Loblaw®
COMPANIES LIMITED

Management Proxy Circular

LOBLAW COMPANIES LIMITED
ANNUAL MEETING APRIL 30, 2008

THIS DOCUMENT CONTAINS

- NOTICE OF MEETING
- PROXY CIRCULAR

Loblaw COMPANIES LIMITED

Management Proxy Circular

TABLE OF CONTENTS

Loblaw Companies Limited

March 2008

Invitation to Shareholders

Dear Shareholder,

It is my pleasure to invite you to the Annual Meeting of Shareholders, which will be held on Wednesday, April 30, 2008, at 11:00 a.m. (local time) in Hall G at the Metro Toronto Convention Centre, South Building, 222 Bremner Boulevard, Toronto, Ontario, Canada. The Notice of Annual Meeting and related material are enclosed.

This Management Proxy Circular describes the regular Annual Meeting business matters on which you will be requested to vote. It is important that you exercise your vote, either in person at the Meeting or by completing and sending in your proxy form.

We hope you will be able to join us in person, or through our webcast, which will be available live from the Investor Zone section of the Corporation's website at www.loblaw.ca. A recorded version of the meeting will be available on the Corporation's website following the Annual Meeting.

Yours very truly,

Galen G. Weston
Executive Chairman

COMPANIES LIMITED

Notice of Annual Meeting of Shareholders

The 2008 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Wednesday, April 30, 2008 at 11:00 a.m. (local time), at the Metro Toronto Convention Centre, South Building, Hall G, 222 Bremmer Boulevard, Toronto, Ontario, Canada for the following purposes:

1. to receive the consolidated financial statements of the Corporation for the financial year ended December 29, 2007 and the auditors' report thereon;
2. to elect the directors;
3. to appoint KPMG LLP as the Corporation's auditors and authorize the directors to fix their remuneration; and
4. to transact such other business as may properly be brought before the Annual Meeting or any adjournment thereof.

Holders of common shares of the Corporation at the close of business on March 18, 2008 are entitled to vote at the Annual Meeting.

Shareholders are entitled to vote at the Annual Meeting either in person or by proxy. Any shareholder who is unable to attend the Annual Meeting in person is requested to either complete, date, sign and return the enclosed form of proxy (in the envelope provided for that purpose) to the Corporation's transfer agent, Computershare Investor Services Inc., or vote through the Internet.

The Management Proxy Circular and form of proxy accompany this Notice of Annual Meeting.

Dated at Toronto, Ontario this 24th day of March, 2008.

BY ORDER OF THE BOARD OF
DIRECTORS

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

Please Note:

In order to attend the Annual Meeting, all shareholders and guests should have photo identification and will require an admittance card, which will be provided at the time of registration with the transfer agent. Security measures will be in force. No cameras, parcels, knapsacks and/or bags will be allowed into the meeting.

NOTE: Registered shareholders wishing to receive (or continue to receive) interim financial statements and interim management's discussion and analysis by mail during 2008 must mark the request box at the bottom of their form of proxy, and non-registered shareholders must complete and return the enclosed interim report request form. **Unless you request them, quarterly reports will not be sent to you.** Financial results are announced by media release, and financial statements and management's discussion and analysis are available on the Loblaw Companies Limited website at www.loblaw.ca.

Some households may receive multiple copies of annual reports in shareholder mailings as a result of having multiple registered shareholders residing at that address. Registered shareholders may decline to receive future annual reports, containing annual financial statements and annual management's discussion and analysis, by marking the annual report box at the bottom of the form of proxy. In order to receive future annual reports, non-registered shareholders must complete and return the enclosed annual report request form. Registered shareholders who decline to receive annual reports and non-registered shareholders who do not request annual reports will continue to receive the Management Proxy Circular, form of Proxy and other shareholder mailings.

SECTION 1 Voting Information

About this Circular 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 Wednesday, April 30, 2008 at 11:00 a.m. (local time), in Hall G, at the Metro Toronto Convention Centre, South Building, 222 Bremnar Boulevard, Toronto, Ontario, Canada, 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, our corporate governance practices and other matters.

Please see the "Voting Information" 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 24, 2008.

Business of the Meeting

At the Meeting, shareholders are voting on: (i) the election of directors; and (ii) the appointment of the auditors and the authorization of the directors to fix their remuneration. 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. A simple majority of the votes cast at the Meeting in person or by proxy is required to approve each of the items specified in the notice of meeting which accompanies this Circular.

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

Voting Process

Who can vote?

Holders of common shares of the Corporation ("Common Shares") as at the close of business on March 18, 2008 are entitled to vote at the Meeting. Each Common Share is entitled to one vote. As of March 24, 2008, the Corporation had 274,173,564 Common Shares issued and outstanding.

How do I vote?

- Registered shareholders hold shares directly in their name. If you are a registered shareholder, you can vote either:
  - in person at the Meeting; or
  - you may sign the enclosed form of proxy appointing the persons named in the proxy, or some other person you choose, who need not be a shareholder to represent you as proxyholder and vote your shares at the Meeting.
- Non-registered shareholders beneficially own shares but the shares are held in the name of a nominee, such as a bank, broker or trust company. If you are a non-registered shareholder, you may vote your shares either:
  - through your nominee; or
  - in person at the Meeting.

- To vote your shares through your nominee you should follow the instructions on the voting instruction form or proxy form provided by your nominee.
- To vote your shares in person at the Meeting you should take these steps:
  - appoint yourself as the proxyholder by writing your name in the space provided on the voting instruction form or proxy form. Do not complete the voting section of the proxy form as your vote will be taken at the Meeting; and
  - return the voting instruction form or proxy form to the nominee in the envelope provided.

If you voted through your nominee and would now like to vote in person, contact your nominee to discuss whether this is possible and what procedures you need to follow.

What if I plan to attend the meeting and vote in person?
If you are a registered shareholder and plan to attend the Meeting on April 30, 2008 and wish to vote your shares in person at the Meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the Meeting. Please register with the Corporation's transfer agent, Computershare Investor Services Inc. ("Computershare"), upon arrival at the Meeting.

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.investorvote.com) 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 April 28, 2008, 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 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; and**
- **FOR the appointment of KPMG LLP as the auditors of the Corporation and the authorization of the directors to fix their remuneration.**

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 with respect to amendments or variations to matters identified in the notice of meeting which accompanies this Circular and with respect to other matters which may properly come before the Meeting. As of March 24, 2008, management of the Corporation 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 April 28, 2008 or, if the Meeting is adjourned, before 5:00 p.m. (local time) on the second last business day before any adjournment thereof; or
  - to the Secretary of the Meeting before the Meeting starts; or
- in any other manner permitted by law.

If you are a non-registered shareholder, you may revoke a proxy or voting instruction (or a waiver of the right to receive meeting materials and to vote) given to your intermediary by written notice to the intermediary provided that the revocation is received by the intermediary at least seven days before the Meeting. If your revocation is not received by that time, your intermediary is not required to act on it.

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 costs of such solicitation will be paid by the Corporation.

Is my vote confidential?

Yes, proxies returned to Computershare are counted and tabulated to preserve the confidentiality of individual shareholder votes. Proxies are referred to the Corporation only in cases where a shareholder clearly intends to communicate with management, in the event of questions as to the validity of the proxy or where it is necessary to do so to meet applicable legal requirements. Computershare does not inform the Corporation's management about how individual shareholders have voted except when comments made by shareholders are intended for the attention of management or when required by law.

Controlling Shareholder

As at March 24, 2008, George Weston Limited (the Corporation's parent corporation) (''Weston'') beneficially owned, directly or indirectly through its subsidiaries, a total of 169,576,651 Common Shares representing approximately 61.85% of the outstanding Common Shares. Weston is controlled by Mr. W. Galen Weston. Note 25 to the Corporation's 2007 consolidated financial statements provides information on certain transactions that the Corporation entered into with Weston and its affiliates in 2007 and 2006. As at March 24, 2008, Mr. W. Galen Weston also beneficially owned 3,773,084 Common Shares representing approximately 1.4% of the outstanding Common Shares. To the knowledge of the Corporation, no other person beneficially owns, directly or indirectly, or exercises control or direction over, 10% or more of the outstanding Common Shares.

SECTION 2

Business of the Meeting

Financial Statements and Auditors' Report

The consolidated financial statements of the Corporation for the financial year ended December 29, 2007 and the auditors' report thereon are included in the 2007 Annual Report. A copy of the 2007 Annual Report is available on SEDAR at www.sedar.com.

Election of Directors

On March 7, 2008, 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. The Board appointed Ms. Karen Radford as a director effective February 4, 2008 to fill the vacancy created by the retirement of Joseph H. Wright.

It is proposed that the persons named below be nominated for election as directors of the Corporation. All nominees are currently directors of the Corporation and all of the nominees have established their eligibility and willingness to serve as directors. 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 of shareholders 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, principal occupation and directorships of other companies. Also indicated for each nominee is the number of Common Shares and deferred share units 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 24, 2008.

Paul M. Beeston, C.M., F.C.A., 62
Toronto, Ontario

Director Since: 2005
Independent Director
Meets share ownership guidelines

Mr. Beeston, a corporate director, is Chairman of the Centre for Addiction and Mental Health and 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) and Newport Partners Income Fund.

Committee Memberships	Shareholdings	March 2008	March 2007
Audit	Common	7,900	7,900
Governance, Employee Development, Nominating and Compensation Committee	DSUs	6,086	3,334

Gordon A.M. Currie, 49
Toronto, Ontario

Director Since: 2006
Non-Independent Director

Mr. Currie is Executive Vice President, Secretary and General Counsel of Weston. He was formerly Senior Vice President and General Counsel of Direct Energy.

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

Committee Memberships	Shareholdings	March 2008	March 2007
Pension and Benefits	Common	1,000	1,000
	Weston Common	970	500

Camilla H. Dalglish, 70
Toronto, Ontario

Director Since: 1991
Non-Independent Director
Meets share ownership guidelines

Mrs. Dalglish, a corporate director, is a director of The W. Garfield Weston Foundation, The Garfield Weston Foundation, London, UK and is also a former director of the Nature Conservancy of Canada.

Mrs. Dalglish is a former President of the Civic Garden Centre and a former director of the Royal Botanical Gardens.

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

Committee Memberships	Shareholdings	March 2008	March 2007
Environmental, Health and Safety	Common	2,800	800
	DSUs	9,290	7,077
	Weston Common	310,560	310,560
	Weston Preferred Shares Series I	20,000	20,000
	Weston Preferred Shares Series II	40,000	40,000
	Weston Preferred Shares Series III	20,000	20,000

Anthony S. Fell, O.C., 69
Toronto, Ontario

Director Since: 2001
Independent Director
Lead Director
Meets share ownership guidelines

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

Mr. Fell is Chairman of The Munich Reinsurance Company of Canada and a director of BCE Inc. and CAE Inc.

Committee Memberships	Shareholdings	March 2008	March 2007
Governance, Employee Development, Nominating and Compensation Committee (Chair)	Common	20,000	20,000
Pension and Benefits (Chair)	DSUs	10,770	5,327

Anthony R. Graham, 51
Toronto, Ontario

Director Since: 1999
Non-Independent Director
Meets share ownership guidelines

Mr. Graham is President and a director of Wittington Investments, Limited and President and Chief Executive Officer of Sumarria Inc. He is a former Vice-Chairman and director 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 (a subsidiary of the Corporation). He is also a director of Weston, Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Power Corporation of Canada, Power Financial Corporation, Garbell Holdings Limited and Selfridges & Co. Ltd.

Committee Memberships	Shareholdings	March 2008	March 2007
Executive	Common	10,000	10,000
Governance, Employee Development, Nominating and Compensation	DSUs	9,360	6,473
Pension and Benefits	Weston Common	10,000	10,000
	Weston DSUs	6,413	4,153

John S. Lacey, 64
Toronto, Ontario

Director Since: 2007
Independent Director

Mr. Lacey is Chairman of the Advisory Board of Tricap Restructuring Fund. He is the former President and Chief Executive Officer of the Oshawa Group, a major food retailer (now part of Sobeys Inc.).

Mr. Lacey graduated from Kearsney College, South Africa and the Harvard Graduate School of Business Administration.

Mr. Lacey is a director of Canadian Imperial Bank of Commerce, TELUS Corporation and Cancer Care Ontario.

In the past five years, Mr. Lacey has served as a director of Canadian Tire Corporation Limited, Stelco Inc., Alderwoods Group, Inc. and The Loewen Group.(1)

Committee Memberships	Shareholdings	March 2008	March 2007
Governance, Employee Development, Nominating and Compensation	Common	2,009	2,009
	DSUs	1,711	—
Audit			

Allan L. Leighton, 54
Toronto, Ontario

Director Since: 2006
Non-Independent Director

Mr. Leighton is Deputy Chairman of the Corporation and of Weston. He is also Deputy Chairman of Selfridges & Co. Ltd.

Mr. Leighton is the former President and Chief Executive Officer of Wal-Mart Europe. He held executive positions with Asda Stores Ltd. from 1992 to 2000 including Chief Executive.

Mr. Leighton graduated from the Advanced Management Program at Harvard University.

Mr. Leighton is Chairman of Royal Mail Group (U.K. Postal Service) and a director of Weston, BskyB plc, Selfridges & Co. Ltd., Holt, Renfrew & Co., Limited and Brown Thomas Group Limited.

In the past five years Mr. Leighton has also served as a director of Scottish Power plc.

Mr. Leighton was a member of the board of directors of Leeds United Football, PLC.(2)

Committee Memberships	Shareholdings	March 2008	March 2007
Executive	Common	1,711	—
	Weston Common	4,781	2,648

(1) Mr. Lacey was Chairman of The Loewen Group Inc. when it filed a petition for creditor, protection under Chapter 11 of the U.S. Bankruptcy Code and the Companies' Creditors Arrangement Act (CCAA) in June 1999. The Loewen Group Inc. emerged from Chapter 11 and CCAA proceedings were in November 2006.

In March 2006, Mr. Lacey joined the board of directors of Stelco Inc. as a nominee of Tricap Management Limited. Stelco filed for protection under the CCAA in January of 2004 and emerged from those proceedings in March of 2006 at which time Mr. Lacey resigned from the Stelco board.

(2) Mr. Leighton was a member of the board of directors of Leeds United Football, PLC when that company was subject to administration proceedings.

Nancy H.O. Lockhart, O. Ont., 53
Toronto, Ontario

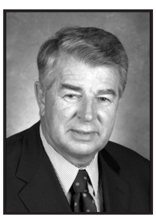
Director Since: 2005
Independent Director
Meets share ownership guidelines

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

Ms. Lockhart is a director of the Canada Deposit Insurance Corporation, The Toronto Community Foundation and The Stratford Chef's School. She is a former Chair of the Ontario Science Centre, former President of the Canadian Club of Toronto and a former Chair of the Canadian Film Centre.

Ms. Lockhart is also a former member of the Board of Trustees of Retirement Residences Real Estate Investment Trust.

Committee Memberships	Shareholdings	March 2008	March 2007
Environmental, Health and Safety (Chair)	Common	750	250
Governance, Employee Development, Nominating and Compensation	DSUs	6,165	3,068
	Weston Common	1,860	1,860



Pierre Michaud, C.M., 64
Montreal, Quebec

Director Since: 1999
Non-Independent Director
Meets share ownership guidelines

Mr. Michaud is a former director and Past Chairman of Provigo Inc. (a subsidiary of the Corporation) and is Vice-Chairman of Laurentian Bank of Canada. He is the founder of Réno Dépot Inc.

Mr. Michaud is a director of Bombardier Recreational Products Inc. and Gaz Métro Inc.

In the past five years, Mr. Michaud has also served as a director of Laurentian Trust of Canada Inc., Réno Dépot Inc., Capital d'Amerique CDPQ and the Old Port of Montreal Corporation.

Committee Memberships	Shareholdings	March 2008	March 2007
Environmental, Health and Safety	Common	24,866	34,866

Thomas O'Neill, F.C.A. 62
Toronto, Ontario

Director Since: 2003
Independent Director
Meets share ownership guidelines

Mr. O'Neill, a 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 received an Honorary LL.D. from Queen's University.

Mr. O'Neill is a director of Nexen Inc., President's Choice Bank, St. Michaels's Hospital, BCE Inc., and Adecco S.A.

Committee Memberships	Shareholdings	March 2008	March 2007
Audit (Chair)	Common	3,703	2,000
	DSUs	4,274	2,733
	Weston Common	500	500

Karen Radford, 39
Montreal, Quebec

Director Since: 2008
Independent Director

Ms. Radford is Executive Vice President and President, TELUS Québec and TELUS Partner Solutions.

Ms. Radford graduated from Mount Allison University with a B.Sc. and from Dalhousie University with an M.B.A.

Ms. Radford serves as a special adviser to Youth in Motion. She is a member of the Alberta Children's Hospital's Board of Trustees and is president and co-founder of the Women's Leadership Foundation. She is also a member of the TELUS Montreal Community Board.

Committee Memberships	Shareholdings	March 2008	
Environmental, Health and Safety	Common	—	
	DSUs	—	

Galen G. Weston, 35
Toronto, Ontario

Director Since: 2006
Non-Independent Director
Meets share ownership guidelines

Mr. Weston is Executive Chairman of the Corporation. He previously held several senior executive positions with the Corporation and its subsidiaries including Senior Vice President, Corporate Development, Vice President, Operations, No Frills, Senior Director of e-Commerce Development and Manager, Retail Execution of President's Choice Financial. Prior to joining the Corporation, he was an Investment Banking Analyst for Salomon Brothers in the U.K.

Mr. Weston graduated from Harvard University with a B.A. and from Columbia University with an M.B.A.

Mr. Weston is a director of Wittington Investments, Limited.

In the past five years, Mr. Weston has served as a director of Weston.

Committee Memberships	Shareholdings	March 2008	March 2007
Executive (Chair)	Common	290,000	290,000
	Weston Common	255,000	255,000

John D. Wetmore, 58
Toronto, Ontario

Director Since: 2006
Independent Director
Meets share ownership guidelines

Mr. Wetmore, a corporate director, is the retired Vice President, Contact Centre Development, 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) and from the Advanced Executive Program at the Kellogg School, Northwestern University.

Mr. Wetmore is a director of Research in Motion Limited (''RIM'')[3] and a Trustee of Resolve Business Outsourcing Income Fund.

Committee Memberships	Shareholdings	March 2008	March 2007
Audit	Common	10,000	4,000
Pension and Benefits	DSUs	1,350	—

(3) As a director of RIM, Mr. Wetmore was subject to a management cease trade order issued by the Ontario Securities Commission on November 7, 2006 as a result of RIM not having filed its second quarter financial statements for fiscal 2007 before the statutory filing deadline. That order ceased to be in effect as of May 23, 2007 as result of RIM making all of the filings it was required to make pursuant to Ontario securities laws

Appointment of Auditors

The Board is recommending that KPMG LLP be appointed as the auditors of the Corporation to hold office until the next annual meeting of shareholders of the Corporation and that the directors be authorized to fix KPMG LLP's remuneration. KPMG LLP and its predecessor companies have been the Corporation's auditors for over 25 years. As part of the Corporation's corporate governance practices, the Board has adopted a policy prohibiting the auditors from providing non-audit services to the Corporation unless such services are approved in advance by the Audit Committee.

The aggregate fees paid to KPMG LLP and its affiliates for the fiscal years 2007 and 2006 are as follows:

	2007 $(000's)	2006 $(000's)
Audit fees(1)	2,341	1,977
Audit-related fees(2)	1,462	847
Tax fees(3)	—	102
All other fees(4)	5	217
Total Fees	**$3,808**	**$3,143**

(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 auditors. These services include the review of quarterly reports to shareholders, audit of pension plans, comfort letters and the interpretation of accounting and financial reporting standards.

(3) Tax fees include fees for tax compliance and tax advice.

(4) All other fees relate to risk management, internal control/compliance, legislative and/or regulatory compliance services.

Shareholder Proposals

The *Canada Business Corporations Act* permits eligible shareholders of the Corporation to submit shareholder proposals for consideration at the Annual Meeting of Shareholders. No proposals were received by the deadline for the 2008 Annual Meeting. The final date for submission of proposals by shareholders to the Corporation for inclusion in the Management Proxy Circular in connection with the 2009 Annual Meeting of Shareholders is December 27, 2008.

SECTION 3 Board of Directors' Attendance and Compensation

Directors' Compensation

Compensation was paid to non-management directors on the following basis during fiscal 2007. Directors who are members of management of the Corporation, Weston or their respective subsidiaries receive no additional remuneration in their role as directors of the Corporation.

TYPE OF FEE	AMOUNT
	$
Annual Fees	
Board retainer	50,000
Audit committee chair	30,000*
Audit committee member	5,000
Chair of other board committee	7,000*
Member of other board committee	4,000
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

* Includes annual fee paid as committee member

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 is competitive and 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 June, 2007, the Governance Committee reviewed the current compensation for directors and determined that it was appropriate and that no change was required.

Deferred Share Unit Plan

To ensure that directors' compensation is aligned with shareholder interests, directors have the option to receive up to 100% of their annual fees in deferred share units of the Corporation ("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 after the director leaves the Board, thereby providing an ongoing equity stake in the Corporation throughout the director's term as a Board member. Payment of DSUs is made in Common Shares purchased on the TSX. DSUs accumulate additional units based on notional equivalents of dividends on Common Shares. Other than the accumulation of these dividend equivalents, DSUs do not entitle the holder to any voting or other shareholder rights.

In fiscal 2007, nine directors elected to receive all or a portion of their fees in DSUs. As at December 29, 2007, the amount owing in respect of outstanding DSUs was $1,877,244.

Share Ownership Guidelines

Pursuant to share ownership guidelines adopted by the Board, directors are expected to hold Common Shares, DSUs, or common shares or deferred share units of Weston with a market value of not less than $250,000. Directors are expected to meet this level of share ownership within five years of their initial election or appointment to the Board. Until this position is achieved, directors must take at least 50% of their fees 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.

Attendance and Compensation Information

The following table provides a summary of each director's attendance at Board and Committee meetings during fiscal 2007.

Directors	Board (13 meetings)	Audit Committee (10 meetings)	Environmental, Health and Safety Committee (4 meetings)	Governance Committee (14 meetings)	Pension and Benefits Committee (4 meetings)
Paul M. Beeston[(1)]	13/13	10/10	4/4	—	—
Gordon A.M. Currie	13/13	—	—	—	4/4
Camilla H. Dalglish	12/13	—	4/4	—	—
Anthony S. Fell	13/13	—	—	13/14	4/4
Anthony R. Graham	12/13	—	—	13/14	4/4
Allan L. Leighton	12/13	—	—	—	—
John Lacey[(2)]	7/7	—	—	5/5	—
Nancy H.O. Lockhart	13/13	—	4/4	14/14	—
Pierre Michaud	13/13	—	4/4	—	—
Thomas C. O'Neill	12/13	10/10	—	—	—
G. Joseph Reddington[(3)]	5/6	—	—	7/9	—
Galen G. Weston	13/13	—	—	—	—
John D. Wetmore	13/13	10/10	—	—	4/4
Joseph H. Wright[(4)]	13/13	10/10	—	14/14	4/4

(1) Mr. Beeston resigned from the Environmental, Health and Safety Committee and was appointed to the Governance Committee, effective February 4, 2008.

(2) Mr. Lacey was appointed to the Board of Directors and the Governance Committee effective May 1, 2007. Mr. Lacey was appointed to the Audit Committee effective February 4, 2008.

(3) Mr. Reddington retired from the Board of Directors effective May 1, 2007.

(4) Mr. Wright retired from the Board of Directors effective February 4, 2008.

The following table summarizes compensation paid to non-management directors of the Corporation during fiscal 2007:

Name	Board Retainer	Committee Chair Retainer	Committee Member Retainer(s)	Board Attendance Fees	Committee and Other Attendance Fees	Total Fees*	Percentage Allocated to DSUs
	$	$	$	$	$	$	%
Paul M. Beeston[(1)]	50,000		9,000	26,000	28,000	113,000	100
Camilla H. Dalglish	50,000		4,000	24,000	8,000	86,000	100
Anthony S. Fell	50,000	6,000	8,000	26,000	34,000	124,000	100
Anthony R. Graham[(1)]	50,000		8,000	24,000	34,000	116,000	100
John Lacey[(2)]	37,500		4,000	14,000	10,000	65,500	100
Nancy H.O. Lockhart	50,000	3,000	8,000	26,000	36,000	123,000	100
Pierre Michaud[(3)]	50,000		4,000	26,000	8,000	88,000	0
Thomas C. O'Neill[(1)]	50,000	25,000	5,000	24,000	20,000	124,000	50
G. Joseph Reddington[(4)]	16,667		4,000	10,000	14,000	44,667	100
John D. Wetmore	50,000		9,000	26,000	28,000	113,000	50
Joseph H. Wright[(1)]	50,000		13,000	26,000	56,000	145,000	0
Total	**504,167**	**34,000**	**76,000**	**252,000**	**276,000**	**1,142,167**	

(1) Messrs. Beeston, Graham, O'Neill, and Wright also received $20,000, $15,000, $20,000 and $17,500, respectively, in director fees from President's Choice Bank.

(2) Mr. Lacey was appointed to the Board of Directors and the Governance Committee, effective May 1, 2007.

(3) Mr. Michaud also received $100,000 in consulting fees for services provided to Provigo.

(4) Mr. Reddington retired from the Board on May 1, 2007.

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

SECTION 4 Executive Compensation

Report on Executive Compensation

The responsibilities of the Governance Committee are summarized under ‘‘Statement of Corporate Governance Practices’’ on page 29. Among other matters, the Governance Committee is responsible for reviewing and approving overall compensation policies and reviewing, approving and recommending to the Board compensation for executives of the Corporation and its operating subsidiaries, including for those Named Executive Officers listed in the Summary Compensation Table on page 24. During the third and fourth quarters of 2006 and the first quarter of 2007, the Corporation restructured its senior management team and the Board approved a new executive compensation program. In December 2007, the Governance Committee reviewed and approved its executive compensation program for 2008, including base salary, short-term incentive plan (‘‘STIP’’) and long-term incentive plan (‘‘LTIP’’) components.

As of March 24, 2008, the members of the Governance Committee were Anthony S. Fell (Chair), Anthony R. Graham, Nancy H.O. Lockhart, John S. Lacey and Paul Beeston. Mr. Wright was a member of the Governance Committee until his retirement from the Board on February 4, 2008. All members of the Governance Committee are independent directors except for Mr. Graham, who is an executive officer of Wittington Investments, Limited (‘‘Wittington’’), the private holding corporation through which Mr. W. Galen Weston controls Weston.

Compensation Philosophy

The compensation of the Corporation's senior employees (approximately 175 employees) is a key area of focus for the Governance Committee. The Corporation's compensation arrangements for its senior employees are intended to:

(i) attract, retain and motivate high-calibre employees who can effectively contribute to the long-term success and objectives of the Corporation;

(ii) reward executives for achieving targeted business results; and

(iii) provide incentives for senior employees to perform in a manner that is aligned with the best interests of the shareholders.

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. Compensation is structured to provide senior employees with the opportunity for a competitive level of total compensation based, in part, on the Corporation's business results.

Comparator Group and Independent Advice

In determining compensation for senior employees, including the Named Executive Officers, the Governance Committee considers the compensation practices of a comparator group of Canadian companies in the food distribution and retail sectors, and in general sectors, where there are not meaningful competitive benchmarks in the food distribution and retail sectors. 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. The Governance Committee has retained the services of external compensation consultants, Hewitt Associates, to provide information and independent advice on the Corporation's executive compensation programs. Hewitt Associates has not been retained to perform any services for the Corporation.

The Corporation also uses two external consulting firms, Mercer (Canada) Inc. and Hay Group Limited to provide it with information to support the executive compensation programs. Hay Group provides market data on compensation to the Corporation to assist it in determining the compensation structure for the executive group, while Mercer provides analysis of market trends and practices as well as providing guidance on overall compensation plan design.

Components of Total Compensation

The total compensation of senior employees of the Corporation, including the Named Executive Officers, consists of four components:

(i) base salary;
(ii) short-term incentives;
(iii) long term equity-based incentives (including stock options and restricted share units); and
(iv) retirement arrangements.

The Corporation aims to ensure that each senior employee's compensation is properly weighted among these components with a greater emphasis on the variable components of compensation. The weighting of the components of total compensation is reviewed annually by the Governance Committee.

The compensation structure for the executive group is comprised of seven levels, each with a specific salary range, STIP target and LTIP target, providing total direct compensation generally targeted at the 60^{th} percentile of the relevant comparator group.

Base Salary

The Governance Committee reviews and approves base salaries for senior employees, including the Named Executive Officers. A salary range has been established for each level of senior management in the Corporation based on competitive benchmarks and is reviewed by the Governance Committee on an annual basis. Base salaries are set within the applicable ranges based on individual performance and experience. Adjustments to an executive's base salary are considered annually with reference to a number of factors, including the executive's overall performance and experience.

Annual Bonus Incentive

In February of 2007, the Governance Committee approved a new annual STIP for senior employees that replaced the previous bonus program under which bonuses were awarded based on the economic value generated by the assets employed by the Corporation. The STIP is designed to provide employees with easily understood metrics against which annual performance is measured. This incentive program provides for targeted annual cash bonus awards that are expressed as a percentage of base salary for each level and are tied to the achievement of predetermined financial performance objectives of the Corporation for the relevant fiscal year. The financial performance objectives are set on an annual basis by the Board. Generally, if the relevant target performance objectives are reached by the Corporation, the employee will be eligible to receive his or her full target bonus, calculated as a fixed percentage of base salary. An employee's bonus may be less or more than this amount, should actual performance be lower or higher than the target financial performance objective. No bonus will be payable if the actual performance in a year is 90% or less of the target for that year. The maximum possible bonus under the STIP is 200% of target bonus. If an employee resigns, he or she forfeits all rights in respect of the payment of any STIP bonus for the relevant fiscal year. The STIP arrangements for the current Named Executive Officers, are described under the "Employment and Retirement Arrangements" section starting on page 20.

During 2007, no bonuses were paid under the STIP to senior employees, including the Named Executive Officers.

Long-term Equity-Based Incentives

The Governance Committee believes that equity based incentives are an integral component of senior employees' total compensation because they provide an incentive for employees to contribute to increasing shareholder value. The Corporation's equity-based incentives consist of stock options and restricted share units ("RSUs") which are generally allocated on a 2:1 basis based on the value of the LTIP award at the time of the grant. The value of the LTIP grant to a participating employee is generally determined as a percentage of the mid-point of the salary range for the level of that particular employee.

In 2007, the Governance Committee reviewed the long term equity-based incentive compensation programs. Based on this review, the Governance Committee approved a long-term equity-based incentive award plan under which the Governance Committee reviews and approves annual stock option and RSU grants to all eligible senior employees and part of its regular review of compensation. Prior to 2007, stock option and RSU grants were generally made every three years. In both 2007 and 2008, the Governance Committee also approved special grants of stock options and RSUs to certain high-potential mid-level employees who would not generally be eligible to receive equity based incentives.

The Named Executive Officers each received grants of equity-based incentives in 2007 covering the three year period 2007-2009 inclusive. Details with respect to the equity-based incentives for the senior management team are described in the "Employment and Retirement Arrangements" section.

The specific features of the Stock Option Plan and RSU Plan are described below.

Stock Option Plan

The Governance Committee administers the Corporation's stock option plan (the "Stock Option Plan"), approves the participants, makes grants of options and establishes any limitations, restrictions and conditions upon any grants of options.

Any employee or officer of the Corporation or any of its affiliates as may be determined by the Governance Committee may be a participant under the Stock Option Plan. The number of Common Shares that may be issued to insiders of the Corporation is capped at 5% of the number of issued and outstanding Common Shares.

As of March 24, 2008, options to purchase 9,595,718 Common Shares were outstanding and 4,106,960 Common Shares were available for future option grants, representing approximately 1.5% of the number of issued and outstanding Common Shares as of that date. In order to limit the dilutive effects of stock options on share values, the Corporation seeks to maintain the total number of Common Shares issuable pursuant to the Stock Option Plan at 5% or less of the number of issued and outstanding Common Shares. The Stock Option Plan provides that Common Shares issuable pursuant to outstanding options that are, for any reason, cancelled, expired, forfeited or terminated without having been exercised will again be available for grants under the Stock Option Plan.

On March 20, 2008, 3,308,548 stock options with an exercise price of $28.95 were granted to 317 employees of the Corporation.

The exercise price for options granted under the Stock Option Plan may not be lower than the fair market value of the Common Shares, which is defined as the greater of: (i) the weighted average of the trading prices of the Common Shares for the five trading days prior to the grant date; or (ii) the weighted average of the trading prices of the Common Shares on the trading day prior to the grant date.

Options may not be exercised prior to the first anniversary of the date of the grant. The vesting of options is otherwise determined on the grant of the option. Options granted in 2007 vest over a five-year period at 20% each year and expire at the end of seven years. Each option has a term of not less than five and not more than ten years.

If the expiry date for an option occurs during a blackout period or other period during which an insider is prohibited from trading in securities of the Corporation pursuant to its insider trading policy, the expiry date will automatically be extended until ten business days after such period ends.

Instead of receiving Common Shares on the exercise of an option, the holder may elect to receive a cash payment equal to the weighted average trading price of the Common Shares for the five trading days prior to the date of exercise, minus the exercise price.

In connection with a transaction involving a change of control of the Corporation, the Board has the discretion to accelerate the vesting of the options and to provide for options that are not exercised in connection with the transaction to expire. Options are not transferable.

All unvested options are cancelled if the holder resigns or is terminated. If the holder's employment is terminated without cause, the holder has 30 days to exercise vested options. If the holder retires under a retirement plan, the holder has 90 days to exercise vested options. If the holder dies, the holder's estate has 180 days to exercise vested options.

In the event of any consolidation, subdivision or reclassification of the Common Shares, or any stock dividend of Common Shares, paid otherwise than in lieu of a normal cash dividend, or any merger, amalgamation or reorganization of the Corporation, the Board will make appropriate adjustments to the number of Common Shares subject to any option then outstanding and the exercise price thereof.

The Stock Option Plan provides that shareholder approval is not required for any amendments to the Stock Option Plan or an option granted under the Stock Option Plan, *except* for any amendment or modification that:

- increases the number of Common Shares that can be issued under the Stock Option Plan, including an increase to a fixed number of Common Shares or a change from a fixed maximum number of Common Shares to a fixed maximum percentage;
- reduces the exercise price of an option (including, without limitation, a cancellation and re-grant of an option, constituting a reduction of the exercise price of such option), except in connection with a change in the number of the Corporation's outstanding Common Shares by reason of a stock dividend or split, recapitalization, reorganization, merger, amalgamation, consolidation, combination or exchange of Common Shares, or another corporate change affecting Common Shares;
- extends the term of an option beyond its original expiry date, except where the expiry date would have occurred during a blackout period or at any other time when the holder may be prohibited from trading in securities of the Corporation pursuant to the Corporation's insider trading policy;
- changes the provisions relating to the transferability of an option;
- extends eligibility to participate in the Stock Option Plan to a non-employee director; or
- is required to be approved by shareholders under applicable laws, regulations or stock exchange rules.

Stock options are generally granted to participating employees of the Corporation yearly during the trading window period following the release of the Corporation's annual financial statements in March. Grants may also be made during the trading windows following the release of the Corporation's quarterly financial results to newly hired or promoted employees. Options generally vest over a five year period at 20% each year and expire at the end of seven years.

Restricted Share Unit Plan
The Restricted Share Unit Plan (the "RSU Plan") was introduced in 2005 and is intended to ensure that the compensation of senior employees remains competitive, foster employee retention and ensure that the long-term compensation program is aligned with the maximization of shareholder value. RSUs entitle the employee to a cash payment after the end of each performance period of up to three years following the date of the award. The RSU payment will be an amount equal to the weighted average price of a Common Share for the three days preceding the end of the performance period for the RSUs multiplied by the number of RSUs held by the employee. The RSU Plan does not provide for the payment of any additional units in respect of dividends paid on Common Shares.

The RSU Plan provides that if a participant voluntarily resigns or is terminated for cause, his or her RSUs will be cancelled and no payment will be made. Following the first year from the date of the grant, a participant who retires or 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 ceased.

Executive Compensation Review
In the latter part of 2006 and the early part of 2007, the Governance Committee commissioned a comprehensive review of all aspects of the Corporation's compensation program for senior executives. The Governance Committee provided input and external support was received from consultants, Hay Group Limited and Mercer (Canada) Inc. The objective of the review was to identify opportunities to align the overall competitiveness of the Corporation's senior management compensation program with other companies in its comparator group. The review focused on all components of direct compensation including base salary and short-term and long-term incentives. Under the new compensation program, the components of compensation will be reviewed annually rather than on a three year basis as was the case under the previous program.

As part of the Governance Committee's annual review of the executive compensation program for 2008, it approved base salary adjustments, the financial performance objectives for the STIP for 2008, including specific performance objectives based on both corporate and business unit performance, and the aggregate pool of LTIP grants. In addition, the Committee approved a one-time grant of stock options to senior employees to correspond with the Corporation's announced three to five year turn around plan. These options will vest over a three year period and expire after seven years. This grant is in addition to the regular annual stock option grant and will be for an amount equal to 50% of the employee's regular annual grant amount. This grant will not apply to the Named Executive Officers.

As part of the 2008 compensation review, the Governance Committee reviewed the application of the STIP to the Named Executive Officers, and approved an amendment such that the Named Executive Officers are eligible for the payment of STIP bonuses based on the same level of corporate financial performance as the other executives.

Share Ownership Guidelines
The Corporation maintains share ownership guidelines to further align the interests of senior executives with those of the Corporation's shareholders. The guidelines were updated in March, 2007. Under these guidelines, senior 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 five times base salary for the Executive Chairman to three times base salary for the Deputy Chairman to two times base salary for other Named Executive Officers and one time base salary for certain other Executive Vice Presidents. Executives are expected to attain their ownership guidelines within five years of their appointment as an executive. Share ownership under these guidelines includes ownership of Common Shares or common shares of Weston and the in-the-money value of vested stock options of the Corporation or Weston.

The beneficial share ownership of each active Named Executive Officer as at March 24, 2008 and the dollar value of such share ownership based on the closing prices on the TSX on March 24, 2008 are set forth in the following table:

Name	Number of Shares		Share Value ($)	
	Loblaw	Weston	Loblaw	Weston
Galen G. Weston	290,000	255,000	8,424,500	11,696,850
Allan L. Leighton	1,711	4,781	49,705	219,304
A. Mark Foote	26,326	–	764,770	–
William Wells	10,993	–	319,347	–
Dalton Philips	6,200	–	180,110	–

Retirement Plans

The Corporation's pension plans are designed to provide a reasonable level of retirement income to executives and to reward them for continued service with the Corporation. Senior employees (other than Messrs. Weston and Leighton) participate in either the Corporation's executive defined benefit pension plan (the ''Executive DB Plan'') or the executive defined contribution plan (the ''Executive DC Plan''). In addition, senior employees of the Corporation whose pensionable earnings exceed prescribed levels, including the Named Executive Officers (other than Messrs. Weston and Leighton), participate in a non-contributory supplemental executive retirement plan. Information on these plans can be found under ''Pension Plan and Long Service Executive Arrangements'' on page 26.

Employment and Retirement Arrangements

The following are descriptions of the employment and retirement arrangements for the Named Executive Officers.

Mr. Galen G. Weston was appointed Executive Chairman of the Corporation on September 19, 2006. The Corporation entered into an agreement with Mr. Weston setting out the terms of his employment, including his initial base annual salary at $1 million. On March 19, 2007, Mr. Weston was granted 495,786 options at an exercise price of $47.44 under the Corporation's Stock Option Plan covering the three year period 2007-2009 inclusive. In the event that Mr. Weston's employment is terminated, he will receive accrued and unpaid salary to the date of termination and any management incentive to which he would otherwise be entitled pursuant to any bonus plan in which he participated prior to the date of termination will be prorated through the date of termination. The effect of Mr. Weston's termination on his outstanding stock options and RSUs is described above under ''Stock Option Plan'' and ''Restricted Share Plan''. On termination Mr. Weston is subject to non-competition and confidentiality agreements. Mr. Weston does not participate in any of the Corporation's pension or retirement arrangements.

Mr. Allan L. Leighton was appointed Deputy Chairman of the Corporation on September 19, 2006. Under his employment agreement, Mr. Leighton's initial base annual salary is $1 million. On March 19, 2007, Mr. Leighton was granted 371,839 stock options at an exercise price of $47.44 under the Corporation's Stock Option Plan covering the three year period 2007-2009 inclusive. In the event that Mr. Leighton's employment is terminated, he will receive accrued and unpaid salary to the date of termination and any management incentive to which he would otherwise be entitled pursuant to any bonus plan in which he participated prior to the date of termination will be prorated through the date of termination. The effect of Mr. Leighton's termination on his outstanding stock options and RSUs is described above under "Stock Option Plan" and "Restricted Share Plan". On termination, Mr. Leighton is subject to non-competition and confidentiality agreements. Mr. Leighton does not participate in any of the Corporation's pension or retirement arrangements. Mr. Leighton also serves as Deputy Chairman of Weston and receives compensation from Weston for services rendered in that capacity.

Mr. Mark Foote is the Corporation's President and Chief Merchandising Officer. Under his employment agreement with the Corporation, Mr. Foote's current base salary is $850,000 per year. Mr. Foote participates on a non-contributory basis in the Corporation's executive defined contribution pension plan. On March 19, 2007, Mr. Foote was granted 354,051 stock options at an exercise price of $47.44 under the Corporation's Stock Option Plan covering the three year period 2007-2009 inclusive. Mr. Foote received a $2 million bonus upon joining the Corporation in 2006, which vests over a three year period. His employment agreement contains a termination clause such that should his employment terminate within the first 24 months, he will receive an amount equal to two times his current base salary and bonus and if termination occurs after the first 24 months, Mr. Foote will be entitled to receive an amount equal to his then current base salary and bonus.

Mr. Dalton Philips joined the Corporation on January 10, 2007 as Executive Vice President and Chief Operating Officer. Under his employment agreement with the Corporation, Mr. Philips' received a signing bonus of $750,000. His initial annual base salary was set at $484,000. Mr. Philips participates on a non-contributory basis in the Corporation's executive defined contribution pension plan. He also participates in a retirement compensation arrangement established to provide reasonable retirement benefits for amounts of compensation in excess of the limits under the Corporation's other executive retirement plans. Annual funding for this arrangement is equal to approximately 55% of Mr. Philips' salary. On March 19, 2007, Mr. Philips was granted 347,050 stock options at an exercise price of $47.44 under the Corporation's Stock Option Plan and 44,669 RSUs under the RSU Plan covering the three year period 2007-2009 inclusive. In the event that Mr. Philips' employment is terminated, he will receive accrued and unpaid salary to the date of termination and any management incentive to which he would otherwise be entitled pursuant to any bonus plan in which he participated prior to the date of termination will be prorated through the date of termination. The effect of Mr. Philips' termination on his outstanding stock options and RSUs is described above under "Stock Option Plan" and "Restricted Share Plan".

Mr. William Wells assumed the role of Chief Financial Officer of the Corporation on April 2, 2007. Under his employment agreement with the Corporation, Mr. Wells received a signing bonus in the amount of $1.5 million. Mr. Wells' annual base salary was set at $750,000. Mr. Wells participates on a non-contributory basis in the Corporation's executive defined contribution pension plan. On March 19, 2007, Mr. Wells was granted 495,786 stock options at an exercise price of $47.44 under the Corporation's Stock Option Plan covering the three year period 2007-2009 inclusive. Mr. Wells' employment agreement contains a termination clause such that should his employment terminate within the first 12 months, he will receive an amount equal to 3 times his current base salary and if termination occurs after the first 12 months, Mr. Wells will be entitled to receive 1.5 times his current base salary plus an amount equal to 1.5 times the lesser of (i) the bonus he earned in the previous year and (ii) his then current base salary.

Messrs. Weston, Leighton, Foote, Philips and Wells all participate in the Corporation's STIP for members of the senior management team. The target bonus for each of these executives is 100% of their respective base salaries. The maximum bonus payable for each executive is two times their respective base salary.

None of the Corporation's employment agreements with its executive officers entitle such executives to receive any payments in the event of a change in control of the Corporation.

Mr. Mavrinac retired as Executive Vice President of the Corporation, effective April 2, 2007. Pursuant to the terms of his employment contract, Mr. Mavrinac received a payment of $5 million, of which 50% was paid by Weston. Mr. Mavrinac was also entitled to amounts pursuant to the Corporation's and Weston's Stock Option Plans, RSU Plans and short-term bonus plans and applicable agreements upon his retirement. Mr. Mavrinac is subject to certain non-competition covenants pursuant to his employment agreement.

Compensation of the Executive Chairman

The structure of the Executive Chairman's compensation is similar to that of other senior executives. In setting the total compensation of the Executive Chairman, the Governance Committee uses the same philosophy and guiding principles described above and refers to publicly disclosed executive compensation information to ascertain an amount is competitive with amounts paid to chief executive officers. In establishing the total compensation for the Executive Chairman, 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 the Executive Chairman's compensation, the Governance Committee also considers the relative compensation of other members of the senior management team. In addition, the Governance Committee assesses and considers factors such as his 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 and its subsidiaries.

In March 2007, Mr. Weston was granted 495,786 options at an exercise price of $47.44 in respect of the 2007-2009 period inclusive. These options vest at a rate of 20% per year over a five-year period.

In February 2008, the Governance Committee reviewed Mr. Weston's performance in 2007, considering strategic, financial and operational matters. For the Corporation, 2007 was a year of transformational change and intense competition and pressured earnings. Despite these challenges, the Governance Committee believes that, under Mr. Weston's leadership, the Corporation made significant progress in its turnaround. However, similar to the other Named Executive Officers, Mr. Weston did not receive a bonus under the STIP in respect of 2007.

The Governance Committee believes that Mr. Weston's compensation structure aligns his interests with those of the Corporation's shareholders and appropriately compensates him for the Corporation's long-term success.

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

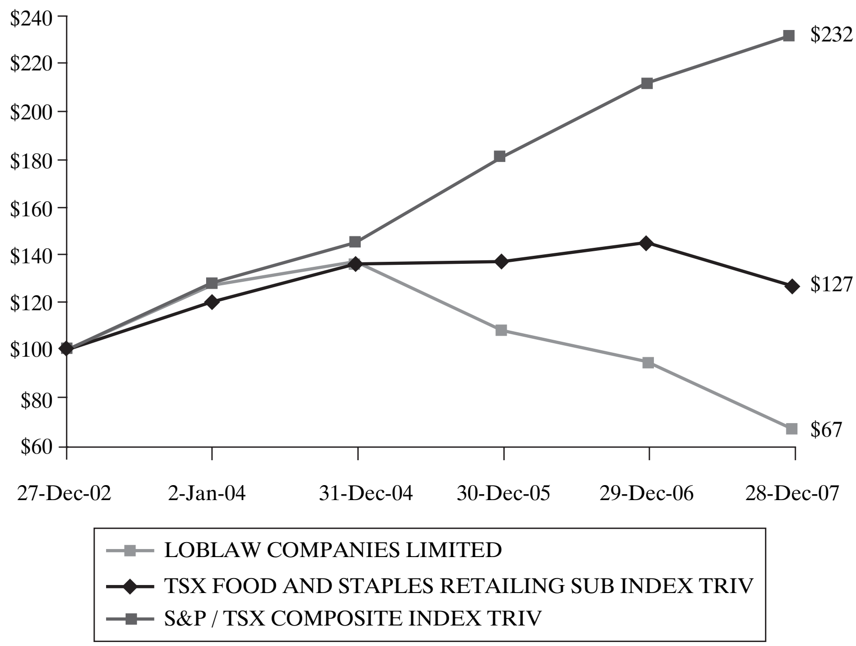
Anthony S. Fell (Chair), Anthony R. Graham, John S. Lacey, Nancy H.O. Lockhart, and Paul Beeston.

Performance Graph

The graph below compares the cumulative total shareholder return on $100 invested in Common Shares on December 27, 2002 with the cumulative total return of the S&P/TSX Composite Index and the Food and Staples Retailing Sub Index over the same period.

CUMULATIVE TOTAL RETURN

Assuming an investment of $100 and reinvestment of dividends



	27-Dec-02	2-Jan-04	31-Dec-04	30-Dec-05	29-Dec-06	28-Dec-07
S&P / TSX COMPOSITE INDEX TRIV	$100	$128	$145	$181	$212	$232
TSX FOOD AND STAPLES RETAILING SUB INDEX TRIV	$100	$120	$136	$137	$145	$127
LOBLAW COMPANIES LIMITED	**$100**	**$127**	**$137**	**$108**	**$95**	**$67**

	27-Dec-02	2-Jan-04	31-Dec-04	30-Dec-05	29-Dec-06	28-Dec-07
S&P / TSX COMPOSITE INDEX TRIV	14,739.86	18,905.25	21,444.89	26,618.80	31,213.49	34,253.31
TSX FOOD AND STAPLES RETAILING SUB INDEX TRIV	1,241.73	1,496.27	1,689.55	1,705.86	1,802.73	1,575.51

Summary Compensation Table

The following table sets forth compensation earned during the fiscal years 2007, 2006 and 2005 by the Executive Chairman, the current and former Chief Financial Officer, and the three next most highly compensated executive officers of the Corporation for 2007 (collectively the "Named Executive Officers").

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)(1)	Securities Under Options/SARs Granted (#)(2)	Shares or Units subject to Resale Restrictions ($)(3)	LTIP Payouts ($)	All Other Compensation ($)(4)
Galen G. Weston(5)	2007	1,000,000	–	28,800	495,786	–	–	40,000
Executive Chairman	2006	411,031	–	18,000	–	174,760	–	–
Allan L. Leighton(6)	2007	1,000,000	–	–	371,839	–	–	–
Deputy Chairman	2006	285,714	–	–	–	–	–	–
A. Mark Foote(7)	2007	850,000	–	39,100	354,051	–	–	–
President and Chief Merchandising Officer	2006	542,201	406,651	19,437	100,000	2,000,000	–	2,000,000
William Wells(8) Chief Financial Officer	2007	562,500	–	23,600	495,786	–	–	1,562,500
Dalton Philips(9) Chief Operating Officer	2007	475,229	–	22,900	347,050	2,119,097	–	750,000
Richard P. Mavrinac(10)	2007	227,694	–	23,000	–	–	295,418	2,830,000
Former Executive	2006	300,000	–	15,500	–	261,800	–	
Vice President	2005	300,000	172,500	14,300	28,723	354,403	–	

(1) Amounts under Other Annual Compensation include the value of perquisites. The aggregate value of perquisites and benefits for each Named Executive Officer is less than the lesser of $50,000 and 10% of the Named Executive Officer's total annual salary and bonus.

(2) Common Shares of the Corporation.

(3) Amounts represent the dollar value of RSUs awarded to the Named Executive Officers, in each case based on the closing price of the Common Shares on the grant date multiplied by the number of RSUs awarded. On March 19, 2007, the Corporation granted Mr. Philips 44,669 RSUs based on the closing price for the Common Shares on the TSX of $47.44.

Based on the closing price of $34.07 of the Common Shares on the TSX on December 28, 2007, the last trading day of the year, Mr. Weston held an aggregate of 4,956 RSUs with a value of $168,851. Mr. Foote held an aggregate of 36,036 RSUs with a value of $1,227,747 and Mr. Philips held an aggregate of 44,669 RSUs with a value of $1,521,873.

RSUs are 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 dividends paid on the Common Shares. For a description of the terms of RSUs, see "Restricted Share Unit Plan" on page 19.

(4) Amounts under All Other compensation include signing bonuses, relocation payments and amounts paid on termination of employment.

(5) Mr. Weston was appointed Executive Chairman effective September 19, 2006.

(6) Mr. Leighton was appointed Deputy Chairman effective September 19, 2006. Mr. Leighton also received compensation from Weston for service as Deputy Chairman of Weston, which amounts are not reflected in this table.

(7) Mr. Foote became an executive officer of the Corporation effective April 24, 2006.

(8) Mr. Wells was appointed Chief Financial Officer effective April 2, 2007.

(9) Mr. Philips was appointed Chief Operating Officer effective January 10, 2007.

(10) Mr. Mavrinac retired from the Corporation effective April 2, 2007. Mr. Mavrinac also received salary and bonus from Weston for service as a Chief Financial Officer of Weston, which amounts are not reflected in this table. The $5 million payment to Mr. Mavrinac on his retirement was shared equally with Weston.

Grant of Stock Options During the Most Recently Completed Financial Year (2007)

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 ($/Security)(2)	Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security)	Expiration Date
Galen G. Weston	495,786	11.3	47.44	47.44	March 19, 2014
Allan L. Leighton	371,839	8.5	47.44	47.44	March 19, 2014
A. Mark Foote	354,051	8.1	47.44	47.44	March 19, 2014
William Wells	495,786	11.3	47.44	47.44	March 19, 2014
Dalton Philips	347,050	7.9	47.44	47.44	March 19, 2014

(1) Common Shares of the Corporation.

(2) The exercise price was based on the closing price of the Common Shares on the TSX on the date prior to the date of grant. Options vest 20% on each of the first, second, third, fourth and fifth anniversaries of the date of the grant.

Grants of Restricted Share Units During the Most Recently Completed Financial Year (2007)

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)	Dollar Value at date of Grant $	% of Total RSUs Granted to Employees in Financial Year	Performance Period End Date
Dalton Philips	44,669	47.44	13.3	March 19, 2010

(1) Restricted Share Units of the Corporation. See page 19 for terms of grant of Restricted Share Units for the Corporation.

The following table sets forth, where applicable, options exercised during 2007 and unexercised options at year end December 29, 2007 for each of the Named Executive Officers:

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

Name	Securities/ SAR's Acquired on Exercise (#)	Aggregate Value Realized ($)	Unexercised Options/ SARS at Financial Year End (#) Exercisable/Unexercisable		Date Option/ SAR Granted	Value of Unexercised in the Money Options/SAR's at Financial Year End ($) Exercisable/Unexercisable	
Galen G. Weston	–	–	4,136	6,204	Jan. 20/05	–	–
			0	495,786	Mar. 19/07	–	–
Allan L. Leighton	–	–	0	371,839	Mar. 19/07	–	–
A. Mark Foote	–	–	20,000	80,000	May 8/06	–	–
			0	354,051	Mar. 19/07	–	–
William Wells	–	–	0	495,786	Mar. 19/07	–	–
Dalton Philips	–	–	0	347,050	Mar. 19/07	–	–

Equity Compensation Plans as at December 29, 2007

The following table provides information on the Stock Option Plan, which is the Corporation's only equity compensation plan that provides for the issuance of Common Shares.

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	6,532,756	52.34	7,169,922

Pension Plan and Long Service Executive Arrangements

Executives of the Corporation, including the Named Executive Officers (other than Mr. Weston and Mr. Leighton), participate in either the Corporation's Executive DB Plan or Executive DC Plan. The Corporation's current policy is that newly hired and newly appointed executives join the Executive DC Plan.

Executive Defined Benefit Plan

For those executives who participate in the Executive DB Plan and are retiring in 2007, annual pension benefits are capped at $2,222 per year of service. In addition, the Corporation provides non-registered, supplemental executive retirement allowances ("SERP") to executives who participate in the Executive DB Plan. The SERP is an unfunded obligation of the Corporation and executives who participate in this plan must comply with the non-compete provisions in order to receive full payment.

Pension entitlements for executives in the Executive DB Plan and the SERP are based on the executive'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. The total annual benefits paid under the Executive DB Plan and the SERP are capped at $100,000.

The cost of the estimated future SERP and pension benefits 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 14 of the 2007 consolidated financial statements of the Corporation. Certain accrued obligations under the SERP are secured by a stand-by letter of credit issued by a major Canadian bank.

The total amount of pension entitlement expected under both the Executive DB Plan and SERP based on various salary levels and years of service are set out in the following table:

Pension Plan Table

Annual Base Salary	Years of Service				
($)	10	15	20	25	30
150,000	30,000	45,000	60,000	75,000	75,000
175,000	35,000	52,500	70,000	87,500	87,500
200 and above	40,000	60,000	80,000	100,000	100,000

Executive Defined Contribution Plan

Certain executives of the Corporation, including Messrs. Foote, Wells and Philips, participate on a non-contributory basis in the Corporation's Executive DC Plan. Contributions are set as a percentage of base salary (capped at $20,000 per year) as set forth in the following table:

Age + Years of Service	Employer Contributions as a percentage of base salary
< 50	13%
50-60	15%
61 +	17%

The Corporation provides SERP benefits to executives who participate in the Executive DC Plan, including Messrs. Foote, Wells and Philips. For each executive, the Corporation's contribution to the Executive DC Plan and the SERP together are capped at $35,000 for each year of service.

Indebtedness of Directors, Executive Officers and Employees

As at March 24, 2008, there was no indebtedness (other than "routine indebtedness" under applicable Canadian securities laws) owing to the Corporation or any of its subsidiaries by any directors, executive officers, employees or former directors, executive officers or employees of the Corporation or any of its subsidiaries.

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 in 2007 was $789,000 (such premium is shared with Weston). The insurance limit is $100 million per year 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.

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 13,708,678 Common Shares at market prices. A copy of the Corporation's Notice of Intent filed with the TSX can be found at www.sedar.com. The current Issuer Bid expires on April 3, 2008. The Corporation intends to renew the Issuer Bid.

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 2007 together with the report of the auditors on those statements along with Management's Discussion and Analysis and any financial statements for periods after 2007, and this Circular can be obtained upon request from the Vice President, Investor Relations of the Corporation at 1 President's Choice Circle, Brampton, Ontario L6Y 5S5. 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.

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, General Counsel & Secretary

Dated in Toronto, Ontario
March 24, 2008

SCHEDULE A Corporate Governance Practices

Statement of Corporate Governance Practices

The Corporation's Board and management believe that sound corporate governance practices contribute to the effective management of the Corporation and its achievement of strategic and operational plans, goals and objectives. To maintain high standards of corporate governance in a rapidly changing environment, the Corporation's governance system is subject to ongoing review and assessment. The Corporation's approach to corporate governance is consistent with Canadian Securities Administrators' 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.

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

Director Independence

The Board is comprised of a majority of independent directors and will continue to be comprised of a majority of independent directors if all the nominees proposed for election at the Meeting are elected. 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 directors are independent: Paul M. Beeston, Anthony S. Fell, John S. Lacey, Nancy H.O. Lockhart, Thomas C. O'Neill, John D. Wetmore, and Karen Radford. The following directors are not independent:

- Galen G. Weston, who is an executive officer of the Corporation and a relative of Mr. W. Galen Weston, the Corporation's controlling shareholder;
- Gordon A. M. Currie, who is an executive officer of Weston;
- Camilla H. Dalglish, who is a relative of Messrs. W. Galen Weston and Galen G. Weston;
- Anthony R. Graham, who is an executive officer of Wittington Investments, Limited, the principal shareholder of Weston;
- Allan L. Leighton, who is an executive officer of the Corporation and of Weston; and
- Pierre Michaud, who is a former officer and consultant to Provigo.

The Chairman of the Board or of a Committee meets seperately with the Board or Committee members after each meeting.

Additional information relating to each director and each director nominee standing for election, including other public company boards on which they serve as well as their attendance record for all Board and Committee meetings during fiscal 2007, can be found on pages 5 through 11 and page 14 of this Circular.

Board Leadership

Mr. Galen G. Weston is the Executive Chairman of the Corporation and Mr. Allan L. Leighton is the Deputy Chairman of the Corporation. The Board has established a position description for each of the Executive Chairman and the Deputy Chairman.

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 Board and its Committees can operate more effectively and to ensure the Board is able to discharge its responsibilities independent of management. The lead director chairs meetings of the independent directors following each Board meeting and on other occasions as required or desirable. The Board has developed a position description for the lead director.

The Executive 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 Executive Chairman works in consultation with other members of 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 Executive Chairman also monitors the reports from the Committees of the Board to ensure the Committees are fulfilling the responsibilities delegated to them by the Board. The Executive Chairman also chairs meetings of shareholders and facilitates the response by management to shareholder concerns. The Executive Chairman ensures 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 36 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. Each operating division presents a review of its activities and its outlook and strategies for the long-term. 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 control over financial reporting and management information systems. Through the Governance Committee, the Board oversees succession planning and compensation for senior management and members of the Board. 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
- investments outside of the ordinary course of business.

These matters are in addition to those matters that 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 certain non-operational matters, including insurance, pensions, corporate governance, health and safety, legal and treasury matters.

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. All 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 at www.loblaw.ca.

The Code also deals with conflicts of interest. Should a director, officer, 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 matter. The Code also addresses such matters 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, comprised of senior management, 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 anonymous 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' guide containing details of the 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. The goal is to ensure that the new directors fully understand the nature and operation of the Corporation's businesses. 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 particular aspects of the Corporation's strategic plan is reviewed. Members of the Board also participate periodically in senior management meetings. These meetings involve 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 2007, this process included a questionnaire completed by each of the directors, soliciting feedback from directors on matters including the operation of the Board and its Committees, the adequacy of information provided to directors, Board structure and agenda planning for Board meetings. The survey results were reviewed by the Governance Committee and then presented to the full Board.

Following the 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, as a part of the assessment that the Governance Committee performs in connection with compensation matters, the Governance Committee assesses the performance of the Executive Chairman, the Deputy Chairman and the President and Chief Merchandising Officer 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 to assess the composition of the current Board membership. 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 independent directors because one member, Mr. Graham, is an officer of Wittington, the principal shareholder of Weston. Because of the alignment of interests between Wittington and minority shareholders of the Corporation, 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 other committees, other than the Executive Committee, are comprised solely of non-management directors, in each case, with a majority of members being independent directors. 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 by the Governance Committee. Copies of the Committees' mandates are available on the Corporation's website, www.loblaw.ca.

Position Descriptions for the Chair of each Committee

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 regarding 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, 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 securities law 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 planning and execution of the audit by the external auditor;
- reviewing the independence of the external auditor;
- considering and evaluating with management the adequacy and effectiveness of internal controls over financial reporting and financial disclosure controls and reviewing any proposed corrective actions;
- reviewing and monitoring the Corporation's policies relating to ethics and conflicts of interests of officers and employees;
- 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 executives; and
- determining the process for the compensation of directors and executive officers.

The Board has appointed the Chair 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 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 interim and annual 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 internal 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

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 limitations on the authority delegated to management 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, succession planning, internal control over financial reporting, disclosure controls and procedures, and information systems to ensure that the Corporation reports accurately and fairly information to shareholders, other stakeholders and the public. The Board is required to appoint corporate officers and 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.

(c) Delegate Management Authority to the Executive Chairman

- Delegate to the Executive Chairman 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 Risk and 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 Board and 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 position descriptions for the Executive Chairman, the Deputy Chairman, the lead director 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. For this purpose, a director is independent if he or she would be Independent within the meaning of National Instrument 58-101 *Disclosure of Corporate Governance Practices,* as the same may be amended from time to time.

4. COMMITTEES

The Board may establish committees and delegate such authority and responsibilities to such committees as it approves. The authority and responsibilities of any committee so established shall be set out in a written charter. 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 comprised of a majority of independent directors) the Environmental, Health and Safety Committee, the Pension and Benefits Committee and the Executive Committee.

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 guidelines for ownership by directors of shares of the Corporation and shall monitor compliance with such guidelines.