
($ millions)	Weston Foods	Intersegment Eliminations	Discontinued Operations	Weston Foods	Intersegment Eliminations	Discontinued Operations
Revenue	$ 1,868	$ (552)	$ 1,316	$ 2,062	$ (627)	$ 1,435
Operating Expenses						
Cost of inventories sold	1,389	(541)	848	1,482	(623)	859
Selling, general and administrative expenses	491	(18)	473	577	(14)	563
	$ 1,880	$ (559)	$ 1,321	$ 2,059	$ (637)	$ 1,422
Operating (Loss) Income			$ (5)			$ 13
Net interest expense and other financing charges			1			2
(Loss) Earnings before Income Taxes			$ (6)			$ 11
Income tax (recovery) expense			(1)			5
Net (Loss) Earnings after Income Taxes			$ (5)			$ 6
Loss on sale after income taxes			(317)			–
Net (Loss) Earnings from Discontinued Operations			$ (322)			$ 6

The loss on sale after income taxes is comprised of the following components:

($ millions)	2021
Gross proceeds	$ 1,470
Less: Certain other amendments, including an adjustment to the working capital provisions[i]	(210)
Less: Transaction and other related costs	(53)
Net consideration[ii]	$ 1,207
Less: Net assets of the discontinued operations	(1,615)
Loss on sale before tax and the undernoted[iii]	$ (408)
Reclassification of foreign currency translation gain	130
Income tax expense	(39)
Loss on sale after income taxes	$ (317)

(i) Net consideration reflects management's best estimate of working capital adjustments and subject to finalization, in accordance with the sale agreements.
(ii) Includes $32 million of consideration receivable.
(iii) Loss on sale before tax and the undernoted includes $87 million non-cash goodwill impairment charge, recorded in the third quarter of 2021.

The Company reclassified the accumulated foreign currency translation gain from accumulated other comprehensive income to the discontinued operations as all foreign operations were disposed in the transactions.

Transaction and other related costs of $53 million were incurred in connection with the sale of Weston Foods.

The net cash flows (used in) provided by the Discontinued Operations, excluding the net consideration above, are as follows:

	Years Ended	
($ millions)	Dec. 31, 2021 (52 weeks)	Dec. 31, 2020 (53 weeks)
Cash flows from operating activities	$ –	$ 157
Cash flows used in investing activities	$ (122)	$ (160)
Cash flows used in financing activities	$ (6)	$ (8)
Effect of foreign currency rate changes on cash and cash equivalents	$ 2	$ 3
Cash flows used in Discontinued Operations	$ (126)	$ (8)

Note 6. Subsidiaries

The table below summarizes the Company's principal subsidiaries. The proportion of ownership interests held equals the voting rights held by the Company. GWL's ownership in Loblaw and Choice Properties is impacted by changes in Loblaw's common share equity and Choice Properties' Trust Units, respectively.

		As at			
		Dec. 31, 2021		Dec. 31, 2020	
		Number of shares / units held	**Ownership interest**	Number of shares / units held	Ownership interest
Loblaw	Common shares[i]	**175,475,019**	**52.6%**	182,874,456	52.6%
	Class B LP Units[ii]	395,786,525	n/a	395,786,525	n/a
	Trust Units	50,661,415	n/a	50,661,415	n/a
Choice Properties		**446,447,940**	**61.7%**	446,447,940	61.8%

(i) In 2021, GWL settled the equity forward sale agreement, releasing all Loblaw common shares pledged under the equity forward sale agreement (December 31, 2020 – 9.6 million Loblaw common shares pledged) (see note 25). Additionally, commencing in the first quarter of 2020, GWL participated in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership (see note 28).

(ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

Note 7. Business Acquisitions

CONSOLIDATION OF FRANCHISES Loblaw accounted for the consolidation of existing franchises as business acquisitions and consolidated its franchises as of the date the franchisee entered into a Franchise Agreement with Loblaw. The assets acquired and liabilities assumed through the consolidation were valued at the acquisition date using fair values, which approximated the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises have been included in Loblaw's results of operations from the date of acquisition.

Loblaw has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2020, Loblaw consolidated all of its remaining franchisees for accounting purposes under the Franchise Agreement.

The following table summarizes the amounts recognized for the assets acquired, liabilities assumed and non-controlling interests recognized at the acquisition dates:

($ millions)	2021	2020
Net assets acquired:		
Cash and cash equivalents	$ –	$ 14
Inventories	–	42
Fixed assets (note 16)	–	44
Trade payables and other liabilities[i]	–	(54)
Other liabilities[i]	–	(30)
Non-controlling interests	–	(16)
Total net assets acquired	$ –	$ –

(i) On consolidation, trade payables and other liabilities and other liabilities eliminated against existing accounts receivable, franchise loans receivable and franchise investments held by Loblaw.

Note 8. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

($ millions)	2021 (52 weeks)	2020[i] (53 weeks)
Interest expense:		
Long-term debt	$ 580	$ 638
Lease liabilities (note 33)	191	205
Borrowings related to credit card receivables	37	48
Trust Unit distributions	205	223
Independent funding trusts	13	14
Post-employment and other long-term employee benefits (note 30)	9	9
Bank indebtedness	4	4
Financial liabilities (note 26)	46	31
Capitalized interest (capitalization rate 3.6% (2020 – 3.7%)) (notes 16 & 19)	(3)	(4)
	$ 1,082	$ 1,168
Interest income:		
Accretion income	$ (6)	$ (5)
Short-term interest income	(18)	(24)
	$ (24)	$ (29)
Forward sale agreement[ii]	$ 180	$ (71)
Fair value adjustment of the Trust Unit liability (note 34)	601	(239)
Recovery related to Glenhuron Bank Limited (note 9)	(189)	–
Net interest expense and other financing charges from Continuing Operations	$ 1,650	$ 829

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) See note 25 for details on the settlement of the net debt associated with the equity forward sale agreement. Included is a charge of $188 million (2020 – income of $47 million) related to the fair value adjustment of the forward sale agreement, forward accretion income of $24 million (2020 – $46 million), and the forward fee of $16 million (2020 – $22 million), associated with the forward sale agreement.

Note 9. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings from continuing operations were as follows:

($ millions)	2021 (52 weeks)	2020[i] (53 weeks)
Current income taxes		
Current period	**$ 791**	$ 546
Recovery related to Glenhuron Bank Limited	**(128)**	–
Adjustment in respect of prior periods	**10**	(18)
Deferred income taxes		
Origination and reversal of temporary differences	**(37)**	(68)
Effect of change in income tax rates	**–**	(3)
Adjustment in respect of prior periods	**(6)**	13
Income taxes from Continuing Operations	**$ 630**	$ 470

(i) Certain comparative figures have been restated to conform with current year presentation.

Loblaw had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited ("Glenhuron"), a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court of Canada ("Tax Court") released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal, and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court of Canada ("Supreme Court") granted the Crown leave to appeal. On May 13, 2021, the Crown's appeal was heard by the Supreme Court and on December 3, 2021, the Supreme Court dismissed the Crown's appeal. As a result, Loblaw has reversed $301 million of previously recorded charges, of which $173 million is recorded as interest income and $128 million is recorded as income tax recovery. In addition, interest of $16 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds (see note 36).

Income tax expense recognized in other comprehensive income from continuing operations was as follows:

($ millions)	2021 (52 weeks)	2020 (53 weeks)
Net defined benefit plan actuarial gains (losses) (note 30)	**$ 104**	$ (15)
Adjustment to fair value on transfer of investment properties	**10**	3
Gains (losses) on cash flow hedges (note 34)	**1**	(10)
Total income tax expense (recoveries) recognized in other comprehensive income	**$ 115**	$ (22)

The effective tax rates in the consolidated statements of earnings from continuing operations were reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2021	2020[(i)]
Weighted average basic Canadian federal and provincial statutory income tax rate	**26.5%**	26.6%
Net (decrease) increase resulting from:		
Effect of tax rate in foreign jurisdictions	**(0.1)**	–
Recovery related to Glenhuron	**(5.4)**	–
Non-deductible and non-taxable items	**(2.3)**	(0.1)
Impact of fair value adjustment of Trust Unit liability	**6.7**	(3.1)
Impact of income tax rate changes on deferred income tax balances	**–**	(0.2)
Adjustments in respect of prior periods	**0.2**	(0.1)
Other	**0.9**	(0.1)
Effective tax rate applicable to earnings before income taxes	**26.5%**	23.0%

(i) Certain comparative figures have been restated to conform with current year presentation.

Deferred income tax assets which were not recognized on the consolidated balance sheets were as follows:

	As at	
($ millions)	Dec. 31, 2021	Dec. 31, 2020
Deductible temporary differences	**$ 12**	$ 15
Income tax losses and credits	**166**	171
Unrecognized deferred income tax assets	**$ 178**	$ 186

The portion of the income tax losses and credits which have a limited carry-forward period expire in the years 2026 to 2041. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Deferred income tax assets and liabilities recognized on the consolidated balance sheets were attributable to the following:

($ millions)	As at Dec. 31, 2021	As at Dec. 31, 2020
Trade payables and other liabilities	$ 80	$ 82
Other liabilities	261	372
Lease liabilities	1,296	1,301
Fixed assets	(1,225)	(1,153)
Right-of-use assets	(1,049)	(1,064)
Goodwill and intangible assets	(1,336)	(1,559)
Non-capital losses carried forward (expiring 2026 to 2041)	48	97
Capital losses carried forward	14	19
Other	21	(15)
Net deferred income tax liabilities	$ (1,890)	$ (1,920)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	$ 113	$ 139
Deferred income tax liabilities	(2,003)	(2,059)
Net deferred income tax liabilities	$ (1,890)	$ (1,920)

Note 10. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)	2021 (52 weeks)	2020[i] (53 weeks)
Net earnings attributable to shareholders of the Company	$ 431	$ 963
Less: Discontinued Operations (note 5)	(322)	6
Net earnings from continuing operations attributable to shareholders of the Company	$ 753	$ 957
Prescribed dividends on preferred shares in share capital	(44)	(44)
Net earnings from continuing operations available to common shareholders of the Company	$ 709	$ 913
Reduction in net earnings due to dilution at Loblaw	(9)	(4)
Net earnings from continuing operations available to common shareholders for diluted earnings per share	$ 700	$ 909
Weighted average common shares outstanding (in millions) (note 27)	149.9	153.4
Dilutive effect of equity-based compensation[ii] (in millions)	0.3	0.1
Diluted weighted average common shares outstanding (in millions)	150.2	153.5
Net earnings (loss) per common share – Basic ($)		
Continuing Operations	$ 4.73	$ 5.95
Discontinued Operations	$ (2.14)	$ 0.04
Net earnings (loss) per common share – Diluted ($)		
Continuing Operations	$ 4.66	$ 5.92
Discontinued Operations	$ (2.14)	$ 0.04

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Excluded from the computation of diluted net earnings per common share were nominal (2020 – 1.4 million) potentially dilutive instruments, as they were anti-dilutive.

Note 11. Cash and Cash Equivalents, Short-Term Investments and Security Deposits

The components of cash and cash equivalents, short-term investments and security deposits were as follows:

CASH AND CASH EQUIVALENTS

	As at	
($ millions)	**Dec. 31, 2021**	Dec. 31, 2020
Cash	**$ 1,255**	$ 1,228
Cash equivalents:		
Government treasury bills	**632**	758
Bankers' acceptances	**1,073**	570
Corporate commercial paper	**3**	–
Guaranteed investment certificates	**21**	22
Other	**–**	3
Cash and cash equivalents	**$ 2,984**	$ 2,581

SHORT-TERM INVESTMENTS

	As at	
($ millions)	**Dec. 31, 2021**	Dec. 31, 2020
Government treasury bills	**$ 776**	$ 485
Bankers' acceptances	**97**	81
Corporate commercial paper	**1**	1
Guaranteed Investment Certificates	**5**	7
Other	**–**	1
Short-term investments	**$ 879**	$ 575

SECURITY DEPOSITS

	As at	
($ millions)	**Dec. 31, 2021**	Dec. 31, 2020
Cash	**$ 46**	$ 52
Government treasury bills	**29**	23
Total security deposits	**$ 75**	$ 75

Note 12. Accounts Receivable

The following is an aging of the Company's accounts receivable:

	As at							
				Dec. 31, 2021				Dec. 31, 2020[i]
($ millions)	**0 - 90 days**	**> 90 days**	**> 180 days**	**Total**	0 - 90 days	> 90 days	> 180 days	Total
Accounts receivable, net	**$ 909**	**$ 60**	**$ 41**	**$ 1,010**	$ 1,073	$ 53	$ 57	$ 1,183

(i) Certain comparative figures have been restated to conform with current year presentation.

The following are continuities of the Company's allowances for uncollectible accounts receivable:

($ millions)	2021	2020
Allowance, beginning of year	**$ (31)**	$ (34)
Transfer to assets held for sale (note 5)	**11**	–
Net (additions) write-offs	**(3)**	3
Allowance, end of year	**$ (23)**	$ (31)

Credit risk associated with accounts receivable is discussed in note 35.

Note 13. Credit Card Receivables

The components of credit card receivables were as follows:

	As at	
($ millions)	**Dec. 31, 2021**	Dec. 31, 2020
Gross credit card receivables	**$ 3,648**	$ 3,346
Allowance for credit card receivables	**(205)**	(237)
Credit card receivables	**$ 3,443**	$ 3,109
Securitized to independent securitization trusts:		
Securitized to *Eagle Credit Card Trust* ® (note 25)	**$ 1,350**	$ 1,050
Securitized to Other Independent Securitization Trusts (note 24)	**450**	575
Total securitized to independent securitization trusts	**$ 1,800**	$ 1,625

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

The associated liability of *Eagle* is recorded in long-term debt (see note 25). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short-term debt (see note 24).

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2021, with their respective maturity dates extended to 2023 and with all other terms and conditions remaining substantially the same.

On a year-to-date basis in 2021, PC Bank recorded a $125 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of issuance of *Eagle* notes in 2021.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts at year end 2021 were $250 million (2020 – $400 million).

Loblaw has arranged letters of credit on behalf of PC Bank for the benefit of the Independent Securitization Trusts (see note 37).

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

Notes to the Consolidated Financial Statements

The following is an aging of gross credit card receivables:

	As at							
				Dec. 31, 2021				Dec. 31, 2020
($ millions)	**Current**	**1-90 days past due**	**> 90 days past due**	**Total**	Current	1-90 days past due	> 90 days past due	Total
Gross credit card receivables	**$ 3,477**	**$ 146**	**$ 25**	**$ 3,648**	$ 3,169	$ 150	$ 27	$ 3,346

The following are continuities of Loblaw's allowances for credit card receivables for the years ended December 31, 2021 and December 31, 2020:

($ millions)	**Stage 1**	**Stage 2**	**Stage 3**	**2021 Total**
Balance, beginning of the year	**$ 90**	**$ 116**	**$ 31**	**$ 237**
Increase / (Decrease) during the year:				
Transfers[i]				
To Stage 1	**44**	**(44)**	**–**	**–**
To Stage 2	**(5)**	**7**	**(2)**	**–**
To Stage 3	**(1)**	**(18)**	**19**	**–**
New loans originated[ii]	**7**	**14**	**2**	**23**
New remeasurements[iii]	**(60)**	**23**	**65**	**28**
Write-offs	**–**	**–**	**(108)**	**(108)**
Recoveries	**–**	**–**	**25**	**25**
Balance, end of year	**$ 75**	**$ 98**	**$ 32**	**$ 205**

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurement of loss allowance includes impact from changes in loan balances and credit quality during the year.

($ millions)	Stage 1	Stage 2	Stage 3	2020 Total
Balance, beginning of the year	$ 72	$ 92	$ 32	$ 196
Increase / (Decrease) during the year:				
Transfers[i]				
To Stage 1	33	(33)	–	–
To Stage 2	(5)	7	(2)	–
To Stage 3	(1)	(18)	19	–
New loans originated[ii]	7	16	1	24
New remeasurements[iii]	(16)	52	93	129
Write-offs	–	–	(138)	(138)
Recoveries	–	–	26	26
Balance, end of year	$ 90	$ 116	$ 31	$ 237

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurement of loss allowance includes impact from changes in loan balances and credit quality during the year.

The allowances for credit card receivables recorded on the consolidated balance sheets are maintained at a level which is considered adequate to endure credit-related losses on credit card receivables.

Note 14. Inventories

The components of inventories were as follows:

($ millions)	As at Dec. 31, 2021	Dec. 31, 2020
Finished goods	**$ 5,166**	$ 5,314
Raw materials and supplies	**–**	71
Inventories	**$ 5,166**	$ 5,385

As at year end 2021, Loblaw recorded an inventory provision of $67 million (December 31, 2020 – $34 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during the year ended December 31, 2021 and December 31, 2020.

Note 15. Assets Held for Sale

Loblaw classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were either originally used in Loblaw's retail business segment or held in investment properties. In 2021, Loblaw recorded a net gain of $12 million (2020 – net gain of $9 million) from the sale of these assets. Net fair value gain of $1 million (2020 – fair value write-down of $20 million) was recognized on investment properties held for sale in 2021.

Note 16. Fixed Assets

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2021:

($ millions)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost, beginning of year	$ 2,082	$ 9,394	$ 10,391	$ 2,393	$ 649	$ 24,909
Additions[i]	9	16	28	17	899	969
Disposals	(47)	(22)	(93)	(14)	(3)	(179)
Transfer to assets held for sale	(25)	(384)	(1,627)	(35)	(124)	(2,195)
Net transfer to investment properties (note 17)	(22)	(93)	–	–	(1)	(116)
Transfer from assets under construction	14	214	681	102	(1,011)	–
Impact of foreign currency translation	–	(5)	(9)	–	(3)	(17)
Cost, end of year	**$ 2,011**	**$ 9,120**	**$ 9,371**	**$ 2,463**	**$ 406**	**$ 23,371**
Accumulated depreciation and impairment losses, beginning of year	$ 3	$ 3,897	$ 7,566	$ 1,497	$ 3	$ 12,966
Depreciation	–	234	585	152	–	971
Impairment losses	–	–	29	4	–	33
Reversal of impairment losses	–	(9)	(7)	(4)	–	(20)
Disposals	–	(11)	(91)	(14)	–	(116)
Transfer to assets held for sale	–	(148)	(996)	(29)	–	(1,173)
Transfer to investment properties (note 17)	–	(59)	–	–	–	(59)
Impact of foreign currency translation	–	(3)	(10)	–	–	(13)
Accumulated depreciation and impairment losses, end of year	**$ 3**	**$ 3,901**	**$ 7,076**	**$ 1,606**	**$ 3**	**$ 12,589**
Carrying amount as at:						
December 31, 2021	$ 2,008	$ 5,219	$ 2,295	$ 857	$ 403	$ 10,782

(i) Additions to fixed assets in Loblaw includes $1 million prepayment that was made in 2020. The balance was transferred from other assets in 2021.

The following is a continuity of the cost and accumulated depreciation and impairment losses of fixed assets for the year ended December 31, 2020:

($ millions)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost, beginning of year	$ 2,071	$ 9,062	$ 9,648	$ 2,347	$ 713	$ 23,841
Additions[i]	1	2	145	32	920	1,100
Disposals	(2)	(43)	(63)	(26)	(7)	(141)
Transfer to assets held for sale	(29)	–	–	–	–	(29)
Net transfer from investment properties (note 17)	11	42	–	–	75	128
Transfer from assets under construction	30	340	640	40	(1,050)	–
Business acquisitions	–	–	44	–	–	44
Impact of foreign currency translation	–	(9)	(23)	–	(2)	(34)
Cost, end of year	$ 2,082	$ 9,394	$ 10,391	$ 2,393	$ 649	$ 24,909
Accumulated depreciation and impairment losses, beginning of year	$ 2	$ 3,680	$ 7,000	$ 1,383	$ 3	$ 12,068
Depreciation	–	268	632	134	–	1,034
Impairment losses	1	6	12	9	–	28
Reversal of impairment losses	–	(9)	(2)	(4)	–	(15)
Disposals	–	(22)	(63)	(25)	–	(110)
Net transfer to investment properties (note 17)	–	(23)	–	–	–	(23)
Impact of foreign currency translation	–	(3)	(13)	–	–	(16)
Accumulated depreciation and impairment losses, end of year	$ 3	$ 3,897	$ 7,566	$ 1,497	$ 3	$ 12,966
Carrying amount as at:						
December 31, 2020	$ 2,079	$ 5,497	$ 2,825	$ 896	$ 646	$ 11,943

(i) Additions to fixed assets in Loblaw includes $66 million prepayment that was made in 2019. The balance was transferred from other assets in 2020.

ASSETS UNDER CONSTRUCTION The cost of additions to properties under construction for 2021 was $899 million (2020 – $920 million). Included in this amount were capitalized borrowing costs of $3 million (2020 – $4 million) with a weighted average capitalization rate of 3.6% (2020 – 3.7%) (see note 8).

SECURITY AND ASSETS PLEDGED As at year end 2021, the Company had fixed assets with a carrying amount of $51 million (2020 – $52 million) which were encumbered by mortgages of $37 million (2020 - $38 million) (see note 25).

FIXED ASSET COMMITMENTS As at year end 2021, the Company had entered into commitments of $1,176 million (2020 – $502 million) for the construction, expansion and renovation of buildings and the purchase of real property.

IMPAIRMENT LOSSES AND REVERSALS OF FIXED ASSETS AND RIGHT-OF-USE ASSETS In 2021, the Company recorded $18 million (2020 – $20 million) of impairment losses on fixed assets and $6 million (2020 – $20 million) of impairment losses on right-of-use assets (see note 33) in respect of 10 CGUs (2020 – 23 CGUs). The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use. Approximately 10% (2020 – 13%) of impaired CGUs had carrying values which were $1 million (2020 – $5 million) greater than their fair value less costs to sell. The remaining 90% (2020 – 87%) of impaired CGUs had carrying values which were $23 million (2020 – $35 million) greater than their value in use.

In 2021, the Company recorded $20 million (2020 – $15 million) of impairment reversals on fixed assets and $8 million (2020 – $2 million) of impairment reversals on right-of-use assets (see note 33) in respect to 14 CGUs (2020 – 10 CGUs). Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. Approximately 14% (2020 – 50%) of CGUs with impairment reversals had fair value less costs to sell greater than their carrying values of $5 million (2020 – $8 million). The remaining 86% (2020 – 50%) of CGUs with impairment reversals had value in use of $23 million (2020 – $9 million) greater than their carrying values.

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU. Projected future sales and earnings for cash flows are based on actual operating results, operating budgets, and long-term growth rates that are consistent with industry averages, all of which are consistent with strategic plans presented to GWL's and Loblaw's Boards. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 7.9% to 8.4% at the end of 2021 (2020 – 8.0% to 8.5%).

Additional impairment losses on fixed assets of $15 million (2020 – $8 million) were incurred related to Loblaw's store closures, renovations, conversions of retail locations and restructuring activities. No impairment losses (2020 – $3 million) were recognized on right-of-use assets (see note 33) related to restructuring activities.

Note 17. Investment Properties

The following are continuities of investment properties for the years ended December 31, 2021 and December 31, 2020:

($ millions)	2021	2020
Balance, beginning of the year	**$ 4,930**	$ 4,888
Adjustment to fair value of investment properties	**283**	(138)
Additions[(i)]	**88**	444
Disposals	**(193)**	(159)
Net transfer from (to) fixed assets[(ii)] (note 16)	**117**	(125)
Net transfer to other assets	**(10)**	–
Net transfer to assets held for sale	**(18)**	(25)
Net transfer from equity accounted joint ventures	**143**	43
Other	**4**	2
Balance, end of the year[(iii)]	**$ 5,344**	$ 4,930

(i) In 2020, additions to investment properties includes $243 million of non-cash consideration.
(ii) Includes the fair value gain of $60 million (2020 – $20 million) recognized in other comprehensive income related to transfer of fixed assets to investment properties.
(iii) Includes $5,183 million (2020 – $4,832 million) of income producing properties and $161 million (2020 – $98 million) of properties under development.

During 2021, the Company recognized in operating income $408 million (2020 – $394 million) of rental revenue and incurred direct operating costs of $104 million (2020 – $137 million) related to its investment properties. In addition, the Company recognized direct operating costs of $2 million (2020 – $2 million) related to its investment properties for which no rental revenue was earned.

INTERNAL APPRAISALS

Investment properties are measured at fair value, which was primarily determined by using the discounted cash flow method. Management reviews the valuation process and results prepared by the internal valuation team at least once per quarter. The valuations exclude any portfolio premium or value for the management platform and reflect the highest and best use for each of the Company's investment properties. As part of the internal valuation process, Management considers external valuations performed by independent national real estate valuation firms for a cross-section of properties that represent different geographical locations and asset classes across the Company's portfolio. On a quarterly basis, the internal valuation team reviews and updates, as deemed necessary, the valuation models to reflect current market data. Updates may be made to capitalization rates, discount rates, market rents, as well as current leasing and/or development activity, renewal probability, downtime on lease expiry, vacancy allowances, and expected maintenance costs.

INDEPENDENT APPRAISALS

Properties are typically independently appraised at the time of acquisition. In addition, the Company has engaged independent nationally-recognized valuation firms to appraise its investment properties such that the majority of the portfolio will be independently appraised at least once over a four-year period. When an independent appraisal is obtained, the internal valuation team assesses all major inputs used by the independent valuators in preparing their reports and holds discussions with them on the reasonableness of their assumptions. Where warranted, adjustments will be made to the internal valuations to reflect the assumptions contained in the external valuations. The Company will record the internal value in its consolidated financial statements.

Note 18. Equity Accounted Joint Ventures

Choice Properties accounts for its investments in joint ventures using the equity method. These investments hold primarily development properties and some income-producing properties. The table below summarizes Choice Properties' investment in joint ventures.

	As at			
		Dec. 31, 2021		Dec. 31, 2020
	Number of joint ventures	**Ownership interest**	Number of joint ventures	Ownership interest
Retail	**15**	**25% - 75%**	16	25% - 75%
Industrial	**1**	**50%**	2	50%
Residential	**3**	**47% - 50%**	3	47% - 50%
Land, held development	**2**	**50% - 85%**	1	50%
Total equity accounted joint ventures	**21**		22	
Investment in equity accounted joint ventures ($ millions)		**$ 564**		$ 573

Note 19. Intangible Assets

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2021:

($ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Software	Other definite life intangible assets	Total
Cost, beginning of year	$ 3,491	$ 20	$ 20	$ 3,535	$ 6,024	$ 13,090
Additions	–	–	7	393	–	400
Business acquisitions	–	–	–	–	1	1
Impact of foreign currency translation	–	–	–	–	(1)	(1)
Transfer to assets held for sale *(note 5)*	–	–	(27)	(105)	(123)	(255)
Cost, end of year	$ 3,491	$ 20	$ –	$ 3,823	$ 5,901	$ 13,235
Accumulated amortization and impairment losses, beginning of year	$ –	$ 20	$ 12	$ 2,446	$ 3,580	$ 6,058
Amortization	–	–	–	351	505	856
Impairment losses	–	–	–	13	–	13
Impact of foreign currency translation	–	–	–	–	(1)	(1)
Transfer to assets held for sale *(note 5)*	–	–	(12)	(45)	(64)	(121)
Accumulated amortization and impairment losses, end of year	$ –	$ 20	$ –	$ 2,765	$ 4,020	$ 6,805
Carrying amount as at:						
December 31, 2021	$ 3,491	$ –	$ –	$ 1,058	$ 1,881	$ 6,430

The following is a continuity of the cost and accumulated amortization and impairment losses of intangible assets for the year ended December 31, 2020:

($ millions)	Indefinite life intangible assets	Definite life internally generated intangible assets	Definite life trademarks and brand names	Software	Other definite life intangible assets	Total
Cost, beginning of year	$ 3,490	$ 20	$ 20	$ 3,186	$ 6,018	$ 12,734
Additions	–	–	–	350	7	357
Business acquisitions	1	–	–	–	2	3
Impact of foreign currency translation	–	–	–	(1)	(3)	(4)
Cost, end of year	$ 3,491	$ 20	$ 20	$ 3,535	$ 6,024	$ 13,090
Accumulated amortization and impairment losses, beginning of year	$ –	$ 20	$ 11	$ 2,142	$ 3,073	$ 5,246
Amortization	–	–	1	304	510	815
Impairment losses	–	–	–	–	1	1
Impact of foreign currency translation	–	–	–	–	(4)	(4)
Accumulated amortization and impairment losses, end of year	$ –	$ 20	$ 12	$ 2,446	$ 3,580	$ 6,058
Carrying amount as at:						
December 31, 2020	$ 3,491	$ –	$ 8	$ 1,089	$ 2,444	$ 7,032

INDEFINITE LIFE INTANGIBLE ASSETS Indefinite life intangible assets recorded by Loblaw are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. The brand names and trademarks are a result of Loblaw's acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and T&T Supermarket Inc. Loblaw expects to renew the registration of the brand names, trademarks, import purchase quotas and liquor licenses at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, Loblaw assessed these intangibles to have indefinite useful lives.

The Company completed its annual impairment tests for indefinite life intangible assets and concluded there was no impairment.

Key Assumptions The key assumptions used to calculate the fair value less costs to sell are those regarding cash flow forecasts, growth rates, discount rates, and terminal rate. These assumptions are consistent with the assumptions used to calculate fair value less costs to sell for goodwill (see note 20).

SOFTWARE Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2021 (2020 – nil).

OTHER DEFINITE LIFE INTANGIBLE ASSETS Other definite life intangible assets recorded by Loblaw primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Note 20. Goodwill

The following are continuities of the cost and accumulated impairment losses of goodwill for the years ended December 31, 2021 and December 31, 2020:

($ millions)	2021	2020
Cost, beginning of year	**$ 5,839**	$ 5,842
Business acquisitions	**1**	2
Transfer to assets held for sale (note 5)	**(290)**	–
Impact of foreign currency translation	**(4)**	(5)
Cost, end of year	**$ 5,546**	$ 5,839
Accumulated impairment losses, beginning of year	**$ 1,067**	$ 1,067
Impairment losses	**–**	–
Accumulated impairment losses, end of year	**$ 1,067**	$ 1,067
Carrying amount as at:		
December 31	**$ 4,479**	$ 4,772

The carrying amount of goodwill attributed to each CGU was as follows:

	As at	
($ millions)	**Dec. 31, 2021**	Dec. 31, 2020
Shoppers Drug Mart	**$ 2,976**	$ 2,976
Market	**376**	375
Discount	**461**	461
T&T Supermarket Inc.	**129**	129
Other	**537**	533
Discontinued Operations (note 5)	**–**	298
Carrying amount of goodwill, as at the end of year	**$ 4,479**	$ 4,772

KEY ASSUMPTIONS The key assumptions used to calculate the fair value less costs to sell are cash flow forecasts, growth rates, discount rate, and terminal rate. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be 7.1% to 7.9% (2020 – 7.1% to 9.3%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of comparable public traded companies.

Cash flow projections were discounted using a rate derived from an after-tax weighted average cost of capital. As at year end 2021, the after-tax discount rate used in the recoverable amount calculations was 7.1% to 7.9% (2020 – 7.1% to 9.3%). The pre-tax discount rate was 9.7% to 10.8% (2020 – 9.7% to 12.7%).

The Company included a minimum of three years of cash flows in its discounted cash flow models. The cash flow forecasts were extrapolated beyond the three year period using an estimated long-term growth rate of 2.0% (2020 – 2.0%). The budgeted adjusted EBITDA[i] growth was based on the strategic plans approved by GWL's or Loblaw's Board.

(i) Excludes certain items and is used internally by management when analyzing segment underlying operating performance.

Note 21. Other Assets

The components of other assets were as follows:

	As at	
($ millions)	**Dec. 31, 2021**	Dec 31, 2020[iv]
Sundry investments and other receivables[i]	**$ 206**	$ 157
Net accrued benefit plan asset (note 30)	**495**	184
Finance lease receivable	**67**	77
Mortgages, loans and notes receivable	**187**	168
Other	**138**	159
Fair value of equity forward[ii]	**–**	630
Total Other Assets	**$ 1,093**	$ 1,375
Current portion of mortgages, loans and notes receivable[iii]	**(78)**	(49)
Other Assets	**$ 1,015**	$ 1,326

(i) In 2020, Shoppers Drug Mart Inc. agreed to invest a total of $75 million in Maple Corporation ("Maple"), the leading virtual care provider in Canada, in exchange for a significant minority stake. In 2021, Loblaw executed the remaining investment of $14 million. As at December 31, 2021, Loblaw had invested $75 million in exchange for approximately 30% of the ownership interest in Maple.
(ii) See note 25 for details on the settlement of the net debt associated with the equity forward sale agreement.
(iii) Current portion of mortgages, loans and notes receivable are included in prepaid expenses and other assets in the consolidated balance sheets.
(iv) Certain comparative figures have been restated to conform with current year presentation.

Note 22. Customer Loyalty Awards Program Liability

The carrying amount of the liability associated with Loblaw's customer loyalty awards programs ("loyalty liability") was as follows:

	As at	
($ millions)	**Dec. 31, 2021**	Dec. 31, 2020
Loyalty liability	**$ 190**	$ 194

The majority of the Company's loyalty liability, which is a contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

Note 23. Provisions

The following are continuities of provisions for the years ended December 31, 2021 and December 31, 2020:

($ millions)		2021		2020[i]
Provisions, beginning of year	$	**214**	$	237
Additions		**74**		106
Payments		**(57)**		(98)
Reversals		**(11)**		(19)
Reclasses		**(1)**		(12)
Transfer to assets held for sale (note 5)		**(10)**		–
Provisions, end of year	$	**209**	$	214

	As at			
($ millions)		Dec. 31, 2021		Dec. 31, 2020[i]
Carrying amount of provisions recorded in:				
Current provisions	$	**119**	$	98
Non-current provisions		**90**		116
Provisions	$	**209**	$	214

(i) Certain comparative figures have been restated to conform with current year presentation.

Provisions consist primarily of amounts recorded in respect of restructuring, self-insurance, environmental and decommissioning liabilities, certain onerous costs on leased properties, legal claims, the Loblaw Card Program and a MEPP withdrawal liability.

The Company's accrued insurance liabilities were $91 million (2020 – $86 million), of which $46 million (2020 – $47 million) was included in non-current provisions and $45 million (2020 – $39 million) in current provisions. Included in total accrued insurance liabilities were $17 million (2020 – $19 million) of U.S. workers' compensation liabilities. The related cost and accrued workers' compensation liabilities are based on actuarial valuations which are dependent on assumptions determined by management. The discount rate used in determining the 2021 U.S. workers' compensation cost and liability was 2.0% (2020 – 2.0%). The total workers' compensation liability is equal to the ultimate actuarial loss estimate less any actual losses paid to date. Any change in the workers' compensation liability is recognized immediately in operating income.

In 2021, the U.S. workers' compensation cost associated with the worker's compensation liabilities was $3 million (2020 – $4 million).

COMPETITION BUREAU INVESTIGATION In 2017, the Company and Loblaw announced actions taken to address their involvement in an industry-wide price-fixing arrangement. In connection with the arrangement, Loblaw offered customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. As at December 31, 2021, the Loblaw Card Program liability is $15 million (2020 – $15 million). Loblaw expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages (see note 36).

RESTRUCTURING AND OTHER RELATED COSTS The Company continuously evaluates strategic and cost reduction initiatives that focus on improving processes and generating efficiencies across administrative, store, manufacturing and distribution network infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing. As at December 31, 2021, the provision related to restructuring and other related costs was $56 million (2020 – $59 million).

Note 24. Short-Term Debt

The components of short-term debt were as follows:

	As at	
($ millions)	**Dec. 31, 2021**	Dec. 31, 2020
Other Independent Securitization Trusts (note 13)	**$ 450**	$ 575
Series B Debentures[(i)]	**–**	760
Short-term debt	**$ 450**	$ 1,335

(i) See note 25 for details on the settlement of net debt associated with the equity forward sale agreement, including the Series B Debentures.

OTHER INDEPENDENT SECURITIZATION TRUSTS The outstanding short-term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts with recourse (see note 13).

Note 25. Long-Term Debt

The components of long-term debt were as follows:

($ millions)		As at Dec. 31, 2021	Dec. 31, 2020
Debentures			
George Weston Limited Notes	Series A, 7.00%, due 2031	**$ –**	$ 466
	4.12%, due 2024	**200**	200
	7.10%, due 2032	**150**	150
	6.69%, due 2033	**100**	100
Loblaw Companies Limited Notes	4.86%, due 2023	**800**	800
	3.92% due 2024	**400**	400
	6.65%, due 2027	**100**	100
	6.45%, due 2028	**200**	200
	4.49%, due 2028	**400**	400
	6.50%, due 2029	**175**	175
	2.28%, due 2030	**350**	350
	11.40%, due 2031		
	Principal	**151**	151
	Effect of coupon repurchase	**32**	33
	6.85%, due 2032	**200**	200
	6.54%, due 2033	**200**	200
	8.75%, due 2033	**200**	200
	6.05%, due 2034	**200**	200
	6.15%, due 2035	**200**	200
	5.90%, due 2036	**300**	300
	6.45%, due 2039	**200**	200
	7.00%, due 2040	**150**	150
	5.86%, due 2043	**55**	55
Choice Properties Debentures	Series B 4.90%, due 2023	**200**	200
	Series D 4.29%, due 2024	**200**	200
	Series F 4.06%, due 2025	**200**	200
	Series G 3.20%, due 2023	**250**	250
	Series H 5.27%, due 2046	**100**	100
	Series I 3.01%, due 2022	**–**	300
	Series J 3.55%, due 2025	**350**	350
	Series K 3.56%, due 2024	**550**	550
	Series L 4.18%, due 2028	**750**	750
	Series M 3.53%, due 2029	**750**	750
	Series N 2.98%, due 2030	**400**	400
	Series O 3.83%, due 2050	**100**	100
	Series P 2.85%, due 2027	**500**	500
	Series Q 2.46%, due 2026	**350**	–
	Series 9 3.60%, due 2021	**–**	200
	Series 10 3.60%, due 2022	**300**	300
	Series D-C 2.95%, due 2023	**125**	125
Long-Term Debt Secured by Mortgage	2.04% - 5.60%, due 2022 - 2038 (note 16)	**1,112**	1,207
Guaranteed Investment Certificates	0.10% - 3.78%, due 2022 - 2026	**996**	1,185
Independent Securitization Trust (note 13)	2.71%, due 2022	**250**	250
	3.10%, due 2023	**250**	250
	2.28%, due 2024	**250**	250
	1.34%, due 2025	**300**	300
	1.61%, due 2026	**300**	–
Independent Funding Trusts		**570**	512
George Weston Limited Credit Facility		**121**	–
Choice Properties Construction Loans		**13**	25
Transaction costs and other		**(40)**	(41)
Total long-term debt		**$ 14,010**	$ 14,443
Less amount due within one year		**1,520**	924
Long-term debt		**$ 12,490**	$ 13,519

Significant long-term debt transactions are described below:

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

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

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

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

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

(i) In 2021, the Company settled the net debt associated with the equity forward sale agreement. As a result, the 9.6 million Loblaw shares securing the net debt were released from security and the Company's economic interest in Loblaw is now equal to its voting interest. In aggregate, $790 million was paid to settle the net debt, resulting in the extinguishment of the Series A Debentures ($466 million), Series B Debentures ($784 million), plus accrued interest, and the settlement of the equity forward sale agreement ($464 million gain).
(ii) Choice Properties senior unsecured debentures Series 9 was redeemed on June 21, 2021.
(iii) Choice Properties senior unsecured debentures Series I was redeemed on December 10, 2021.

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

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

INDEPENDENT SECURITIZATION TRUST The notes issued by *Eagle* are debentures, which are collateralized by PC Bank's credit card receivables (see note 13).

During 2021, *Eagle* issued $300 million (2020 – $300 million) of senior and subordinated term notes with a maturity date of June 17, 2026 (2020 – July 17, 2025) at a weighted average interest rate of 1.61% (2020 – 1.34%). In connection with this issuance, $175 million (2020 – $200 million) of bond forward agreements were settled, resulting in a realized fair value loss of $1 million (2020 – loss of $11 million) before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the consolidated statements of earnings over the life of the aforementioned *Eagle* notes. This settlement also resulted in a net effective interest rate of 1.65% (2020 – 2.07%) on the *Eagle* notes issued (see note 34).

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

INDEPENDENT FUNDING TRUSTS As at year end 2021, the independent funding trusts had drawn $570 million (2020 – $512 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

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

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

		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.

These facilities contain certain financial covenants (see note 29).

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

LONG-TERM DEBT DUE WITHIN ONE YEAR The components of long-term debt due within one year were as follows:

	As at	
($ millions)	**Dec. 31, 2021**	**Dec. 31, 2020**
Debentures	**$ 296**	$ 196
GICs	**182**	597
Independent Securitization Trust	**250**	–
Independent funding trusts	**570**	–
Long-term debt secured by mortgage	**217**	106
Construction Loans	**5**	25
Long-term debt due within one year	**$ 1,520**	$ 924

SCHEDULE OF REPAYMENTS The schedule of repayment of long-term debt, based on maturity is as follows:

($ millions)	Dec. 31, 2021
2022	$ 1,524
2023	1,985
2024	2,075
2025	1,226
2026	828
Thereafter	6,412
Long-Term Debt (excludes transaction costs)	$ 14,050

See note 34 for the fair value of long-term debt.

RECONCILIATION OF LONG-TERM DEBT The following table reconciles the changes in cash flows from financing activities for long-term debt for the years ended as indicated:

($ millions)	2021	2020
Total long-term debt, beginning of year	$ 14,443	$ 14,554
Long-term debt issuances(i)	1,440	2,492
Long-term debt repayments(ii)	(1,874)	(2,598)
Total cash flow (used in) from long-term debt financing activities	(434)	(106)
Other non-cash changes	1	(5)
Total long-term debt, end of year	$ 14,010	$ 14,443

(i) Includes net movements from the independent funding trust, which are revolving debt instruments.
(ii) Includes George Weston Series A debenture repayments of $466 million in 2021 which are presented within the line "Settlement of net debt associated with equity forward sale agreement" in the consolidated statements of cash flows.

Note 26. Other Liabilities

The components of other liabilities were as follows:

	As at	
($ millions)	Dec. 31, 2021	Dec. 31, 2020
Financial liabilities(i)	$ 660	$ 661
Net defined benefit plan obligation (note 30)	340	382
Other long-term employee benefit obligation	115	129
Equity-based compensation liability (note 31)	6	7
Other	18	18
Other liabilities	$ 1,139	$ 1,197

(i) Financial liabilities represent land and buildings disposed or partially disposed of by Choice Properties to third parties. On consolidation, these transactions were not recognized as a sale of assets as under the terms of the leases, the Company did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities and as at December 31, 2021, $4 million (December 31, 2020 – $5 million) was recorded in trade payables and other liabilities and $660 million (December 31, 2020 – $661 million) was recorded in other liabilities.

Note 27. Share Capital

The components of share capital were as follows:

($ millions)	As at Dec. 31, 2021	Dec. 31, 2020
Common share capital	**$ 2,712**	$ 2,782
Preferred shares, Series I	**228**	228
Preferred shares, Series III	**196**	196
Preferred shares, Series IV	**197**	197
Preferred shares, Series V	**196**	196
Share capital	**$ 3,529**	$ 3,599

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

($ millions except where otherwise indicated)	2021 Number of Common Shares	2021 Common Share Capital	2020 Number of Common Shares	2020 Common Share Capital
Issued and outstanding, beginning of year	**152,374,416**	**$ 2,786**	153,667,750	$ 2,809
Issued for settlement of stock options (note 31)	**323,461**	**36**	6,666	1
Purchased and cancelled[(i)]	**(5,908,374)**	**(108)**	(1,300,000)	(24)
Issued and outstanding, end of year	**146,789,503**	**$ 2,714**	152,374,416	$ 2,786
Shares held in trusts, beginning of year	**(254,525)**	**(4)**	(88,832)	–
Purchased for future settlement of RSUs and PSUs	**–**	**–**	(229,000)	(4)
Released for settlement of RSUs and PSUs (note 31)	**113,419**	**2**	63,307	–
Shares held in trusts, end of year	**(141,106)**	**(2)**	(254,525)	(4)
Issued and outstanding, net of shares held in trusts, end of year	**146,648,397**	**$ 2,712**	152,119,891	$ 2,782
Weighted average outstanding, net of shares held in trusts	**149,893,834**		153,406,800	

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

Preferred Shares, Series I (authorized – 10.0 million) GWL has 9.4 million 5.80% non-voting Preferred Shares, Series I outstanding, with a face value of $235 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.45 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series III (authorized – 10.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series III outstanding, with a face value of $200 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series IV (authorized – 8.0 million) GWL has 8.0 million 5.20% non-voting Preferred Shares, Series IV outstanding, with a face value of $200 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.30 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Preferred Shares, Series V (authorized – 8.0 million) GWL has 8.0 million 4.75% non-voting Preferred Shares, Series V outstanding, with a face value of $200 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.1875 per share per annum which will, if declared, be payable quarterly. GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued and unpaid dividends to the redemption date.

At any time after issuance, GWL may, at its option, give the holders of these preferred shares the right, at the option of the holders, to convert their preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

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

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

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

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

($)		
Dividends declared per share[(i)]	– Common share	**$ 0.600**
	– Preferred share:	
	Series I	**$ 0.3625**
	Series III	**$ 0.3250**
	Series IV	**$ 0.3250**
	Series V	**$ 0.296875**

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

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

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

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

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

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

Note 28. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at year end of 2021, the Second Preferred Shares, Series B in the amount of $221 million net of $4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's condensed consolidated balance sheet. In 2021, Loblaw declared dividends of $12 million (2020 – $12 million) related to the Second Preferred Shares, Series B.

LOBLAW COMMON SHARES The following table summarizes Loblaw's common share activity under its equity-based compensation arrangements and NCIB, and includes the impact on the Company's consolidated financial statements for the years ended as indicated:

($ millions except where otherwise indicated)	2021 (52 weeks)	2020 (53 weeks)
Issued (number of shares)	**2,416,459**	1,187,274
Purchased and held in trusts (number of shares)	**(510,000)**	(145,000)
Purchased and cancelled[(i)] (number of shares)	**(15,663,281)**	(13,304,751)
	(13,756,822)	(12,262,477)
Cash consideration received (paid)		
Equity-based compensation	**$ 102**	$ 30
Purchased and held in trusts	**(50)**	(10)
Purchased and cancelled	**(1,200)**	(888)
	$ (1,148)	$ (868)
Increase (decrease) in contributed surplus		
Equity-based compensation	**$ 38**	$ 16
Purchased and held in trusts	**(17)**	(3)
Purchased and cancelled	**(309)**	(226)
	$ (288)	$ (213)

(i) Includes 15,395 shares cancelled during the third quarter of 2021 in a private transaction and are excluded from Loblaw's Normal Course Issuer Bid.

NORMAL COURSE ISSUER BID During the first quarter of 2020, the TSX accepted an amendment to Loblaw's NCIB. The amendment permitted Loblaw to purchase its common shares from GWL under Loblaw's NCIB, pursuant to an automatic disposition plan agreement among Loblaw's broker, Loblaw and GWL ("ADP Agreement"), in order for GWL to maintain its proportionate ownership interest in Loblaw.

In the second quarter of 2021, Loblaw renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,106,459 of Loblaw's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, Loblaw may purchase its common shares from time to time at the then market price of such shares. Loblaw will continue to be permitted to purchase its common shares from GWL in accordance with the exemption granted by the TSX. Purchases from GWL will be made pursuant to the ADP Agreement. As at December 31, 2021, Loblaw had purchased 10,276,022 common shares for cancellation under its current NCIB.

During the year ended 2021, 15,647,886 (2020 – 13,304,751) Loblaw common shares were purchased under the Loblaw NCIB for cancellation, for aggregate consideration of $1,200 million (2020 – $888 million), including 7,399,437 (2020 – 4,940,680) Loblaw common shares purchased from GWL, for aggregate consideration of $563 million (2020 – $336 million).

During 2020, pursuant to an exemption granted by the Ontario Securities Commission ("OSC"), Loblaw purchased, for cancellation, 3,269,208 common shares from an entity controlled by Mr. W. Galen Weston, the then controlling shareholder of Weston. Total aggregate cash consideration paid was $205 million. The common shares were purchased at a price approved by the OSC and count towards the common shares Loblaw is entitled to purchase under its NCIB.

Note 29. Capital Management

In order to manage its capital structure, the Company may, among other activities, adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB, issue new shares or issue or repay long-term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions;
- utilizing short-term funding sources to manage its working capital requirements and long-term funding sources to manage the long-term capital investments of the business; and
- targeting an appropriate leverage and capital structure for the Company and each of its reportable operating segments.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

	As at	
($ millions)	**Dec. 31, 2021**	**Dec. 31, 2020**
Bank indebtedness	**$ 52**	$ 86
Demand deposits from customer	**75**	24
Short-term debt	**450**	1,335
Long-term debt due within one year	**1,520**	924
Long-term debt	**12,490**	13,519
Certain other liabilities(i)	**738**	737
Fair value of financial derivatives related to the above debt	**–**	(630)
Total debt excluding lease liabilities	**$ 15,325**	$ 15,995
Lease liabilities due within one year	**742**	799
Lease liabilities	**4,242**	4,206
Total debt including lease liabilities	**$ 20,309**	$ 21,000
Equity attributable to shareholders of the Company	**6,959**	7,811
Total capital under management	**$ 27,268**	$ 28,811

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

COVENANTS AND REGULATORY REQUIREMENTS The Company and Loblaw are subject to certain key financial and non-financial covenants under their existing credit facilities, certain debentures and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by the Company and Loblaw on a quarterly basis to ensure compliance with these agreements. As at year end 2021 and throughout the year, the Company and Loblaw were in compliance with each of their covenants under their agreements.

Loblaw is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), the primary regulator of PC Bank. PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework, which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio. PC Bank is also subject to the OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at year end 2021 and throughout the year, PC Bank has met all applicable regulatory requirements.

Choice Properties has certain key financial covenants in its debentures and committed credit facility which include debt service ratios and leverage ratios, as defined in the respective agreements. These ratios are measured by Choice Properties on an on-going basis to ensure compliance with the agreements. As at year end 2021 and throughout the year, Choice Properties was in compliance with each of the key financial covenants under these agreements.

In addition, the Company has wholly-owned subsidiaries that engage in insurance related activities. These subsidiaries each exceeded their minimum regulatory capital and surplus requirements as at year end 2021.

Note 30. Post-Employment and Other Long-Term Employee Benefits

POST-EMPLOYMENT BENEFITS The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

GWL's and Loblaw's Pension Committees ("the Committees") oversee the Company's pension plans. The Committees are responsible for assisting GWL's and Loblaw's Boards in fulfilling their general oversight responsibilities for the plans. The Committees assist the Boards with oversight of management's administration of the plans, pension investment and monitoring responsibilities, and compliance with legal and regulatory requirements.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on a solvency valuation for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefit plans are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan for salaried employees. All newly hired salaried employees are only eligible to participate in this defined contribution plan.

The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements.

The Company expects to make contributions in 2022 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as make benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long-term employee benefit plans.

OTHER LONG-TERM EMPLOYEE BENEFITS The Company offers other long-term employee benefit plans that include long-term disability benefits and continuation of health care and dental benefits while on disability.

DEFINED BENEFIT PENSION PLANS AND OTHER DEFINED BENEFIT PLANS Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

	As at			
	Dec. 31, 2021		Dec. 31, 2020	
($ millions)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	**$ (1,740)**	**$ –**	$ (2,026)	$ –
Present value of unfunded obligations	**(187)**	**(149)**	(208)	(168)
Total present value of defined benefit obligations	**$ (1,927)**	**$ (149)**	$ (2,234)	$ (168)
Fair value of plan assets	**2,232**	**–**	2,207	–
Total funded status of surpluses (obligations)	**$ 305**	**$ (149)**	$ (27)	$ (168)
Assets not recognized due to asset ceiling	**(1)**	**–**	(3)	–
Total net defined benefit plan surpluses (obligations)	**$ 304**	**$ (149)**	$ (30)	$ (168)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 21)	**$ 495**	**$ –**	$ 184	$ –
Other liabilities (note 26)	**$ (191)**	**$ (149)**	$ (214)	$ (168)

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

			2021			2020
($ millions)	**Defined Benefit Pension Plans**	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Changes in the fair value of plan assets						
Fair value, beginning of year	**$ 2,207**	**$ –**	**$ 2,207**	$ 1,899	$ –	$ 1,899
Employer contributions	**27**	**–**	**27**	47	–	47
Employee contributions	**3**	**–**	**3**	4	–	4
Benefits paid	**(51)**	**–**	**(51)**	(52)	–	(52)
Interest income	**55**	**–**	**55**	62	–	62
Actuarial gains in other comprehensive income(i)	**34**	**–**	**34**	252	–	252
Settlements(ii)	**–**	**–**	**–**	(1)	–	(1)
Other	**(4)**	**–**	**(4)**	(4)	–	(4)
Settlement related to sale of Weston Foods	**(39)**	**–**	**(39)**	–	–	–
Fair value, end of year	**$ 2,232**	**$ –**	**$ 2,232**	$ 2,207	$ –	$ 2,207
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	**$ 2,234**	**$ 168**	**$ 2,402**	$ 1,866	$ 156	$ 2,022
Current service cost	**73**	**5**	**78**	67	4	71
Interest cost	**57**	**4**	**61**	62	5	67
Benefits paid	**(63)**	**(5)**	**(68)**	(64)	(7)	(71)
Employee contributions	**3**	**–**	**3**	4	–	4
Actuarial (gains) losses in other comprehensive income(i)	**(338)**	**(23)**	**(361)**	300	10	310
Settlements(ii)	**–**	**–**	**–**	(1)	–	(1)
Curtailment gain(iii)	**(2)**	**–**	**(2)**	–	–	–
Settlement related to sale of Weston Foods	**(37)**	**–**	**(37)**	–	–	–
Balance, end of year	**$ 1,927**	**$ 149**	**$ 2,076**	$ 2,234	$ 168	$ 2,402

(i) Included in the 2020 actuarial (gains) losses in other comprehensive income is $2 million of actuarial losses related to discontinued operations.

(ii) Settlements relate to annuity purchases in 2020.

(iii) Curtailment gain relates to the sale of Weston Foods and was remeasured as at November 30, 2021 using a discount rate of 3.50%.

In 2021, Weston Foods completed an annuity purchase and paid $39 million from the impacted plans' assets to settle $37 million of pension obligations. Weston Foods recognized a loss of $2 million on completion of annuity purchase in discontinued operations (see note 5).

In 2020, the Company completed annuity purchases with respect to former employees. These activities are designed to reduce the Company's defined benefit pension plan obligations and decrease future risks and volatility associated with these obligations. In 2020, the Company paid $1 million from the impacted plans' assets to settle $1 million of pension obligations and recorded nominal settlement charge in SG&A. The settlement charges resulted from the difference between the amount paid for the annuity purchases and the value of the Company's defined benefit plan obligations related to these annuity purchases at the time of the settlement.

For the year ended 2021, the actual return on plan assets was $89 million (2020 – $314 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants – 60% (2020 – 63%)
- Deferred plan participants – 12% (2020 – 12%)
- Retirees – 28% (2020 – 25%)

During 2022, the Company expects to contribute approximately $2 million (2021 – contributed $27 million) to its registered defined benefit pension plans. The actual amount of contributions may vary from the estimate depending on the funded positions of the plans, filing of any actuarial valuations, any new regulatory requirements or other factors.

The net cost recognized in net earnings before income taxes from continuing operations for the Company's defined benefit pension plans and other defined benefit plans was as follows:

			2021 (52 weeks)			2020 (53 weeks)
($ millions)	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	$ 73	$ 5	$ 78	$ 65	$ 4	$ 69
Interest cost on net defined benefit plan obligations	2	4	6	–	5	5
Settlement charges[(i)]	2	–	2	–	–	–
Curtailment gain[(ii)]	(2)	–	(2)	–	–	–
Other	4	–	4	4	–	4
Net post-employment defined benefit costs	$ 79	$ 9	$ 88	$ 69	$ 9	$ 78

(i) Relates to annuity purchases.
(ii) Curtailment gain relates to the sale of Weston Foods and was remeasured as at November 30, 2021 using a discount rate of 3.50%.

The actuarial (gains) losses recognized in other comprehensive income from continuing operations for defined benefit plans were as follows:

	2021 (52 weeks)			2020 (53 weeks)		
($ millions)	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Return on plan assets excluding amounts included in interest income	**$ (34)**	**$ –**	**$ (34)**	$ (250)	$ –	$ (250)
Experience adjustments	**(45)**	**(8)**	**(53)**	–	(3)	(3)
Actuarial (gains) losses from change in financial assumptions	**(293)**	**(15)**	**(308)**	296	13	309
Change in liability arising from asset ceiling	**(2)**	**–**	**(2)**	–	–	–
Total net actuarial (gains) losses recognized in other comprehensive income before income taxes	**$ (374)**	**$ (23)**	**$ (397)**	$ 46	$ 10	$ 56
Income tax expenses (recoveries) on actuarial (gains) losses (note 9)	**98**	**6**	**104**	(13)	(2)	(15)
Actuarial (gains) losses net of income tax expenses (recoveries)	**$ (276)**	**$ (17)**	**$ (293)**	$ 33	$ 8	$ 41

The cumulative actuarial (gains) losses before income taxes recognized in equity for the Company's defined benefit plans were as follows:

	2021			2020		
($ millions)	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Cumulative amount, beginning of year	**$ (11)**	**$ (71)**	**$ (82)**	$ (57)	$ (81)	$ (138)
Net actuarial (gains) losses recognized in the year before income taxes	**(374)**	**(23)**	**(397)**	46	10	56
Cumulative amount, end of year	**$ (385)**	**$ (94)**	**$ (479)**	$ (11)	$ (71)	$ (82)

COMPOSITION OF PLAN ASSETS The defined benefit pension plan assets are held in trust and consist of the following asset categories:

	As at			
($ millions except where otherwise indicated)	Dec. 31, 2021		Dec. 31, 2020	
Equity securities				
Canadian – pooled funds	**$ 47**	**2%**	$ 13	1%
Foreign – pooled funds	**1,172**	**53%**	1,195	53%
Total equity securities	**$ 1,219**	**55%**	$ 1,208	54%
Debt securities				
Fixed income securities – government	**$ 731**	**33%**	$ 743	34%
– corporate	**81**	**3%**	79	4%
Total debt securities	**$ 812**	**36%**	$ 822	38%
Other investments	**$ 158**	**7%**	$ 125	6%
Cash and cash equivalents	**$ 43**	**2%**	$ 52	2%
Total	**$ 2,232**	**100%**	$ 2,207	100%

As at year end 2021 and 2020, the defined benefit pension plans did not directly include any GWL, Loblaw or Choice Properties securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly as prices or indirectly, either derived from prices or as per agreements for contractual returns.

The Company's asset allocation reflects a balance of interest rate sensitive investments, such as fixed income investments, and equities, which are expected to provide higher returns over the long-term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

PRINCIPAL ACTUARIAL ASSUMPTIONS The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

		2021		2020
	Defined Benefit Pension Plans	Other Defined Benefit Plans	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	**3.30%**	**3.20%**	2.50%	2.50%
Rate of compensation increase	**3.00%**	**n/a**	3.00%	n/a
Mortality table[(i)]	**CPM-RPP2014Pub/Priv Generational**	**CPM-RPP2014Pub/Priv Generational**	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	**2.50%**	**2.50%**	3.25%	3.00%
Rate of compensation increase	**3.00%**	**n/a**	3.00%	n/a
Mortality table[(i)]	**CPM-RPP2014Pub/Priv Generational**	**CPM-RPP2014Pub/Priv Generational**	CPM-RPP2014Pub/Priv Generational	CPM-RPP2014Pub/Priv Generational

n/a – not applicable

(i) Public or private sector mortality table is used depending on the prominent demographics of each plan.

The weighted average duration of the defined benefit obligations as at year end 2021 is 17.0 years (2020 – 19.1 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at year end 2021 was estimated at 4.50% and is expected to increase to 4.60% as at year end 2022.

SENSITIVITY OF KEY ACTUARIAL ASSUMPTIONS The following table outlines the key assumptions for 2021 (expressed as weighted averages) and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan cost.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

		Defined Benefit Pension Plans		Other Defined Benefit Plans	
Increase (Decrease) ($ millions)		**Defined Benefit Plan Obligations**	**Net Defined Benefit Plan Cost[(i)]**	**Defined Benefit Plan Obligations**	**Net Defined Benefit Plan Cost[(i)]**
Discount rate		**3.30%**	**2.50%**	**3.20%**	**2.50%**
Impact of:	1% increase	**$ (293)**	**$ (28)**	**$ (18)**	**$ –**
	1% decrease	**$ 376**	**$ 29**	**$ 23**	**$ –**
Expected growth rate of health care costs				**4.50%**	**4.50%**
Impact of:	1% increase	**n/a**	**n/a**	**$ 14**	**$ 1**
	1% decrease	**n/a**	**n/a**	**$ (11)**	**$ (1)**

n/a – not applicable

(i) Discount rate and expected growth rate of health care costs sensitivity is for current service and interest costs only.

MULTI-EMPLOYER PENSION PLANS During 2021, the Company recognized an expense of $73 million (2020 – $74 million) in operating income from continuing operations, which represents the contributions made in connection with MEPPs. During 2021, the Company expects to continue to make contributions into these MEPPs.

Loblaw, together with its franchises, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 56,000 (2020 – 60,000) employees as members. Included in the 2021 expense described above are contributions of $72 million (2020 – $73 million) to CCWIPP.

POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFIT COSTS The net cost recognized in net earnings before income taxes from continuing operations for the Company's post-employment and other long-term employee benefit plans was as follows:

($ millions)		2021 (52 weeks)		2020 (53 weeks)
Net post-employment defined benefit cost[(i)]	**$**	**88**	$	78
Defined contribution costs[(ii)]		**30**		29
Multi-employer pension plan costs[(iii)]		**73**		74
Total net post-employment benefit costs	**$**	**191**	$	181
Other long-term employee benefit costs[(iv)]		**31**		30
Net post-employment and other long-term employee benefit costs	**$**	**222**	$	211
Recorded on the consolidated statements of earnings as follows:				
Operating income (note 32)	**$**	**213**	$	202
Net interest expense and other financing charges (note 8)		**9**		9
Net post-employment and other long-term employee benefits costs	**$**	**222**	$	211

(i) Includes $2 million settlement charge (2020 – nominal) related to annuity purchases and $2 million curtailment gain related to the sale of Weston Foods.
(ii) Amounts represent the Company's contributions made in connection with defined contribution plans.
(iii) Amounts represent the Company's contributions made in connection with MEPPs.
(iv) Other long-term employee benefit costs include $3 million (2020 – $4 million) of net interest expense and other financing charges.

Note 31. Equity-Based Compensation

The Company's equity-based compensation arrangements include stock option plans, RSU plans, PSU plans, DSU plans, EDSU plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements in 2021 were $78 million (2020 – $65 million).

The following is the carrying amount of the Company's equity-based compensation arrangements:

	As at	
($ millions)	Dec. 31, 2021	Dec. 31, 2020
Trade payables and other liabilities	$ 11	$ 9
Other liabilities (note 26)	$ 6	$ 7
Contributed surplus	$ 131	$ 125

Details related to the equity-based compensation plans of GWL and Loblaw are as follows:

STOCK OPTION PLANS GWL maintains a stock option plan for certain employees. Under this plan, GWL may grant options for up to 6,453,726 of its common shares.

Loblaw maintains a stock option plan for certain employees. Under this plan, Loblaw may grant options for up to 28,137,162 of its common shares.

The following is a summary of GWL's stock option plan activity:

	2021		2020	
	Options (number of shares)	Weighted Average Exercise Price/ Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	1,746,483	$ 101.44	1,246,718	$ 100.22
Granted	397,956	$ 100.92	548,868	$ 104.15
Exercised	(323,461)	$ 98.18	(6,666)	$ 84.20
Forfeited/cancelled	(3,430)	$ 109.75	(42,437)	$ 103.33
Outstanding options, end of year	1,817,548	$ 101.89	1,746,483	$ 101.44
Options exercisable, end of year	640,091	$ 103.63	674,386	$ 101.41

The following table summarizes information about GWL's outstanding stock options:

					2021
	Outstanding Options			Exercisable Options	
Range of Exercise Prices ($)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
$93.17 - $100.73	505,246	3	$ 94.82	254,176	$ 96.46
$100.74 - $104.48	908,871	6	$ 102.71	91,417	$ 104.14
$104.49 - $132.17	403,431	2	$ 108.89	294,498	$ 109.66
	1,817,548		$ 101.89	640,091	$ 103.63

During 2021, GWL issued common shares on the exercise of stock options with a weighted average market share price of $129.12 (2020 – $93.05) per common share and received cash consideration of $32 million (2020 – $1 million).

During 2021, GWL granted stock options with a weighted average exercise price of $100.92 (2020 – $104.15) per common share and a fair value of $6 million (2020 – $6 million). The assumptions used to measure the grant date fair value of the GWL options granted during the years ended under the Black-Scholes stock option valuation model were as follows:

	2021	2020
Expected dividend yield	**2.2%**	2.0%
Expected share price volatility	**18.8 - 19.4%**	14.3% - 14.9%
Risk-free interest rate	**0.9% - 1.1%**	0.9%
Expected life of options	**4.9 - 6.7 years**	4.9 - 6.7 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2021 was 1.4% (2020 – 1.4%).

The following is a summary of Loblaw's stock option plan activity:

	2021			2020		
	Options (number of shares)		**Weighted Average Exercise Price/Share**	**Options (number of shares)**		**Weighted Average Exercise Price/Share**
Outstanding options, beginning of year	**7,259,645**	**$**	**61.19**	6,317,922	$	57.57
Granted	**1,926,951**	**$**	**64.27**	1,851,415	$	70.03
Exercised	**(1,829,170)**	**$**	**56.02**	(601,756)	$	50.32
Forfeited/cancelled	**(925,977)**	**$**	**64.22**	(307,936)	$	61.28
Outstanding options, end of year	**6,431,449**	**$**	**63.15**	7,259,645	$	61.19
Options exercisable, end of year	**2,285,608**	**$**	**59.79**	2,758,738	$	55.99

The following table summarizes information about Loblaw's outstanding stock options:

							2021
	Outstanding Options				**Exercisable Options**		
Range of Exercise Prices ($)	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**		**Weighted Average Exercise Price/Share**
$53.41 - $60.40	**2,392,382**	**2**	**$**	**56.92**	**1,674,267**	**$**	**57.03**
$60.41 - $65.57	**2,352,559**	**5**	**$**	**63.93**	**360,807**	**$**	**65.52**
$65.58 - $97.44	**1,686,508**	**5**	**$**	**70.90**	**250,534**	**$**	**69.98**
	6,431,449		**$**	**63.15**	**2,285,608**	**$**	**59.79**

During 2021, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of $81.97 (2020 – $68.22) per common share and received cash consideration of $102 million (2020 – $30 million).

During 2021, Loblaw granted stock options with a weighted average exercise price of $64.27 (2020 – $70.03) per common share and a fair value of $17 million (2020 – $13 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the years ended as indicated under the Black-Scholes stock option valuation model were as follows:

	2021	2020
Expected dividend yield	**1.7%**	1.9%
Expected share price volatility	**18.3% - 20.6%**	13.5% - 20.1%
Risk-free interest rate	**0.6% - 1.6%**	0.3% - 1.2%
Expected life of options	**3.8 - 6.2 years**	3.7 - 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at year end 2021 and 2020 was 9.0%.

Notes to the Consolidated Financial Statements

RESTRICTED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's RSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2021**	2020	**2021**	2020
Outstanding RSUs, beginning of year	**133,038**	136,788	**894,272**	1,032,832
Granted	**32,444**	47,957	**372,015**	242,797
Reinvested	**2,364**	2,741	**14,835**	23,666
Settled	**(99,471)**	(48,291)	**(371,474)**	(367,020)
Forfeited	**(38,598)**	(6,157)	**(110,303)**	(38,003)
Outstanding RSUs, end of year	**29,777**	133,038	**799,345**	894,272

The fair value of GWL's and Loblaw's RSUs granted during 2021 was $3 million (2020 – $5 million) and $25 million (2020 – $17 million), respectively.

PERFORMANCE SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's PSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2021**	2020	**2021**	2020
Outstanding PSUs, beginning of year	**151,058**	114,473	**666,400**	662,695
Granted	**58,335**	58,555	**281,099**	237,391
Reinvested	**3,455**	3,026	**11,177**	16,301
Settled	**(23,606)**	(20,425)	**(231,952)**	(218,955)
Forfeited	**(5,401)**	(4,571)	**(110,307)**	(31,032)
Outstanding PSUs, end of year	**183,841**	151,058	**616,417**	666,400

The fair value of GWL's and Loblaw's PSUs granted during 2021 was $6 million (2020 – $6 million) and $18 million (2020 – $17 million), respectively.

SETTLEMENT OF AWARDS FROM SHARES HELD IN TRUSTS The following table summarizes GWL's settlement of RSUs and PSUs from shares held in trusts for the years ended as indicated:

(Number of awards)	**2021**	2020
Settled	**123,077**	68,716
Released from trusts (note 27)	**113,419**	63,307

During 2021, the settlement of awards from shares held in trusts resulted in a $9 million increase (2020 – $6 million) in retained earnings and a $2 million increase (2020 – nominal) in share capital.

DIRECTOR DEFERRED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's DSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2021**	2020	**2021**	2020
Outstanding DSUs, beginning of year	**149,537**	155,418	**380,481**	336,897
Granted	**15,902**	22,878	**32,829**	35,008
Reinvested	**2,864**	3,111	**6,162**	8,576
Settled	**–**	(31,870)	**(58,156)**	–
Outstanding DSUs, end of year	**168,303**	149,537	**361,316**	380,481

The fair value of GWL's and Loblaw's DSUs granted during 2021 was $2 million (2020 – $2 million) and $2 million (2020 – $2 million), respectively.

EXECUTIVE DEFERRED SHARE UNIT PLANS The following is a summary of GWL's and Loblaw's EDSU plan activity:

	GWL		Loblaw	
(Number of awards)	**2021**	2020	**2021**	2020
Outstanding EDSUs, beginning of year	**44,911**	43,947	**56,856**	45,258
Granted	**–**	–	**5,399**	10,310
Reinvested	**820**	964	**1,066**	1,288
Settled	**(1,204)**	–	**(848)**	–
Outstanding EDSUs, end of year	**44,527**	44,911	**62,473**	56,856

There were no GWL EDSUs granted in 2021 and 2020. The fair value of Loblaw's EDSUs granted during 2021 was nominal (2020 – $1 million).

CHOICE PROPERTIES The following are details related to the unit-based compensation plans of Choice Properties:

UNIT OPTION PLAN Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant Unit Options totaling up to 19,744,697 Units, as approved at the annual and special meeting of Unitholders on April 29, 2015. The Unit Options vest in tranches over a period of four years.

The following is a summary of Choice Properties' Unit Option plan activity:

	2021			2020		
	Number of awards		**Weighted average exercise price/unit**	Number of awards		Weighted average exercise price/ unit
Outstanding Unit Options, beginning of year	**1,082,640**	**$**	**12.54**	1,287,314	$	12.51
Exercised	**(647,184)**	**$**	**12.34**	(148,794)	$	12.09
Cancelled	**–**	**$**	**–**	(54,414)	$	13.15
Expired	**–**	**$**	**–**	(1,466)	$	13.93
Outstanding Unit Options, end of year	**435,456**	**$**	**12.84**	1,082,640	$	12.54
Unit Options exercisable, end of year	**292,592**	**$**	**13.13**	706,804	$	12.56

The assumptions used to measure the fair value of the Unit Options under the Black-Scholes model were as follows:

	2021	2020
Expected average distribution yield	**5.0%**	5.5%
Expected average Unit price volatility	**13.4% - 21.5%**	15.6% - 35.0%
Average risk-free interest rate	**0.001% - 0.8%**	0.01% - 0.3%
Expected average life of options	**0.1 - 1.7 years**	0.1 - 2.7 years

RESTRICTED UNIT PLAN RUs entitle certain employees to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. The RU plan provides for the crediting of additional RUs in respect of distributions paid on Units for the period when a RU is outstanding. The fair value of each RU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no RUs vested as at year end 2021 and 2020.

The following is a summary of Choice Properties' RU plan activity:

(Number of awards)	2021	2020
Outstanding RUs, beginning of year	**405,713**	484,544
Granted	**119,134**	69,227
Reinvested	**22,014**	24,451
Exercised	**(104,563)**	(161,044)
Cancelled	**(2,724)**	(11,465)
Outstanding RUs, end of year	**439,574**	405,713

UNIT-SETTLED RESTRICTED UNIT PLAN Under the terms of the URU plan, certain employees are granted URUs, which are subject to vesting conditions and disposition restrictions. Typically, full vesting of the URUs would not occur until the employee has remained with Choice Properties for three or five years from the date of grant. Depending on the nature of the grant, the URUs are subject to a six or seven-year holding period during which the Units cannot be disposed. There were 996,896 URUs vested, but still subject to disposition restrictions as at year end 2021 (2020 – 764,385).

The following is a summary of Choice Properties' URU plan activity for units not yet vested:

(Number of awards)	2021	2020
Outstanding URUs, beginning of year	**588,534**	624,419
Granted	**189,887**	159,083
Vested	**(177,502)**	(194,968)
Outstanding URUs, end of year	**600,919**	588,534

PERFORMANCE UNIT PLAN PUs entitle certain employees to receive the value of the PU award in cash or Units at the end of the applicable performance period, which is usually three years in length, based on Choice Properties achieving certain performance conditions. The PU plan provides for the crediting of additional PUs in respect of distributions paid on Units for the period when a PU is outstanding. The fair value of each PU granted is measured based on the market value of a Trust Unit at the balance sheet date. There were no PUs vested as at year end 2021 and 2020.

The following is a summary of Choice Properties' PU plan activity:

(Number of awards)	2021	2020
Outstanding PUs, beginning of year	**135,695**	103,868
Granted	**82,847**	59,273
Reinvested	**9,403**	7,241
Exercised	**(30,336)**	(40,205)
Cancelled	**–**	(3,543)
Added by performance factor	**–**	9,061
Outstanding PUs, end of year	**197,609**	135,695

TRUSTEE DEFERRED UNIT PLAN Non-management members of the Choice Properties' Board of Trustees are required to receive a portion of their annual retainer in the form of DUs and may also elect to receive up to 100% of their remaining fees in DUs. Distributions paid earn fractional DUs, which are treated as additional awards. The fair value of each DU granted is measured based on the market value of a Unit at the balance sheet date. All DUs vest when granted, however, they cannot be exercised while Trustees are members of the Board.

The following is a summary of Choice Properties' DU plan activity:

(Number of awards)	2021	2020
Outstanding Trustee DUs, beginning of year	**368,290**	277,139
Granted	**82,969**	76,632
Reinvested	**18,942**	17,338
Exercised	**(80,739)**	(2,819)
Outstanding Trustee DUs, end of year	**389,462**	368,290

Note 32. Employee Costs

Included in operating income were the following employee costs from continuing operations:

($ millions)	2021 (52 weeks)	2020[(i)] (53 weeks)
Wages, salaries and other short-term employee benefits	**$ 7,065**	$ 6,926
Post-employment benefits (note 30)	**185**	176
Other long-term employee benefits (note 30)	**28**	26
Equity-based compensation	**69**	59
Capitalized to fixed assets and intangible assets	**(112)**	(69)
Employee costs	**$ 7,235**	$ 7,118

(i) Certain comparative figures have been restated to conform with current year presentation.

Note 33. Leases

The Company leases certain of Loblaw's retail stores and distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of Loblaw's retail stores are a substantial portion of the Company's lease portfolio. Loblaw retail store leases typically have an initial lease term with additional renewal options available thereafter.

The Company has owned and leased properties that are leased and subleased to third parties, respectively. Owned properties are held to either earn rental income, for capital appreciation, or both. Subleases are primarily related to non-consolidated franchise stores, medical centres and ancillary tenants within Loblaw stores.

AS A LESSEE

Right-of-Use Assets The following is a continuity of the cost and accumulated depreciation of right-of-use assets for the year ended December 31, 2021:

			2021
($ millions)	**Property**	**Other**	**Total**
Cost			
Balance, beginning of year	**$ 5,139**	**$ 87**	**$ 5,226**
Lease additions, net of terminations	**121**	**–**	**121**
Lease extensions and other items	**499**	**12**	**511**
Transfers to assets held for sale	**(42)**	**–**	**(42)**
Balance, end of year	**$ 5,717**	**$ 99**	**$ 5,816**
Accumulated depreciation			
Balance, beginning of year	**$ 1,138**	**$ 45**	**$ 1,183**
Depreciation	**574**	**18**	**592**
Impairment reversals, net of losses (note 16)	**(2)**	**–**	**(2)**
Transfers to assets held for sale	**(16)**	**–**	**(16)**
Balance, end of year	**$ 1,694**	**$ 63**	**$ 1,757**
Carrying amount as at December 31, 2021	**$ 4,023**	**$ 36**	**$ 4,059**

The following is a continuity of the cost and accumulated depreciation of right-of-use assets for the year ended December 31, 2020:

			2020
($ millions)	Property	Other	Total
Cost			
Balance, beginning of year	$ 4,588	$ 70	$ 4,658
Lease additions, net of terminations	165	–	165
Lease extensions and other items	386	17	403
Balance, end of year	$ 5,139	$ 87	$ 5,226
Accumulated depreciation			
Balance, beginning of year	$ 560	$ 24	$ 584
Depreciation	557	21	578
Impairment losses, net of reversals (note 16)	21	–	21
Balance, end of year	$ 1,138	$ 45	$ 1,183
Carrying amount as at December 31, 2020	$ 4,001	$ 42	$ 4,043

Lease Liabilities The following is the continuity of lease liabilities for the year ended December 31, 2021 and December 31, 2020:

($ millions)	2021	2020
Balance, beginning of year	**$ 5,005**	$ 5,107
Lease additions, net of terminations	**128**	161
Lease extensions and other items	**500**	387
Lease payments	**(811)**	(857)
Interest expense on lease liabilities (note 8)	**191**	207
Transfers to liabilities held for sale	**(29)**	–
Balance, end of year	**$ 4,984**	$ 5,005
Lease liabilities due within one year	**$ 742**	$ 799
Lease liabilities	**4,242**	4,206
Total lease liabilities	**$ 4,984**	$ 5,005

Liquidity The future undiscounted contractual lease payments are as follows:

	Payments due by year						As at Dec. 31, 2021	Dec. 31, 2020
($ millions)	2022	2023	2024	2025	2026	Thereafter	Total	Total
Lease payments	$ 751	$ 770	$ 662	$ 599	$ 456	$ 1,802	**$ 5,040**	$ 5,044

As at December 31, 2021, the Company also had commitments of $223 million (December 31, 2020 – $270 million) related to leases not yet commenced.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2021, $26 million (2020 – $25 million) was recognized in cost of inventories sold and SG&A.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2021, $238 million (2020 – $235 million) was recognized in SG&A.

Extension Options Substantially all of Loblaw's retail store leases have extension options for additional lease terms. As at December 31, 2021, approximately 14% (December 31, 2020 – 15%) of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at December 31, 2021, approximately $6 billion (December 31, 2020 – $6 billion) of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2021, the Company disposed of and leased back four retail properties, and recognized a gain of $8 million (2020 – loss of $1 million) in SG&A.

AS A LESSOR

Finance Leases Finance lease receivable is included in other assets on the Company's consolidated balance sheet (see note 21). During 2021, the Company recognized finance interest income of $3 million (2020 – $3 million) and nil impairment losses (2020 – $5 million). The future finance lease payments to be received by the Company relating to properties that are subleased to third parties are as follows:

	Payments to be received by year						As at Dec. 31, 2021	Dec. 31, 2020
($ millions)	2022	2023	2024	2025	2026	Thereafter	Total	Total
Finance lease payments to be received	$ 14	$ 15	$ 9	$ 6	$ 4	$ 270	**$ 318**	$ 332
Less: unearned finance interest income	(3)	(3)	(2)	(2)	(2)	(236)	**(248)**	(252)
Total finance lease receivable (note 21)	$ 11	$ 12	$ 7	$ 4	$ 2	$ 34	**$ 70**	$ 80

Operating Leases During 2021, the Company recognized operating lease income of $383 million (2020 – $373 million), of which $20 million (2020 – $20 million) is related to subleases of right-of-use assets.

The future undiscounted operating lease payments to be received by the Company are as follows:

	Payments to be received by year						As at Dec. 31, 2021	Dec. 31, 2020
($ millions)	2022	2023	2024	2025	2026	Thereafter	Total	Total
Operating lease income	$ 352	$ 322	$ 283	$ 246	$ 194	$ 594	**$ 1,991**	$ 2,147

The Company has certain owned land and buildings that it leases to third parties, which as at December 31, 2021 had a net carrying amount of $1 billion (2020 – $1 billion).

Note 34. Financial Instruments

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short-term in nature. The carrying values of the Company's financial instruments approximate their fair values except for long-term debt.

	As at							
				Dec. 31, 2021				Dec. 31, 2020[i]
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Amortized cost:								
Certain other assets[ii]	**$ –**	**$ –**	**$ 89**	**$ 89**	$ –	$ –	$ 113	$ 113
Fair value through other comprehensive income:								
Certain long-term investments and other assets[ii]	**96**	**–**	**–**	**96**	117	–	–	117
Derivatives included in prepaid expenses and other assets	**–**	**1**	**–**	**1**	–	–	–	–
Fair value through profit and loss:								
Security deposits	**75**	**–**	**–**	**75**	75	–	–	75
Certain long-term investments and other assets[ii]	**–**	**20**	**119**	**139**	–	20	73	93
Derivatives included in accounts receivable	**–**	**–**	**–**	**–**	3	–	–	3
Derivatives included in prepaid expenses and other assets	**3**	**4**	**–**	**7**	–	–	3	3
Derivatives included in other assets	**–**	**–**	**–**	**–**	–	630	–	630
Financial liabilities								
Amortized cost:								
Long-term debt	**–**	**15,170**	**–**	**15,170**	–	16,389	–	16,389
Certain other liabilities[ii]	**–**	**–**	**668**	**668**	–	–	671	671
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	**–**	**5**	**–**	**5**	–	–	–	–
Fair value through profit and loss:								
Trust Unit liability	**4,209**	**–**	**–**	**4,209**	3,600	–	–	3,600
Derivatives included in trade payables and other liabilities	**–**	**–**	**–**	**–**	4	16	–	20

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) Certain other assets, certain other long-term investments and other assets, and certain other liabilities are included in the consolidated balance sheets in Other Assets and Other Liabilities, respectively.

There were no transfers between the levels of the fair value hierarchy during the years presented.

During 2021, a loss of $1 million (2020 – loss of $2 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, a net loss of $774 million (2020 – net gain of $268 million) was recognized in earnings before income taxes from continuing operations on financial instruments required to be classified as fair value through profit or loss.

Cash and Cash Equivalents, Short-Term Investments and Security Deposits As at the end of 2021, the Company had cash and cash equivalents, short-term investments and security deposits of $3,938 million (2020 – $3,231 million), including U.S. dollars of $221 million (2020 – $199 million).

During 2021, a gain of $3 million (2020 – loss of $28 million) was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

Embedded Derivatives The Level 3 financial instruments classified as fair value through profit or loss consist of Loblaw embedded derivatives on purchase orders placed in neither Canadian dollars nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any one of the inputs would result in a significantly higher (lower) fair value measurement.

During 2021, a loss of $3 million (2020 – gain of $2 million) was recorded in operating income related to these derivatives. In addition, as at year end 2021, a corresponding $1 million liability was included in trade payables and other liabilities (2020 – $3 million asset). As at year end 2021, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of $1 million.

Trust Unit Liability In 2021, a fair value loss of $601 million (2020 – gain of $239 million) was recorded in net interest expense and other financing charges (see note 8).

Other Derivatives The Company uses bond forwards and interest rate swaps to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes from continuing operations related to the Company's other derivatives:

			Dec. 31, 2021
($ millions)	Net asset (liability) fair value	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Currency Risk - Foreign Exchange Forwards[(i)]	$ –	$ –	$ (1)
Interest Rate Risk - Bond Forwards[(ii)]	(1)	6	(7)
Interest Rate Risk - Interest Rate Swaps[(iii)]	2	7	–
Total derivatives designated as cash flow hedges	**$ 1**	**$ 13**	**$ (8)**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ 2	$ –	$ 1
Other Non-Financial Derivatives	3	–	18
Total derivatives not designated in a formal hedging relationship	**$ 5**	**$ –**	**$ 19**
Total derivatives	**$ 6**	**$ 13**	**$ 11**

(i) PC Bank uses foreign exchange forwards, with a notional amount of $19 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.
(ii) PC Bank uses bond forwards, with a notional value of $120 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2021, PC Bank settled $175 million of bond forward (see note 25).
(iii) PC Bank uses interest rate swaps, with notional value of $225 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets. Choice Properties uses interest rate swaps, with a notional value of $62 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

			Dec. 31, 2020
($ millions)	Net asset (liability) fair value	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Interest Rate Risk - Bond Forwards[(i)]	$ –	$ (40)	$ (5)
Interest Rate Risk - Interest Rate Swaps[(ii)]	7	(3)	(4)
Total derivatives designated as cash flow hedges	$ 7	$ (43)	$ (9)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ (6)	$ –	$ (4)
Other Non-Financial Derivatives	(4)	–	(20)
Total derivatives not designated in a formal hedging relationship	$ (10)	$ –	$ (24)
Total derivatives	$ (3)	$ (43)	$ (33)

(i) PC Bank uses bond forwards, with a notional value of $25 million, to manage its interest rate risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2020, PC Bank settled $200 million of bond forward and the Company issued and settled $350 million of bond forward. The Company has concluded that these hedges were effective as at their respective settlement date.
(ii) PC Bank uses interest rate swaps, with a notional value of $225 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. Choice Properties uses interest rate swaps, with a notional value of $129 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

Note 35. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to certain risks. The following is a description of those risks and how the exposures are managed:

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

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

Maturity Analysis The following are the undiscounted contractual maturities of significant financial liabilities as at December 31, 2021:

($ millions)	2022	2023	2024	2025	2026	Thereafter	Total[(ii)]
Long-term debt including interest payments[(i)]	$ 2,062	$ 2,484	$ 2,495	$ 1,591	$ 1,163	$ 8,117	$ 17,912
Foreign exchange forward contracts	321	–	–	–	–	–	321
Short-term debt (note 24)	450	–	–	–	–	–	450
Financial liabilities[(iii)]	44	48	49	53	48	220	462
Bank indebtedness	52	–	–	–	–	–	52
Demand deposits from customers	75	–	–	–	–	–	75
Certain other liabilities	3	–	–	–	–	–	3
Total	$ 3,007	$ 2,532	$ 2,544	$ 1,644	$ 1,211	$ 8,337	$ 19,275

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long-term independent securitization trusts and an independent funding trust, as well as annual payment obligations for structured entities and mortgages. Variable interest payments are based on the forward rates as at year end 2021.

(ii) The Trust Unit liability has been excluded as this liability does not have a contractual maturity date. The Company also excluded trade payables and other liabilities, which are due within the next 12 months.

(iii) Represents the contractual payments that Loblaw is committed to related to the Choice Properties' dispositions (see note 26).

FOREIGN CURRENCY EXCHANGE RATE RISK The Company's consolidated financial statements are expressed in Canadian dollars, however, a portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars through its foreign subsidiaries with a functional currency that is the same as that of the Company. The U.S. dollar denominated net assets are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, the Company is exposed to foreign currency translation gains and losses. Those gains and losses arising from the translation of the U.S. dollar denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss). The Company estimates that based on the U.S. net assets held by foreign operations that have the same functional currency as that of the Company at the end of 2021, an appreciation of the Canadian dollar of one cent relative to the U.S. dollar would result in a nominal loss in earnings before income taxes.

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

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

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

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

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

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

The Company's maximum exposure to credit risk as it relates to derivative instruments is approximated by the positive fair market value of the derivatives on the consolidated balance sheets (see note 34).

Refer to notes 12 and 13 for additional information on the credit quality performance of Loblaw's credit card receivables and other receivables, mentioned above, of Loblaw.

TRUST UNIT PRICE RISK The Company is exposed to market price risk from Choice Properties' Trust Units that are held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holders. The liability is recorded at fair value at each reporting period based on the market price of Trust Units. The change in the fair value of the liability negatively impacts net earnings when the Trust Unit price increases and positively impacts net earnings when the Trust Unit price declines. A one dollar increase in the market value of Trust Units, with all other variables held constant, would result in an increase of $277 million in net interest expense and other financing charges.

INTEREST RATE RISK The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates. The Company estimates that a 1% increase (decrease) in short-term interest rates, with all other variables held constant, would result in a decrease (increase) of $27 million in net interest expense and other financing charges.

COMMODITY PRICE RISK Loblaw is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of Loblaw. To manage a portion of this exposure, Loblaw uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities. Loblaw estimates that based on the outstanding derivative contracts held as at year end 2021, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a net loss of $4 million in earnings before income taxes. This amount excludes the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Note 36. Contingent Liabilities

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

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

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

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

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

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

INDEMNIFICATION PROVISIONS The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 37. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately $424 million (2020 – $425 million). In addition, Loblaw and Choice Properties have provided to third parties the following significant guarantees:

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

INDEPENDENT FUNDING TRUSTS The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 25). As at year end 2021, Loblaw has agreed to provide a credit enhancement of $64 million (2020 – $64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (2020 – not less than 10%) of the principal amount of the loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to Loblaw's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to Loblaw and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

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

GLENHURON BANK LIMITED SURETY BOND In connection with the Canada Revenue Agency's reassessment of Loblaw on certain income earned by Glenhuron (see note 36), Loblaw arranged for a surety bond to the Ministry of Finance in order to appeal the reassessments. As a result of the decision of the Tax Court and incremental payments by Loblaw, the amount of the surety bond is $56 million (2020 – $52 million). Loblaw expects the surety bond to be released in 2022 as a result of the favourable decision of the Supreme Court (see note 36).

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

FINANCIAL SERVICES Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2021, the guarantee on behalf of PC Bank to MasterCard® was U.S. dollars $190 million (2020 – U.S. dollars $190 million).

Loblaw had in place an irrevocable standby letter of credit from a major Canadian chartered bank on behalf of one of its wholly-owned subsidiaries in the amount of $11 million (2020 – $11 million).

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $41 million (2020 – $52 million), which represented approximately 9% (2020 – 9%) of the securitized credit card receivables amount (see note 13).

CHOICE PROPERTIES Letters of credit to support guarantees related to its investment properties including maintenance and development obligations to municipal authorities are issued by Choice Properties. As at year end 2021, the aggregate gross potential liability related to these letters of credit totaled $33 million (2020 – $34 million).

Choice Properties' credit facility and debentures are guaranteed by each of the General Partner, the Partnership and any other person that becomes a subsidiary of Choice Properties (with certain exceptions). In the case of default by Choice Properties, the indenture trustee will be entitled to seek redress from the guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of Choice Properties. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of Choice Properties' assets being primarily held in its various subsidiaries.

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

Note 38. Related Party Transaction

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

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

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

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

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

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

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

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

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

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

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

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

POST-EMPLOYMENT BENEFIT PLANS The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 30.

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

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

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

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

Note 39. Segment Information

The Company has two reportable operating segments: Loblaw and Choice Properties. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation, cash and short-term investments held by the Company and all other company level activities that are not allocated to the reportable operating segments, as further illustrated below.

The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies (see note 2). The Company measures each reportable operating segment's performance based on adjusted EBITDA[i] and adjusted operating income[i]. No reportable operating segment is reliant on any single external customer.

				2021 (52 weeks)				2020[iii] (53 weeks)
($ millions)	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total
Revenue	**$ 53,170**	**$ 1,292**	**$ (714)**	**$ 53,748**	$ 52,714	$ 1,271	$ (715)	$ 53,270
Operating income (loss)	$ 2,929	$ 1,400	$ (302)	$ 4,027	$ 2,357	$ 622	$ (104)	$ 2,875
Net interest expense (income) and other financing charges	495	1,377	(222)	1,650	742	173	(86)	829
Earnings (loss) before income taxes	**$ 2,434**	**$ 23**	**$ (80)**	**$ 2,377**	$ 1,615	$ 449	$ (18)	$ 2,046
Operating income (loss)	**$ 2,929**	**$ 1,400**	**$ (302)**	**$ 4,027**	$ 2,357	$ 622	$ (104)	$ 2,875
Depreciation and amortization	2,664	3	(360)	2,307	2,596	3	(345)	2,254
Adjusting items[i]	(14)	(500)	175	(339)	43	254	(70)	227
Adjusted EBITDA[i]	$ 5,579	$ 903	$ (487)	$ 5,995	$ 4,996	$ 879	$ (519)	$ 5,356
Depreciation and amortization[ii]	2,158	3	(360)	1,801	2,087	3	(345)	1,745
Adjusted operating income (loss)[i]	**$ 3,421**	**$ 900**	**$ (127)**	**$ 4,194**	$ 2,909	$ 876	$ (174)	$ 3,611

(i) Certain items are excluded from operating income (loss) to derive adjusted EBITDA[1]. Adjusted EBITDA[1] is used internally by management when analyzing segment underlying operating performance.
(ii) Excludes $506 million (2020 – $509 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw.
(iii) Certain comparative figures have been restated to conform with current year presentation.

Other and Intersegment includes the following items:

($ millions)	2021 (52 weeks) Revenue	2021 (52 weeks) Operating Income	2021 (52 weeks) Net Interest Expense and Other Financing Charges	2020(i) (53 weeks) Revenue	2020(i) (53 weeks) Operating Income	2020(i) (53 weeks) Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	$ (508)	$ (87)	$ (108)	$ (513)	$ (95)	$ (132)
Elimination of cost recovery	(206)	–	–	(202)	–	–
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(39)	–	–	(45)	–
Fair value adjustment on investment properties	–	(177)	–	–	72	–
Elimination of fair value adjustment on Choice Properties' Exchangeable Units	–	–	(863)	–	–	354
Fair value adjustment on Trust Unit liability	–	–	601	–	–	(239)
Elimination of unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(293)	–	–	(289)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	205	–	–	223
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	–	–	188	–	–	(47)
Asset impairments, net of recoveries	–	29	–	–	(6)	–
Gain on sale of a property	–	–	–	–	15	–
Other	–	(28)	48	–	(45)	44
Total Consolidated	$ (714)	$ (302)	$ (222)	$ (715)	$ (104)	$ (86)

(i) Certain comparative figures have been restated to conform with current year presentation.

($ millions)	As at Dec. 31, 2021	Dec. 31, 2020(i)
Total Assets		
Loblaw	$ 36,777	$ 36,021
Choice Properties	16,173	15,647
Other and Intersegment	(5,867)	(3,590)
Consolidated	$ 47,083	$ 48,078

(i) Certain comparative figures have been restated to conform with current year presentation.

($ millions)		2021 (52 weeks)		2020(iii) (53 weeks)
Additions to Fixed Assets, Investment Properties and Intangible Assets				
Loblaw(i)	**$**	**1,183**	$	1,224
Choice Properties(ii)		**196**		506
Other and Intersegment		**2**		9
Discontinued Operations		**76**		162
Consolidated	**$**	**1,457**	$	1,901

(i) During 2021, additions to fixed assets in Loblaw includes prepayments that were made in 2020 and transferred from other assets in 2020 of $1 million. During 2020, additions to fixed assets in Loblaw includes prepayments that were made in 2019 and transferred from other assets in 2020 of $66 million.
(ii) During 2020, additions to investment properties in Choice Properties includes non-cash consideration of $243 million.
(iii) Certain comparative figures have been restated to conform with current year presentation.

		As at		
($ millions)		**Dec. 31, 2021**		Dec. 31, 2020
Fixed Assets, Goodwill and Intangible Assets				
Canada	**$**	**21,691**	$	22,862
United States		**–**		885
Consolidated	**$**	**21,691**	$	23,747

Note 40. Subsequent Event

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