

Employee Share Ownership Plan



2015 Summary for Loblaw Colleagues

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Loblaw

Employee Share Ownership Plan Summary

Loblaws' Employee Share Ownership Plan ("ESOP" or the "Plan") is a key component of the Company's *Investment & Retirement Savings Program*. This investment plan provides you the opportunity to conveniently purchase shares of Loblaws Companies Limited through payroll deductions. The Company contributes 25 cents for every dollar you contribute to the Plan – *up to 5% of your earnings*, on a per pay basis. All contributions are invested 100% in Loblaws common shares.

Loblaws has designated Computershare Trust Company of Canada ("**Computershare**") to act as the administrative agent of the Plan and the Trustee of the Tax-Free Savings Account ("**TFSA**").

Eligibility

If you're a permanent full-time or part-time Loblaws colleague and you have completed at least six (6) months of employment* with the Company you are eligible to participate in the ESOP.

* *There is no minimum service requirement to join the ESOP if your start date with the Company is on or before April 30, 2015.*

Plan Enrolment

Participation in the ESOP is voluntary. To join the Plan simply submit a completed enrolment form. Your *payroll deductions* will begin on the first available payroll following the enrolment processing period.

- If you have access to Loblaws Inside, you can complete the enrolment process online. Go to the *Forms Library* within the Colleague Services section of the site and select the *ESOP New Enrolment Form*. You'll need your colleague ID number to validate your eligibility to participate in the Plan and to proceed with the online enrolment process.
- If you don't have access to Loblaws Inside, contact the Colleague Info Centre ("CIC") at 1-877-303-3013 to request a copy of the *ESOP New Enrolment Form*.

Contributions

Your contributions to the Plan are made through regular payroll deductions using after-tax dollars. Lump-sum contributions to the Plan are not permitted.

- You may contribute up to 5% of your *earnings** on a per-pay basis.
- If you're an Executive (SVP+) you may contribute up to 25% of your *earnings** to the Plan each pay period.

For each contribution of *up to 5%* you make to the Plan, **the Company will contribute** an amount equal to 25% of that contribution. For Executives, contributions in excess of 5% will not attract a matching Company contribution.

**For the purposes of the ESOP, "earnings" are defined as base salary or compensation before payroll deductions for taxes or other purposes. Earnings does not include any bonus, profit sharing, incentive pay, overtime pay, commissions, allowances or any other special compensation payments.*

The Company's contributions are made at the same time as your contributions. All contributions are transferred to Computershare following the end of each fiscal period.

Taxable Benefit

The 25% matching Company contribution represents a taxable benefit to you. The taxable benefit amount will appear on your pay statements as well as on your annual tax slip (i.e. T4 or RL-1).

Investment of Funds

Your contributions and the Company's contributions are used by Computershare to purchase common shares ("Shares") of Loblaws Companies Limited. The number of Shares purchased will depend both on total contributions and the market price of Loblaws Shares during the purchase period.

Example:

Assume your contribution for the fiscal period is \$400.00 and the market price of one Loblaws Share on the date of purchase is \$61.00:

Your contribution:	\$400.00
25% matching Company contribution:	\$100.00
Total contributions for the period:	\$500.00

The number of Shares purchased by Computershare based on your total contributions is 8.19. ($\$500.00$ divided by $\$61.00 = 8.19$)

All full and fractional Shares are held in trust by Computershare and allocated to your *non-registered* account in the Plan.

As a Plan participant you do not pay any commissions, service charges or brokerage fees related to the purchase of Shares.

Accessing your ESOP Account

Once you've submitted your *ESOP New Enrolment Form* and your payroll deductions have started, Computershare will provide you with information on how to access and manage your Personal Account* using their self-service Plan member website. You'll be provided with a User ID and, under separate cover, a Personal Identification Number (PIN). All of Computershare's correspondence will be mailed to your home address.

**your Personal Account includes your non-registered account, and if applicable, your tax-free savings account.*

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Tax-Free Savings Account (“TFSA”)

Participation in the ESOP offers you the added benefit of establishing a TFSA within your Personal Account, into which you can *transfer* Shares from your *non-registered* account. A TFSA is a *registered* personal savings vehicle. Contributions to a TFSA are not deductible for tax purposes, but the investment income, including capital gains earned in a TFSA is not taxed, even when withdrawn.

Computershare’s Plan member website is set up to process your online TFSA application at the *same time* as you initiate your first transfer of Shares to the account. This means that in order to apply for a TFSA in the Plan you must have Shares in your *non-registered* account and you must be ready to initiate a transfer of some or all of these Shares to the TFSA.

If you process your TFSA application and Share transfer requests online, there is no administration fee. If you process your request through Computershare’s Call Centre, you will be subject to an administration fee, currently set at \$15.00, plus applicable taxes.

Online TFSA Application Process

1. Go to the Computershare Plan member website and log into your Personal Account.
2. Double click on the **Transact** button on the horizontal menu at the top of any page on the site.
3. This will take you to the *All Transactions Page*. In the *Summary of Available Shares* section of this page, click on **Internal Transfer to TFSA**.
4. Read the TFSA application statement, then click ‘Yes’ at the bottom of the page to acknowledge your acceptance of the Terms and Conditions. This completes the application step of the process.
5. Proceed to the next page to submit your Share transfer instructions.
6. Follow the prompts to complete and submit your TFSA application and Share transfer request.

Each transfer will trigger a deemed disposition of Shares which may result in a capital gain or loss for income tax reporting purposes. Refer to the Frequently Asked Questions (“FAQ”) at the end of this summary for an example of how this works. Tax slip(s) will be mailed to your home following the end of each tax year.

You will be responsible for an annual TFSA administration fee, currently set at \$15.00, plus applicable taxes. In December of each year, Computershare will sell the number of fractional Shares in your TFSA required to cover this fee and applicable taxes.

Important: It is your responsibility to ensure that any Shares you transfer into your TFSA in the Plan do not, in conjunction with other TFSA contributions you make, exceed your TFSA contribution room in any given year. If you have specific questions about your contribution room or the tax limitations of TFSA contributions, you should consult with your professional tax advisor. Neither Loblaw nor Computershare will be liable for any tax or other liability which may arise as a result of your over-contribution to a TFSA.

Changing or Suspending Contributions

You’ll be able to increase, decrease or suspend* your contributions to the Plan at any time by submitting a completed *ESOP Contribution Change Form* –which you’ll find in the Forms Library on Loblaw Inside. If you don’t have access to Loblaw Inside, contact the CIC to request that the Form be sent to you.

Your payroll deductions will change or stop based on your instructions, on the first available payroll following the processing period. Please note that you are limited to two contribution changes in each calendar year.

**Suspending contributions will not affect your membership in the Plan however you will not be permitted to accumulate or carry forward suspended payroll deductions for contribution at a later date.*

Withdrawing or Selling Shares

You can withdraw or sell some or all of the Shares in your Personal Account online using the Plan member website, or by contacting Computershare’s Call Centre.

If you *sell* Shares, you will receive a cheque from Computershare for the proceeds of the sale, net of brokerage fees and an administration fee, currently set at \$25.00, plus applicable taxes.

If you wish to *withdraw* Shares, you have one of two options. You may:

1. Transfer whole Shares to your broker account; or
2. Request a Direct Registration of Shares (DRS). Under this option, whole Shares will be directly registered in your name and you will receive a DRS Statement in the mail.

Fractional Shares will be cashed out at market value. You will be charged an administration fee of \$25.00, plus applicable taxes. This fee can be paid by credit card at the time you submit your withdrawal request.

Note: if you submit a request to sell or withdraw Shares through Computershare’s Call Centre instead of online using the Plan member website, an additional fee will apply, currently set at \$15.00, plus applicable taxes.

The Company currently pays the administration fee, where applicable, for the first withdrawal or sale of Shares in a calendar, and you are responsible for all such fees for each subsequent withdrawal or sale of Shares. **Note:** *starting January 1, 2016*, you will be responsible for the administration and brokerage fees, as applicable, for every withdrawal and sale of Shares you make from the Plan. A transfer of Shares from your non-registered account to your TFSA in the Plan is not considered a withdrawal.

Important: You are permitted a combined total of *two (2)* withdrawals or sales of Shares in each calendar year. Your contributions to the Plan will be suspended for six months if you make more than 2 withdrawals or sales of Shares in the same calendar year. It will be your responsibility to initiate reinstatement of your payroll deductions at the end of the suspension period by submitting a completed ESOP Contribution Change Form.

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Change in Employment Status

Leaves of Absence

Your contributions and the corresponding Company contributions to the Plan will be suspended during any type of leave of absence, including a Maternity, Paternity, Parental or Adoption leave, and any disability leave. You may however maintain your membership and accumulated investment in the Plan during your leave.

Your contributions to the Plan will resume automatically following your return to active employment status.

Retirement or Termination

In the event that you retire or leave the Company as a result of a voluntary or involuntary termination, your participation in the Plan will cease as of your last day of active employment with Loblaw.

You must notify Computershare as to the final disposition of the remaining Shares in your Personal Account *within 60 calendar days* using either the Plan member website or by contacting the Computershare Call Centre.

You will incur an administration fee, currently set at \$25.00, plus applicable taxes, on the withdrawal or sale of Shares as well as brokerage fees on the *sale* of Shares.

If you do not notify Computershare within 60 days of your last day of active employment with the Company, you will be deemed to have elected to sell all of the Shares in your Personal Account.

Death

In the event of your death, your executor(s) or administrator(s), must contact Computershare to elect the withdrawal or sale of the Shares in your Personal Account.

If Computershare has not received a notice of disposition within 60 days of your death, your executor(s) or administrator(s) will be deemed to have elected to sell all of the Shares in your Personal Account. Computershare will forward the net proceeds to your estate.

You may not assign your rights under the Plan, or your ownership in the Shares, to any other person, except by way of transmission to your estate following your death.

Plan Administration

Plan Member Website

You are able to access and manage your Personal Account using Computershare's self-service Plan member website at www.computershare.com/employee/ca. The website is easy to navigate and allows you to view up-to-date information, including your Share holdings and transaction history. You will also be able to sell or withdraw Shares online.

Dividends

As a shareholder, whenever the Company declares dividends on its Shares you are entitled to receive such dividends. Computershare will automatically reinvest your dividends by purchasing additional Shares at market price.

Annual Statements

Following the end of each calendar year Computershare will send you a written statement of your Personal Account in the ESOP. The statement will be sent to your home address. The statement shall be deemed correct unless Computershare is advised in writing of any inaccuracies within 90 days of its delivery.

Income Tax Considerations

You are responsible for paying all income and other taxes applicable to transactions involving Shares held in trust by Computershare in your Personal Account(s), including any taxes payable on:

- The sale or other disposition of Shares
- Dividends paid on the Shares; and
- Over contributions to the TFSA

If you have specific questions on the tax aspect of being a participant in the ESOP, you should consult with your professional tax advisor. Under no circumstances is the Company able to make any representation or guarantee regarding the value of the Shares.

Shareholder Information

If you have one or more Shares in the Plan you will receive communication from Computershare, including notices of meetings, availability of annual reports and information circulars. Such communication will be sent to your home address, or delivered to you electronically. As a shareholder, you will also be eligible to instruct Computershare to vote whole Shares allocated to your Personal Account, at the Company's annual meeting.

Amendment and Termination

The Company reserves the right to amend or terminate the ESOP at any time.

Where to Direct Your Questions ...

Computershare Call Centre: 1-866-982-8784

Computershare's customer service representatives are available to assist you Monday to Friday, 8:30 a.m. to 8 p.m. ET.

Colleague Info Centre (CIC): 1-877-303-3013

If you have a question concerning your payroll deductions to the ESOP or to obtain a copy of the ESOP New Enrolment/Contribution Change Form, please contact the CIC. Call Centre representatives are available to assist you Monday to Thursday between 8 a.m. and 7 p.m. ET and on Fridays, between 8 a.m. and 6 p.m. ET.

Executive colleagues (VP and above) please contact the Executive Benefits department at 416-965-5791.

Questions	Answers
<p>1 What are the benefits of participating in the ESOP?</p>	<p>There are several great reasons to participate in the ESOP!</p> <ul style="list-style-type: none"> ➤ By contributing through payroll deductions, it's a great way to save and pay yourself first! ➤ For every \$1.00 you contribute to the Plan (up to 5% of your earnings), the Company contributes 25 cents. ➤ All contributions are invested 100% in common shares of Loblaw Companies Limited, so you share in the growth of the Company. ➤ Dividends are automatically reinvested in additional Loblaw Shares. ➤ The Plan includes a tax-free savings account (“TFSA”) option, so your savings can grow tax free. ➤ You pay no commissions, service charges, brokerage fees or administration fees when Shares are purchased.
<p>2 How is the purchase price of Shares determined?</p>	<p>Computershare purchases common shares of Loblaw Companies Limited on your behalf upon receipt of contributions from the Payroll Administrator. Shares are purchased on the open market. The purchase price allocated to each Share is determined by dividing the total dollar value of your contributions and the Company's contributions by the number of Shares purchased during the purchase period.</p>
<p>3 What happens to dividends paid on Shares in the Plan?</p>	<p>As a shareholder, whenever the Company declares dividends on its Shares, you are entitled to receive such dividends. Computershare will reinvest your dividends by buying additional Shares at market price.</p>
<p>4 What is a tax-free savings account or TFSA?</p>	<p>A TFSA is a registered personal savings vehicle. Contributions to a TFSA are not deductible for income tax purposes, but the investment income including capital gains earned in a TFSA is not taxed, even when withdrawn.</p>
<p>5 When and how can I open a TFSA?</p>	<p>Computershare's Plan member website is set up to process your online TFSA application at the same time as you initiate your first transfer of Shares to the account. In other words, you must have Shares in your <i>non-registered</i> account and you must be ready to initiate a transfer of some or all of these Shares to the TFSA. To complete the online TFSA application process, go to the <i>Transact</i> section of the Plan member website and follow the prompts. Refer to the detailed steps in the TFSA section of this summary.</p>
<p>6 Can I contribute directly to the TFSA in the Plan?</p>	<p>No. You may only transfer Shares from your non-registered account in the ESOP to the TFSA.</p>
<p>7 How do I transfer Shares to the TFSA?</p>	<p>You may transfer Shares online by logging into your Personal Account on the Computershare Plan member website or by submitting your request through the Call Centre. Remember, each request you process through the Call Centre will result in an administration fee of \$15.00, plus applicable taxes.</p>
<p>8 Can I set up a regular automatic transfer of Shares from my non-registered account to my TFSA?</p>	<p>No. Computershare's Plan member website does not enable you to set up an automatic transfer of Shares (e.g. at the end of every month). You must initiate each transfer online using the Plan member website, or by calling the Computershare Call Centre.</p>
<p>9 What are the tax implications of transferring Shares from my non-registered account to the TFSA?</p>	<p>When you transfer Shares into the TFSA, a taxable event occurs that may result in a capital gain or loss for income tax reporting purposes. For example – on the date of transfer, the market price per Share is \$53.00 and the average cost per Share in the non-registered account is \$51.75. If 10 of these Shares are transferred to the TFSA, then a gain of \$12.50 will be reported for income tax purposes (\$53.00 minus \$51.75 x 10 Shares). Please consult a tax or financial advisor to ensure you fully understand your specific tax situation.</p>
<p>10 What kinds of investments can I hold in my TFSA?</p>	<p>As this is a share ownership plan, only Loblaw Shares may be held in the TFSA within the Plan.</p>

FAQ

Questions	Answers
11 <i>Are there any restrictions on TFSA withdrawals?</i>	You can withdraw or sell Shares from your TFSA at any given time, and use the proceeds for whatever you wish. Remember however that you will be suspended from contributing to the ESOP for six months if you make more than two withdrawals or sales during the same calendar year.
12 <i>I already have a TFSA through my financial institution. Can I still open a TFSA in the ESOP?</i>	Yes. You can have more than one TFSA at any given time, but the total amount you contribute to all of your TFSAs cannot be more than your available TFSA contribution room for that year. It is your sole responsibility to ensure you stay within your contribution limit as indicated on your Notice of Assessment issued by the CRA. Neither the Company nor Computershare will be liable for any tax or other liability that may arise as a result of any over-contribution to your TFSAs.
13 <i>How can I get more information about TFSAs?</i>	Information is available on the Canada Revenue Agency website at www.cra.gc.ca .

This document is intended to summarize, in plain language, Loblaw's *Employee Share Ownership Plan* as at May 1, 2015. For a complete description of the Plan, consult the Plan text. In cases where the information provided in this document differs from that contained in the Plan text, the Plan text will govern.