Loblaw
COMPANIES LIMITED

Management Proxy Circular

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SECTION 1

Voting Information

About this Document and Related Proxy Materials

We are providing this Management Proxy Circular (the ''Circular'') and proxy materials to you in connection with the Annual Meeting of Shareholders (the ''Meeting'') of Loblaw Companies Limited (the ''Corporation'') to be held on Thursday, May 4, 2006 at 11:00 a.m. (local time), in Constitution Hall, Room 105 of the Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, M5V 2W6, or any adjournment thereof.

This Circular describes the items to be voted on at the Meeting and the voting process, and provides information about executive compensation and our corporate governance practices.

Please see the ''Voting Questions and Answers'' section below for an explanation of how you can vote on the matters to be considered at the Meeting, whether or not you decide to attend the Meeting.

Unless otherwise indicated, all amounts in this Circular are in Canadian dollars and information is current as of March 7, 2006.

Voting Questions and Answers

What is the business of the Meeting?

At the Meeting, shareholders are voting on three items: (i) the election of directors; (ii) the appointment of the auditor; and (iii) the shareholder proposal attached as Schedule B. We are not aware of any other matters to be considered at the Meeting. However, you may also vote on any other business that may properly come before the Meeting.

In addition, the Corporation's management will report on the performance of the Corporation and respond to questions from shareholders.

Who can vote?

Holders of common shares of the Corporation (''Common Shares'') as at the close of business on March 24, 2006 are entitled to vote. Each Common Share is entitled to one vote. As of March 7, 2006, the Corporation had 274,054,814 Common Shares issued and outstanding.

How do I vote?

- You are a registered shareholder if your name appears on your share certificates. If you are a registered shareholder, you can vote either:
  - in person at the Meeting; or
  - by submitting your voting instructions by proxy, which means that you give another person authority to vote on your behalf.
- You are a non-registered shareholder if your name does not appear on your share certificates. For example, you are a non-registered shareholder if your shares are held in the name of a nominee (such as a bank, trust corporation, securities broker, trustee or custodian). If you are a non-registered shareholder, please see below for information on how to vote your shares.

SECTION 1

Voting Information (continued)

If I am a registered shareholder, how do I vote in person?

You do not need to do anything, except attend the Meeting. Do not complete or return the proxy form, as your vote will be taken at the Meeting. You must register with the Corporation's transfer agent, Computershare Investor Services Inc. ("Computershare"), when you arrive at the Meeting. If you wish to vote shares registered in the name of a corporation, the corporation must submit a properly executed proxy to Computershare authorizing you to vote the shares on behalf of the corporation.

If I am a registered shareholder, how do I vote by proxy?

If it is not convenient for you to attend the Meeting, you may vote by proxy on the matters to be considered at the Meeting in one of two ways:

- You can authorize the management representatives named in the enclosed proxy form (also available through the Internet at www.computershare.com/ca/proxy) to vote your shares. If returning the proxy by mail, complete the enclosed proxy form by indicating how you want your shares voted. Sign, date and return the proxy form in the envelope provided. Computershare's address for receiving proxies is 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1.
- **You may appoint another person to attend the Meeting on your behalf and vote your shares.** If you choose this option, print the person's name in the blank space provided on the back of the proxy form and indicate how you want your shares voted. If returning the proxy form by mail, please use the envelope provided as described above. You may choose anyone to be your proxyholder; the person does not have to be another shareholder. The person you appoint must attend the Meeting and vote on your behalf in order for your votes to be counted. Proxyholders must register with representatives of Computershare when they arrive at the Meeting.

Please remember that your proxy or voting instruction form must be received by 5:00 p.m. (local time) on May 2, 2006 or if the Meeting is adjourned, before 5:00 p.m. (local time) on the second last business day before any adjournment thereof.

If I am a non-registered shareholder, how do I vote my shares?

There are two ways that you can vote your shares:

- *In person.* If you wish to attend the Meeting and vote in person, you should do one of the following:
  - If you have received a proxy form from your intermediary, insert your own name in the blank space on the form to appoint yourself as proxyholder. If the intermediary has not signed the form, you must sign and date it. Follow your intermediary's instructions for returning the proxy form. Do not otherwise complete the form as your vote will be taken at the Meeting; or
  - If you have received a voting instruction form from your intermediary, follow your intermediary's instructions for completing the form.
- *By proxy.* If it is not convenient for you to attend the Meeting, you should do one of the following:
  - If you have received a proxy form from your intermediary, you may vote by authorizing the management representatives named on the form to vote your shares. If you choose this option, you may complete the

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Voting Information (continued)

proxy form by indicating how you want your shares to be voted. If the intermediary has not signed the proxy form, you must sign and date it. Return the completed proxy form as indicated on the form. Alternatively, you may appoint another person to attend the Meeting on your behalf and vote your shares by printing that person's name in the blank space on the form and indicating how you want your shares to be voted. The person you choose does not have to be another shareholder. The person named on the form must attend the Meeting and vote on your behalf in order for your votes to be counted; or

- If you have received a voting instruction form from your intermediary, follow your intermediary's instructions for completing the form.

How will my shares be voted if I appoint a proxyholder?
Your proxyholder must vote your shares in accordance with your instructions if you have completed and signed the enclosed proxy form correctly and delivered it to Computershare.

If you have not specified how to vote on a particular matter, then your proxyholder can vote your shares as he or she sees fit. **If you have appointed the management representatives named on the enclosed form of proxy as your proxyholder, and you have not specified how you want to vote, your shares will be voted as follows:**

- **FOR the election of the directors;**
- **FOR the appointment of the auditor; and**
- **AGAINST the shareholder proposal attached as Schedule B.**

What happens if any amendments are made to these matters or if other matters are properly brought before the Meeting?
Your proxyholder will have discretionary authority to vote your shares as he or she sees fit. As of the date of this Circular, management knows of no such amendment, variation or other matter expected to come before the Meeting.

If I change my mind, how do I revoke my proxy or voting instructions?
If you are a registered shareholder and have returned a proxy form or given voting instructions, you may revoke them in any of the following ways:

- by completing and signing a proxy form with a later date than the proxy form you previously returned, and delivering it to Computershare;
- by delivering a written statement signed by you or your attorney authorized in writing:
  - to the offices of Computershare at any time before 5:00 p.m. (local time) on May 2, 2006 or, if the Meeting is adjourned, before 5:00 p.m. (local time) on the second last business day before any adjournment thereof; or
  - in person to the Secretary of the Meeting before the Meeting starts; or
- in any other manner permitted by law.

SECTION 1

Voting Information (continued)

How many votes are required for approval?
A majority of votes cast, in person or by proxy, is required to approve each of the items specified in the Notice of Annual Meeting which accompanies this Circular.

Who is soliciting my proxy?
Management of the Corporation is soliciting proxies for use at the Meeting and any adjournment thereof. The Corporation is soliciting proxies by mail and its employees may also solicit them personally. The cost of such solicitation will be borne by the Corporation.

Is my vote confidential?
Yes. Computershare independently counts and tabulates the proxies to preserve the confidentiality of individual shareholder votes. This function is performed independently of the Corporation. Proxies are referred to the Corporation only in cases where a shareholder clearly intends to communicate an individual position to management or when it is necessary to do so to meet the requirements of applicable law.

Controlling Shareholder
Mr. W. Galen Weston beneficially owns, directly and indirectly through other companies which he controls, including George Weston Limited (the Corporation's parent corporation), Weston Food Distribution Inc. and Weston Holdings Limited, a total of 173,316,835 Common Shares representing 63.24% of the outstanding Common Shares. Mr. W. Galen Weston beneficially owns, directly and indirectly through other companies which he controls, including Wittington Investments, Limited, a total of 80,684,148 common shares representing 62.53% of the outstanding common shares of George Weston Limited ("Weston"). To the knowledge of the Corporation, no other person beneficially owns, directly or indirectly, 10% or more of the outstanding Common Shares.

SECTION 2

Business of the Meeting

Financial Statements and Auditor's Report

The consolidated financial statements of the Corporation for the financial year ended December 31, 2005 and the auditor's report thereon are included in the 2005 Annual Report, which is being mailed to shareholders with this Circular.

Election of Directors

On March 7, 2006, the board of directors of the Corporation (the "Board"), in accordance with the Corporation's by-laws, determined that the number of directors to be elected at the Meeting will be 13. It is proposed that the persons named below be nominated for election as directors of the Corporation. All are currently directors of the Corporation, except for Mr. John Wetmore, and all of the nominees have established their eligibility and willingness to serve as directors. Mr. Robert J. Dart retired from the Board on February 7, 2006. Mr. T. Iain Ronald, an independent director, is retiring from the Board effective May 4, 2006. Mr. Ronald is a member of the board of directors of the following companies: Leon's Furniture Limited, Strongco Inc. and Allied Properties Real Estate Investment Trust. Management does not believe that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, **the persons named in the enclosed form of proxy may vote for another nominee at their discretion**. Each director will hold office until the next annual meeting or until the director resigns or a successor is elected or appointed.

The following pages set out the names of proposed nominees for election as directors, together with their age, place of residence, year first elected or appointed as a director (if applicable), principal occupation and directorships of other companies. Also indicated for each person proposed as a director is the number of Common Shares beneficially owned by him or her or over which he or she exercises control or direction and the number of securities of Weston held by him or her or over which he or she exercises control or direction, in each case, as of March 7, 2006.

Paul Beeston, C.M., F.C.A., 60
Toronto, Ontario

Common Shares: 7,900
Deferred Share Units: 1,321

Mr. Beeston (Corporate Director) is the former President and Chief Executive Officer of Major League Baseball and former President of the Toronto Blue Jays Baseball Team.

Mr. Beeston graduated from the University of Western Ontario with a B.A. and is a chartered accountant.

Mr. Beeston is a director of President's Choice Bank (a subsidiary of the Corporation)

Loblaw Companies Board Details:
- Director since 2005
- Independent Director
- Member: Audit Committee and Environmental, Health and Safety Committee
- Meets share ownership guidelines

SECTION 2

Business of the Meeting (continued)

Gordon A. M. Currie, 47
Toronto, Ontario

Mr. Currie is Executive Vice President, Secretary and General Counsel of George Weston Limited (a food processing and distribution corporation and parent corporation). He was formerly Senior Vice President and General Counsel of Centrica North America and prior to that was a partner with the law firm of Blake, Cassels & Graydon LLP.

Mr. Currie graduated from the University of Western Ontario with a B.A. and from the University of Toronto with a LL.B.

Loblaw Companies Board Details:
- Director since February 2006
- Non-Independent Director
- Will comply with share ownership guidelines

Camilla H. Dalglish, 68
Toronto, Ontario

Common Shares: 800
Deferred Share Units: 5,254
Securities of George Weston Limited: 310,560*(i)*, 20,000*(ii)*, 40,000*(iii)*, 20,000*(iv)*

Mrs. Dalglish (Corporate Director) is a Director of The W. Garfield Weston Foundation and of The Nature Conservancy of Canada. Mrs. Dalglish is a past President of The Civic Garden Centre and a former Member of the board of directors of the Royal Botanical Gardens.

Mrs. Dalglish graduated from McGill University with a B.A.

Loblaw Companies Board Details:
- Director since 1991
- Non-Independent Director
- Member: Environmental, Health and Safety Committee
- Meets share ownership guidelines

Anthony S. Fell, O.C., 67
Toronto, Ontario

Common Shares: 20,000
Deferred Share Units: 5,327

Mr. Fell is Chairman of RBC Capital Markets Inc. (investment and financial corporation) and was formerly Chairman and Chief Executive Officer of RBC Dominion Securities and Deputy Chairman of Royal Bank of Canada.

Mr. Fell is Chairman of Munich Reinsurance Group of Companies and a director of BCE Inc., CAE Inc. and The Toronto Central Local Health Integration Network.

Loblaw Companies Board Details:
- Director since 2001
- Independent Director
- Member: Governance, Employee Development, Nominating and Compensation Committee (Chair) and Pension and Benefits Committee
- Meets share ownership guidelines

SECTION 2

Business of the Meeting (continued)

Anthony R. Graham, 49
Toronto, Ontario

Common Shares: 10,000
Deferred Share Units: 4,301
Securities of George Weston Limited: 10,000[(i)], 2,698[(v)]

Mr. Graham is a Director and President of Wittington Investments, Limited (holding corporation) and President and Chief Executive Officer of Sumarria Inc. (a holding company). He was formerly Vice-Chairman of National Bank Financial and Senior Executive Vice President and Managing Director of Lévesque Beaubien Geoffrion Inc.

Mr. Graham is Chairman and a director of both Graymont Limited and President's Choice Bank. He is a director of George Weston Limited, Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Power Corporation of Canada, Power Financial Corporation, Provigo Inc. (a subsidiary of the Corporation) and Selfridges & Co. Ltd.

Loblaw Companies Board Details:
- Director since 1999
- Non-Independent Director
- Member: Executive Committee; Governance, Employee Development, Nominating and Compensation Committee and Pension and Benefits Committee
- Meets share ownership guidelines

John A. Lederer, 50
Toronto, Ontario

Common Shares: 75,000

Mr. Lederer is President of the Corporation and was formerly Executive Vice President of the Corporation.

Mr. Lederer graduated from York University with a B.A.

Mr. Lederer is a director of the Food Marketing Institute and founder of President's Choice Children's Charity.

Loblaw Companies Board Details:
- Director since 2002
- Non-Independent Director
- Member: Executive Committee
- Meets share ownership guidelines as a director

Nancy H.O. Lockhart, 51
Toronto, Ontario

Common Shares: 250
Deferred Share Units: 1,164
Securities of George Weston Limited: 1,860[(i)]

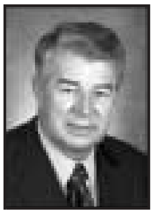
Ms. Lockhart is the Chief Administrative Officer of Frum Development Group (property development and management corporation) and was formerly a Vice President of Shoppers Drug Mart Corporation.

Ms. Lockhart is past Chairman of the Board of Trustees of the Ontario Science Centre, past President of the Canadian Club, Toronto and past Chair of the Canadian Film Centre.

Loblaw Companies Board Details:
- Director since 2005
- Independent Director
- Member: Environmental, Health and Safety Committee
- Meets share ownership guidelines

SECTION 2

Business of the Meeting (continued)



Pierre Michaud, C.M., 62
Montreal, Quebec

Common Shares: 34,866

Mr. Michaud is a Director and Chairman of Provigo Inc. and Vice-Chairman of Laurentian Bank of Canada.

Mr. Michaud is a director of Old Port of Montreal Corporation Inc., Bombardier Recreational Products Inc. and Gaz Metro Inc.

Loblaw Companies Board Details:
- Director since 1999
- Non-Independent Director
- Member: Environmental, Health and Safety Committee (Chair)
- Meets share ownership guidelines

Thomas C. O'Neill, F.C.A., 60
Toronto, Ontario

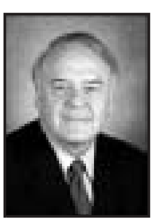
Common Shares: 2,000
Deferred Share Units: 1,662
Securities of George Weston Limited: 500[(i)]

Mr. O'Neill (Corporate Director) is the retired Chairman of PricewaterhouseCoopers Consulting. Mr. O'Neill was previously Chief Executive Officer, and prior to that, Chief Operating Officer of PricewaterhouseCoopers LLP global organization. Mr. O'Neill is currently Vice-Chair of the Board of Governors of Queen's University and a past member of the Advisory Council of Queen's University School of Business.

Mr. O'Neill graduated from Queen's University with a B.Comm. and is a chartered accountant.

Mr. O'Neill is a director of Nexen Inc., President's Choice Bank, St. Michael's Hospital, BCE Inc., Ontario Teachers' Pension Plan and Adecco S.A.

Loblaw Companies Board Details:
- Director since 2003
- Independent Director
- Member: Audit Committee (Alternate Chair)
- Meets share ownership guidelines



G. Joseph Reddington, 64
Sedona, Arizona

Common Shares: 3,000
Deferred Share Units: 5,285

Mr. Reddington (Corporate Director) is the retired Chairman, Chief Executive Officer and Director of Breuners Home Furnishings Corporation. He is the former Chairman and Chief Executive Officer of The Signature Group and a former President and Chief Executive Officer of Sears Canada.

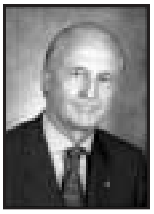
Mr. Reddington graduated from the University of Iowa with a B.A. and a J.D.

Mr. Reddington is a director of Ansett Worldwide.

Loblaw Companies Board Details:
- Director since 1994
- Independent Director
- Member: Governance, Employee Development, Nominating and Compensation Committee
- Meets share ownership guidelines

SECTION 2

Business of the Meeting (continued)



W. Galen Weston, O.C., 65
Toronto, Ontario

Common Shares: 173,316,835
Securities of George Weston Limited: 80,684,148[i]

Mr. Weston is Chairman of the Corporation and Chairman and President of George Weston Limited.

Mr. Weston is Chairman of Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Selfridges & Co. Ltd. and is President of The W. Garfield Weston Foundation.

Mr. Weston received a B.A. and has been awarded an Honorary Doctor of Laws Degree from the University of Western Ontario.

Mr. Weston is a director of Associated British Foods plc and is a Member of the Advisory Board of Columbia University.

Loblaw Companies Board Details:
- Director since 1972
- Non-Independent Director
- Member: Executive Committee (Chair)
- Meets share ownership guidelines

John D. Wetmore, 56
Toronto, Ontario

Common Shares: 2,000

Mr. Wetmore (Corporate Director) is the retired Vice President, Contact Centre Development of IBM Americas. He was formerly President and Chief Executive Officer of IBM Canada.

Mr. Wetmore graduated from the University of Waterloo with a Bachelor of Mathematics (Honors) as well as the Advanced Executive Program at the Kellogg School, Northwestern University.

Mr. Wetmore is a director of Sunnybrook Women's Hospital Foundation, University of Waterloo and a Trustee of Resolve Business Outsourcing Income Fund.

Loblaw Companies Board Details:
- Independent Director nominee
- Will comply with share ownership guidelines

SECTION 2

Business of the Meeting (continued)

Joseph H. Wright, 63
Toronto, Ontario

Deferred Share Units: 6,823

Mr. Wright is Managing partner of Barnagain Capital (investment corporation) and was formerly President and Chief Executive Officer of Swiss Bank Corporation (Canada).

Mr. Wright graduated from Princeton University with a B.A. (*magna cum laude*).

Mr. Wright is Chairman and a Trustee of BFI Canada Income Fund, Chairman of Hollinger Inc. and a director of President's Choice Bank.

Loblaw Companies Board Details:
- Director since 1996
- Independent Director
- Member: Audit Committee; Governance, Employee Development, Nominating and Compensation Committee, and Pension and Benefits Committee
- Meets share ownership guidelines

(i) Common Shares of George Weston Limited

(ii) Preferred Shares Series I of George Weston Limited

(iii) Preferred Shares Series II of George Weston Limited

(iv) Preferred Shares, Series III of George Weston Limited

(v) Deferred Share Units of George Weston Limited

SECTION 2

Business of the Meeting (continued)

Appointment of Auditor

The directors propose that the firm of KPMG LLP be appointed as the auditor of the Corporation for the 2006 fiscal year. As part of the Corporation's corporate governance practices, the Board has adopted a policy prohibiting the auditor from providing non-audit services to the Corporation unless such services are approved in advance by the Audit Committee.

The aggregate fees of KPMG LLP for professional services rendered for the audit of the Corporation's financial statements and other services for the fiscal years 2005 and 2004 are as follows:

	2005 $(000's)	2004 $(000's)
Audit fees(1)	1,905	1,403
Audit-related fees(2)	726	565
Tax consultant fees(3)	65	65
All other fees(4)	34	34
Total fees	**2,730**	**2,067**

(1) Audit fees include fees for services related to the audit of the Corporation's consolidated financial statements.

(2) Audit-related fees include assurance and related services that are performed by the Corporation's auditor. These services include accounting consultations in connection with the review of quarterly reports to shareholders, audit of pension plans, comfort letters and the interpretation of accounting and financial reporting standards.

(3) Tax consultant fees include fees for assistance with tax planning, including commodity tax issues.

(4) Other fees related to risk management, labour relations, internal control compliance and/or regulatory compliance.

Shareholder Proposal

Set out in Schedule B to this Circular is a shareholder proposal that has been submitted for consideration at the Meeting and the response of management and the Board. The proposal would require a simple majority of the votes cast at the Meeting in order to be approved. Management recommends voting **AGAINST** the proposal for the reasons set out in Schedule B.

The *Canada Business Corporations Act* permits certain eligible shareholders of the Corporation to submit shareholder proposals to the Corporation, which proposals may be included in a management proxy circular relating to an annual meeting of shareholders. The final date by which the Corporation must receive shareholder proposals for the annual meeting of shareholders to be held in 2007 is December 7, 2006.

SECTION 3

Board of Directors Attendance and Compensation

Directors' Compensation

Directors who are also members of management of the Corporation or of the Corporation's parent, Weston, receive no additional remuneration as directors.

Annual retainers (paid quarterly) and attendance fees were paid to non-management directors on the following basis during fiscal 2005:

TYPE OF FEE	AMOUNT
	$
Annual Retainer	
• board member	50,000
• non-audit committee chair	3,000
• non-audit committee member[(1)]	4,000
• audit committee chair	10,000
• audit committee member[(1)]	5,000
Attendance Fees	
• board or committee meeting	2,000
• meeting of half day or more attended at the request of the Board or a Committee	2,000

(1) including committee chairs

The Governance, Employee Development, Nominating and Compensation Committee (the "Governance Committee") assesses the adequacy and form of compensation paid to directors in order to ensure that their compensation reflects their responsibilities as directors. Periodically, the Governance Committee benchmarks directors' compensation against compensation paid by major Canadian public companies similar in size to the Corporation. In September 2005, the Governance Committee retained the services of an outside consultant, 3XCD Inc. to advise on board compensation for members of the Board in terms of both type of compensation and value. The consultant's report compared the Corporation's directors' compensation arrangements to those of that peer group using both criteria. The Governance Committee concluded that no adjustments were appropriate at this time.

Deferred Share Unit Plan

To ensure that directors' compensation is aligned with shareholder interests, directors may receive up to 100% of their fees in Deferred Share Units ("DSUs"). A DSU is an amount owed by the Corporation to directors having the same value as one Common Share determined at the time the fees are earned but is not paid until such time as the director leaves the Board, thereby providing an ongoing equity stake in the Corporation throughout the term as a Board member. Payment of DSUs is made in Common Shares purchased on the TSX.

In fiscal 2005, 10 directors elected to take all or a portion of their annual retainer and attendance fees in DSUs. As at December 31, 2005 the amount owing in respect of DSUs currently outstanding to Board members was $2,066,862.

Compensation and Attendance Information

Under share ownership guidelines adopted by the Board, directors are required to hold Common Shares or DSUs and/or securities of Weston with a value of not less than $250,000. Until this position is achieved, directors must

SECTION 3

Board of Directors Attendance and Compensation (continued)

take a portion of their compensation from the Corporation in the form of DSUs. All current directors either meet or are in the process of complying with these share ownership guidelines.

Summary of Attendance

The following table provides a summary of each director's attendance at Board and Committee meetings during fiscal 2005.

Directors	Board (7-Meetings)	Audit Committee (6-Meetings)	Environmental, Health and Safety Committee (4-Meetings)	Governance, Employee Development, Nominating and Compensation Committee (3-Meetings)	Pension & Benefits Committee (4-Meetings)
Paul M. Beeston*	5/5	3/3	3/3		
Camilla H. Dalglish	6/7		4/4		
Robert J. Dart**	7/7				4/4
Anthony S. Fell	5/7			3/3	4/4
Anthony R. Graham	6/7			3/3	4/4
John A. Lederer	7/7				
Nancy H.O. Lockhart***	5/5		3/3		
Pierre Michaud	7/7		4/4		
Thomas C. O'Neill	7/7	6/6			
G. Joseph Reddington	7/7			3/3	
T. Iain Ronald****	4/7	4/6			3/4
W. Galen Weston	7/7				
Joseph H. Wright	7/7	6/6		3/3	4/4

* Mr. Beeston was appointed to the Board of Directors, Audit and the Environmental, Health and Safety Committees on May 4, 2005.

** Mr. Dart retired from the Board in February, 2006.

*** Ms. Lockhart was appointed to the Board of Directors and Environmental, Health and Safety Committee on May 4, 2005.

****Mr. Ronald is retiring from the Board and not standing for re-election.

SECTION 3

Board of Directors Attendance and Compensation (continued)

The following table summarizes compensation paid to non-management directors of the Corporation during fiscal 2005[(a)]:

Name	Board Retainer	Committee Chair Retainer	Committee Member Retainer(s)	Board Attendance Fees	Committee and Other Attendance Fees	Total Fees	% of Fees received as DSUs
	($)	($)	($)	($)	($)	($)	(%)
Paul M. Beeston	37,500		6,750	10,000	28,000	82,250	100
Camilla H. Dalglish	50,000		4,000	12,000	14,000	80,000	100
Robert J. Dart	50,000		4,000	14,000	14,000	82,000	100
Anthony S. Fell	50,000	3,000	9,250	10,000	22,000	94,250	100
Anthony R. Graham[(c)]	50,000		11,000	12,000	20,000	93,000	100
Nancy H. O. Lockhart	37,500		3,000	10,000	22,000	72,500	100
Pierre Michaud[(b)]	50,000	2,250	4,000	14,000	14,000	84,250	—
Thomas C. O'Neill	50,000	7,500	5,000	14,000	20,000	96,500	50
G. Joseph Reddington	50,000		4,000	14,000	12,000	80,000	100
T. Iain Ronald[(c)]	50,000	13,000	9,000	8,000	14,000	94,000	50
Joseph H. Wright[(c)]	50,000		13,000	14,000	34,000	111,000	100
Total	525,000	25,750	73,000	132,000	214,000	969,750	

Notes:

(a) Directors are reimbursed for transportation and other expenses incurred in connection with attendance at Board and Committee meetings.

(b) Mr. Michaud received $138,030 in consulting fees for services provided to Provigo Inc.

(c) Messrs. Graham, Ronald and Wright received $11,250, $11,250 and $20,000, respectively in additional director fees from President's Choice Bank.

SECTION 4

Executive Compensation

Report on Executive Compensation

The responsibilities of the Governance Committee are summarized under "Statement of Corporate Governance Practices" on page 33. Among other matters, the Governance Committee is responsible for reviewing and approving overall compensation policies and reviewing, approving and recommending compensation for senior employees of the Corporation and its operating subsidiaries and forms of compensation, including for those Named Executive Officers listed in the Summary Compensation Table on page 22.

As of March 7, 2006, the members of the Governance Committee were Anthony S. Fell (Chairman), Anthony R. Graham, G. Joseph Reddington and Joseph H. Wright. All members of the Governance Committee are Independent Directors except for Mr. Graham who is an executive officer of Wittington Investments, Limited, the indirect parent of the Corporation.

Compensation Philosophy

The Corporation's compensation arrangements for its senior employees are intended to attract, retain and motivate high-calibre employees who can effectively contribute to the long-term success and objectives of the Corporation. Senior employees receive compensation based on their level of individual responsibility and experience, the market value of the job they perform and the success of the Corporation in meeting its objectives and creating shareholder value.

The Corporation seeks to position total compensation for its senior employees, including base salary, annual cash incentives and long-term incentives, within the first quartile (75^{th} percentile) of that paid by companies in the comparator group described below for positions with equivalent responsibilities and scope.

Independent Advice and Comparator Group

In 2004 the Governance Committee retained an external compensation consultant, 3XCD Inc. to analyze total compensation paid by the Corporation and the form of such compensation to ensure that it is competitive with that paid by companies in the comparator group described below and is effective in achieving the objectives established by the Corporation. In 2005, 3XCD Inc. was also engaged to update its previous analysis on certain aspects of senior executive compensation.

In determining compensation for senior employees, including the Named Executive Officers, the Governance Committee considers the compensation practices of a comparator group of Canadian and U.S. companies in the food distribution and retail industries. In determining compensation for the Named Executive Officers, the Governance Committee also considers publicly-disclosed executive compensation information of various Canadian public companies whose revenues, profitability and market capitalization are comparable to those of the Corporation. This information is compiled and analyzed by an external compensation consultant retained by the Governance Committee, who then provides the information to the Governance Committee along with its recommendations.

Components of Total Compensation

The aggregate compensation of senior employees of the Corporation, including the Named Executive Officers, consists of four components: base salary, annual bonus incentives, long-term equity-based incentives and

SECTION 4

Executive Compensation (continued)

retirement arrangements. The Corporation aims to ensure that each senior employee's compensation is balanced among these components with greater emphasis on the variable components of compensation.

Base Salary

The Governance Committee reviews base salaries for senior employees, including the Named Executive Officers, every 3 years (other than the base salaries of the Chairman and the President, which are reviewed annually). Base salaries are set with reference to the criteria and competitive benchmarks reviewed by external compensation consultants and approved by the Governance Committee. The Corporation's compensation philosophy with respect to base salaries is to maintain levels at approximately the market median (50^{th} percentile) and to place more upside opportunities on the discretionary performance-based incentives of annual bonus and long-term equity-based incentives.

Annual Bonus Incentive

Senior employees of the Corporation, including the Named Executive Officers, participate in an annual cash bonus plan based on economic value added ("EVA") principles which measure the economic value generated by the assets employed by the Corporation. Using this measure for purposes of calculating payments under the bonus plan allows the Governance Committee to:

- measure and link bonuses earned to capital investment decisions and operating results which, over time, create shareholder value;
- measure the effectiveness of allocation of capital; and
- focus on longer term value creation.

EVA reflects the operating performance of the Corporation while taking into account the cost of capital employed to generate operating income. Cost of capital is the economic cost of all capital employed in the Corporation's business and includes cost of debt (including off-balance sheet items such as operating leases) and cost of equity. Revenue enhancements which generate incremental operating income and cost reduction programs requiring no additional capital investment increase return on capital employed as well as EVA. Positive EVA is created when after-tax operating income exceeds the cost of capital.

As a result of the bonus plan, a significant portion (historically between 40% and 50%) of each senior employee's annual total short term compensation is linked to EVA generated by the Corporation. The application of EVA in determining the annual bonus more closely aligns the bonus component of the senior employee's compensation with the long-term shareholder objective of producing sustainable long-term returns above the cost of capital. The EVA bonus program encourages the development of management strategies that increase shareholder value by aligning operating income generation with the efficient management of assets.

The EVA bonus earned in any year is paid out in cash over a 3-year period, with one-third being paid in each year commencing with the year immediately after the bonus is earned. As a result of this payout mechanism, an employee's aggregate annual bonus will reflect the Corporation's results over a three-year period, which encourages focus on long-term performance as opposed to decisions to enhance profitability for the short term.

SECTION 4

Executive Compensation (continued)

Equity-Based Incentives

In 2005, the Governance Committee approved a change in the mix of executive compensation for the Corporation's senior employees. The change reduces the use of stock options by approximately one-third and introduces a new long-term equity-based incentive in the form of restricted share units ("RSUs"). The change applied to the long term incentive units granted to senior employees on January 20, 2005.

Stock Option Plan

Senior employees participate in the Corporation's stock option plan ("Option Plan"). Allocations under the Option Plan are intended to provide strong incentives for superior long-term future performance consistent with shareholders' objectives. The Option Plan links compensation to shareholders' interests because the value of the award is directly related to the Corporation's future stock price.

The Option Plan has two objectives:

- to give each option holder an interest in preserving and maximizing shareholder value over the long term; and
- to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for long-term performance and expected future performance.

To hold stock options, an individual must be an officer or employee of the Corporation, or an affiliate of the Corporation. Options granted pursuant to the Option Plan vest over a period of five years at 20% per year, subject to early termination provisions in certain circumstances, including death, retirement and termination of employment. In any of these circumstances, any unvested options expire and vested options continue to be exercisable for prescribed periods following cessation of employment.

The Corporation seeks to maintain the total number of Common Shares reserved for issuance under the Option Plan at 5% or less of the total number of issued and outstanding Common Shares. Under the Option Plan, individuals can elect to receive Common Shares or the share appreciation value in cash in accordance with the terms of the Option Plan. In most cases on exercise of stock options, option holders elect to receive cash representing the share appreciation value, not shares. This avoids the dilutive effect of increasing the number of Common Shares issued pursuant to the Option Plan.

Stock options are awarded as part of total compensation without reference to outstanding stock option grants held by a particular employee. The total unvested option entitlements are reviewed at the time of stock option grants to ensure that the Corporation is within its target of no more than 5% of outstanding Common Shares being subject to options at any time. The Governance Committee examines stock options granted by companies in the comparator group described above to ensure stock option grants to the Corporation's senior employees are competitive.

Stock options are granted to senior employees based upon a multiple of base salary reflecting their position, length of service and responsibility. For the fiscal year commencing January 1, 2005 at the subsidiary operating level, the multiple ranges from 1 times salary to 10 times salary at the most senior levels. Stock options are not granted every year and are reviewed by the Governance Committee as part of its regular review of compensation.

SECTION 4

Executive Compensation (continued)

The maximum number of Common Shares which has previously been approved by shareholders under the Option Plan is 20,405,991. This number cannot be increased without shareholder approval. As at March 7, 2006, the Corporation had outstanding total unexercised options to purchase 5,323,387 Common Shares or 1.94% of the issued and outstanding Common Shares. The Corporation currently has 1,520,871 Common Shares available for future grants.

During the first quarter of 2005, 2,152,252 stock options were granted to 231 employees at an exercise price of $69.63. During the second quarter of 2005, 66,255 stock options were granted to three employees at an exercise price of $72.95, and on September 19, 2005, 29,120 stock options were granted to two employees at an exercise price of $69.75.

Subsequent to year end, the Corporation granted 48,742 stock options to 1 employee at an exercise price of $54.71.

Restricted Share Unit Plan

In 2005, the Governance Committee approved a Restricted Share Unit Plan (''RSU Plan'') for 2005 for certain senior employees of the Corporation to ensure compensation to senior employees remains competitive, to foster retention and to ensure that the long-term compensation program is aligned with the maximization of shareholder value. The RSUs entitle the employee to a cash payment after the end of each performance period, of up to 3 years following the date of their award. The RSU payment will be an amount equal to the weighted average price of a Common Share on the last three trading days preceding the end of the performance period for the RSUs multiplied by the number of RSUs held by the employee. The RSU Plan provides that should a participant voluntarily resign or be terminated for cause, his or her RSUs will be cancelled and no payment is made. Following the first year from the date of the grant, a participant whose employment is terminated other than for cause will be entitled to receive a payment based on a prorated portion of his or her RSUs, with reference to the time remaining in the performance period. The payment is then calculated with reference to the date his or her employment ceases.

During the first quarter of 2005, the Corporation granted 376,645 RSUs to 231 employees of the Corporation. During the second quarter of 2005, 11,594 RSUs were granted to 3 employees, and in the third quarter of 2005, 5,096 RSUs were granted to 2 employees, all in accordance with the RSU Plan.

During the first quarter of 2006, the Governance Committee, taking into account the long-term business strategy and the continued importance of linking the compensation of the senior executives with operating objectives that are key in supporting this strategy, made the decision to award additional RSUs. In February 2006, 372,727 RSUs were granted to 230 senior employees, which will entitle the employees, after a 3 year performance period, to a cash payment equal to the number of RSUs multiplied by the weighted average price of a Common Share on the last three trading days preceding the end of the performance period. The grant of RSUs during the first quarter of 2006 to Mr. Lederer is addressed under ''Employment and Retirement Arrangements'' on page 19.

Share Ownership Guidelines

The Corporation initiated share ownership guidelines in January 2003 to further align the interests of senior executives with those of the Corporation's shareholders. Under these guidelines, executives are expected to own Common Shares with a value equal to a multiple of their base salary as determined by their position. The guidelines range from 5 times base salary for the President, 3 times base salary for other Named Executive Officers

SECTION 4

Executive Compensation (continued)

and 2 times base salary for other direct reports to the President. Executives are expected to attain their ownership requirements within five years of becoming an executive officer within these categories. Share ownership under these guidelines is defined as direct ownership of Common Shares or securities of Weston.

The beneficial share ownership of each Named Executive Officer, other than for the significant shareholder, and the dollar value of such share ownership based on the closing price on the TSX on March 7, 2006 is:

Name	Number of Shares		Share Value ($)	
	Loblaw	Weston	Loblaw	Weston
John A. Lederer	75,000	–	4,310,250	–
David R. Jeffs	30,600	–	1,758,582	–
Richard P. Mavrinac	8,828	4,192	507,345	364,704
Stephen A. Smith	9,212	998	529,413	86,826

Retirement Plans

Senior employees participate in the Corporation's Designated Executive Pension Plan. In addition, senior employees of the Corporation, including the Named Executive Officers, are entitled to a Supplementary Employee Retirement Plan. Information on these plans can be found under "Pension Plan and Long Service Executive Arrangements" on page 25.

Employment and Retirement Arrangements

Mr. Lederer was appointed President of the Corporation on January 1, 2001 and entered into an employment agreement with the Corporation. In January 2004, in accordance with his agreement, Mr. Lederer's base salary was reviewed by the Governance Committee, and his salary was set at $1.35 million annually for the 3 year period ending December 31, 2006 and his bonus was based on a target of 75% of salary based on EVA, not to exceed 100% of base salary, with an additional bonus to a maximum of $250,000 per annum at the discretion of the Governance Committee based upon, among other things, personal performance in achieving the Corporation's approved strategies.

As part of the annual review of the President's compensation, the Governance Committee considered his compensation arrangements, the compensation of senior executives in other North American retail companies, as well as the Corporation's long term strategic objectives which are dependent on the successful completion of the current significant transformative changes. Based on this review, the Governance Committee decided that a further grant of RSUs to Mr. Lederer was appropriate. Accordingly, Mr. Lederer's agreement was amended on January 1, 2006 to provide for an additional grant of RSUs equal to $15 million divided by the fair market value of a Common Share at the date of grant. On February 16, 2006, 271,985 RSUs were granted to Mr. Lederer. The RSUs will be payable in cash in three instalments on performance periods ending on December 31, 2006, 2007 and 2008. Upon ceasing to be employed by the Corporation, Mr. Lederer may be entitled to a payment of a maximum of $12.5 million, subject to certain non-competition covenants.

Mr. Mavrinac entered into a 5-year employment agreement with the Corporation and Weston, effective January 1, 2003 which fixed his base salary at that time at $500,000 for 2 years to be allocated between the Corporation and

SECTION 4

Executive Compensation (continued)

Weston and entitles him to a targeted annual bonus of 75% based on EVA not to exceed 100% of base salary. Mr. Mavrinac's base salary was reviewed by the Governance Committee and his employment agreement was amended to increase his base salary to $600,000 effective January 1, 2005. Upon ceasing to be employed by the Corporation, Mr. Mavrinac may be entitled to a maximum aggregate termination payment of up to $5 million, subject to certain non-competition covenants.

The Chairman's and the President's Compensation

The Chairman's and the President's compensation are reviewed annually by the Governance Committee with the assistance of comparator information provided by external compensation consultants. Neither the Chairman nor the President participates in the Governance Committee's or the Board's decisions relating to their compensation.

In establishing the Chairman and the President's total compensation, the Governance Committee considers the publicly disclosed compensation of chief executive officers of companies whose revenues, profitability and market capitalization are comparable to those of the Corporation, including competitor companies. In establishing their compensation entitlements, the Governance Committee also considers the relative compensation of other Named Executive Officers. In addition, the Governance Committee assesses and considers factors such as their contribution to the Corporation in terms of leadership in the management of the Corporation and its subsidiaries, the financial results obtained by the Corporation, increases in shareholder value, the effective development and growth of the Corporation and the development of new growth opportunities for the Corporation.

The aggregate compensation of each of the Chairman and the President consists of four components: base salary, annual bonus incentive, long-term equity-based incentives and pension arrangements. The portion of Mr. Weston's salary and bonus paid by Weston is reviewed and considered by the Governance Committee in determining his overall compensation from the Corporation.

Mr. Weston's salary and bonus were reviewed by the Governance Committee for 2005. Mr. Weston's base salary was $800,000 in 2005. The Governance Committee also reviewed Mr. Lederer's compensation as President of the Corporation. Mr. Lederer's base salary was $1,350,000 in 2005. Messrs. Weston and Lederer chose to forego their respective bonuses from the Corporation for 2005. As discussed under "Employment and Retirement Arrangements" on page 19, the Governance Committee also reviewed Mr. Lederer's compensation arrangements for 2006.

This report on executive compensation is presented by the Governance, Employee Development, Nominating and Compensation Committee of the Board of Directors.

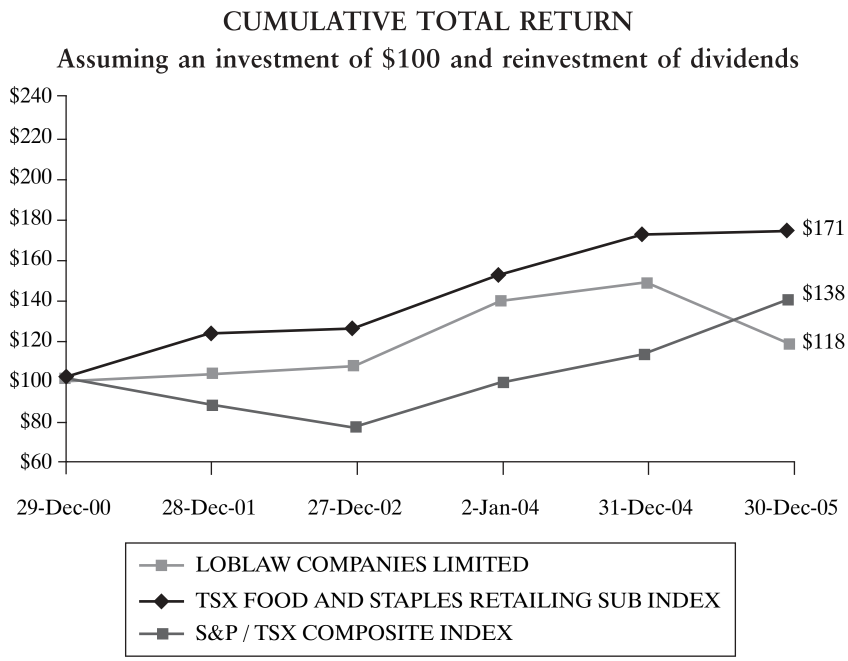
Anthony S. Fell (Chairman), Anthony R. Graham, G. Joseph Reddington and Joseph H. Wright.

SECTION 4

Executive Compensation (continued)

Performance Graph

The graph below compares the cumulative total shareholder return on $100 invested in Common Shares on December 31, 2000 with the cumulative total return of the S&P/TSX Composite and the Food and Staples Retailing Sub Index over the same period.



	29-Dec-00	28-Dec-01	27-Dec-02	02-Jan-04	31-Dec-04	30-Dec-05
S&P / TSX COMPOSITE INDEX	$100	$87	$76	$98	$111	$138
TSX FOOD AND STAPLES RETAILING SUB INDEX	$100	$122	$124	$150	$169	$171
LOBLAW COMPANIES LIMITED	**$100**	**$103**	**$109**	**$138**	**$148**	**$118**

	29-Dec-00	28-Dec-01	27-Dec-02	02-Jan-04	31-Dec-04	30-Dec-05
S&P / TSX COMPOSITE INDEX	19,309.36	16,852.24	14,739.86	18,905.25	21,444.89	26,618.80
TSX FOOD AND STAPLES RETAILING SUB INDEX	1,000.32	1,216.60	1,241.73	1,496.27	1,689.55	1,705.86

SECTION 4

Executive Compensation (continued)

Summary Compensation Table

The following table sets forth compensation received by the Chairman, the President, the officer performing the function of the Chief Financial Officer and the two most highly compensated executive officers of the Corporation (collectively the "Named Executive Officers") for services rendered in all capacities to the Corporation for the years 2005, 2004 and 2003.

		Annual Compensation		Long-Term Compensation Awards			
				Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Securities Under Options/SARs Granted(1)	Shares or Units Subject To Resale Restrictions ($)(a)(b)(c)	LTIP Payouts ($)	All Other Compensation ($)
W. Galen Weston (2)	2005	800,000	0	114,893	1,417,473		5,000
Chairman of the	2004	800,000	500,000	–	–		5,000
Corporation	2003	800,000	1,000,000	149,254	–		5,000
John A. Lederer	2005	1,350,000	0	145,411	1,794,013		18,605
President of the	2004	1,350,000	997,900	–	–		16,889
Corporation	2003	1,200,000	851,750	149,254	–		14,080
David R. Jeffs	2005	800,000	385,600	76,595	944,982		14,883
Executive Vice President of	2004	750,000	546,367	–	–		17,549
the Corporation	2003	700,000	509,966	52,239	–		10,080
Richard P. Mavrinac (2)	2005	300,000	172,500	28,723	354,403		14,300
Executive Vice President of	2004	250,000	169,863	–	–		14,300
the Corporation	2003	250,000	142,458	46,642	–		14,300
Stephen A. Smith	2005	500,000	241,000	47,872	590,649		28,600
Executive Vice President of	2004	400,000	271,380	–	–		28,600
the Corporation	2003	370,000	234,863	48,231	–		28,600

(1) Common Shares of the Corporation.

(2) Messrs. Weston and Mavrinac also received salary, bonus and other compensation from Weston during the relevant periods, which is not reflected in this table.

(a) Closing price on Common Shares on the TSX on January 20, 2005, the date of grant, was $70.50. The amount represents the dollar value of RSUs awarded during 2005, based on the above closing price, multiplied by the number of RSUs awarded. In 2005, the Corporation granted 20,106 RSUs to Mr. Weston, 25,447 RSUs to Mr. Lederer, 13,404 RSUs to Mr. Jeffs, 5,027 RSUs to Mr. Mavrinac and 8,378 RSUs to Mr. Smith.

(b) This grant of RSUs is paid out after the end of a three year performance period following the date of their grant subject to conditions. RSUs are not redeemable for shares and do not accumulate additional units based on notional equivalents of dividends paid on the Common Shares. For a description of the terms of RSUs, see page 18.

(c) As of December 31, 2005, based on the closing price of the Common Shares on the TSX on December 30, 2005 ($56.37), which was the last trading day of the year, Mr. Weston held an aggregate of 20,106 RSUs with a value of $1,133,375, Mr. Lederer held an aggregate of 25,447 RSUs with a value of $1,434,447, Mr. Jeffs held an aggregate of 13,404 RSUs with a value of $755,583, Mr. Mavrinac held an aggregate of 5,027 RSUs with a value of $283,371 and Mr. Smith held an aggregate of 8,378 RSUs with a value of $472,267.

Option/SAR Grants During the Most Recently Completed Financial Year (2005)

Under the Option Plan, the Corporation may grant options to buy Common Shares or receive stock appreciation rights attaching to stock option grants that are valued based on the fair market value of the Common Shares at the close of business on the day prior to the date of the grant. Stock options have a 7 year term, are exercisable at the

SECTION 4

Executive Compensation (continued)

market price of the Common Shares on the date immediately prior to the date of the grant, and vest 20% on each of the first, second, third, fourth and fifth anniversaries of the date of the grant. Messrs. Weston, Lederer and Mavrinac also participate in the Weston stock option plan, details of which are outlined in the Weston Management Proxy Circular.

The following table sets out option grants to Named Executive Officers during the most recently completed financial year:

Name of Participant	Securities Under Options/SARs Granted (#)[1]	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security)	Expiration Date
W. Galen Weston	114,893	5.1	69.63	69.63	January 20, 2012
John A. Lederer	145,411	6.5	69.63	69.63	January 20, 2012
David R. Jeffs	76,595	3.4	69.63	69.63	January 20, 2012
Richard P. Mavrinac	28,723	1.3	69.63	69.63	January 20, 2012
Stephen A. Smith	47,872	2.1	69.63	69.63	January 20, 2012

(1) Common Shares of the Corporation.

(2) See page 17 for terms of grant.

The following table sets out RSUs granted to Named Executive Officers during the most recently completed financial year:

Name of Participant	Securities Under RSUs Granted (#)[1]	% of Total RSUs Granted to Employees in Financial Year	Performance Period End Date
W. Galen Weston	20,106	5.1	January 20, 2008
John A. Lederer	25,447	6.5	January 20, 2008
David R. Jeffs	13,404	3.4	January 20, 2008
Richard P. Mavrinac	5,027	1.3	January 20, 2008
Stephen A. Smith	8,378	2.1	January 20, 2008

(1) Common Shares of the Corporation.

(2) See page 18 for terms of grant.

SECTION 4

Executive Compensation (continued)

The following table sets forth, where applicable, options exercised during 2005 and unexercised options at December 31, 2005 for each of the Named Executive Officers:

Option/SAR Exercises During the Most Recently Completed Financial Year and Financial Year-end Option/SAR Values

Name	Securities/ SARs Acquired on Exercise # (1)	Aggregate Value Realized $ (1)(2)	Unexercised Options at Financial Year End # Exercisable/Unexercisable		Date Option/ SAR Granted	Value of Unexercised in the Money Options/SARs at Financial Year End $ Exercisable/Unexercisable	
W. Galen Weston	–	–	112,500	–	Jan. 11/00	2,741,625	–
			32,992	8,248	Jan. 08/01	259,647	64,912
			59,702	89,552	Jan. 15/03	165,374	248,059
				114,893	Jan. 20/05	–	–
John A. Lederer	14,045	530,788	–	–	Jan. 13/99	–	–
	27,155	1,123,999	160,345	–	Jan. 11/00	3,907,607	–
			131,960	32,990	Jan. 08/01	1,038,525	259,631
			59,702	89,552	Jan. 15/03	165,374	248,059
			–	145,411	Jan. 20/05	–	–
David R. Jeffs	98,450	4,121,117	–	–	Jan. 11/00	–	–
			80,000	20,000	Oct. 19/01	585,600	146,400
			20,896	31,343	Jan. 15/03	57,881	86,820
			–	76,595	Jan. 20/05	–	–
Richard P. Mavrinac	–	–	7,520	–	Jan. 11/00	183,262	–
			9,328	27,986	Jan. 15/03	25,838	77,521
			–	28,723	Jan. 20/05	–	–
Stephen A. Smith	7,020	253,850	–	–	Jan. 13/99	–	–
	10,000	416,200	15,450	–	Jan. 11/00	376,516	–
			19,328	28,993	Jan. 15/03	53,538	80,310
			–	47,872	Jan. 20/05	–	–

(1) Common Shares of the Corporation.

(2) Pre-tax value accrued since date option granted to date of exercise.

The Equity Compensation Plans as at December 31, 2005

The following provides information on the Corporation's Option Plan, which is the Corporation's only plan that provides for the issuance of equity securities:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights $	Number of securities remaining available for future issuance under equity compensation plans
Stock Option Plan	5,305,422	56.983	1,569,613

SECTION 4

Executive Compensation (continued)

Indebtedness of Directors, Executive Officers and Employees

As at March 7, 2006, there was no indebtedness (other than "routine indebtedness" under applicable Canadian securities laws) to the Corporation or any of its subsidiaries of any directors, executive officers, employees or former directors, executive officers, or employees of the Corporation or any of its subsidiaries.

Pension Plan and Long Service Executive Arrangements

Certain senior employees of the Corporation, including the Named Executive Officers, participate on a non-contributory basis, in the Corporation's Designated Executive Pension Plan (the "Executive Plan"). The annual pension payable under the Corporation's Pension Plan is capped at $2,000 per year of service. The amount of pension expected at various salary rates and years of service are set out in the following table:

Pension Plan Table

Annual Base Salary	Years of Service				
$ (000's)	10	15	20	25	30
75	15,000	22,500	30,000	37,500	45,000
100	20,000	30,000	40,000	50,000	60,000
125 and above	20,000	30,000	40,000	50,000	60,000

The Corporation has entered into individual retirement agreements to provide non-registered, supplemental executive retirement allowances ("SERP") to the certain senior executives that participate in the Executive Plan, including the Named Executive Officers.

Benefits under the Executive Plan and the SERP are based on the officer's length of service and his or her highest three year average rate of eligible pension earnings (base salary) during his or her years of service with the Corporation. For the senior executives, excluding the Named Executive Officers, the total annual benefits paid under the Executive Plan and the SERP are capped at $100,000.

The cost of the estimated future SERP and pension benefits for each of the Named Executive Officers is calculated each year by the Corporation's independent actuaries, based on the same method and assumptions used to determine year-end pension plan obligations as disclosed in Note 13 of the 2005 consolidated financial statements of the Corporation. Certain accrued obligations in respect of the Named Executive Officers and other senior executives for the SERP are secured by a stand-by letter of credit issued by a major Canadian bank.

SECTION 4

Executive Compensation (continued)

The following table sets forth the pension cost and benefits under the Executive Plan and the SERP to the Named Executive Officers:

Name	Years of Pension Service as at December 31, 2005	2005 Annual Cost $(1)	Total Accrued Pension Obligation as at December 31, 2005 $(2)	Estimated Annual Pension Benefits Payable at Normal Retirement Age ($)
W. Galen Weston(3)	33.0	300,000	5,260,000	500,000
John A. Lederer	28.3	292,000	4,350,000	500,000
David R. Jeffs	27.6	161,000	2,310,000	300,000
Richard P. Mavrinac(4)	23.6	242,000	3,130,000	300,000
Stephen A. Smith	20.6	105,000	1,540,000	200,000

(1) The annual cost represents the growth in the value of the projected pension benefit during the year.

(2) The total accrued pension obligation represents the value of the projected pension benefit assuming normal retirement age of 60.

(3) Mr. Weston participates in the executive pension plan of Weston. Mr. Weston is presumed to receive a pension of $500,000 per annum at age 70.

(4) A portion of the accrued obligation and pension expense for Mr. Mavrinac is allocated to Weston.

SECTION 5

Other Information

Director and Officer Liability Insurance

The Corporation maintains insurance for the benefit of its directors and officers and the directors and officers of its subsidiaries, in respect of the performance by them of the duties of their positions. The Corporation believes that coverage limits and deductibles are in line with those maintained by other corporations similar to the Corporation. The Corporation's annual insurance premium was $472,700. The insurance limit is $100 million per annum on an aggregate basis or per occurrence basis. There is no deductible in the case of directors and officers and a deductible of up to a maximum of $1 million for the Corporation.

Additional Information

Additional copies of the Corporation's latest Annual Information Form (together with the documents or pertinent pages of documents incorporated therein by reference), the Corporation's consolidated financial statements for 2005 together with the report of the auditor on those statements along with Management's Discussion and Analysis and any financial statements for periods after 2005, and this Circular can be obtained upon request from the Senior Vice President, Investor Relations and Public Affairs of the Corporation at 22 St. Clair Avenue East, Suite 1901, Toronto, Ontario M4T 2S7. Additional information about or relating to the Corporation can also be found at www.loblaw.ca and www.sedar.com or by dialing in for regularly scheduled conference calls. Additional information with regard to Weston can be found at www.weston.ca and www.sedar.com.

Normal Course Issuer Bid

The Corporation has a Normal Course Issuer Bid (the "Issuer Bid") on the TSX which allows for the purchase and cancellation of up to 13,714,045 Common Shares at market price. A copy of the Corporation's Notice of Intention filed with the TSX can be found at www.sedar.com. The Issuer Bid expires on March 30, 2006. The Corporation expects to renew the Issuer Bid for another year on the same terms and conditions.

Contacting the Board of Directors

Shareholders, employees and other interested parties may communicate directly with the Board of Directors through the lead director by writing to:

Lead Director
Loblaw Companies Limited, Suite 2001
22 St. Clair Avenue East
Toronto, Ontario M4T 2S7

Directors' Approval

The contents and sending of this Circular have been approved by the Board.

Robert A. Balcom
Senior Vice President, Secretary &
General Counsel

Dated in Toronto, Canada March 7, 2006

SCHEDULE A

Corporate Governance Practices

Statement of Corporate Governance Practices

The Corporation's Board and management believe that sound corporate governance practices will contribute to the effective management of the Corporation and its achievement of strategic and operational plans, goals and objectives. The Corporation seeks to attain high standards of corporate governance and when appropriate adopts "best practices" in developing its approach to corporate governance. The Corporation's approach to corporate governance is consistent with National Policy 58-201 — Corporate Governance Guidelines (the "Guidelines"). The Governance Committee regularly reviews its corporate governance practices and considers any changes necessary to maintain the Corporation's high standards of corporate governance. To this end, the Corporation also considers the rules of the New York Stock Exchange and of the Securities and Exchange Commission, although the Corporation is not subject to such rules and regulations.

The Corporation's website, www.loblaw.ca sets out additional governance information, including the Code of Business Conduct, its Disclosure Policy and the Mandates of the Board and its Committees.

Director Independence

The Board is comprised of a majority of independent directors if all the nominees proposed for election at the Meeting are elected, the Board will continue to be comprised of a majority of Independent Directors. The Governance Committee has reviewed each existing and proposed director's factual circumstances and relationships with the Corporation to determine whether he or she is independent within the meaning of the Guidelines. The Guidelines provide that a director is independent if he or she has no material relationship with the Corporation or its affiliates that would reasonably be expected to interfere with the director's independent judgment. The following existing and proposed directors are or would be independent: Anthony S. Fell, Thomas C. O'Neill, G. Joseph Reddington, Joseph H. Wright, Paul M. Beeston, Nancy H.O. Lockhart and John D. Wetmore. The following directors are not independent: W. Galen Weston, who is an executive officer of the Corporation and its majority shareholder, Weston, Anthony R. Graham who is an executive officer of Wittington Investments, Limited, the Corporation's indirect majority shareholder, Camilla Dalglish who is a relative of Mr. Weston, Gordon A. M. Currie, who is an executive officer of Weston, Pierre Michaud, who is the Chairman of Provigo Inc., a subsidiary of the Corporation, and provides consulting services to the Corporation, and John A. Lederer, who is an executive officer of the Corporation.

The independent directors meet separately on a periodic basis following Board meetings and on other occasions as required or desirable. Additional information relating to each director and each nominee director standing for election, including other public corporation boards on which they serve as well as their attendance record for all Board and Committee meetings during fiscal 2005, can be found on pages 5 through 14 of this Circular.

Board Leadership

Mr. W. Galen Weston is Chairman of the Board. Mr. Weston has a significant common interest with other shareholders with respect to value creation, the well being of the Corporation, and the performance of its publicly listed securities. The Board has established a position description for the Chairman of the Board. The Board has also appointed an independent director, Anthony S. Fell, to serve as lead director. The lead director provides leadership to the Board and particularly to the independent directors. He ensures that the Board operates independently of management and that directors have an independent leadership contact. As part of his responsibilities, the lead director meets periodically with the other directors to obtain insight as to areas where the

SCHEDULE A

Corporate Governance Practices (continued)

Board and its Committees can operate more effectively and to ensure the Board is able to discharge its responsibilities independently of management. The Board has developed a position description for the lead director.

The Chairman directs the operations of the Board. He chairs each meeting of the Board and is responsible for the management and effective functioning of the Board generally and provides leadership to the Board in all matters. More specifically, the Chairman works in consultation with senior management to, among other things, set the agenda for each Board meeting, ensure that the Board has all the information it needs to discuss the matters brought to the Board and ensure that all the Board's responsibilities, as set out in the Board mandate, are being fulfilled. The Chairman monitors the reports from the Committees of the Board to ensure the Committees are fulfilling the responsibilities delegated to them by the Board. The Chairman also chairs meetings of shareholders and facilitates the response by management to shareholder concerns. In addition, the Chairman also works with the President to ensure that strategic plans are communicated to the Board and that such plans are evaluated as to their success.

Board Responsibilities and Duties

The Board, directly and through its Committees, supervises the management of the business and affairs of the Corporation with the goal of enhancing long-term shareholder value. A copy of the Board's mandate is found on pages 35 to 37 of this Circular. The Board reviews the Corporation's direction, assigns responsibility to management for achievement of that direction, develops and approves major policy decisions, delegates to management the authority and responsibility in day-to-day affairs and reviews management's performance and effectiveness. The Board's expectations of management are communicated to management directly and through Committees of the Board.

The Board approves the Corporation's corporate goals and objectives, operating budgets and strategies, which take into account the opportunities and risks of the business. Members of the Board attend an annual all-day strategy session with management to discuss and review the Corporation's strategic plans and opportunities. In addition, management's strengths and weaknesses are discussed. Through the Audit Committee, the Board oversees the Corporation's risk management framework and assesses and evaluates the integrity of the Corporation's internal controls over financial reporting and management information systems. Through the Governance Committee, the Board oversees succession planning and compensation for senior management as well as Board nominees.

Individual directors may, with the approval of the lead director, retain an outside advisor at the expense of the Corporation.

The Board requires that management seek directors' review and approval of:

- strategic corporate direction and corporate performance objectives;
- multi-year and annual business, capital and operating plans and budgets;
- material capital expenditures, acquisitions, divestitures and restructurings; and
- investment outside of the ordinary course of business.

SCHEDULE A

Corporate Governance Practices (continued)

These matters are in addition to those matters which are required by law to receive Board consideration and approval.

The Board regularly receives reports on the operating results of the Corporation, as well as timely reports on various matters, including insurance, pensions, corporate governance, health and safety and treasury matters.

Position Description for the President

The Board, through the Governance Committee, has approved a protocol for the President, which is contained in the President's contract of employment. This protocol provides that the President is responsible for the overall leadership, direction and business performance of the Corporation. Among other things, the President is responsible for the development of an annual operating plan and an annual strategic plan and the continuous monitoring of the performance of the Corporation against such plans.

Ethical Business Conduct

The Corporation's Code of Business Conduct (the "Code"), sets out the Corporation's long-standing commitment of requiring adherence to high standards of ethical conduct and business practices. The Code is reviewed annually to ensure it is current and reflects best practices in the area of ethical business conduct. Directors, officers and employees of the Corporation are required to comply with the Code and must acknowledge their commitment to abide by the Code on a periodic basis. The Code is available on the Corporation's website, www.loblaw.ca.

The Code also deals with conflicts of interest. Should an officer, director or employee have a conflict of interest with respect to any matter, that individual is required to bring the conflict to the attention of the Ethics and Conduct Committee and, if a director has a conflict with respect to any matter, he or she may not participate in any discussion or vote on the conflict matter. The Code also addresses such issues as the protection of confidential information and the protection and proper use of the Corporation's assets.

The Corporation has established an Ethics and Conduct Committee which reviews all material breaches of the Code. The Ethics and Conduct Committee also oversees implementation of the Code, educating employees regarding the Code and reviews the Code annually to determine if it requires revision.

The Corporation encourages the reporting of unethical behaviour and has established an Ethics Response Line, a toll-free number that any employee or director may use to report conduct which he or she feels violates the Code or otherwise constitutes fraud or unethical conduct. A fraud reporting protocol has also been implemented to ensure that fraud is reported to senior management in a timely manner. In addition, the Audit Committee has endorsed procedures for the receipt, retention and handling of complaints regarding accounting, internal control or auditing matters. These procedures are available at www.loblaw.ca.

The Corporation has adopted a Vendor Code of Conduct that sets out the Corporation's expectations of its vendor community with respect to ethical conduct and social responsibilities. The Vendor Code deals with such matters as labour practices, respect for the environment and compliance with various laws.

Orientation and Continuing Education

The Governance Committee is responsible for the orientation and education of new directors about the business of the Corporation. New directors are provided with a Directors' handbook containing details of the

SCHEDULE A

Corporate Governance Practices (continued)

Corporation's operations, the structure and role of the Board and its Committees, the Board's mandate, compliance requirements for directors, corporate policies, as well as agendas and minutes for recent Board and Committee meetings. In 2005, the new directors attended an extensive five day orientation program regarding the Corporation and its operations. One-on-one meetings are arranged with the heads of each of the Corporation's principal business groups for a new director to learn about the various functions and activities of the Corporation. On an ongoing basis, as part of regular Board meetings, directors are given presentations on various aspects of the Corporation's operations. All Board members participate in an annual all-day Board meeting at which in-depth information regarding the Corporation's strategic plan is reviewed. Members of the Board also participate annually in a two-day senior management conference at which the performance, strategies and vision of the Corporation are discussed. The senior management conference involves presentations by and discussions with senior executives responsible for different aspects of the business of the Corporation.

Assessment of the Board, and its members and its Committees

Each year, the Governance Committee undertakes a review process to assess the performance and effectiveness of the Board and its Committees. In 2005, this process included a questionnaire completed by each of the directors. The process covers the operation of the Board and its Committees, the adequacy of information provided to directors, Board structure, agenda planning for Board meetings, effectiveness of the Chairman in managing Board meetings, effectiveness of the lead director, and any other issues a director may wish to discuss. The results were reviewed by the Governance Committee and then presented to the full Board.

As part of this assessment, the members of the Board made recommendations for improvements in certain areas, including the involvement of the Board with the Corporation's strategic plan and the number of meetings of the Board held in a typical year.

Each year, in addition to the assessment that the Governance Committee performs in connection with compensation matters, the Governance Committee assesses the performance of the Chairman and the President and reviews the results with the Board.

Nomination of Directors

The Governance Committee is responsible for the nomination of directors. The Governance Committee reviews the experience and performance of nominees for election to the Board and the appointment of directors to Committees.

On an annual basis or when required, the Governance Committee meets to consider any vacancies on the Board or the desirability of additional members of the Board. The members of the Board are canvassed with respect to potential candidates and each candidate is evaluated with respect to his or her experience and expertise, with particular attention paid to those areas of expertise that could best complement the current Board. The Governance Committee also assesses any potential conflicts, independence or time commitment concerns the candidate may present. The Committee then presents its list of potential candidates to the Board. A continuous list of potential candidates is kept with the records of the Governance Committee.

Composition of the Governance Committee

The Governance Committee, which is responsible for the identification of new candidates for the Board and for the oversight of compensation for directors and officers of the Corporation, is not comprised entirely of

SCHEDULE A

Corporate Governance Practices (continued)

independent directors because one member, Mr. Graham who is an officer of Wittington Investments, Limited, a Corporation controlled by Mr. W. Galen Weston and the Corporation's indirect majority shareholder. Because of the alignment of interests between Mr. Weston and minority shareholders, namely, the creation of value and long term growth, the Board has determined that it is appropriate for Mr. Graham to be a member of the Governance Committee, with the remainder of the members of the Governance Committee being independent directors. The Board believes that the presence of a majority of independent directors on the Governance Committee and the alignment of interests described above ensure an objective nomination process that is in the interests of all shareholders.

Board Committees

There are five committees of the Board: Audit; Governance, Employee Development, Nominating and Compensation; Pension and Benefits; Environmental, Health and Safety, and Executive.

The Audit Committee is comprised solely of independent directors. All Committees are comprised solely of non-management directors, in each case, with a majority of members being independent directors except for the Executive Committee. The Board believes that the composition of its committees other than the Executive Committee allows them to operate independently from management such that shareholders' interests are protected.

Each Committee has a formal mandate and a position description for the Chair established by the Board. Both the mandate and position description are reviewed annually. Copies of the Committees' mandates are available on the Corporation's website, www.loblaw.ca.

Position Descriptions for the Chair of the Committees

The Chair of each Committee is responsible for the leadership and effective functioning of the Committee. Specifically, the Chair is responsible for the following: maintaining a productive and effective relationship between the Committee and management of the Corporation; ensuring the proper flow of information from the Committee, the matters discussed and voted upon at each Committee meeting, reviewing the agenda for each meeting of the Committee to ensure that all appropriate matters are brought forward for discussion at the Committee meeting, ensuring that the Committee meets as frequently as is necessary and ensuring, with the assistance of management, and that all proper materials and information are before the Committee in connection with matters to be discussed at each meeting of the Committee.

The following is a brief summary of some of the responsibilities of each Committee.

Audit Committee

All members of the Audit Committee must be independent and financially literate as required under applicable rules. The Audit Committee is also responsible for supporting the Board in overseeing the integrity of the Corporation's financial reporting and internal controls over financial reporting, disclosure controls, internal audit function and its compliance with legal and regulatory requirements. The Audit Committee's responsibilities include:

- recommending the appointment of the external auditor;
- reviewing the arrangements for and scope of the audit by the external auditor;

SCHEDULE A

Corporate Governance Practices (continued)

- reviewing the independence of the external auditor;
- reviewing and approving the Corporation's hiring policies regarding partners and professional employees of the external auditor of the Corporation;
- considering and evaluating with management the adequacy and effectiveness of internal controls over financial reporting and disclosure controls and reviewing any proposed corrective actions;
- reviewing and monitoring the Corporation's policies relating to ethics and conflicts of interests;
- overseeing procedures for the receipt, retention and follow up of complaints regarding the Corporation's accounting, internal controls and auditing matters and the confidential anonymous submission by employees of concerns regarding such matters;
- reviewing and monitoring the internal audit function of the Corporation;
- reviewing the integrity of the Corporation's management and information systems;
- reviewing and approving the audit fees paid to the external auditor and pre-approval of non-audit related fees to the external auditor;
- discussing and reviewing with management and the external auditor the Corporation's annual and interim consolidated financial statements, key reporting matters and Management's Discussion and Analysis and Annual Information Form;
- reviewing disclosure containing financial information based on the Corporation's financial statements; and
- reviewing with management the principal risks of the Corporation's business and the systems and processes implemented to manage these risks.

Governance, Employee Development, Nominating and Compensation Committee
The Governance Committee is responsible for overseeing the compensation of directors and executive officers. The Governance Committee is also responsible for developing and maintaining governance practices consistent with high standards of corporate governance. As part of its mandate, the Governance Committee identifies and recommends candidates for nomination to the Board as directors, monitors the orientation program for new directors and maintains a process for assessing the performance of the Board and its Committees as well as the performance of individual directors and discharging the Board's responsibilities relating to compensation and succession planning for the Corporation's senior employees. The Governance Committee's specific responsibilities include:

- identifying candidates for membership on the Board and evaluating the independence of the directors;
- assisting in directors' orientation and assessing their performance on an on-going basis;
- shaping the Corporation's approach to corporate governance and recommending to the Board corporate governance principles to be followed by the Corporation;
- discharging the Board's responsibilities relating to compensation and succession planning for the Corporation's senior employees; and
- determining the process for the compensation of directors and executive officers.

SCHEDULE A

Corporate Governance Practices (continued)

The Board appointed the Chairman of the Governance Committee, who is an independent director, to serve as lead director.

Pension and Benefits Committee
The Pension and Benefits Committee is responsible for:

- reviewing the performance of the Corporation's and its subsidiaries' pension plans and pension funds;
- reviewing and recommending managers for the fund's portfolio;
- reviewing the performance of pension fund managers;
- reviewing and approving the assumptions used, the funded status and amendments to the Corporation's and its subsidiaries' pension plans; and
- receiving reports regarding level, types and costs of the Corporation's employee benefit plans.

Environmental, Health and Safety Committee
The Environmental, Health and Safety Committee is responsible for reviewing and monitoring environmental, food safety and workplace health and safety policies, procedures, practices and compliance.

Executive Committee
The Executive Committee possesses all of the powers of the Board except the power to declare common dividends and certain other powers specifically reserved by applicable law to the Board. The Executive Committee acts only when it is not practicable for the full Board to meet.

Other Corporate Governance Matters

Disclosure Policy
The Board has reviewed and adopted a corporate Disclosure Policy to deal with the timely dissemination of all material information. A copy of the Disclosure Policy is available on the Corporation's website, www.loblaw.ca. The Disclosure Policy, which is reviewed annually, establishes consistent guidance for determining what information is material and how it is to be disclosed to avoid selective disclosure and to ensure wide dissemination. The Board, directly and through its Committees, reviews and approves the contents of major disclosure documents, including unaudited interim and audited consolidated financial statements, the Annual Report, the Annual Information Form, Management's Discussion and Analysis and this Circular. The Corporation seeks to communicate to its shareholders through these documents as well as by means of news releases, its website and investor relations meetings.

Disclosure Committee
A Disclosure Committee comprised of senior management of the Corporation oversees the Corporation's disclosure process as outlined in the Disclosure Policy. The Disclosure Committee's mandate includes ensuring that effective disclosure controls and procedures are in place to allow the Corporation to satisfy all of its continuous disclosure obligations including certification requirements. The Disclosure Committee is also responsible for ensuring that the policies and procedures contained in the Corporation's Disclosure Policy are in compliance with regulatory requirements.

SCHEDULE A-1

Mandate of The Board of Directors

The purpose of this document is to summarize the governance and management roles and responsibilities of the Board of Directors of the Corporation (the "Board").

1. ROLE

The role of the Board is to provide governance and stewardship of the Corporation. Its role is to review corporate strategy, assign responsibility to management for achievement of that strategy, establish executive limitations, and monitor performance against approved objectives. In fulfilling this role, the Board regularly reviews management's strategic plans so that they continue to be responsive to the changing business environment in which the Corporation operates. The Board oversees the Corporation's approach to corporate governance, internal controls and information systems to ensure that the Corporation reports accurately and fairly information to shareholders and other interested parties. The Board is required to satisfy itself as to the integrity of senior management, that the Corporation engages in ethical and legal conduct and that senior management creates a culture of integrity throughout the Corporation.

2. RESPONSIBILITIES

To ensure that it fulfills its role, the Board will:

(a) Define Shareholder Expectations for Corporate Performance Through Effective Communication with Shareholders

- Satisfy itself that there is effective communication between the Board and the Corporation's shareholders, other stakeholders, and the public, including effective, transparent and timely public disclosure.
- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set corporate strategic goals and objectives within this context.

(b) Establish Strategic Goals, Performance Objectives and Operational Policies

- The Board will review and approve broad strategic corporate objectives and establish corporate values against which corporate performance will be measured. In this regard, the Board will: Approve long-term strategies.
- Review and approve management's strategic and operational plans so that they are consistent with long-term goals.
- Approve strategic and operational policies within which management will operate.
- Set targets and budgets against which to measure corporate and executive performance.
- Satisfy itself that a portion of executive compensation is linked appropriately to corporate performance.
- Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management.

SCHEDULE A-1

Mandate of The Board of Directors (continued)

(c) Delegate Management Authority to the Chairman and the President

- Delegate to the Chairman and the President the authority to manage and supervise the business of the Corporation, decisions regarding the Corporation's ordinary course of business and operations that are not specifically reserved to the Board under the terms of that delegation of authority.
- Determine what, if any, executive limitations may be required in the exercise of the authority delegated to management.

(d) Monitor Corporate Performance

- Understand, assess and monitor the principal risks of all aspects of the business in which the Corporation is engaged.
- Monitor corporate performance against both short-term and long-term strategic plans and annual performance targets, and monitor compliance with Board policies and the effectiveness of risk management practices.

(e) Corporate Governance

- Develop and monitor compliance with a set of corporate governance principles and guidelines.
- Appoint a lead director who is an independent director to provide leadership to the independent directors.
- Ensure that independent directors hold regular meetings without the attendance of management or non-independent directors.
- Review the Board's mandate on an annual basis and make any revisions which are necessary.
- Adopt a written code of business conduct which is applicable to employees, officers and directors of the Corporation, and monitor compliance with such code.
- Develop, adopt and regularly review descriptions for the Chairman and the President and the chair of each committee of the Board.
- Assess the effectiveness and performance of the Board and its committees as well as their individual members.

3. COMPOSITION

The Board shall be comprised of a majority of independent directors. "**Independence**" shall have the meaning given in National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

4. COMMITTEES

The Board is required to establish certain committees and to delegate certain authority and responsibilities to such committees as it approves and in accordance with their charters. The Board has established the following committees: the Audit Committee (which is comprised entirely of independent directors), the Governance, Employee Development, Nominating and Compensation Committee, (which is composed of a majority of independent directors) the Environmental, Health and Safety Committee, the Pension and Benefits Committee and the Executive Committee.

SCHEDULE A-1

Mandate of The Board of Directors (continued)

5. ORIENTATION AND CONTINUING EDUCATION

The Board shall ensure that all directors receive a comprehensive orientation and continuing education in connection with their role, responsibilities and the business of the Corporation, as well as the skills they must use in their roles as directors.

6. SHARE OWNERSHIP BY DIRECTORS

The Board shall approve requirements for ownership by directors of shares of the Corporation and shall monitor compliance with such requirements.

SCHEDULE B

Shareholder Proposal

Shareholder Proposal

The following Shareholder Proposal has been submitted for consideration at the Annual Meeting by The Ethical Funds Corporation, 800 - 1111 West Georgia Street, Vancouver, British Colombia V6E 4T6. The proposal and statement of support are set out in italics.

Genetically Modified Foods

Whereas

Consumers are becoming increasingly health-conscious, leading to growing concern about genetically modified (GM) foods and their prevalence throughout the food system. Environmental organizations are also spreading the alarm about the potential environmental consequences of GM foods.

Based on U.S. figures, a Monsanto Investor Risk Report by Innovest suggests that if labelling requirements were imposed, 30% or more of consumers would reject GM foods and search for alternatives. See http://www.innovestgroup.com/pdfs/2005-01-01 Monsanto GeneticEngineering.pdf.

A variety of food manufacturers and retailers have publicly committed to removing GM ingredients from their supply chain including notable Canadian and U.S. examples such as McCain, Safeway, Ben & Jerry's and Trader Joe's.

Public opinion surveys conducted since 1997 continually cite a high level of support for mandatory labeling at levels ranging from 68% to 93%. The latest Canadian figures from a Léger Marketing poll conducted in May 2004, suggest that 83% of Canadians want mandatory labeling of genetically modified organisms (GMOs). See http://www.opinion-canada.ca/en/articles/article 143.html.

Given consumer attitudes and public opinion on GM foods, future changes to the regulation of such foods are a likely scenario. A proactive stance on GM foods, which would include a labeling scheme in the absence of an outright ban, would adequately protect Loblaw from any sudden changes in the regulatory environment.

The impact of GM foods can be material to a company's business operations in the following ways: consumer rejection and growing demand for organic products to avoid GM ingredients; lawsuit liabilities due to cross contamination and loss of consumer confidence; compliance with sudden regulatory changes or labeling laws.

Based on materiality of the above impacts, a recently published report concludes that public companies have a duty to disclose the use of and the potential liability associated with the use of GM ingredients (See http://www.uspirg.org/reports/DutyToDisclose8 04.pdf).

In addition, the Canadian Institute of Chartered Accountants (ClCA) has recently released a guidance document calling for disclosure 'where the management of a particular environmental issue is identified as a key performance driver of the company'. This document also notes that research demonstrates that companies with significant environmental risk exposure are not providing adequate disclosures in regulatory filings. (See http://www.cica.ca/multimedia/Download Library/Research Guidance/MDandA Business Reporting/English/IR 2 draft.pdf).

SCHEDULE B

Shareholder Proposal (continued)

Be it Resolved:

That the Company prepare a report to shareholders (at reasonable cost and omitting proprietary details) by October 2006 to include the following:

i) the extent to which the Company's private label food products are derived from or contain GM ingredients;

ii) a cost/benefit analysis of implementing a voluntary labeling scheme for Loblaw private label brands;

iii) the business risks associated with the continued use of GM ingredients in Loblaw private label brands;

iv) contingency plans for sourcing non-GM ingredients should circumstances so require.

The Board of Directors Recommends Shareholders Vote Against This Proposal For The Following Reasons:

The Corporation welcomes the opportunity to respond to this Shareholder Proposal concerning genetically modified foods. There has been much dialogue on this subject as the Corporation continues to monitor this issue.

Food safety is one of the Corporation's highest priorities. The Corporation understands and supports its customers' interest in food safety matters. The Corporation strongly believes that all of its control labeled products, including those which may contain genetically modified ingredients, are safe.

The Corporation relies on the various government regulators whose mandate is to establish and monitor the standards for safety and nutritional quality of foods sold in Canada including the Canadian Food Inspection Agency and Health Canada. A genetically modified agricultural or food product must undergo a number of strict scientific safety assessments mandated by these and other government bodies before it can be produced or marketed in Canada. These assessments are designed to determine that the product is not dangerous for humans, animals or the environment. The Corporation relies on the government agencies who are charged with ensuring the health and safety of the public to have processes in place to ensure food is safe.

The Corporation understands that these regulatory authorities have not discovered any increased safety, health or environmental risk created through the use of genetically modified food products than their traditionally produced counterparts. The Corporation is, however, aware of the concerns of those who object to the use of genetically engineered ingredients.

The Corporation has responded to the continued focus by the consumer on health and increasing commitment by Canadians to a healthy diet. This has resulted in the introduction of health-oriented control labeled products. The Corporation has been a leader in offering certified organic products and now has approximately 300 such products under the *President's Choice Organics* label. The products are third party certified that they meet the stringent requirements of the Canadian Organic Standard. In 2004, the Corporation launched the *President's Choice Mini Chefs* line of healthy-choice products for children. Early in 2005 the Corporation introduced its *President's Choice Blue Menu* line of products for health and nutrition conscious consumers, which offer low fat, zero trans fat and lower calories and sodium. The Corporation now offers approximately 200 *President's Choice Blue Menu* products.

The Corporation continues to work with its supplier community to ensure all of its control labeled products continue to meet or exceed the government requirements for nutrition and labeling. The Corporation has informed its suppliers that if they wish to label their products according to the Canadian Voluntary Standard for goods containing or not containing ingredients derived from Genetically Engineered Materials, the Corporation would accept those products providing standard supply arrangements are met.

The Corporation believes the proposed report is not necessary in light of other disclosure of the Corporation which describes the existing initiatives and efforts in this area. Therefore the Board recommends voting against it.