Loblaw
COMPANIES LIMITED

MANAGEMENT PROXY CIRCULAR

LOBLAW COMPANIES LIMITED
ANNUAL MEETING OF SHAREHOLDERS
MAY 5, 2016

THIS DOCUMENT CONTAINS:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MANAGEMENT PROXY CIRCULAR

Loblaw Companies Limited

MANAGEMENT PROXY CIRCULAR

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Loblaw
COMPANIES LIMITED

March 18, 2016

Dear Fellow Shareholder,

I am pleased to invite you to our Annual Meeting of Shareholders, which will be held on Thursday, May 5, 2016, at 11:00 a.m. (Toronto time) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Ontario, Canada. If you are attending the meeting in person, please visit our Loblaws store at Maple Leaf Gardens* located next to the Mattamy Athletic Centre.

The Notice of Annual Meeting of Shareholders and related materials are enclosed.

This Management Proxy Circular describes the business to be conducted at the meeting. The Circular contains information on our corporate governance practices and our approach to executive compensation. At the meeting, shareholders will be voting on important matters. We hope that you take the time to review these meeting materials and that you exercise your vote. You may vote either in person at the meeting or by completing and sending in your proxy form. Please read the enclosed materials as they contain relevant information for voting on the business to be conducted at the meeting.

We hope you will be able to join us in person or through our live webcast, which will be available at the Investor Centre section of our website at www.loblaw.ca. This meeting is an opportunity to meet, listen to and ask questions of the people who are responsible for the performance of the Company. The webcast of the meeting will be archived on our website following the meeting.

We thank you for your continued support of the Company and look forward to seeing you at the meeting.

Yours very truly,

Galen G. Weston
Executive Chairman and President

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Loblaw
COMPANIES LIMITED

Notice of Annual Meeting of Shareholders

The 2016 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Thursday, May 5, 2016, at 11:00 a.m. (Toronto time) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Ontario, Canada, for the following purposes:

1. to receive the consolidated financial statements for the financial year ended January 2, 2016, and the external auditor's report thereon;
2. to elect the directors;
3. to appoint the external auditor and to authorize the directors to fix the external auditor's remuneration; and
4. to transact such other business as may properly be brought before the Annual Meeting or the day of any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 14, 2016 will be entitled to vote at the Annual Meeting.

Registered shareholders are entitled to vote at the Annual Meeting either in person or by proxy. Any registered 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 via the Internet.

Non-registered shareholders are entitled to vote through their intermediary or at the Annual Meeting either in person or by proxy and should follow the instructions of their intermediary to exercise their right to vote.

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

Dated at Toronto, Ontario, this 18th day of March, 2016.

BY ORDER OF THE BOARD OF DIRECTORS,

Gordon A. M. Currie
Executive Vice President and Chief Legal Officer

1 About the meeting

VOTING INFORMATION

ABOUT THIS CIRCULAR AND RELATED PROXY MATERIALS

We are providing you with this Management Proxy Circular (the "Circular") and other proxy materials in connection with the 2016 Annual Meeting of Shareholders (the "Meeting") of Loblaw Companies Limited (the "Corporation") to be held on Thursday, May 5, 2016, at 11:00 a.m. (Toronto time) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Ontario, Canada.

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

Please see the "Questions and Answers on the Voting Process" 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, the information contained in this Circular is given as of March 14, 2016 and all dollar amounts used are in Canadian dollars.

QUESTIONS AND ANSWERS ON THE VOTING PROCESS

Q: What items of business am I voting on?

A: You will be voting on:

- the election of directors; and
- the appointment of the external auditor and authorization of the directors to fix the external auditor's remuneration.

Q: Am I entitled to vote?

A: You are entitled to vote if you were a holder of common shares of the Corporation (the "Common Shares") as at the close of business on March 14, 2016, which is the record date of the Meeting. Each Common Share is entitled to one vote.

Q: How do I vote?

A: How you vote depends on whether you are a registered or a non-registered shareholder. Please read the voting instructions below that are applicable to you.

Q: Am I a registered shareholder?

A: You are a registered shareholder if you hold Common Shares in your own name and you have a share certificate or a direct registration system (DRS) statement. As a registered shareholder, you are identified on the share register maintained by the Corporation's registrar and transfer agent, Computershare Investor Services Inc. ("Computershare"), as being a shareholder.

Q: Am I a non-registered or beneficial shareholder?

A: Most shareholders are non-registered shareholders. You are a non-registered shareholder if your Common Shares are held in an account in the name of an intermediary, such as a bank, broker or trust company. As a non-registered shareholder, you do not have shares registered in your name, but your ownership interest in Common Shares is recorded in an electronic system. As such, you are not identified on the share register maintained by Computershare as being a shareholder. Instead, the Corporation's share register shows the shareholder of your Common Shares as being the intermediary or depository through which you own your Common Shares.

The Corporation distributes copies of the proxy-related materials in connection with the Meeting to intermediaries so that they may distribute the materials to the non-registered shareholders. Intermediaries often forward the materials to non-registered shareholders through a service company (such as Broadridge Investor Communications Corporation). Non-registered shareholders who have not objected to their intermediary disclosing certain information about them to the Corporation are referred to as "NOBOs", whereas non-registered shareholders who have objected to their intermediary disclosing ownership information about them to the Corporation are referred to as "OBOs". The Corporation pays for an intermediary to deliver the proxy-related materials to all non-registered shareholders, including OBOs.

Q: How do I vote if I am a registered shareholder?

A: If you are a registered shareholder, you may vote your Common Shares at the Meeting or by proxy.

1. Voting at the Meeting

If you wish to vote your Common Shares in person at the Meeting, do not complete or return the form of proxy sent to you. Your vote will be taken and counted at the Meeting. Please register with Computershare upon arrival at the Meeting.

2. Voting by Proxy

You can vote by proxy whether or not you attend the Meeting. To vote by proxy, please complete the enclosed form of proxy (also available online at www.investorvote.com) and return it by either of the following means:

- by mail, courier or hand to Computershare at the address listed below; or
- by going online at www.investorvote.com.

You may authorize the management representatives named in the enclosed proxy form to vote your Common Shares, or **you may appoint another person or company to be your proxyholder.** The names already inserted on the form of proxy are Galen G. Weston, President and Executive Chairman, and Gordon A. M. Currie, Executive Vice President and Chief Legal Officer of the Corporation. Unless you choose another person or company to be your proxyholder, you are giving these persons the authority to vote your Common Shares at the Meeting.

To appoint another person or company to be your proxyholder, you must insert the other person's or company's name in the blank space provided. That person or company must be present at the Meeting to vote your Common Shares. If you do not insert a name in the blank space, the management representatives named above are appointed to act as your proxyholder. You may also use a different form of proxy than the one included with the materials sent to you.

Please note that in order for your vote to be recorded, your proxy must be received by Computershare at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 or online by no later than 5:00 p.m. (Toronto time) on May 3, 2016, or two business days before reconvening any adjourned or postponed Meeting.

Q: How will my shares be voted?

A: On the form of proxy, you can indicate how you want your proxyholder to vote your Common Shares or you can let your proxyholder decide for you. If you have specified on the form of proxy how you want your Common Shares to be voted on a particular issue (by marking FOR or WITHHOLD), then your proxyholder must vote your Common Shares accordingly. If you have not specified on the form of proxy how you want your Common Shares to be voted on a particular issue, then your proxyholder can vote your Common Shares as he or she sees fit.

Unless contrary instructions are provided, Common Shares represented by proxies appointing management as the proxyholder will be voted:

- **FOR the election of the directors; and**
- **FOR the re-appointment of KPMG LLP as the external auditor of the Corporation and the authorization of the directors to fix the external auditor's remuneration.**

Q: How do I vote if I am a non-registered shareholder?

A: If you are a non-registered shareholder, you may vote your Common Shares in one of the following ways:

1. **Through your intermediary**

   A voting instruction form will be included with the materials sent to you. The purpose of this form is to instruct your intermediary on how to vote on your behalf. Please follow the instructions provided on the voting instruction form.

2. **Attend the Meeting**

   If you wish to vote your Common Shares in person at the Meeting, you should take these steps:

   - Insert your name in the space provided on the voting instruction form provided by your intermediary and sign and return it in accordance with the instructions provided. By doing so, you are instructing your intermediary to appoint you as proxyholder.
   - Do not otherwise complete the form, as you will be voting at the Meeting.
   - Please register with Computershare upon arrival at the Meeting.

3. **Designate another person to be appointed as your proxyholder**

   You can choose another person (including someone who is not a shareholder of the Corporation) to vote for you as a proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote for you. If you wish to appoint a proxyholder, you should insert that person's name in the space provided on the voting instruction form provided to you by your intermediary and sign and return it in accordance with the instructions provided. By doing so, you are instructing your intermediary to appoint that person as proxyholder. Do not otherwise complete the form, as your proxyholder will be voting at the Meeting. When your proxyholder arrives at the Meeting, he or she should register with Computershare upon arrival at the Meeting.

Q: Can I revoke my proxy or voting instruction?

A: If you are a **registered shareholder**, you may revoke your proxy by taking one of the following steps:

- you may submit a new proxy to Computershare before 5:00 p.m. (Toronto time) on May 3, 2016, or two business days before reconvening any adjourned or postponed Meeting;
- you (or your attorney, if authorized in writing) may sign a written notice of revocation addressed to the Secretary of the Corporation and deposited at the registered office of Computershare at any time up to and including the last business day preceding the day of the Meeting or any reconvening of an adjourned or postponed Meeting, at which the proxy is to be used; or
- you (or your attorney, if authorized in writing) may sign a written notice of revocation and deliver it to the Chair of the Meeting on the day of the Meeting or the reconvening of an adjourned or postponed Meeting, at which the proxy is to be used.

If you are a **non-registered shareholder**, you should contact your intermediary through which you hold Common Shares and obtain instructions regarding the procedure for the revocation of any voting or proxyholder instructions that you have previously provided to your intermediary.

Q: What if there are amendments or if other matters are brought before the Meeting?

A: Your proxyholder has discretionary authority to vote in respect of amendments that are made to matters identified in the Notice of Meeting and other matters that may properly come before the Meeting or the date that any adjourned Meeting has been reconvened. As of the date of this Circular, management of the Corporation is not aware of any such amendments or other matters to be presented at the Meeting; however, if any such matter is presented, your Common Shares will be voted in accordance with the best judgment of the proxyholder named in the form. If you have not specifically appointed a person as proxyholder, a management representative named in the enclosed proxy form will be your proxyholder, and your Common Shares will be voted in accordance with the best judgment of the management representative.

GENERAL INFORMATION

Q: How many shares are entitled to be voted?

A: As of March 14, 2016, there were 409,708,435 Common Shares outstanding. Each Common Share is entitled to one vote on each matter to be voted upon at the Meeting.

Q: Who counts the vote?

A: For any matter for which a vote is taken at the Meeting by ballot, the votes, including those cast by way of proxies, will be counted by representatives of Computershare who will be appointed as scrutineers at the Meeting.

Q: Who is soliciting my proxy?

A: Management of the Corporation is soliciting your proxy. Proxies will be solicited primarily by mail, but employees and agents of the Corporation may also use electronic means. Intermediaries will be reimbursed for their reasonable charges and expenses in forwarding proxy materials to non-registered shareholders.

The Corporation will bear the cost of all proxy solicitations on behalf of management of the Corporation.

Q: Can I access the annual disclosure documents electronically?

A: The Corporation's Annual Report, which includes its annual financial statements and notes, the Circular and the Annual Information Form, are available for review on its website at www.loblaw.ca or under the Corporation's SEDAR profile at www.sedar.com.

Q: Who do I contact if I have questions?

A: If you have any questions, you may call Computershare at 1-800-564-6253 for further information.

SHARE CAPITAL AND PRINCIPAL SHAREHOLDER

As of March 14, 2016, the record date for the Meeting, there were 409,708,435 Common Shares issued and outstanding. George Weston Limited ("Weston") beneficially owned, directly and indirectly, a total of 187,815,136 Common Shares, representing approximately 45.84% of the then outstanding Common Shares. Weston is controlled by Mr. W. Galen Weston. As of March 14, 2016, Mr. W. Galen Weston also beneficially owned 5,096,189 Common Shares, representing approximately 1.24% 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.

BUSINESS TO BE TRANSACTED AT THE MEETING

The following business will be transacted at the Meeting:

1. RECEIVING THE FINANCIAL STATEMENTS

- Management will present the annual audited consolidated financial statements at the Meeting and shareholders or their proxyholders will be given an opportunity to discuss the financial results with management.

2. ELECTION OF THE BOARD OF DIRECTORS

- 13 nominee directors are proposed for election to the board of directors of the Corporation (the "Board"). Shareholders or their proxyholders will vote on the election of the directors.

3. APPOINTMENT OF THE EXTERNAL AUDITOR

- The Board, on the advice of its Audit Committee, recommends the re-appointment of KPMG LLP as the Corporation's external auditor. Shareholders or their proxyholders will vote on the re-appointment of the external auditor and the authorization of the Board to fix the auditor's remuneration.

RECEIVING THE FINANCIAL STATEMENTS

The Corporation's annual audited consolidated financial statements and management's discussion and analysis for the year ended January 2, 2016 and the external auditor's report thereon will be placed before the shareholders at the Meeting. These documents are included in the Corporation's 2015 Annual Report. Copies of the 2015 Annual Report in English or French may be obtained from the Secretary of the Corporation upon request and will be available at the Meeting. The 2015 Annual Report in English or French is also available under the Corporation's SEDAR profile at www.sedar.com or on the Corporation's website at www.loblaw.ca.

ELECTION OF THE BOARD OF DIRECTORS

The Board has determined that 13 director nominees will be elected at the Meeting. Eleven nominees are currently directors of the Corporation. All nominees have established their eligibility and willingness to serve on the Board for the next annual term. 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 proxyholder may vote for another nominee at the proxyholder's discretion. At the Meeting, the nominees will be voted on individually, and in accordance with applicable Canadian securities legislation, the voting results for each nominee will be publicly disclosed. Each director will be elected to hold office until the next annual meeting of shareholders or until such office is earlier vacated.

The director nominee profiles, starting on page 7, tell you about each director's experience and other important information to consider, including how much equity they own in the Corporation and any other public company boards they sit on. Our director nominees have been selected based on their collective ability to address the broad range of issues the Board considers when overseeing the Corporation's business and affairs.

Independence

10 of our 13 nominated directors are independent and none of these independent directors has ever served as an executive of the Corporation.

Skills

Each director has a wealth of experience in leadership and strategic planning and collectively they possess the skills and expertise that enable the Board to carry out its responsibilities. The skills matrix set out below is used to assess the Board's overall strengths and to assist in the Board's ongoing renewal process, which balances the need for experience and knowledge of the Corporation's business with the benefit of board renewal and diversity. Although the directors have a breadth of experience in many areas, the skills matrix lists 12 important qualifications determined by the Board and highlights five key skills for each director. This is not intended to be an exhaustive list of each director's skills:

Skills	Bachand	Beeston	Binning	Bryant	Clark	Harris	Kotchka	Lacey	Lockhart	O'Neill	Pritchard	Raiss	Weston
Executive Leadership/Strategic Planning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Retail/Consumer/Marketing	✓	✓					✓	✓	✓		✓		✓
Financial Expertise		✓	✓			✓				✓			
Supply Chain/Distribution	✓			✓				✓			✓		✓
Accounting and Finance		✓	✓	✓	✓	✓	✓	✓		✓			
Risk Management	✓	✓	✓		✓	✓			✓	✓		✓	✓
HR/Compensation	✓				✓			✓	✓	✓		✓	✓
Digitalization and Technology							✓					✓	
Health & Wellness (Pharmacy & Drug)				✓					✓		✓		
Real Estate					✓								
US/International Consumer Market			✓	✓			✓				✓	✓	
Legal						✓							

Board Succession Planning and Nomination Process

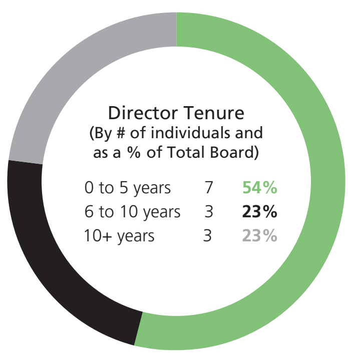
The Board regularly reviews potential vacancies on the Board. The Governance, Employee Development, Nominating and Compensation Committee (the "Governance Committee") assists the Board by maintaining a list of potential candidates and identifying individuals for the Board's consideration at the appropriate time. The Board has adopted a Board Tenure Policy stating that the Executive Chairman and the Governance Committee will undertake an assessment of a director's continued participation on the Board upon reaching the age of 75 or a change in principal occupation, whichever occurs first. The Board Tenure Policy does not apply to the Executive Chairman or any management directors.

In addition to its formal Board Tenure Policy, the Governance Committee:

1. undertakes an annual Board effectiveness evaluation that enables the Governance Committee and the Board to solicit feedback regarding director contribution, skill set and expertise;
2. maintains a director skills matrix to ensure that, in choosing director candidates, it focuses appropriately on critical skills and experience;
3. monitors director turnover through the evaluation process and, to the extent appropriate, from time to time requests directors who are long serving and who have a readily replaceable skill set or experience not to stand for re-election;
4. annually reviews Board committee chairs and memberships with a view to balancing the desire for fresh perspectives with the need for experience and subject matter expertise; and
5. provides disclosure in the Circular of director tenure, the evaluation process and turnover with an explanation of how the Corporation's approach ensures diversity of skills, experience and background and an appropriate level of turnover.

In summary, each year, the Governance Committee undertakes a review of the composition of the Board, the performance of the individual directors and the mandate and composition of the Committees of the Board. Recommendations for changes, if any, are developed and subsequently discussed with the full Board and with the controlling shareholder. The Board is of the view that these processes have worked well and have resulted in governance that has been both effective and adaptive to the changing nature of the business and the markets in which the Corporation operates.

The following diagram illustrates director tenure as categorized by the applicable time periods set out below:



The Board believes that these tenure statistics, and the high calibre of director nominees who are standing for election for the first time and who have joined the Board in the past several years, demonstrate that the Board's renewal process is working effectively.

Majority Voting

The members of the Board are elected annually by the shareholders. In 2015, each director received votes in favour from at least 95% of the votes cast in conjunction with the Annual Meeting.

The Board established a majority voting policy. Under the policy, the Governance Committee reviews and considers the voting results for each director nominee after the Meeting. Any nominee proposed for election as a director in an uncontested election who receives a greater number of votes withheld than votes in favour of their election must promptly tender his or her resignation to the Executive Chairman of the Board. The Governance Committee will expeditiously consider the director's offer to resign and make a recommendation to the Board on whether it should be accepted. The Board will have 90 days to make a final decision. Any such resignation will take effect on acceptance by the Board. This policy applies only to uncontested elections of directors where the number of nominees is equal to the number of directors to be elected.

Board Interlock Policy

The Board established a board interlock policy with the aim of ensuring that interlocking director relationships will not adversely affect the relevant directors' independent judgment. The Board determined that an "interlock" occurs when more than two Board members are also fellow board members of another public company. The board interlock policy prohibits an interlock unless otherwise approved by the Governance Committee. The Governance Committee will review all interlocks and determine if the interlock adversely affects the ability of the relevant directors to exercise their independent judgment. The policy does not apply to the Executive Chairman of the Board or any management directors.

Director Profiles

The following is a summary of relevant biographical and compensation information of each director nominee including a description of their background and experience, year first elected or appointed as a director, age, meeting attendance, other boards on which they sit, and director fees received. The 2015 and 2014 equity holdings of each director nominee in the Corporation as of March 14, 2016 and March 16, 2015, respectively, consisting of Common Shares and Deferred Share Units ("DSUs") are also indicated. The persons designated in the accompanying form of proxy intend to vote **FOR** the nominees listed below:

Stephen E. Bachand

Ponte Vedra Beach, Florida, United States

Age 77

Loblaw Board Details:

Director since 2009

Independent

Mr. Bachand, a corporate director, is a retired President and Chief Executive Officer of Canadian Tire Corporation, Limited.

Mr. Bachand graduated from Williams College with a B.A. and from the University of Virginia Darden School of Business with an M.B.A.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received[1]	
		#	%	Year	Amount
Board	9/9	14/14	100%	2015	$182,500
Governance Committee	5/5			2014	$150,000

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs[2][3]	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	4,581	24,294	28,875	$2,965,991	$700,000	Yes
2014	4,581	21,155	25,736	$2,414,005		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks Directors	Boards
—	—	—	—
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
—	—		

Paul M. Beeston, C.M., F.C.P.A., F.C.A.

Toronto, Ontario, Canada

Age 70

Loblaw Board Details:

Director since 2005

Independent

Mr. Beeston, a corporate director, is the former President and Chief Executive Officer of the Toronto Blue Jays Baseball Team. He is also a former President and Chief Executive Officer of Major League Baseball.

Mr. Beeston graduated from the University of Western Ontario with a B.A., received an Honorary LL.D. from the University of Western Ontario and an Honorary Doctor of Social Sciences from Niagara University. He is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant.

Mr. Beeston is a director of President's Choice Bank (a subsidiary of the Corporation). In addition to his public board membership listed below, he is a member of the Executive Committee of the National Baseball Hall of Fame in Cooperstown, New York. Mr. Beeston is the former Chairman of the Centre for Addiction and Mental Health. Mr. Beeston is also a former director of Newport Partners Income Fund.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
		#	%	Year	Amount
Board	9/9				
Audit Committee	4/4	13/13	100%	2015	$182,500
				2014	$203,000

EQUITY OWNERSHIP						
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	7,900	39,165	47,065	$3,341,615	$700,000	Yes
2014	7,900	35,802	43,702	$2,727,005		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks	
		Directors	Boards
Gluskin Sheff & Associates Inc.	2009 to present	Nancy H.O. Lockhart	Gluskin Sheff & Associates Inc.
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
—	—		

Paviter S. Binning

Toronto, Ontario, Canada

Age 55

Loblaw Board Details:

Director since 2014

Non-Independent

Mr. Binning is the President and Chief Executive Officer of Weston. He is also the former Chief Financial Officer of Weston. Prior to holding these positions, he was Executive Vice President, Chief Financial Officer and Chief Restructuring Officer of Nortel Networks Corporation and Nortel Networks Limited(4). Prior to joining Nortel, Mr. Binning was a board member and Chief Financial Officer at Hanson plc and Marconi Corporation plc. Mr. Binning previously held senior corporate and operational finance roles at Diageo plc.

Mr. Binning is a Fellow of the Chartered Institute of Management Accountants (U.K.).

Mr. Binning is a director of Weston and President's Choice Bank and previously served on the Corporation's Board from 2009 to 2010, prior to joining Weston in an executive role.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
		#	%	Year	Amount
Board	9/9	9/9	100%	2015	Nil
				2014	Nil

EQUITY OWNERSHIP				
Year	Common Shares	DSUs	Total Common Shares and DSUs	
2015	—	3,032	3,032	The value of Mr. Binning's eligible holdings is $22,084,622(5). Mr. Binning is subject to the Weston Executive Share Ownership Guidelines. For details relating to his equity-based Share Ownership Guidelines as an executive of Weston, please see the Weston Management Proxy Circular available at www.sedar.com.
2014	—	2,986	2,986	

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks	
		Directors	Boards
George Weston Limited	2012 to present	Galen G. Weston	George Weston Limited
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
Loblaw Companies Limited	2009 to 2010		

Warren Bryant

Bellevue, Washington, United States

Age 70

Loblaw Board Details:

Director since 2013

Independent

Mr. Bryant, a corporate director, is a former Chairman, President and Chief Executive Officer of Longs Drug Stores. Prior to joining Longs Drug Stores, Mr. Bryant held management and executive positions at Kroger Co., a leading U.S. grocery chain.

Mr. Bryant graduated from California State University with a B.S. and from Azusa Pacific University with an M.B.A. Mr. Bryant is also a graduate of the Executive Financial Management Program at Harvard University.

In addition to his public board memberships listed below, Mr. Bryant is a member of the Executive Advisory Committee for the Portland State University Food Industry Leadership Center. Mr. Bryant is a former Chairman of the Board of Directors and was a member of the Board Executive Committee for the National Association of Chain Drug Stores (NACDS). Mr. Bryant is also a former member of the Board of Directors for the California Governor's Council on Physical Fitness and Sports. Mr. Bryant is also a former Director of Longs Drug Stores.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received[1]	
Board	9/9	#	%	Year	Amount
Audit Committee	4/4	17/17	100%	2015	$197,500
Environmental, Health and Safety Committee	4/4			2014	$157,000

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs[2][6]	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	—	8,572	8,572	$1,447,157	$700,000	Yes
2014	—	5,450	5,450	$1,079,104		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Public Board Interlocks: Boards
Dollar General Corporation	2009 to present	—	—
Office Depot Inc. (formerly OfficeMax Incorporated)	2004 to present		
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
George Weston Limited	2010 to 2013		

Christie J.B. Clark, F.C.P.A., F.C.A.

Toronto, Ontario, Canada

Age 62

Loblaw Board Details:

Director since 2011

Independent

Mr. Clark, a corporate director, is a former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP from 2005 to 2011. Prior to being elected as Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee from 2001 to 2005.

Mr. Clark graduated from Queen's University with a B.Comm. and the University of Toronto with an M.B.A. He is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant.

In addition to his public board memberships listed below, Mr. Clark is Chair of the Finance Committee of Alpine Canada and a member of the Advisory Council of The Stephen J.R. Smith School of Business at Queen's University.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received[1]	
Board	9/9	#	%	Year	Amount
Audit Committee (Chair)	4/4	17/17	100%	2015	$328,500
Finance Committee	4/4			2014	$304,540

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs[2][7]	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	18,078	—	18,078	$1,283,538	$700,000	Yes
2014	16,728	—	16,728	$1,043,827		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Public Board Interlocks: Boards
Air Canada	2013 to present	Galen G. Weston	Choice Properties Real Estate Investment Trust
Choice Properties Real Estate Investment Trust	2013 to present	M. Marianne Harris	Hydro One Inc. Hydro One Limited
Hydro One Inc.	2015 to present		
Hydro One Limited	2015 to present		
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
Brookfield Office Properties Inc.	2012 to 2014		
IGM Financial Inc.	2012 to 2014		

M. Marianne Harris

Toronto, Ontario, Canada

Age 58

Loblaw Board Details:

Nominee Director

Independent

Ms. Harris is a corporate director. Prior to 2013, she was the Managing Director and President of Corporate and Investment Banking for Merrill Lynch Canada Inc. (“Merrill Lynch”) and Head of Financial Institutions Group Americas, Merrill Lynch Pierce Fenner & Smith. Prior to Merrill Lynch, she held various investment banking positions with RBC Capital Markets from 1984 to 2000.

Ms. Harris holds an M.B.A. from the Schulich School of Business, a J.D. (Juris Doctor) degree from Osgoode Hall Law School and a B.Sc. (Honours) from Queens University.

Ms. Harris is also Chair of the board of the Investment Industry Regulatory Organization of Canada (IIROC) as well as a member of the Investment Committee of the Princess Margaret Cancer Foundation Board, the Dean’s Advisory Council at the Schulich School of Business, and the Advisory Council of the Hennick Centre for Business and Law.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
—	—	#	%	Year	Amount
		—	—	2015	—

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	2,330	—	2,330	$165,430	$700,000	Yes(8)

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Boards
Hydro One Inc.	2015 to present	Christie J.B. Clark	Hydro One Inc.
Hydro One Limited	2015 to present		Hydro One Limited
Sun Life Financial Inc.	2013 to present		
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
Agrium Inc.	2014 to 2015		

Claudia Kotchka

Cincinnati, Ohio, United States

Age 64

Loblaw Board Details:

Nominee Director

Independent

Ms. Kotchka is an independent consultant to Fortune 500 companies on innovation, design and culture change. Ms. Kotchka held various executive roles during her 31 year career at Procter & Gamble, including Vice President, Design Innovation & Strategy.

Ms. Kotchka obtained a B.B.A., Cum Laude, from Ohio University and is a Certified Public Accountant.

Ms. Kotchka serves on the Board of Trustees of the Smithsonian Cooper-Hewitt, National Design Museum in New York. Ms. Kotchka is a regular guest lecturer on innovation at Stanford University and has also been named an IDEO Fellow.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
—	—	#	%	Year	Amount
		—	—	2015	—

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	—	—	—	—	$700,000	Yes(8)

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Boards
—	—	—	—
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
BlackBerry Limited	2011 to 2015		

John S. Lacey

Toronto, Ontario, Canada

Age 72

Loblaw Board Details:

Director since 2007

Non-Independent

Mr. Lacey is Chairman of the Advisory Board of Brookfield Private Equity Group and is a director nominee of Brookfield Business Partners L.P. that has filed a registration statement with the US SEC. He also provides advisory services to the Corporation and Weston. Mr. Lacey is a former Chairman of Alderwoods Group, Inc., an organization operating funeral homes in North America and former President and Chief Executive Officer of the Oshawa Group (now part of Sobeys).

In addition to his public board memberships listed below, Mr. Lacey is also Chairman of Doncaster Consolidated Ltd.

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

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
Board	9/9	#	%	Year	Amount
Pension Committee (Chair)	4/4	13/13	100%	2015	$ 190,000
				2014	$ 142,350

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	16,145	28,385	44,530	$3,161,630	$700,000	Yes
2014	14,145	25,071	39,216	$2,447,078		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Public Board Interlocks: Boards
TELUS Corporation	2000 to present	—	—
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)(9)(10)			
Ainsworth Lumber Co. Ltd.	2008 to 2015		
George Weston Limited	2009 to 2016		

Nancy H.O. Lockhart, O. Ont.

Toronto, Ontario, Canada

Age 61

Loblaw Board Details:

Director since 2005

Independent

Ms. Lockhart, a corporate director, is the former Chief Administrative Officer of Frum Development Group and a former Vice President of Shoppers Drug Mart Corporation.

Ms. Lockhart is a director of the Centre for Addiction and Mental Health Foundation, Loran Scholars Foundation, The Royal Conservatory of Music and a member of the Sotheby's Canada Advisory Board. Ms. Lockhart is also Chair of the Crow's Theatre Company. 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 director of the Canada Deposit Insurance Corporation.

Ms. Lockhart has an Institute of Corporate Directors' ICD.D certification.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
Board	9/9	#	%	Year	Amount
Environmental, Health and Safety Committee (Chair)	4/4	18/18	100%	2015 2014	$197,500 $167,000
Governance Committee	5/5				

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	750	41,004	41,754	$2,964,534	$700,000	Yes
2014	750	37,386	38,136	$2,379,686		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Public Board Interlocks: Boards
Atrium Mortgage Investment Corporation	2013 to present	Paul M. Beeston	Gluskin Sheff & Associates Inc.
Gluskin Sheff & Associates Inc.	2013 to present		
Barrick Gold Corporation	2014 to present		
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
—	—		

Thomas C. O'Neill, F.C.P.A., F.C.A.

Toronto, Ontario, Canada

Age 71

Loblaw Board Details:

Independent

Director since 2003

Lead Director

Mr. O'Neill, a corporate director, is Chairman of The Bank of Nova Scotia. He is also the retired Chairman of PricewaterhouseCoopers Consulting. Mr. O'Neill was previously Chief Executive Officer, and prior to that, Chief Operating Officer of PricewaterhouseCoopers LLP.

Mr. O'Neill graduated from Queen's University with a B.Comm. and is a Fellow Chartered Accountant and a Fellow Chartered Professional Accountant. Mr. O'Neill received an Honorary LL.D. from Queen's University and is a Fellow of the Institute of Corporate Directors. Mr. O'Neill also received the ICAO Award of Outstanding Merit, the highest honour from CPA Ontario.

In addition to his public company board memberships listed below, Mr. O'Neill also serves as Chair of St. Michael's Hospital, is a member of the Advisory Board of The Stephen J.R. Smith School of Business at Queen's University and is a former Vice-Chair of the Board of Trustees of Queen's University.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
Board	9/9	#	%	Year	Amount
Governance Committee (Chair)	5/5	17/18	94%	2015	$277,500
Finance Committee (Chair)	3/4			2014	$229,350

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	3,703	31,702	35,405	$2,513,755	$700,000	Yes
2014	3,703	27,020	30,723	$1,917,115		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks Directors	Public Board Interlocks Boards
BCE Inc. (Chair)(11)	2003 to present	—	—
The Bank of Nova Scotia	2008 to present		
Adecco S.A.	2004 to present		
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
Nexen Inc.	2002 to 2013		

Beth Pritchard

New Albany, Ohio, United States

Age 69

Loblaw Board Details:

Director since 2014

Independent

Ms. Pritchard is a Principal and Strategic Advisor for Sunrise Beauty Studio, LLC. Ms. Pritchard formerly served as the North American Advisor to M.H. Alshaya Co., a diverse franchisee group based in the Middle East. Prior to that, Ms. Pritchard was the President and Chief Executive Officer and Vice Chairman of Dean & DeLuca, Inc., President and Chief Executive Officer of Bath & Body Works and Chief Executive Officer of Victoria's Secret Beauty.

Ms. Pritchard has a B.A., International Relations from the University of Wisconsin-Milwaukee and an M.B.A. from Marquette University.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
Board	9/9	#	%	Year	Amount
Environmental, Health and Safety Committee	4/4	13/13	100%	2015	$182,500
				2014	$145,540

EQUITY OWNERSHIP Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(10)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	—	9,416	9,416	$668,536	$700,000	Yes(12)
2014	—	6,502	6,502	$405,725		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks Directors	Public Board Interlocks Boards
Cabela's Incorporated	2011 to present	—	—
The Vitamin Shoppe, Inc.	2008 to present		
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE EARS)(13)			
Shoppers Drug Mart Corporation	2012 to 2014		
Zale Corporation	2012 to 2014		
Borderfree, Inc.	2014 to 2015		

Sarah Raiss

Calgary, Alberta, Canada

Age 58

Loblaw Board Details:

Director Since 2014

Independent

Ms. Raiss, a corporate director, formerly held senior positions at TransCanada Corporation, including Executive Vice President of Corporate Services.

Ms. Raiss has a B.S. in Applied Math and an M.B.A. from the University of Michigan. She also has an Institute of Corporate Directors' ICD.D certification. Ms. Raiss was recently recognized by the National Association of Corporate Directors with a D100 designation.

Ms. Raiss is the former Chair of the Alberta Electric System Operator Board of Directors.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
		#	%	Year	Amount
Board	9/9				
Governance Committee	5/5	14/14	100%	2015 2014	$182,500 $150,740

EQUITY OWNERSHIP						
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	In Progress or Meets Share Ownership Guidelines
2015	907	22,154	23,061	$1,637,331	$700,000	Yes
2014	907	19,046	19,953	$1,245,067		

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Boards
Commercial Metals Company	2011 to present	—	—
Vermilion Energy Inc.	2014 to present		
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)			
Shoppers Drug Mart Corporation	2009 to 2014		
Canadian Oil Sands Limited	2012 to 2016		

Galen G. Weston

Toronto, Ontario, Canada

Age 43

Loblaw Board Details:

Director since 2006

Non-Independent

Mr. Weston is Executive Chairman and President of the Corporation. He previously held several senior executive positions with the Corporation and its subsidiaries. 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 Deputy Chairman of George Weston Limited and Chairman and a trustee of the Corporation's subsidiary, Choice Properties Real Estate Investment Trust and a director of Wittington Investments, Limited.

BOARD/COMMITTEE MEMBERSHIP	Attendance	Attendance Total		Director Fees Received(1)	
		#	%	Year	Amount
Board	9/9	9/9	100%	2015 2014	$134,000(14) $144,000(14)

EQUITY OWNERSHIP				
Year	Common Shares	DSUs	Total Common Shares and DSUs	
2015	290,000	—	290,000	The value of Mr. Weston's current eligible holdings is $48,006,880. Mr. Weston meets the Executive Share Ownership Guidelines. For details relating to his equity-based share ownership as an executive, please see the table on page 46.
2014	290,000	—	290,000	

CURRENT PUBLIC BOARD MEMBERSHIPS		Public Board Interlocks: Directors	Boards
Choice Properties Real Estate Investment Trust George Weston Limited	2013 to present 2016 to present	Christie J.B. Clark	Choice Properties Real Estate Investment Trust
PAST PUBLIC BOARD MEMBERSHIPS (LAST FIVE YEARS)		Paviter S. Binning	George Weston Limited
—	—		

(1) *"Director Fees Received" includes compensation received as a director of the Corporation and its subsidiaries. Directors who are members of management do not receive any remuneration for their role as directors of the Corporation. Mr. Weston did not receive any remuneration for his role as a director of the Corporation, but he did receive $134,000 as the Chairman of the board of Choice Properties Real Estate Investment Trust, a subsidiary of the Corporation.*

(2) *"Total Market Value of Common Shares and DSUs" for non-management directors is calculated for 2015 based on the closing price of the Common Shares on the TSX on March 14, 2016, which was $71.00, and for 2014 based on the closing price of the Common Shares on the TSX on March 16, 2015, which was $62.40.*

(3) *Mr. Bachand served as a director of Weston between 2007 and 2009. Pursuant to the Share Ownership Guidelines, Mr. Bachand's Weston holdings count towards his minimum equity ownership in the Corporation. Mr. Bachand held 7,451 Weston DSUs and 600 Weston common shares in 2014 with a value of $808,079 based on the March 16, 2015 share price of $100.37 and 7,573 Weston DSUs and 600 Weston common shares in 2015 with a value of $915,866 based on the March 14, 2016 share price of $112.06.*

(4) *In November 2007, Mr. Binning was appointed Chief Financial Officer of Nortel Networks Corporation. On January 14, 2009, Nortel filed for creditor protection under the Companies' Creditors Arrangement Act (the "CCAA") in Canada. As well, certain of Nortel's subsidiaries filed voluntary petitions in the United States under Chapter 11 of the U.S. Bankruptcy Code and in other jurisdictions under equivalent restructuring regimes.*

(5) *Mr. Binning holds common shares, executive deferred share units and in-the-money stock options in Weston and DSUs in the Corporation. The value of his holdings in Weston was $22,084,622 based on the March 14, 2016 closing price of common shares of Weston on the TSX which was $112.06. Mr. Binning currently serves on the Weston Board of Directors and also served as a non-management director of the Corporation between 2009 and 2010. Mr. Binning held 3,032 DSUs of the Corporation with a value of $215,272 as of March 14, 2016 based on the closing Common Share price of $71.00.*

(6) *Mr. Bryant served as a director of Weston between 2010 and 2013. Pursuant to the Director Share Ownership Guidelines, Mr. Bryant's Weston holdings count towards his minimum equity ownership in the Corporation. Mr. Bryant's held 7,363 Weston DSUs in 2014 with a value of $739,024 based on the March 16, 2015 Weston common share price of $100.37 and 7,483 Weston DSUs in 2015 with a value of $838,545 based on the March 14, 2016 Weston common share price of $112.06.*

(7) *Mr. Clark holds 18,078 Common Shares indirectly through his spouse as permitted under the Director Share Ownership Guidelines.*

(8) *If elected, Mses. Harris and Kotchka will each have five years to satisfy the Share Ownership Guidelines.*

(9) *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 for creditor protection under the CCAA in June of 1999. The Loewen Group Inc. emerged from Chapter 11 in January 2003 and the CCAA proceedings were held in November 2006.*

(10) *In March 2006, Mr. Lacey joined the board of directors of Stelco Inc. as a nominee of Tricap Management Limited. Stelco filed for creditor protection under the CCAA in January 2004 and emerged from those proceedings in March 2006. Mr. Lacey resigned from the Stelco board of directors in November 2006.*

(11) *Mr. O'Neill is retiring and not standing for re-election at BCE's April 28, 2016 annual meeting.*

(12) *Ms. Pritchard joined the Board in 2014 and has an additional three years to meet the Director Share Ownership Guidelines.*

(13) *Ms. Pritchard was the Chief Executive Officer of Organized Living, Inc. which filed for Chapter 11 protection on May 4, 2005 in the United States Bankruptcy Court for the Southern District of Ohio.*

(14) *Reflects compensation Mr. Weston received for his role as Chairman of Choice Properties Real Estate Investment Trust, a subsidiary of the Corporation.*

Meeting Attendance

The following table provides a summary of each director's attendance at Board and committee meetings in 2015:

Name	Board (9 meetings)	Audit Committee (4 meetings)	Environmental, Health and Safety Committee (4 meetings)	Finance Committee (4 meetings)	Governance Committee (5 meetings)	Pension Committee (4 meetings)	Overall Attendance	
Stephen E. Bachand	9/9	—	—	—	5/5	—	14/14	100%
Paul M. Beeston	9/9	4/4	—	—	—	—	13/13	100%
Paviter S. Binning	9/9	—	—	—	—	—	9/9	100%
Warren Bryant	9/9	4/4	4/4	—	—	—	17/17	100%
Christie J.B. Clark	9/9	4/4	—	4/4	—	—	17/17	100%
Anthony R. Graham(1)	6/6	—	—	—	4/4	2/2	12/12	100%
Holger Kluge	9/9	4/4	—	—	—	4/4	17/17	100%
John S. Lacey	9/9	—	—	—	—	4/4	13/13	100%
Nancy H.O. Lockhart	9/9	—	4/4	—	5/5	—	18/18	100%
Thomas C. O'Neill	9/9	—	—	3/4	5/5	—	17/18	94%
Beth Pritchard	9/9	—	4/4	—	—	—	13/13	100%
Sarah Raiss	9/9	—	—	—	5/5	—	14/14	100%
Galen G. Weston	9/9	—	—	—	—	—	9/9	100%
Total	**100%**	**100%**	**100%**	**88%**	**100%**	**100%**		**99%**

(1) *Mr. Graham retired from the Board on July 23, 2015.*

DIRECTOR COMPENSATION

The Corporation's director compensation program is structured to compensate directors appropriately for their time, commitment and responsibility as a Board member and to remain competitive with director compensation practices in Canada. The program is designed to attract and retain committed and qualified directors and to align their compensation with the long-term interests of the shareholders. To achieve these objectives, directors are required to take 100% of their board retainer and committee fees in DSUs until they meet the Director Share Ownership Guidelines after which a director has the option to receive up to 50% of all fees in cash, with the balance required to be taken in DSUs or Common Shares. Directors who are employees of the Corporation receive no additional compensation for services as a director.

Director Deferred Share Unit Plan

A DSU is a right to receive an amount from the Corporation equal to the value of one Common Share. The number of DSUs awarded to a director is equal to the value of the compensation that the director elects or is required to receive in the form of DSUs divided by the volume-weighted average trading price of a Common Share on the TSX for the five trading days prior to the date of the award. DSUs are not paid out until the director ceases to serve on the Board, thereby providing an equity stake in the Corporation throughout the director's term as a Board member. Dividend equivalents in the form of additional DSUs that are equal in value to dividends paid on Common Shares are credited to the director's account on each dividend payment date based on the number of DSUs in the account as of the dividend record date. Following cessation of Board service, payment of DSUs is made in Common Shares purchased on the open market. A director may elect to defer payment until December 15th of the calendar year following the year in which he or she ceases to be a director. DSUs do not entitle the director to any voting or other shareholder rights.

Director Share Ownership Guidelines

The Board believes that it is important that directors demonstrate their commitment to the Corporation through share ownership. In that regard, the Board has established Director Share Ownership Guidelines for non-management directors. Under these Guidelines, non-management directors are required to hold Common Shares or DSUs with a value of not less than four times the amount of the directors' annual retainer. Based on this multiple, the ownership requirement was $700,000 in 2015. For purposes of the Guidelines, securities are valued at their market value and directors are expected to meet the required level of share ownership within five years of initially being elected or appointed to the Board. Directors are required to take 100% of their board retainer and committee fees in DSUs until they meet the Director Share Ownership Guidelines after which they have the option to receive up to 50% of all fees in cash. All directors either meet the required level of share ownership or are in the process of accumulating securities as required under the Guidelines. Management directors are not subject to the Director Share Ownership Guidelines but instead must meet the Executive Share Ownership Guidelines described on pages 45 and 46.

Director Compensation Review

The Board, through the Governance Committee, is responsible for reviewing and approving any changes to the directors' compensation arrangements. The Governance Committee recognized that overseeing the Corporation's affairs has become increasingly complex, particularly in light of the acquisition of Shoppers Drug Mart Corporation ("SDM"). In 2014, the Governance Committee reviewed the compensation paid to the Corporation's non-management directors and, in doing so, undertook a comprehensive review of the board compensation practices for the top 26 TSX-listed corporations based on revenue (other than the Corporation and Weston). This comparator group was chosen because, in the Board's estimation, it is generally representative of the companies that compete for the relevant director talent pool in Canada. The Governance Committee also considered the complexity of the Corporation's operations, the risks and responsibilities involved in being a director of the Corporation, the time required to prepare for and participate in scheduled and special Board meetings and the expected participation on the Board's committees. As part of this review, the Board analyzed: (i) the amount of the base retainer; (ii) committee and chair fees; (iii) lead director payments; (iv) per-meeting fees; and (v) minimum share ownership requirements.

Top 26 TSX-Listed Corporations by 2014 Revenue

Agrium Inc.	Canadian Tire Corporation, Limited	Rogers Communications Inc.
Bank of Montreal	Cenovus Energy Inc.	Royal Bank of Canada
Barrick Gold Corporation	Enbridge Inc.	Sun Life Financial Inc.
Bell Canada	Husky Energy Inc.	Suncor Energy Inc.
BlackBerry Limited	Imperial Oil Limited	TELUS Corporation
Bombardier Inc.	Magna International	The Bank of Nova Scotia
Brookfield Asset Management Inc.	Manulife Financial Corporation	The Toronto-Dominion Bank
Canadian Imperial Bank of Commerce	Metro Inc.	Thomson Reuters Corporation
Canadian Natural Resources Limited	Power Corporation of Canada	

Following this comprehensive review, the Board, on the recommendation of the Governance Committee, approved the following changes to director compensation effective January 1, 2015:

- an increase to the annual base retainer from $100,000 to $175,000;
- the elimination of meeting fees;
- an increase to the Audit Committee membership fees from $5,000 to $7,500;
- an increase in the other committee membership fees from $4,000 to $7,500;
- an increase to the Pension Committee Chair and Finance Committee Chair fees from $10,000 to $15,000; and
- a requirement that directors take 100% of their retainer in DSUs until they meet the Director Share Ownership Guidelines, after which they can elect to receive up to 50% of their total fees in cash, with the balance required to be taken in DSUs or Common Shares.

No changes were made to the Lead Director retainer or to the fees paid for chairing the Audit, Governance or Environmental, Health and Safety Committees. Non-management directors continue to be required to hold Common Shares or DSUs with a value of not less than four times the amount of the directors' annual retainer. Based on this multiple of base retainer, the ownership requirement increased from $400,000 to $700,000 in 2015.

The changes to director compensation were designed to position director pay slightly below the median of the comparator group. The elimination of meeting fees was a reflection of the Board's view that the value a director brings to the Corporation should not be measured by the number of meetings attended, but rather in the director's contribution both in meetings and otherwise. The increase in the annual base retainer was to reflect the elimination of meeting fees.

2015 Director Compensation Amounts

A summary of the 2015 director compensation amounts is set out below:

Type of Fee	Amount ($)
Annual Fees	
Total Board Retainer	175,000(1)
Chair and Committee Fees	
Lead Director retainer	50,000
Audit Committee Chair	30,000(2)
Governance Committee Chair	25,000(2)
Environmental, Health and Safety Committee Chair	15,000(2)
Finance Committee Chair	15,000(2)
Pension Committee Chair	15,000(2)
Member of board committee	7,500

(1) Directors are required to take 100% of their board retainer and committee fees in DSUs until they meet the Director Share Ownership Guidelines after which a director has the option to receive up to 50% of all fees in cash, with the balance required to be taken in DSUs or Common Shares.
(2) Includes fees received as a committee member.

Mr. Weston did not receive any remuneration for his role as a director of the Corporation, but he did receive $134,000 for his role as the Chairman of the board of Choice Properties Real Estate Investment Trust ("Choice Properties"), a subsidiary of the Corporation. The details of Mr. Weston's executive compensation are set out in the Compensation Discussion and Analysis. Mr. Binning is a senior executive of Weston and as such did not receive any remuneration for his role as a director of the Corporation or President's Choice Bank. The details of Mr. Binning's executive compensation are set out in the Weston Management Proxy Circular available at www.sedar.com.

If elected, Messrs. Weston and Binning will not receive any remuneration in 2016 for their role as directors of the Corporation.

2015 Director Compensation Table

The following table sets out the compensation elements and total compensation earned by each non-management director in 2015 and the manner in which the compensation was paid:

	Fees Breakdown						Allocation of Total Director Fees		
Name	Board Retainer ($)(1)	Committee Chair Retainer ($)	Committee Member Retainer ($)	Total Director Fees Earned ($)	All Other Compensation ($)	Total Compensation ($)	Cash ($)	DSUs ($)(2)	Allocation of Fees between Cash and DSUs (%)
Stephen E. Bachand	175,000	—	7,500	182,500	—	182,500	—	182,500	100% DSUs
Paul M. Beeston	175,000	—	7,500	182,500	56,000(3)	238,500	—	182,500	100% DSUs
Warren Bryant	175,000	—	22,500(4)	197,500	—	197,500	—	197,500	100% DSUs
Christie J.B. Clark	175,000	30,000	7,500	212,500	116,000(5)	328,500	212,500	—	0% DSUs
Anthony R. Graham	100,188(6)	—	8,588	108,776	11,500(7)	120,276	—	108,776	100% DSUs
Holger Kluge	175,000	—	15,000	190,000	—	190,000	—	190,000	100% DSUs
John S. Lacey	175,000	15,000	—	190,000	200,000(8)	390,000	—	190,000	100% DSUs
Nancy H.O. Lockhart	175,000	15,000	7,500	197,500	—	197,500	—	197,500	100% DSUs
Thomas C. O'Neill	175,000	90,000	12,500(4)	277,500	—	277,500	—	277,500	100% DSUs
Beth Pritchard	175,000	—	7,500	182,500	—	182,500	—	182,500	100% DSUs
Sarah Raiss	175,000	—	7,500	182,500	—	182,500	—	182,500	100% DSUs
Total ($)	**$1,850,188**	**$150,000**	**$103,588**	**$2,103,776**	**$383,500**	**$2,487,276**	**$212,500**	**$1,891,276**	

(1) In 2015, directors were required to take 100% of their board retainer and committee fees in DSUs until they met the Director Share Ownership Guidelines after which they can elect to receive up to 50% of their total fees in cash, with the balance required to be taken in DSUs or Common Shares.
(2) Amounts reflect the grant date fair value of DSUs based on the volume-weighted average trading price of the Common Shares on the TSX for the five trading days prior to the date of the grant in accordance with the DSU Plan. As well, additional DSUs are accumulated based on notional equivalents of dividends paid on Common Shares throughout the year. These notional equivalents of dividends are not included in the table.
(3) Includes the fees that Mr. Beeston received for his role as a director and Chair of the Audit, Risk and Governance Committees of President's Choice Bank, a subsidiary of the Corporation.
(4) Includes fees received for attendance at meetings of a Board committee.
(5) Includes the fees that Mr. Clark received for his role as a trustee of Choice Properties, a subsidiary of the Corporation.
(6) Mr. Graham retired from the Board effective July 23, 2015.
(7) Includes the fees that Mr. Graham received for his role as a director of President's Choice Bank. Mr. Graham retired from President's Choice Bank effective July 21, 2015.
(8) Mr. Lacey received $200,000 in fees from the Corporation for providing advisory services.

Outstanding Share-Based Awards

The following table sets forth the value of all share-based awards granted to non-management directors that were outstanding as at January 4, 2016:

Name of Participant	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value of Share-Based Awards That Have Not Vested ($)	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed ($)(1)
Stephen E. Bachand(2)	—	—	1,575,223
Paul M. Beeston	—	—	2,539,459
Warren Bryant(2)	—	—	548,806
Christie J.B. Clark	—	—	—
Holger Kluge	—	—	2,950,415
John S. Lacey(2)	—	—	1,840,483
Nancy H.O. Lockhart	—	—	2,658,699
Thomas C. O'Neill	—	—	2,043,822
Beth Pritchard	—	—	610,533
Sarah Raiss	—	—	1,436,465

(1) The value of the outstanding DSUs awarded to the directors is based on the closing price of the Common Shares on the TSX on January 4, 2016, which was $64.84, multiplied by the number of outstanding DSUs. The values also include additional DSUs which were accumulated based on notional equivalents of dividends paid on Common Shares.
(2) Messrs. Bachand, Bryant and Lacey also hold Weston DSUs. Based on the closing price of Weston common shares on the TSX on January 4, 2016 of $105.29, Mr. Bachand owns 7,573 Weston DSUs with a value of $797,361; Mr. Bryant owns 7,483 Weston DSUs with a value of $787,885; and Mr. Lacey owns 12,282 Weston DSUs with a value of $1,293,172.

APPOINTMENT OF THE EXTERNAL AUDITOR

Appointment of the External Auditor

The Auditor of the Corporation is KPMG LLP. The Board, on the recommendation of the Audit Committee, recommends that KPMG LLP be re-appointed as the auditor of the Corporation to hold office until the next annual meeting of shareholders of the Corporation and that the directors be authorized to fix the external auditor's remuneration. The persons named in the accompanying form of proxy intend to vote **FOR** the appointment of KPMG LLP as the Corporation's auditor until the next annual meeting of shareholders.

Audit and Other Service Fees

The Audit Committee oversees the fees paid to KPMG LLP for audit and non-audit services. The following table sets forth the aggregate fees billed for professional services rendered by the independent external auditor, KPMG LLP, for the fiscal years 2015 and 2014, respectively:

	2015 $(000's)	2014 $(000's)
Audit fees(1)	6,006	6,073
Audit-related fees(2)	710	518
Tax-related fees(3)	79	262
All other fees(4)	85	11
Total Fees	$6,880	$6,864

(1) Audit fees include fees for services related to the audit of the Corporation's consolidated financial statements, including the audit of SDM (beginning in 2014), Choice Properties and PC Bank. Audit fees also include fees for services related to the review of quarterly reports, auditor involvement with filings related to the acquisition of SDM in 2014 and debt prospectuses of the Corporation, Eagle Credit Card Trust and Choice Properties in 2015, audit procedures performed relating to the Corporation's IT system conversion, and the interpretation of accounting and financial reporting standards.
(2) Audit-related fees include fees for French translation services associated with the Corporation's financial and regulatory filings and the audit of pension plans.
(3) Tax-related fees include fees for tax compliance services and advice.
(4) All other fees include services related to legislative and/or regulatory compliance.

As part of the Corporation's corporate governance practices, the Audit Committee has adopted a policy prohibiting the external auditor from providing non-audit services to the Corporation or its subsidiaries unless the services are approved in advance by the Chair of the Audit Committee. The external auditor is required to report directly to the Audit Committee.

AUDIT COMMITTEE

Christie J.B. Clark (Chair)

Paul M. Beeston

Warren Bryant

Holger Kluge

The Audit Committee is responsible for the review of the Corporation's consolidated financial statements and recommending the appointment of the external auditor to the Board and to shareholders for approval. It also has responsibility for supporting the Board in overseeing the quality and integrity of the Corporation's financial reporting and has responsibility for the Corporation's internal controls over financial reporting, disclosure controls and procedures and internal audit function. The Audit Committee also assists the Board in its oversight of the Corporation's enterprise risk management ("ERM") program and compliance with applicable legal and regulatory requirements.

The Audit Committee evaluates the qualifications, performance and independence of the external auditor and oversees procedures for the receipt, retention and follow-up of any complaints regarding the Corporation's accounting, internal controls and auditing matters. The Chair of the Audit Committee is involved in the selection process for the Lead Audit Partner. The Lead Audit Partner of KPMG LLP may not serve in this role for the Corporation for longer than seven consecutive years and the Audit Committee ensures that a regular rotation occurs as required under current auditing standards.

All members of the Audit Committee are independent and financially literate as required under applicable Canadian securities legislation.

AUDIT COMMITTEE REPORT

Overview

Each year, we review our mandate to ensure our Committee's effectiveness in fulfilling its responsibilities in relation to the integrity of the Corporation's accounting and financial reporting; compliance with legal and regulatory requirements as they relate to the Corporation's financial statements; the qualifications, independence and performance of the Corporation's external auditor; ERM process; internal control over financial reporting and disclosure controls and procedures; the performance of the Corporation's internal audit function; and fulfillment of the additional duties set out in the mandate. We are satisfied that our Committee fulfilled its responsibilities in 2015.

Meetings

The Committee meets at least once every quarter. Activities reviewed are based on our mandate and work plan. At each meeting, the Committee meets separately in-camera with the chief internal auditor and the external auditor. In addition, it holds an in-camera session without management present at each meeting. The Audit Committee met four times in 2015.

Financial Reporting

We reviewed and discussed with management the Corporation's annual and interim consolidated financial statements and management's discussion and analysis for the year ended January 2, 2016 and the interim quarters and the external auditor's reports thereon. The Committee focused on the harmonization of policies for Loblaw and SDM in the first full year since the acquisition including an operational review of ongoing asset testing and accounting practices. Following our thorough review, we recommended to the Board that the Corporation's annual audited consolidated financial statements be approved and released on February 25, 2016.

Internal and External Auditor

Throughout the year, the Chair of the Audit Committee met periodically with the external auditor, the chief internal auditor and senior members of the Corporation's financial reporting group. In 2015, our Committee reviewed and approved the annual audit plans of the internal auditor and the external auditor and received regular reports from Internal Audit. In addition, we received reports on key audit issues at the Corporation from the external auditor.

At the end of the year-end audit cycle, we conducted an annual assessment of KPMG LLP's performance and effectiveness. In conducting this assessment, we considered factors such as the quality of overall audit services and communications to the Committee and KPMG LLP's independence and objectivity. We were satisfied with KPMG LLP's performance and concluded that KPMG LLP is independent from the Corporation and management. We proposed that the Board recommend to shareholders the appointment of KPMG LLP as auditor of the Corporation.

Enterprise Risk Governance

The Audit Committee also reviewed and recommended to the Board for approval the ERM Policy, risk appetite statement and outcomes of the risk management process.

The Board has tasked the Audit Committee with overseeing certain aspects of the Corporation's ERM process. At our meetings throughout the year, we received reports from management on the various risks facing the Corporation and how they are being managed. The type of risks the Corporation is exposed to include: strategic; financial; operational; regulatory; human capital; and reputational risk. Management periodically provides an update to the Committee on the status of the key risks based on significant changes from the prior update, anticipated impacts in future quarters, and significant changes in key risk indicators. We oversaw the continued roll out of a major IT system implementation and certain other key initiatives to the business. In addition, we received reports on inventory management and loss prevention.

Legal and Regulatory

Our Committee has stayed abreast of a number of key industry issues, including privacy, cybersecurity and information security more generally. Throughout the year, we also reviewed various regulatory filings and received updates on compliance related matters. We regularly reviewed related party transactions and their compliance with applicable policies and procedures. We also discussed legal developments with the Chief Legal Officer and significant legal issues involving the Corporation.

Respectfully submitted,

Audit Committee
Christie J.B., Clark (Chair)
Warren Bryant
Paul M. Beeston
Holger Kluge

For additional information regarding each member of the Audit Committee, please see pages 7 through 14. For additional information regarding the activities of the Audit Committee, see the Corporation's Statement of Corporate Governance Practices on pages 57 through 65.

2 Governance

CORPORATE GOVERNANCE

The Governance Committee believes that good corporate governance is essential to strong financial performance. The Corporation's governance practices provide oversight and accountability, ensure trust with its stakeholders and promote the long-term interests of its shareholders.

GOVERNANCE COMMITTEE

The Governance Committee is responsible for developing and implementing good governance principles and practices of the Corporation consistent with high standards of corporate governance. On an annual basis, the Governance Committee reviews existing Board policies, mandates and governance practices. The Governance Committee is also responsible for overseeing executive compensation, including the design and structure of the Corporation's incentive programs and the individual compensation of the named executive officers (the "NEOs") identified on page *27*. The Governance Committee oversees talent management and succession planning for the Corporation's senior executive positions. As part of its mandate, the Governance Committee, together with the Executive Chairman and President, identifies and recommends candidates for nomination to the Board as directors and reviews the composition of the Board committees. The Governance Committee recommends to the Board for approval any changes to directors' compensation arrangements. It also monitors the orientation program for new directors and continuing education for all directors and oversees the process for assessing the performance of the Board, its committees and individual directors.

The members of the Governance Committee are Messrs. Thomas C. O'Neill (Chair) and Stephen E. Bachand and Mses. Nancy H.O. Lockhart and Sarah Raiss. All current members of the Governance Committee are independent directors.

Key Skills and Experiences

The Board believes that the members of the Governance Committee individually and collectively have the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation and general business leadership, to fulfill the Governance Committee's mandate. All members of the Governance Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and directors of other publicly traded companies. The chart below sets out the relevant experience of each member of the Governance Committee:

Name of Member	Experience in Governance and Executive Compensation
Stephen E. Bachand	• Executive experience as former President and Chief Executive Officer and former director of Canadian Tire Corporation, Limited • Former member of Weston's Governance, Human Resources, Nominating and Compensation Committee • Former Chair of Fairmont Hotels & Resorts Inc.'s Management Resources and Compensation Committee and its Corporate Governance and Nominating Committee • Former Chair of Canadian Pacific Railway Limited's Management Resources and Compensation Committee and former member of its Corporate Governance and Nominating Committee • Former Chair of the Bank of Montreal's Human Resources and Management Compensation Committee and former member of its Governance and Nominating Committee
Nancy H.O. Lockhart	• Executive experience as Chief Administrative Officer of Frum Development Group and former Vice President of Shoppers Drug Mart Corporation • Former member of Retirement Residences Real Estate Investment Trust's Governance and Compensation Committee • Experience in human resource management, executive compensation and business leadership, including obtaining the Institute of Corporate Directors' ICD.D certification from the Rotman Directors Education Program • Chair of Atrium Mortgage Investment Corporation Nominating and Governance Committee • Member of Barrick Gold Corporation's Corporate Governance and Nominating Committee • Member of Gluskin Sheff & Associates Inc.'s Compensation, Nominating and Governance Committee
Sarah Raiss	• Executive experience at TransCanada Corporation • Chair of the Compensation Committee and Member of the Nominating and Corporate Governance Committee of Commercial Metals Company • Member of the Governance and Human Resources Committee of Vermilion Energy Inc. • Former Chair and former member of the Governance and Nominations Committee of the Alberta Electric System Operator • Former Chair of the Corporate Governance and Human Resources Committee of Canadian Oil Sands Limited • Former member of the Human Resources and Compensation Committee of Shoppers Drug Mart Corporation • Former Chair of the Human Resource Committee and former member of the Governance and Nominating Committee at Business Development Bank of Canada
Thomas C. O'Neill	• Executive experience as former Chief Executive Officer and Chief Operating Officer of PricewaterhouseCoopers LLP and former Chairman of PricewaterhouseCoopers Consulting • Public company board experience as Chairman of BCE Inc. and The Bank of Nova Scotia and a director of Adecco S.A. • Member of Adecco S.A.'s Nomination and Compensation Committee and Corporate Governance Committee • Former member of The Bank of Nova Scotia's Corporate Governance and Pension Committee • Former member of Nexen Inc.'s Compensation Committee

Gender Diversity

The Corporation values diversity of views, experience, skill sets, gender and ethnicity and supports the identification and nomination of female directors and candidates for executive officer positions. Gender diversity is an important factor that is taken into account in identifying and selecting Board members and in considering the hiring, promotion and appointment of executive officers. The Board believes that diversity is important to ensure that directors and executives provide a wide range of perspectives, experience and expertise required to achieve effective stewardship of the Corporation.

The Corporation has developed and approved a written board diversity policy (the "Board Diversity Policy"). The Board Diversity Policy sets out guidelines for the Governance Committee to find the best qualified candidates for Board positions given the needs and circumstances of the Board. The Board Diversity Policy provides that when identifying suitable candidates for appointment to the Board, the Committee must consider candidates on merit using objective criteria with due regard to the benefits of diversity and the needs of the Board and the Corporation. The Board Diversity Policy states that, among other qualities, a nominee's gender, age, ethnicity and geographic background may be considered in his or her assessment.

The Board Diversity Policy requires that the Governance Committee measure and report to the Board annually with respect to the Corporation's progress in identifying and considering diverse candidates for appointment to the Board. To measure the effectiveness of the Policy, the Committee reviews: (i) the number of women and candidates representing diverse ethnicities considered or brought forward for board positions; and (ii) the skills, knowledge, experience and character of female candidates and candidates representing diverse ethnicities to ensure that these candidates are being fairly considered relative to other candidates.

The Board Diversity Policy does not include a target number or percentage of women on the board. The Governance Committee does not believe that targets are appropriate since gender diversity is only one of several characteristics considered during the board candidate selection process. Instead, the Committee believes that a method for reviewing directors on a variety of factors including diversity is more appropriate. The Committee's approach in circumstances where female candidates or candidates representing diverse ethnicities are not selected is to satisfy itself that there are justifiable reasons to support the selection.

Five of the thirteen director nominees are women, representing 38% of the Board's composition. Three of 17 executive officer positions at the Corporation are female, representing 18% of the Corporation's executive officer positions. There is also a rich and deep pool of female talent holding high potential and vice president level positions at the Corporation and its subsidiaries. The Corporation and its subsidiaries are committed to ensuring that they attract and retain the most highly qualified and experienced directors and executive officers and recognize that gender diversity is an important consideration in creating and maintaining an effective board and senior management team.

The Corporation is committed to being an organization with exceptional workplace diversity and inclusiveness programs and was recognized once again in 2015 as one of Canada's best diversity employers. The Corporation places great importance on creating a diverse workplace and has established a number of talent initiatives to support this objective, including mentoring and recruiting practices based on inclusion strategies and principles and maintaining an active Diversity and Inclusion Council. These programs were established to ensure that the Corporation's rich and diverse talent pool is supported and provided opportunities to grow their careers to the highest levels within the organization.

GOVERNANCE COMMITTEE REPORT TO SHAREHOLDERS

Thomas C. O'Neill (Chair)

Stephen E. Bachand

Nancy H.O. Lockhart

Sarah Raiss

2015 Highlights:

- ✓ Continued harmonization of the Corporation's and SDM's compensation
- ✓ Introduction of Board Diversity Policy
- ✓ Introduction of Director Tenure Policy
- ✓ Introduction of Board Interlock Policy
- ✓ Updated Executive Share Ownership Guidelines
- ✓ Continued focus on developing a comprehensive succession plan that aligns with the Corporation's strategic goals

Dear Shareholders:

On behalf of the Board, we are pleased to share with you our Committee's philosophy and approach to executive compensation and some of our significant accomplishments in 2015.

EXECUTIVE COMPENSATION PHILOSOPHY

The Corporation's compensation philosophy guides every aspect of the Corporation's strategy, programs, policies and decisions on executive compensation. We review and approve the Corporation's compensation philosophy and programs for executive officers. The Corporation's executive compensation philosophy is as follows:

We believe that our compensation structure must be designed to attract, motivate and retain the best candidates for the challenging roles that the Corporation's executive officers fulfill. To this end, we continue to ensure that our executive compensation programs are competitive with market and industry practices to enable the Corporation to attract, motivate and retain executives with the talent and experience to ensure that the Corporation meets its strategic and operational objectives.

Pay for performance is a cornerstone of the Corporation's compensation philosophy. Our compensation programs for all employees, including executives, are results oriented. We believe that a strong pay-for-performance focus should align compensation with the successful execution of business strategy, sustained long-term performance and shareholder interests. This objective is achieved through the design of our short and long-term incentive plans ("STIP" and "LTIP" respectively). In particular, we believe that the granting of performance share units ("PSUs") to all executives provides a strong link between pay and performance.

Executive compensation should align with the long-term interests of shareholders. We believe our STIP and LTIP programs accomplish this objective. The Corporation's STIP is a balanced program comprised of different performance measures that focus executives on the key drivers of the business and value creation over both the short and long-term. The LTIP balances the use of (i) stock options, which align an executive's interest with shareholders in share price appreciation; (ii) restricted share units ("RSUs"), which serve as a key component in retaining executives; and (iii) PSUs, which focus executives on the delivery of key objectives set forth in the Corporation's strategic plan. The Corporation also expects executives to meet minimum share ownership guidelines that apply to executives at the senior vice president level and higher to reinforce the alignment between executive compensation and long-term shareholder interests.

Executive compensation programs should have flexibility to be tailored to business objectives. We believe that the Corporation's executive compensation programs should be flexible and adaptive to enterprise and divisional needs. This year, our Committee approved enterprise consolidated performance measures under the STIP program for Loblaw and SDM executives to focus Loblaw and SDM executives on driving performance in both businesses.

OVERSIGHT OVER TALENT MANAGEMENT, SUCCESSION PLANNING, BOARD LEADERSHIP AND GOVERNANCE PRACTICES

Talent Management and Succession Planning

Our Committee is entrusted with the responsibility of overseeing the Corporation's approach to talent management and succession planning for senior executive roles. The succession planning process includes an annual review of each senior executive position and the performance of the incumbent. The Committee also receives reports on management development and the performance evaluation processes, which is designed to improve individual leadership and management skills, and updates on the talent management plans across the organization.

Board Leadership

Our Committee is also responsible for oversight of the identification of individuals qualified to become Board members. We assess and evaluate the effectiveness of the Board and identify areas where the Board may benefit from directors with additional skills and experience and with diverse backgrounds. Our Committee appreciates the need to maintain a strong, vibrant and engaged Board that understands the Corporation's dynamic business needs and the retail industry generally. This year, we have once again included a skills matrix that identifies certain key skills of our director nominees.

Our Committee would also like to thank Messrs. Anthony Graham and Holger Kluge for their exemplary service to our Board. Mr. Graham served on our Board for 17 years and retired from the Board on July 23, 2015. Mr. Kluge joined us shortly after the SDM acquisition and has decided to retire and not stand for re-election. We thank both of these directors for their outstanding contribution to our Board during their respective tenures.

Governance Practices

Our Committee is committed to ensuring that the Corporation's approach to governance practices satisfies regulatory requirements and aligns with best practices. We continue to work with management to ensure adherence to a robust process for reviewing and approving related party transactions. This is particularly relevant with Choice Properties given that the Corporation is its largest tenant and controlling unitholder. We are confident that management has considered the relevant legal and governance considerations associated with related party transactions and has implemented a sound governance framework to address them when they arise.

Our Committee implemented the following new governance policies and guidelines in 2015:

Harmonization of Loblaw's and SDM's Compensation	• Since the close of the SDM acquisition, our Committee has overseen an important management initiative to identify the most effective and cost efficient compensation programs and practices at Loblaw and SDM and to harmonize these programs and practices across both organizations, while being mindful that SDM operates as a distinct division.
New Benefits Administration	• The Committee oversaw the implementation of new benefit administrative providers for its colleagues across the group of companies.
Introduction of a Board Diversity Policy	• We recognize that board diversity helps to mitigate the risk that a board will approach issues too narrowly or fail to adequately consider alternative ideas or options on issues affecting the Corporation and its businesses. In light of the importance the Board places on diversity, in 2015, the Corporation developed and approved a written Board Diversity Policy, as detailed on page 22.
Introduction of Board Tenure Policy	• Our Committee believes that it is important for the Board to commit to ongoing renewal and improvement of its membership while balancing the need for experience and knowledge of the Corporation's business and affairs. As such, in 2015, the Board adopted the Board Tenure Policy, as detailed on page 6.
Introduction of Board Interlock Policy	• To limit circumstances that could impact the independence of the directors' thinking, our Committee adopted the Board Interlock Policy in 2015, as detailed on page 7.
Updated Executive Share Ownership Guidelines	• Our Committee approved a new holding requirement that requires an executive subject to the Executive Share Ownership Guidelines, to retain 50% of any after-tax proceeds into Common Shares from a vesting of RSUs or PSUs or any exercised stock options until their ownership requirement has been met. Our Commitee also approved a new requirement for a 12-month post-employment hold period for the President after departure from the Company.

We are confident that we have strong and practical governance systems in place and well designed and administered executive compensation programs to appropriately incent and reward our executives for performance while not taking on unacceptable risk. At the same time, we are not complacent. Shareholders can be confident that we remain committed to ongoing evaluation of our practices and monitoring emerging best practices to deliver shareholder value.

Respectfully submitted,

Governance Committee
Thomas C. O'Neill (Chair)
Stephen E. Bachand
Nancy H.O. Lockhart
Sarah Raiss

For additional information regarding each member of the Governance Committee, please see pages 7 through 14. For additional information regarding the activities of the Governance Committee, see the Corporation's Statement of Corporate Governance Practices on pages 57 through 65.

3 Compensation Discussion and Analysis

TABLE OF CONTENTS

INTRODUCTION

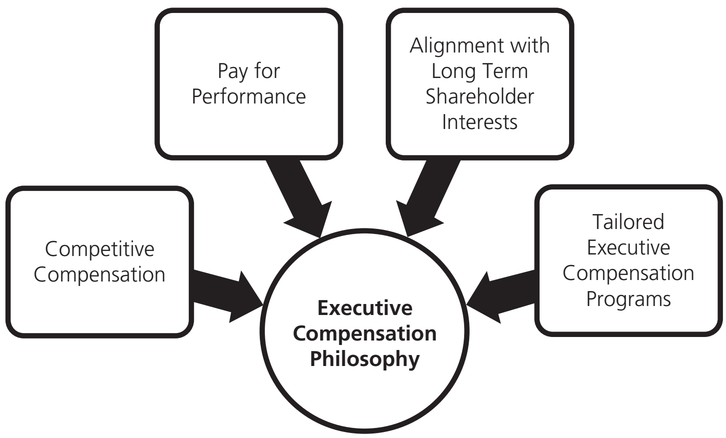
This Compensation Discussion and Analysis describes the compensation programs of the NEOs.

For 2015, the NEOs were:

Name	Position
Galen G. Weston	Executive Chairman and President
Richard Dufresne	Chief Financial Officer
Sarah R. Davis	Chief Administrative Officer
Michael Motz	President, SDM
Grant Froese	Chief Operating Officer

EXECUTIVE COMPENSATION PHILOSOPHY

The Corporation's executive compensation programs are designed to attract, retain and incent outstanding executives who are committed to improving the Corporation's performance and creating value for its shareholders. Four key principles underlie the Corporation's executive compensation programs, as set out below:



1. Competitive Compensation

Competitive compensation is important as it enables the Corporation to attract and retain talented and qualified individuals to lead the business. The Corporation has developed processes to ensure that its compensation programs are competitive with market and industry practices and support the attraction and retention of high quality executives.

2. Pay for Performance

The Corporation structures its compensation programs to align executive compensation with the financial performance of the Corporation, including the performance of its Common Shares. A significant portion of executive compensation is in the form of at-risk pay, namely STIP and LTIP compensation. This creates a performance-based corporate culture that rewards individual and team-based contributions to the achievement of the Corporation's goals and increases in shareholder value. The at-risk components (the STIP and LTIP awards) for the NEOs in 2015 ranged from 72.5% to 84.7% of their total compensation.

3. Alignment of Executive Compensation Programs with Long-Term Shareholder Interests

The Corporation structures its executive compensation programs to align the interests of its executives with those of its shareholders. A significant portion of executive compensation takes the form of long-term equity-based awards. Structuring executive compensation in this manner rewards executives for the creation of sustainable, long-term shareholder value.

4. Executive Compensation Programs tailored to meet Company and Divisional Objectives

The Corporation believes that its executive compensation programs should be flexible in how the philosophy is applied to adapt to company and divisional needs. For example, incorporating appropriate flexibility into the design of the Corporation's incentive plans, such as in the design of performance measures in its STIP program, will drive alignment at enterprise and divisional levels to key business objectives.

RISK MITIGATION PRACTICES

The Corporation has designed its compensation programs to provide an appropriate balance of risk and reward in relation to its overall business strategy. The Governance Committee believes that the compensation programs do not encourage executives to take undue risks. The Governance Committee, in its review of risk mitigation practices, believes that having a compensation program that comprises a mix of compensation elements, with a significant portion of compensation in the form of long-term equity based awards, acts as a deterrent to executives taking excessive risks. Additionally, the Corporation has risk mitigation practices that include balanced incentive plans that are not focused on a single financial measure, a clawback policy for short and long-term compensation, share ownership requirements for NEOs and other senior executives and trading and hedging restrictions.

1. Incentive Plan Design

The Corporation's 2015 short and long-term incentive plans had a variety of performance measures, including share price appreciation, earnings and sales performance, achievement of synergies relating to the SDM acquisition and return on capital. Using multiple performance measures requires that the operating results of the Corporation and its operating businesses outperform in all key metrics in order for executives to achieve the maximum compensation award. This balanced approach reduces the risk of a disproportionate focus by executives on any single aspect of the business for the sole purpose of increasing their compensation.

Short-term incentives are designed to focus executives on the key drivers of the operating businesses and on value creation over both the short and long-term and, as such, minimize the likelihood of inappropriate or excessive risk-taking. The Corporation's STIP has a maximum payout level that limits the amount that an executive can be paid. The STIP's performance metrics are stress tested and the results of this analysis are reviewed by the Governance Committee as part of its approval process. The Governance Committee also carefully considers the proportion of profit paid to management pursuant to the STIP and the proportion delivered to shareholders (the sharing ratio) under different performance scenarios. The Governance Committee reviews the five year history of the Corporation's STIP performance and its correlation to key financial performance measures. The stress testing, sharing ratio and look back analyses are used to evaluate and confirm the reasonableness and affordability of the STIP payout results.

A significant portion of executive compensation is allocated to long-term incentives to focus executives on sustainable value creation. The Corporation's objective is to design incentive plans that do not motivate executives to take excessive or unexpected short-term risks given the potential negative impacts on the long-term equity components of their compensation. The Governance Committee also requires that a sensitivity analysis be performed prior to any increase in an NEO's incentive compensation to ensure that the potential payouts are evaluated in the context of the Corporation's long-term plan.

PSUs serve to focus executives on selected key drivers of corporate performance and reduce the number of stock options granted and potential shareholder dilution. PSUs also serve as a pay-for-performance incentive to reward executives for the achievement of prescribed corporate goals and share price appreciation.

The Governance Committee regularly reviews each compensation plan and has the ability to make adjustments to incentive awards and actual payouts, as appropriate.

2. Clawback Policy

The Corporation has a clawback policy for STIP and LTIP payments for senior executives, including the NEOs. Under this policy, the Corporation can require an executive to repay STIP and LTIP payouts if: (i) the executive engages in misconduct that results in the need for the correction or restatement of financial results; (ii) the executive receives an award calculated on the achievement of those financial results; and (iii) the award received would have been lower had the financial results been properly reported. The clawback policy also provides that a clawback may be triggered if an executive commits a material breach of the Corporation's Code of Conduct. The policy requires that when the clawback is triggered, the executive must repay all or a portion of the incentive payments received by the executive over the two-year period preceding the triggering event.

3. Share Ownership Requirements

Senior executives, including the NEOs, are required to maintain a significant equity investment in the Corporation. The Corporation's Executive Share Ownership Guidelines are designed to align executives' interests with those of the Corporation's shareholders, and to mitigate the likelihood of undue risk taking. These Guidelines establish minimum share ownership levels for executives which, based on their position, are set at a multiple of base salary. The Guidelines apply to a broad group of senior management, as further discussed under Executive Share Ownership Guidelines on pages 45 and 46.

In 2015, the Governance Committee approved an amendment to the Guidelines to increase the President's share ownership multiple from three-times to five-times base salary. The Governance Committee also approved a mandatory 12-month post-employment hold period (at 5x base salary) for the President which requires the President to maintain his or her required share ownership level for one year following the end of his or her employment.

The Governance Committee also approved a mandatory holding requirement that requires an executive subject to the Guidelines to retain 50% of any after-tax proceeds received on the payout of RSUs or PSUs or an exercise of stock options in Common Shares until such executive's ownership level has been met.

4. Trading and Hedging Restrictions

All directors and employees (including the NEOs) are also subject to the Corporation's Securities Trading Policy, which prohibits trading in the securities of the Corporation, Choice Properties or Weston while in possession of material undisclosed information about the Corporation, Choice Properties or Weston. Pursuant to the Securities Trading Policy, these individuals are also prohibited from entering into certain types of hedging transactions involving the securities of the companies, such as short sales, puts and calls. Furthermore, the Corporation permits executives (including the NEOs) to trade in the Corporation's securities, including the exercise of stock options, only during prescribed trading windows.

ROLE OF MANAGEMENT AND COMPENSATION CONSULTANTS

ROLE OF MANAGEMENT IN DETERMINING COMPENSATION AND EVALUATING PERFORMANCE

The Executive Chairman and President participates in the compensation design process, evaluates the performance of key senior executives and makes recommendations to the Governance Committee with respect to the compensation of the other NEOs and the specific business goals to be used as performance targets for the various incentive programs. The views of the Executive Chairman and President are valued because of his on-going involvement with key senior executives. As a result, he is in the best position to effectively assess the performance of the NEOs, other than himself, and how their efforts have contributed to the achievement of Loblaw's and SDM's strategic objectives and operational targets.

These evaluations are based on the achievement of objectives and targets related to both the individual and the Corporation and include an assessment of leadership capabilities and team development. The results of these evaluations are presented to the Governance Committee. The Executive Vice President, Human Resources and Labour Relations assists the Executive Chairman and President in developing and presenting management's recommendations and supporting material to the Governance Committee regarding the design of the incentive plans and the compensation of the other senior executives.

COMPARATIVE MARKET DATA

Comparative market data is one factor used in setting the compensation of each NEO. Other factors include the scope of the role, individual performance, leadership ability, internal equity among executives and the operating results of the business or area for which the NEO has responsibility. From time to time, the Governance Committee uses benchmarking or comparisons of compensation programs from a peer group of companies to confirm that the Corporation's programs remain competitive. See the discussion below under the heading "Compensation Comparator Group" for a detailed description of the comparator group. When performing compensation reviews, the Governance Committee has determined that its compensation positioning should be targeted within a competitive range of the 50th percentile (median) of the Corporation's comparator group based on target total direct compensation, which is comprised of base salary, short-term and long-term compensation targeted amounts.

ROLE OF MERIDIAN COMPENSATION PARTNERS

The Corporation retained Meridian Compensation Partners ("Meridian") to conduct a comprehensive compensation analysis of the Corporation's senior executive team in 2015, furthering the analysis Meridian undertook in 2014 following the acquisition of SDM. The results of Meridian's analysis were presented to the Governance Committee over a series of meetings. The Chair of the Governance Committee also regularly engaged with representatives of Meridian to ensure that any important compensation issues were brought forward to Committee meetings and to confirm that these issues received the appropriate level of attention.

The Governance Committee regularly evaluates whether to formally retain an independent compensation advisor to assist in compensation matters. As part of its annual assessment of governance practices, the Governance Committee determined that it did not require the services of an independent compensation advisor in 2015.

In 2015 and 2014, Meridian received $101,213 and $146,797, respectively, from the Corporation for advisory services to the Corporation.

Meridian was also retained by the Governance, Compensation and Nominating Committee of Choice Properties in 2015 to conduct a comprehensive benchmarking analysis of the compensation of certain of Choice Properties' senior officers and to provide an overview of market practices and design considerations for Choice Properties' compensation plans. The role of management and compensation consultants relating to the compensation practices of Choice Properties is further set out in the "Role of Management and Compensation Consultants" section of the Choice Properties Management Proxy Circular, which is available at www.sedar.com.

COMPENSATION COMPARATOR GROUP

In 2014, Meridian developed a comparator group against which to benchmark the Corporation's executive compensation. Determining a comparator group to benchmark NEO compensation was challenging in light of the Corporation's unique presence in the Canadian market as the largest company in Canada by revenue and number of employees, and one that is larger than any other Canadian retailer. The Corporation also has a limited number of direct retail peers in Canada and there are few large, Canadian companies outside of the financial services and resource based industries against which the Corporation may easily compare. For these reasons, benchmarking was only one piece of data considered by management and the Governance Committee in setting and reviewing executive compensation.

The Committee approved a blended comparator group comprised of three types of companies: (i) Canadian retail companies; (ii) US retail companies; and (iii) large (non-retail) Canadian companies. The Canadian retail companies are comprised of direct industry peers. The US retail companies reflect the broader retail talent market and are direct competitors for talent at the senior executive level. The large Canadian companies were selected to reflect how Canadian companies pay executives for their skill set and experience. Most of the comparators listed below are within one-third to three times the Corporation's revenue size. Revenue was selected as the criterion for members of each comparator group because it is generally a stronger and more predictive measure for compensation comparisons for a retail company than other criteria (e.g. assets or market capitalization). Based on revenue, the Corporation was positioned at the 71st percentile of this blended comparator group in 2014.

The group of comparator companies is set out below:

Canadian Retail Companies	US Retail Companies	Large Canadian Companies	
Alimentation Couche-Tard Inc. Empire Company Limited Canadian Tire Corporation, Limited Metro Inc.	Best Buy Co Inc. CVS Caremark Corporation Costco Wholesale Corporation The Kroger Co. The Home Depot, Inc. Lowe's Companies Inc. Publix Super Markets, Inc. Rite Aid Corporation Safeway Inc. Target Corporation Walgreen Co.	Agrium Inc. BCE Inc. Bombardier Inc. Brookfield Asset Management Inc. Canadian Natural Resources Limited Cenovus Energy Inc. Enbridge Inc. Husky Energy Inc.	Imperial Oil Limited Manulife Financial Corporation Power Corporation of Canada Rogers Communications Inc. Suncor Energy Inc. Sysco Corporation TELUS Corporation

2015 COMPENSATION ANALYSIS

In 2015, Meridian was engaged by the Corporation to review the NEOs' compensation arrangements to ensure competitiveness and internal equity. The key elements of compensation reviewed in this analysis included base salary, STIP and LTIP compensation, referred to as "total direct compensation". As part of this review, Meridian undertook a benchmarking analysis to provide an independent assessment of the competitiveness of the Corporation's executive compensation relative to the comparator group. The market values derived through this benchmarking analysis were used as a point of reference, and did not provide a definitive compensation level. For each NEO, the Governance Committee also considered the scope of the roles, internal equity, performance, tenure and the competitive market for talent when establishing compensation opportunities for executives.

In 2015, the Committee approved the use of the blended comparator group above, with the exception of Safeway Inc., which was excluded from the peer group because it was recently acquired. Based on revenue, the Corporation was positioned at the 70th percentile of this blended comparator group.

The comparator group was established to evaluate the NEOs' total direct compensation against that of the comparator companies. The Governance Committee determined that the Corporation's compensation positioning should continue to be targeted within a competitive range of the 50th percentile (median) for each NEO's position. The Committee felt that this target would continue to provide an appropriate level of compensation while also ensuring competitiveness to enable the Corporation to attract and retain talent.

Based on this review and the Committee's consideration of other qualitative factors, the Committee approved a number of changes to certain NEOs' compensation arrangements in 2015, as further set out in the section 2015 "Compensation Decisions regarding the Named Executive Officers" on pages 47 and 48.

COMPONENTS OF COMPENSATION

The 2015 NEO compensation was comprised principally of base salary, short-term cash incentives (which executives may elect to receive in the form of Executive Deferred Share Units ("EDSUs")) and long-term incentives (RSUs, PSUs and stock options) as described in the table that follows. Benefits, pensions and perquisites comprise a relatively small part of an NEO's total annual compensation.

Base Salary	Short-Term Incentive	Long-Term Incentive	Pension and Benefits	Perquisites
Compensate executives for fulfilling their day-to-day responsibilities	Reward executives for meeting annual financial and/or operating performance targets	Motivate and reward executives for increasing shareholder value and serves to retain executives	Assist executives in providing for their health and retirement planning	Provide additional benefits to employees that are competitive with market practice

Components		Form	Period	Program Objectives and Details
Fixed Compensation	Base Salary	Cash	Annual	• Reflects the executive's level of responsibility and experience, market competitiveness, internal equity among executives and the executive's overall performance both individually and in relation to the executive's business unit or division.
Variable Compensation	Short-Term Incentive Plan (STIP)	Cash	Annual	• Incentive program is linked to the achievement of specific financial and/or operating performance targets in the fiscal year. • Each executive has a target annual bonus (% of base salary). • Actual payout is determined by the achievement of predetermined financial and/or operating performance objectives and the individual performance of each NEO. • Payouts range from zero to a maximum of 200% of an executive's target bonus.
		EDSUs (Elective)	Annual election; EDSUs held until cessation of employment	• Each executive can choose to receive all or a portion of the executive's STIP payout in the form of EDSUs, to a cumulative maximum of three times the executive's base salary. • Align executives' interests with those of shareholders and count towards the Executive Share Ownership Guidelines. • EDSUs are settled in Common Shares purchased on the open market no later than December 15th of the year following the year in which the executive's employment ceases for any reason.
	Long-Term Incentive Plan (LTIP)	RSUs	3 year vesting period	• Motivate and reward executives for increasing shareholder value. • RSU grants are generally made once per year. • Individual awards are differentiated based on role and expected future performance. • RSUs typically comprise one-third of the total value of annual LTIP grants to executives. • RSUs are settled in Common Shares purchased on the open market at the end of the applicable vesting period.
		PSUs	3 year performance period	• Motivate and reward executives for increasing shareholder value. • PSU grants are generally made once per year. • Individual awards are differentiated based on role and expected future performance. • PSUs typically comprise one-third of the total value of annual LTIP grants to executives. • PSU vesting is based on the Corporation's success in achieving revenue and return on capital targets. • PSUs are settled in Common Shares purchased on the open market at the end of the applicable performance period.
		Stock Options	5 year vesting period (20% per year); 7 year term	• Motivate and reward executives for increasing share price. • Stock option grants are generally made once per year. • Individual awards are differentiated based on role and expected future performance. • Stock options typically comprise one-third of the total value of annual LTIP grants to executives.
Benefits	Group health, dental and insurance benefits		Employment and post-employment	• Executive benefit plans, paid for by the Corporation, provide health, dental, disability and insurance coverage.
Pensions	General		Post-employment	• The Corporation's and SDM's pension plans are designed to provide a reasonable level of retirement income to executives to reward them for their service. • In 2015, Loblaw senior executives (other than Mr. Galen G. Weston) participated in either the executive defined benefit pension plan or the executive defined contribution pension plan and certain executives participate in a supplemental executive retirement plan. Mr. Motz participated in the SDM Pension Plan.
	Executive Defined Benefit Pension Plan ("Executive DB Plan") SDM Pension Plan ("SDM Pension Plan")			• Pension entitlements for an executive in the Corporation's Executive DB Plan and SDM Pension Plan are based on length of service and eligible salary. • The total annual benefits payable under the Corporation's Executive DB Plan are capped at $125,000 per year. The SDM Pension Plan is uncapped. • The Executive DB Plan was closed to new participants in 2006. The SDM Pension Plan was closed in 2014.
	Executive Defined Contribution Pension Plan ("Executive DC Plan")			• Since 2006, new executives participate on a non-contributory basis in the Corporation's Executive DC Plan. • Contributions were set as a percentage of base salary (maximum of $250,000) and in 2015 were capped at $25,370 per year.
	Supplemental Executive Retirement Plan ("SERP")			• The SERP is an unfunded obligation of the Corporation. • Senior executives of the Corporation whose pension benefits exceed the prescribed limits under the applicable tax legislation may participate in the SERP on a non-contributory basis if they comply with certain eligibility provisions.
Perquisites	Cash allowance/ reimbursement for professional services		Annual	• A limited number of personal benefits are provided, including a car or car allowance, an annual medical examination and a discretionary health care spending account and the ability to participate in the employee share ownership plan.

COMPONENTS OF EXECUTIVE COMPENSATION FOR 2015

BASE SALARY

Base salaries for the NEOs are set on an individual basis and not within formal salary ranges, taking into account the level of responsibility and experience, market competitiveness, internal equity among executives and the executive's overall performance both individually and in relation to the executive's business unit or division. Each year the Governance Committee reviews the base salary of the NEOs. The Governance Committee may make adjustments to an NEO's salary as a result of a change in the NEO's duties and responsibilities, or in the performance and contribution of the NEO, both on an individual basis and in relation to the performance of the NEO's business unit or division during the previous year.

In 2015, the Governance Committee approved certain changes to the NEOs' base salaries to reflect the increased scope of each executive's role, as set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48. The following table sets out the base salary for each NEO for 2015 and, if applicable, the percentage increase from 2014:

Name	2015 Base Salary ($)	Increase From 2014 (%)
Galen G. Weston	1,100,000	10.0
Richard Dufresne	650,000(1)	4.0
Sarah R. Davis	650,000(2)	13.0
Michael Motz	800,000(3)	14.2
Grant Froese	800,000(4)	14.3

(1) Mr. Dufresne's actual salary for 2015 was $635,417. Weston paid $63,542 of Mr. Dufresne's base salary in 2015 and the Corporation paid $571,875.
(2) Ms. Davis' actual salary for 2015 was $606,250.
(3) Mr. Motz's actual salary for 2015 was $742,510.
(4) Mr. Froese's actual salary for 2015 was $741,667.

SHORT-TERM INCENTIVE PLANS

The Corporation has separate short-term incentive plans for the executives of Loblaw and SDM. Messrs. Weston, Dufresne and Froese and Ms. Davis participate in the Loblaw STIP and Mr. Motz participates in the SDM STIP. In 2015, the STIP was designed so that Loblaw NEOs would be focused on key drivers of the combined Loblaw and SDM business, while Mr. Motz, the SDM NEO, would continue to be strongly focused on SDM measures. The STIP programs are designed to incent executives, including the NEOs, to meet certain annual business and financial objectives. Each fiscal year, the performance of the executives is measured by the achievement of specific financial goals, which may vary from year to year. The Governance Committee believes that the STIP programs are balanced as they are comprised of different performance measures that are designed to focus executives on the key drivers of the operating businesses and value creation over both the short and long-term and, therefore, reduce the risk of inappropriate or excessive risk-taking behaviour by executives.

The Governance Committee is responsible for approving the plan design and awards made by the Corporation pursuant to the Loblaw STIP and the SDM STIP. The Governance Committee receives periodic reports on the performance of the STIP metrics, including performance against targets.

All participating executives have STIP award targets that are expressed as a percentage of their base salary, with such targets determined by the executive's position and level within the organization. Depending on actual performance relative to the performance targets, payouts for each performance target range from zero to a maximum of 200% of target for each component of the Loblaw and SDM STIPs. In 2015, the Loblaw and SDM STIPs included a condition that payouts could not exceed 100% of target unless both the sales and earnings targets had been met.

The 2015 STIPs also included an individual performance factor in the form of a multiplier on STIP results to adjust payouts to between 90% and 110% of the targeted amount based on individual performance. The Governance Committee, in assessing individual performance took into account the executive's role in the overall achievement of the Corporation's goals and the individual performance objectives and leadership qualities of the executive. Mr. Dufresne's STIP did not include a performance factor in the form of a multiplier on STIP results. His STIP award was designed with an individual component weighted at 30% of his overall STIP target. This design was determined by the Governance Committees of the Corporation and Weston to reflect his responsibilities at both organizations.

Under each STIP, awards are determined separately for each performance measure and then aggregated to determine the final amount. The STIP award payments are made in cash, although executives may elect to receive all or a portion of their STIP award in EDSUs, to a cumulative maximum of three times the executive's base salary.

STIP awards (other than for Mr. Dufresne) are determined using the following formula:

Base salary ($)	x	STIP target (% of base salary)	x	Business results (%)	x	Individual multiplier (%)	=	Annual incentive plan award ($)

Plan Design

The STIP is designed to incent the Corporation's executives to achieve the Corporation's overall business plan and strategic objectives. At the beginning of each fiscal year, the Governance Committee establishes the STIP design, including specific business performance measures, weightings and targets, and presents it to the Board for approval. In determining the performance measures, weightings, targets and payout ranges for each fiscal year, the Governance Committee takes into account the key components of the Corporation's annual business plan, budget and strategic objectives. Following year-end, the Governance Committee reviews the financial results of the Corporation against the performance targets and considers, in its judgment, whether any adjustments are required to account for unexpected events during the year.

As part of its annual review process, the Governance Committee reviews stress testing of the STIP design which illustrates the payouts under various performance scenarios. The Governance Committee also carefully considers the sharing of profit (sharing ratio) between the Corporation's management and its shareholders in various performance scenarios. The Governance Committee reviews the five year history of the Corporation's STIP performance and its correlation to key financial performance measures over this period. The stress testing, sharing ratio and look back analyses are used to evaluate and confirm the reasonableness and affordability of the STIP payout results.

The following table sets forth details regarding the STIP targets and maximum aggregate STIP awards for each NEO:

Name	Base Salary ($)(1)	STIP Target as Percentage of Base Salary (%)	Aggregate STIP Target ($)	Maximum Aggregate STIP ($)
Galen G. Weston	1,100,000	150	1,650,000	3,300,000
Richard Dufresne	650,000	100	635,417	1,270,834
Sarah Davis	650,000	100	606,250	1,212,500
Michael Motz	800,000	100	742,510	1,485,020
Grant Froese	800,000	100	741,667	1,483,334

(1) 2015 STIP awards are calculated using each NEO's actual base salary in the year.

LOBLAW STIP

Plan Design

In 2015, the Loblaw STIP was designed so that Loblaw NEOs would be focused on key drivers of the combined Loblaw and SDM businesses. The Loblaw STIP, before giving effect to the individual performance factor, was designed with the following measures, weightings and targets to drive Loblaw's strategic goals for 2015:

Loblaw STIP – 2015 Performance Measures

Consolidated Earnings Target (35%)	Consolidated Sales Target (35%)	IT Implementation Target (15%)	Consolidated Synergies Target (15%)

A description of each performance measure is set forth below.

Consolidated Earnings Target

The consolidated earnings target for 2015 ($3,274 million) was designed to focus executives on delivering adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")* (excluding synergies) pursuant to Loblaw's and SDM's combined annual and multi-year business plans.

The earnings component was designed so that:

- a positive or negative change of $16.4 million in earnings relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the earnings component;
- 100% of the bonus amount awarded for the earnings component would be paid if the Corporation's actual earnings were $3,274 million;
- no 2015 bonus amount would be awarded for the earnings component if the Corporation's actual earnings were less than $3,192 million, or 97.5% of the earnings target; and
- the maximum 2015 payout for the earnings component would be 200% of target for that component if the Corporation's actual earnings were equal to or greater than $3,438 million, or 105% of the earnings target (provided that the sales target had also been met).

* Non-Generally Accepted Accounting Principles (GAAP) financial measure. Please see the note in the "Other Information" section of this Circular.

Consolidated Sales Target

The sales target for 2015 ($43,211 million) was designed to focus executives on growth in consolidated revenues (excluding gas bar).

The sales component was designed so that:

- a positive or negative change of 0.15% in sales relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the sales component;
- 100% of the bonus amount awarded for the sales component would be paid if the Corporation's actual sales were $43,211 million;
- no 2015 bonus amount would be awarded for the sales component if the Corporation's actual sales were less than $42,887 million, or 99.25% of the sales target; and
- the maximum 2015 payout for the sales component would be 200% of target for that component if the Corporation's actual sales were equal to or greater than $43,859 million, or 101.5% of the sales target (provided that the earnings target had also been met).

IT Implementation Target

The IT implementation target for 2015 was focused on the successful implementation of the new SAP system in the stores yet to be converted at the start of 2015.

The IT implementation component was designed so that:

- every 30 stores below plan would have a corresponding 10% decrease in the bonus amount awarded for the IT implementation component;
- 100% of the bonus amount awarded for the IT implementation component would be paid if 440 stores had implemented the new IT system;
- no 2015 bonus amount would be awarded for the IT implementation component if fewer than 290 stores implemented the new IT system; and
- the maximum 2015 payout for the IT implementation would be 200% of target for that component if the Corporation's actual IT implementation achieved 583 stores (provided that the sales and earnings targets had been met).

Consolidated Synergies Target

The Loblaw/SDM synergies target for 2015 ($192 million of net synergies) was designed to focus executives on delivering significant savings through increased scale and operating efficiencies following Loblaw's acquisition of SDM.

The synergies component was designed so that:

- a positive change of $3.6 million or a negative change of $3.4 million in net synergies relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the synergies component;
- 100% of the bonus amount awarded for the synergies component would be paid if the Corporation's actual net synergies were $192 million;
- no 2015 bonus amount would be awarded for the synergies component if the Corporation's actual net synergies were less than target by $17 million (i.e. net synergies of less than $175 million); and
- the maximum 2015 payout for the synergies component would be 200% of target for that component if the Corporation's actual net synergies exceeded target by $36 million or more (i.e. net synergies of $228 million or more) (provided that the sales and earnings targets had also been met).

The following chart summarizes the narrative descriptions of each performance measure set out above:

Metric	Weighting	Target	Shoulders	Performance Range
Consolidated Earnings	35%	**$3,274 M**	- 2.5% / + 5.0% - $82 M / + $164 M	Min = $3,192 M Max = $3,438 M
Consolidated Sales	35%	**$43,211 M**	- 0.75% / + 1.5% - $324 M / + $648 M	Min = $42,887 M Max = $43,859 M
IT Implementation	15%	**440 Stores**	- 150 Stores /+ 143 Stores	Min = 290 Stores Max = 583 Stores
Consolidated Synergies	15%	**$192 M**	- $17 M / + $36 M	Min = $175 M Max = $228 M

In 2015, the Corporation's STIP included a condition that payouts for 2015 could not exceed 100% of target unless both the sales and earnings targets had been met. These conditions are designed to ensure that payout levels are reasonable and that there is appropriate sharing of value between management and shareholders.

2015 Loblaw STIP Calculation

In February 2016, the Governance Committee reviewed Loblaw's 2015 financial results and determined the Loblaw 2015 STIP payout as follows:

Performance Objective	Weighting (%)	Target	Actual	Payout Factor (% of Target)
Consolidated Earnings	35	$3,274 million	$3,306 million	119.5
Consolidated Sales	35	$43,211 million	$43,805 million	191.6
IT Implementation	15	440 stores	632 stores	200.0
Consolidated Synergies	15	$192 million	$242 million	200.0
Overall STIP Payout				168.9
Adjusted STIP Payout				157.2

Key Factors Influencing Results

Early in 2016, the Governance Committee reviewed the Corporation's 2015 financial results and determined the key factors contributing to each component's performance relative to target.

- The increase in consolidated earnings relative to target was driven by higher sales and margins driven by operating efficiencies.
- The increase in consolidated sales relative to target was driven by same-store sales growth, the impact of inflation and sales attributed to an increase in net square footage.
- The IT implementation target was exceeded as 632 franchise stores were converted to the new system during the year.
- The increase in consolidated synergies relative to target was driven by strong performance in exceeding synergy savings related to the SDM acquisition.

In determining the earnings component of the Loblaw STIP, the cost of accelerating the conversion of certain retail stores to new collective agreements (the "labour buy downs") was excluded as the STIP is designed to exclude certain unbudgeted, one-time gains or charges. In assessing the overall STIP results, however, Loblaw's Governance Committee, on the recommendation of management, concluded that the impact of the labour buy-downs should not be entirely excluded from the incentive plan results and reduced the STIP payout from 168.9% to 157.2% for senior executives including the NEOs.

Individual STIP Components

Loblaw NEOs (other than Mr. Dufresne)

The 2015 STIP payments for Messrs. Weston and Froese and Ms. Davis included an individual performance component in the form of a multiplier on the STIP results. The individual multiplier will adjust STIP payouts to between 90% and 110% of each NEO's payout amount. The Governance Committee, in assessing individual performance, took into account quantitative factors including each executive's personal objectives and their role in the overall achievement of the Corporation's goals. The Governance Committee also considered qualitative factors, such as the executive's leadership qualities. Based on these criteria, the Committee determined the following ratings for each NEO: Mr. Weston achieved an individual performance rating of 107.5%; Ms. Davis achieved an individual performance rating of 107.5%; and Mr. Froese achieved an individual performance rating of 105%.

Richard Dufresne, Chief Financial Officer

The individual performance component of the STIP amount awarded to the Chief Financial Officer was determined by the Governance Committees of both the Corporation and Weston based on Mr. Dufresne's achievement of both quantitative and qualitative factors established in early 2015. The quantitative factors were based on the financial performance of the Corporation's business, including his progress in deleveraging the Corporation's balance sheet. The qualitative factors included the Governance Committee's assessment of Mr. Dufresne's leadership performance. Based on this assessment, the Governance Committees of the Corporation and Weston concluded that Mr. Dufresne demonstrated strong performance in 2015. Mr. Dufresne's individual component is targeted at 30% of his STIP target of $635,417, which is $190,625. In light of the above considerations, the Governance Committee awarded Mr. Dufresne $190,625 for the 30% individual performance component of his STIP award, representing 100% of target.

The following table sets forth the performance measures and weightings that were used in determining the STIP awards for each Loblaw NEO for 2015:

	2015 Loblaw STIP Award							
Name[(1)]	Loblaw/SDM Earnings ($)	Loblaw/SDM Sales ($)	IT Implementation ($)	Loblaw/SDM Synergies ($)	Subtotal ($)	Individual Performance (%)	STIP Award (at 168.9%) ($)	Final STIP Award (reduced to 157.2%) ($)
Galen G. Weston	689,700	1,107,150	495,000	495,000	2,786,850	107.5	2,995,864	2,788,335
Richard Dufresne[(2)]	179,725	288,507	128,990	128,990	726,212	—	726,212	675,906
Sarah Davis	253,413	406,794	181,875	181,875	1,023,956	107.5	1,100,753	1,024,502
Grant Froese	310,017	497,659	222,500	222,500	1,252,676	105	1,315,309	1,224,195

(1) STIP awards are calculated using each NEO's actual base salary amount in 2015, as applicable.
(2) Mr. Dufresne's target STIP award for 2015 was comprised of three components: 68% based on his Loblaw STIP, 2% based on his Weston STIP, and 30% based on his individual component. Mr. Dufresne's total STIP award for 2015 was $881,476 of which the Corporation paid $793,328. Full details of Mr. Dufresne's compensation from Weston are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.

SDM STIP

Plan Design

SDM's 2015 STIP, before giving effect to the individual performance factor for Mr. Motz, was designed with the following measures, weightings and targets to drive SDM's strategic goals for 2015. The consolidated measures are the same as for the Loblaw STIP:

Shoppers Drug Mart STIP Measures – 2015 Performance Measures

Consolidated Earnings Target (10%)	SDM Earnings Target (25%)	Consolidated Sales Target (10%)	SDM Front Store Sales Target (12.5%)	SDM Same Store Script Count Target (12.5%)	Consolidated Synergies (15%)	SDM Customer Satisfaction Index (15%)

A description of each performance measure is set forth below.

Consolidated Earnings Target

The consolidated earnings target for 2015 ($3,274 million) was designed to focus executives on delivering Adjusted EBITDA* pursuant to Loblaw's and SDM's combined annual and multi-year business plans.
The earnings component was designed so that:

- a positive or negative change of $16.4 million in earnings relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the earnings component;
- 100% of the bonus amount awarded for the earnings component would be paid if the Corporation's actual earnings were $3,274 million;
- no 2015 bonus amount would be awarded for the earnings component if the Corporation's actual earnings were less than $3,192 million, or 97.5% of the earnings target; and
- the maximum 2015 payout for the earnings component would be 200% of target for that component if the Corporation's actual earnings were equal to or greater than $3,438 million, or 105% of the earnings target (provided that the sales targets had also been met).

* Non-GAAP financial measure. Please see the note in the "Other Information" section of this Circular.

SDM Earnings Target

The SDM earnings target for 2015 ($1,142 million) was designed to focus executives on delivering Adjusted EBITDA* pursuant to SDM's annual and multi-year business plans.

The earnings component was designed so that:

- a positive change of $5.7 million or a negative change of $5.8 million relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the earnings component;
- 100% of the bonus amount awarded for the earnings component would be paid if SDM's actual earnings were $1,142 million;
- no 2015 bonus amount would be awarded for the earnings component if SDM's actual earnings were less than $1,113 million or 97.5% of the earnings target; and
- the maximum 2015 payout for the earnings component would be 200% of target for that component if SDM's actual earnings were equal to or greater than $1,199 million, or 105% of target (provided that the sales targets had also been met).

Consolidated Sales Target

The sales target for 2015 ($43,211 million) was designed to focus executives on growth in consolidated revenue (excluding gas bar).

The sales component was designed so that:

- a positive or negative change of 0.15% in sales relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the sales component;
- 100% of the bonus amount awarded for the sales component would be paid if the Corporation's actual sales were $43,211 million;
- no 2015 bonus amount would be awarded for the sales component if the Corporation's actual sales were less than $42,887 million, or 99.25% of the sales target; and
- the maximum 2015 payout for the sales component would be 200% of target for that component if the Corporation's actual sales were equal to or greater than $43,859 million, or 101.5% of the sales target (provided that the earnings targets had also been met).

SDM Front Store Sales Target

The SDM front store sales target for 2015 (an increase in front store sales of 1.7% over 2014) was designed to focus executives on improving growth in SDM's front store sales.

The SDM front store sales component was designed so that:

- a positive or negative change of 0.1% relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the front store sales component;
- 100% of the bonus amount awarded for the front store sales component would be paid if SDM's actual front store sales grew by 1.7%;
- no 2015 bonus amount would be awarded for the front store sales component if SDM's actual front store sales growth were less than 1.2%; and
- the maximum 2015 payout for the front store sales component would be 200% of target for that component if SDM's actual front store sales growth was 2.7% or more (provided that the earnings targets had also been met).

SDM Same Store Script Count Target

The SDM same store script count target for 2015 (an increase in same store script count of 3.8% over 2014) was designed to focus executives on improving growth in this part of SDM's business.

The same store script count component was designed so that:

- a positive change of 0.05% or a negative change of 0.2% relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the same store script count component;
- 100% of the bonus amount awarded for the same store script count component would be paid if SDM's actual same store script count grew by 3.8%;
- no 2015 bonus amount would be awarded for the same store script count component if SDM's same store script count growth was less than 2.8%; and
- the maximum 2015 payout for the same store script count component would be 200% of target for that component if SDM's actual same store script count growth exceeded 4.3% or more (provided that the earnings targets had also been met).

* Non-GAAP financial measure. Please see the note in the "Other Information" section of this Circular.

Consolidated Synergies Target

The Loblaw/SDM synergies target for 2015 ($192 million of net synergies) was designed to focus executives on delivering significant savings through increased scale and operating efficiencies following Loblaw's acquisition of SDM.

The synergies component was designed so that:

- a positive change of $3.6 million or a negative change of $3.4 million in net synergies relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the synergies component;
- 100% of the bonus amount awarded for the synergies component would be paid if Loblaw's actual net synergies were $192 million;
- no 2015 bonus amount would be awarded for the synergies component if Loblaw's actual net synergies were less than target by $17 million (i.e. net synergies of less than $175 million); and
- the maximum 2015 payout for the synergies component would be 200% of target for that component if Loblaw's actual net synergies exceeded target by $36 million or more (i.e. net synergies of $228 million or more) (provided that the sales and earnings targets had also been met).

SDM Customer Satisfaction Index Target

The SDM Customer Satisfaction Index ("CSI") target for 2015 (achieving a customer satisfaction rating of 66%) was designed to focus executives on driving positive customer ratings at SDM stores. CSI is measured at SDM stores by a third-party provider and targets and ranges are established annually, with consideration of historical results and other factors.

The customer satisfaction component was designed so that:

- a positive change of 0.1% or a negative change of 0.2% relative to the target would have a corresponding 10% increase or decrease in the bonus amount awarded for the customer satisfaction rating component;
- 100% of the bonus amount awarded for the customer satisfaction rating component would be paid if SDM's actual customer satisfaction rating was 66%;
- no 2015 bonus amount would be awarded for the customer satisfaction rating component if SDM's actual customer satisfaction rating was less than 65%; and
- the maximum 2015 payout for the customer satisfaction rating component would be 200% of target for that component if SDM's actual customer satisfaction rating was 67% or more (provided that the sales and earnings targets had also been met).

The following chart summarizes the narrative descriptions of each performance measure set out above:

Metric	Weighting	Target	Shoulders	Range
Consolidated Earnings	10%	**$3,274 M**	- 2.5% / + 5.0% - $82 M / + $164 M	Min = $3,192 M Max = $3,438 M
SDM Earnings	25%	**$1,142 M**	- 2.5% / + 5.0% - $29 M / + $57 M	Min = $1,113 M Max = $1,199 M
Consolidated Sales	10%	**$43,211 M**	- 0.75% / + 1.5% - $324 M / + $648 M	Min = $42,887 M Max = $43,859 M
SDM Front Store Sales	12.5%	**+ 1.7%**	- 50 bps / + 100 bps	Min = 1.2% Max = 2.7%
SDM Same Store Script Count	12.5%	**+ 3.8%**	- 100 bps / + 50 bps	Min = 2.8% Max = 4.3%
Consolidated Synergies	15%	**$192 M**	- $17 M / + $36 M	Min = $175 M Max = $228 M
SDM Customer Satisfaction Index	15%	**66%**	- 100 bps / + 100 bps	Min = 65.0% Max = 67.0%

In 2015, the SDM STIP included a condition that payouts for 2015 could not exceed 100% of target unless both the sales and earnings targets had been met. These conditions are designed to ensure that payout levels are reasonable and that there is appropriate sharing of value between management and shareholders.

SDM 2015 STIP Calculation

Early in 2016, the Governance Committee reviewed SDM's 2015 financial results and determined the SDM 2015 STIP payout as follows:

Performance Objective	Weighting (%)	Target	Actual	Payout Factor (% of Target)
Consolidated Earnings	10	$3,274 million	$3,306 million	119.5
SDM Earnings	25	$1,142 million	$1,173.6 million	155.9
Consolidated Sales	10	$43,211 million	$43,805 million	191.6
SDM Front Store Sales Growth	12.5	1.7% over 2014	4.7% over 2014	200.0
SDM Same Store Script Count	12.5	3.8% over 2014	4.3% over 2014	200.0
Consolidated Synergies	15	$192 million	$242 million	200.0
SDM Customer Satisfaction Index	15	66%	68%	200.0
Overall SDM STIP Payout				180.1
Adjusted STIP Payout				157.2

Key Factors Influencing Results

Early in 2016, the Governance Committee reviewed SDM's 2015 financial results and determined the key factors contributing to each component's performance relative to target, as set out below:

- The increase in consolidated earnings relative to target was driven by higher sales and margins driven by operating efficiencies.
- The increase in SDM earnings relative to target was driven by strong performance in both the pharmacy and front store in spite of the impact of incremental healthcare reform.
- The increase in consolidated sales relative to target was driven by same-store sales growth, the impact of inflation and sales attributed to an increase in net square footage.
- The increase in SDM front store sales relative to target was driven by market share growth in the division's core categories.
- The increase in SDM same store script was driven by market share growth.
- The increase in consolidated synergies relative to target was driven by strong performance in exceeding synergy savings in the current year.
- The customer satisfaction rating was met resulting in a payout exceeding target.

As described in the Loblaw STIP section, in determining the earnings component of the STIP, the cost of accelerating the conversion of certain retail stores to new collective agreements, which are referred to as labour buy downs, was excluded as the STIP is designed to exclude certain unbudgeted, one-time gains or charges. In assessing the overall STIP results, however, Loblaw's Governance Committee, on the recommendation of management, concluded that the impact of the labour buy-downs should not be entirely excluded from the incentive plan results for Mr. Motz and reduced his STIP payout from 180.1% to 157.2%, to be consistent with the payout results of the Loblaw NEOs.

Individual STIP Component

Michael Motz, President SDM

The 2015 STIP payments for Mr. Motz included an individual performance component in the form of a multiplier on the STIP results. The individual multiplier adjusts STIP payouts to between 90% and 110% of each NEO's payout amount. The Governance Committee, in assessing individual performance, took into account quantitative factors including each executive's personal objectives and their role in the overall achievement of the Corporation's goals. The Governance Committee also considered qualitative factors, such as the executive's leadership qualities. Based on these criteria, the Committee determined that Mr. Motz achieved a rating of 105%.

The following table sets forth the performance measures and weightings that were used in determining the 2015 STIP award for Mr. Motz:

	2015 SDM STIP Award										
Name	**Consolidated Earnings ($)**	**SDM Earnings ($)**	**Consolidated Sales ($)**	**SDM Front Store Sales Growth ($)**	**SDM Same Store Script Count ($)**	**SDM Customer Satisfaction Rating ($)**	**Consolidated Synergies ($)**	**Subtotal ($)**	**Individual Performance (%)**	**STIP Award (at 180.1%) ($)**	**Final STIP Award (reduced to 157.2%) ($)**
Michael Motz	74,107	241,651	118,836	155,022	155,022	186,026	186,026	1,116,690	105	1,172,525	1,023,516

Executive Deferred Share Unit Plan

The Corporation's EDSU Plan enables an executive to receive up to 100% of his or her STIP payout in any year in EDSUs, subject to a cumulative cap of three times the executive's base salary. All EDSUs held by an executive will be paid out in Common Shares purchased on the open market by no later than December 15th of the year following the year in which the executive's employment ceases for any reason. An election to participate in the EDSU Plan in any year must be made before the beginning of that year and is irrevocable. The number of EDSUs granted in respect of any year will be determined by dividing the STIP payout that is subject to an EDSU Plan election by the value of a Common Share on the date the STIP bonus would otherwise be paid. For this purpose, and for purposes of determining the value of an executive's EDSUs upon redemption, the value of a Common Share is calculated by using the volume-weighted average of the trading price of the Common Shares on the TSX for the five trading days prior to that valuation date. Additional EDSUs are accumulated based on notional equivalents of dividends paid on Common Shares while an EDSU is outstanding. Weston has also adopted a similar EDSU Plan for its executives.

LONG-TERM INCENTIVE PLAN

The Corporation's equity-based LTIP is designed to motivate executives to increase shareholder value. Under the LTIP, the Corporation awards executives long-term incentives in the form of stock options, RSUs and PSUs, the values of which are directly linked to the market value of the Common Shares. Executives eligible for LTIP grants generally receive them on an annual basis.

Annual LTIP grants for NEOs are comprised of 1/3 stock options, 1/3 RSUs and 1/3 PSUs. The LTIP balances the use of: (i) stock options, which align an executive's interest with shareholders in share price appreciation; (ii) RSUs, which serve as a key component in retaining executives; and (iii) PSUs, which focus executives on the delivery of key objectives set forth in the strategic plan.

The value of an LTIP grant to a participating executive is generally determined as a percentage of the executive's base salary. All grants are reviewed and approved by the Governance Committee as part of its regular review of compensation. Annual LTIP awards are granted in the first quarter during the open trading window following the announcement of the Corporation's year-end financial results in accordance with the Corporation's Securities Trading Policy. "Off-cycle" grants are made to newly hired executives and to executives promoted part way through a year, during open trading windows following the release of quarterly financial results.

In 2015, the Governance Committee approved LTIP awards to the NEOs as follows:

Name	**Base Salary(1) ($)**	**Annual LTIP Grant as a Percentage of Base Salary (%)**	**Grant Date Fair Value ($)(2)**	**Type of LTIP Grant(3)**
Galen G. Weston	1,100,000	400	4,400,027	Stock Options, RSUs and PSUs
Richard Dufresne	650,000	200	1,921,029(4)	Stock Options, RSUs and PSUs
Sarah R. Davis	650,000	200	1,862,470(5)	Stock Options, RSUs and PSUs
Michael Motz	800,000	200	1,736,461(6)	Stock Options, RSUs and PSUs
Grant Froese	800,000	225	2,166,668(7)	Stock Options, RSUs and PSUs

(1) 2015 LTIP awards are calculated using each NEO's actual base salary in the year.
(2) The grant date fair value of a PSU award assumes vesting at 100% of target.
(3) Stock options, RSUs and PSUs each comprise one-third of the annual LTIP grant.
(4) Mr. Dufresne received an annual LTIP grant comprised of 30,345 stock options, 4,664 RSUs and 4,664 PSUs, with an aggregate grant date fair value of $889,652. In 2015, Mr. Dufresne received a special one-time PSU grant of 9,308 PSUs with a grant date fair value of $649,978 representing approximately 100% of his base salary. The full details of Mr. Dufresne's LTIP grant are set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48. In addition to his annual LTIP grant from the Corporation, Mr. Dufresne received an annual LTIP grant from Weston with a grant date fair value of $381,399. The full details of Mr. Dufresne's compensation from Weston are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.
(5) Ms. Davis' annual LTIP grant was comprised of 41,160 stock options, 6,336 RSUs and 6,336 PSUs, with an aggregate grant date fair value of $1,212,492, representing approximately 200% of her base salary. In 2015, Ms. Davis received a special one-time PSU Grant of 9,308 PSUs with a grant date fair value of $649,978 representing approximately 100% of her base salary. The full details of Ms. Davis' LTIP grants are set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48.
(6) Mr. Motz's annual LTIP grant was comprised of 37,301 stock options, 5,809 RSUs and 5,809 PSUs, with an aggregate grant date fair value of $1,136,482, representing approximately 200% of his base salary. In 2015, Mr. Motz received a special one-time PSU Grant of 8,592 PSUs with a grant date fair value of $599,979, representing approximately 75% of his base salary. The full details of Mr. Motz's LTIP grants are set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48.
(7) Mr. Froese's annual LTIP grant was comprised of 52,779 stock options, 8,146 RSUs and 8,146 PSUs, with an aggregate grant date fair value of $1,566,688, representing approximately 225% of his base salary. In 2015, Mr. Froese received a special one-time PSU grant of 8,592 PSUs with a grant date fair value of $599,979 representing approximately 75% of his base salary. The full details of Mr. Froese's LTIP grants are set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48.

The key features of the Corporation's stock option plan (the "Stock Option Plan"), RSU Plan and PSU Plan are described below.

Stock Option Plan

Under the Stock Option Plan, the size of the annual award an executive receives is determined by reference to the executive's total LTIP award. The Governance Committee administers the Stock Option Plan, approves the participants, makes grants of options and establishes any limitations, restrictions and conditions on any grants. Any employee of the Corporation or any of its affiliates, as determined by the Governance Committee, may participate in the Stock Option Plan.

As of March 14, 2016, options to purchase 8,047,337 Common Shares were outstanding. As of March 14, 2016, the Corporation had 10,402,436 Common Shares available for future option grants, which represents approximately 2.5% of the issued and outstanding Common Shares. The Stock Option Plan provides that Common Shares issuable pursuant to outstanding options that are cancelled, expired, forfeited or terminated for any reason without having been exercised will again be available for grant under the Stock Option Plan. Stock options are not transferable or assignable otherwise than by will or by laws of descent and distribution, and during the lifetime of an optionee will be exercisable only by him or her. Please see page 49 for details regarding the treatment of stock options upon the resignation, termination with or without cause, or retirement of a participant as well as the effect of a change of control of the Corporation.

The exercise price for options may not be less than the fair market value of a Common Share, which is defined as the greater of: (i) the volume-weighted average of the trading price of a Common Share on the TSX for the five trading days prior to the grant date; or (ii) the volume-weighted average of the trading price of a Common Share on the TSX on the trading day immediately preceding the grant date. The exercise price for options granted to U.S. participants is the closing price of the Common Shares on the TSX on the day immediately preceding the grant date.

Options may not be exercised prior to the first anniversary of the date of the grant. The vesting of options is determined on the grant of the option. Under the Stock Option Plan, each option has a term of not less than five and not more than 10 years. Generally, options vest over a five-year period at a rate of 20% per year and expire at the end of seven years.

If the expiry date of 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 Securities Trading Policy, the expiry date will automatically be extended for 10 business days after the blackout period ends.

The aggregate number of Common Shares issued to insiders of the Corporation within any 12 month period, or issuable to insiders of the Corporation at any time, under the Stock Option Plan and any other security based compensation arrangement of the Corporation, may not exceed 5% of the total number of issued and outstanding Common Shares during such period of time, as applicable.

In the event of a 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 amalgamation or reorganization of the Corporation, the Board will make appropriate adjustments to the number of Common Shares subject to any options 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:

1. 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;

2. 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, amalgamation, consolidation, combination or exchange of Common Shares, or another corporate change affecting Common Shares;
3. 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 Securities Trading Policy;
4. changes the provisions relating to the transferability of an option;
5. extends eligibility to participate in the Stock Option Plan to a non-employee director;
6. requires shareholder approval under applicable laws, regulations or stock exchange rules; or
7. affects the amending provisions of the Stock Option Plan.

Subject to any required regulatory review or approval, the Board may make all other amendments to the Stock Option Plan without shareholder approval. These amendments include, but are not limited to, the termination of the Stock Option Plan; amendments designed to comply with applicable laws or regulatory requirements; and "housekeeping" administrative changes (such as correcting an immaterial inconsistency or curing any ambiguity).

In 2015, the NEOs received stock option grants from the Corporation as described in the table below:

Name	Options Granted (#)	Exercise Price ($)	Grant Date Fair Value ($)	Vesting Schedule	Term of Grant
Galen G. Weston	150,427	63.49	1,466,663	20% per year over 5 years	7 years
Richard Dufresne(1)	29,915	63.49	291,671	20% per year over 5 years	7 years
	430(2)	69.83	4,859	20% per year over 5 years	7 years
Sarah R. Davis	39,316	63.49	383,331	20% per year over 5 years	7 years
	1,844(2)	69.83	20,837	20% per year over 5 years	7 years
Michael Motz	27,535	63.49	268,466	20% per year over 5 years	7 years
	9,766(2)	69.83	110,356	20% per year over 5 years	7 years
Grant Froese	47,863	63.49	466,664	20% per year over 5 years	7 years
	4,916(2)	69.83	55,551	20% per year over 5 years	7 years

(1) Mr. Dufresne also received a grant of stock options from Weston in 2015 with a grant date fair value of $125,000. Full details of Mr. Dufresne's compensation from Weston are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.
(2) Additional grants were awarded to the NEOs to reflect increases to their actual base salary amounts during 2015. Full details of each NEO's LTIP grants are set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48.

Restricted Share Unit Plan

RSUs entitle an executive to receive the value of the RSU award in Common Shares purchased on the open market at the end of the applicable vesting period, which is usually three years in length. An executive receives the number of Common Shares equal to the number of RSUs granted, with the ultimate award value determined by the Common Share price at the end of the applicable vesting period. The RSU Plan does not provide for the payment of any additional units in respect of dividends paid on Common Shares for the period when an RSU is outstanding.

In 2015, the NEOs were awarded RSUs from the Corporation as follows:

Name	RSUs Granted	Grant Value Per Unit ($)	Grant Date Fair Value ($)	Vesting Date
Galen G. Weston	23,101	63.49	1,466,682	March 5, 2018
Richard Dufresne(1)	4,594	63.49	291,673	March 5, 2018
	70(2)	69.83	4,888	July 30, 2018
Sarah R. Davis	6,038	63.49	383,353	March 5, 2018
	298(2)	69.83	20,809	July 30, 2018
Michael Motz	4,229	63.49	268,499	March 5, 2018
	1,580(2)	69.83	110,331	July 30, 2018
Grant Froese	7,350	63.49	466,652	March 5, 2018
	796(2)	69.83	55,585	July 30, 2018

(1) *Mr. Dufresne also received grants of RSUs from Weston in 2015 with a grant date fair value of $127,155. Full details of Mr. Dufresne's compensation from Weston are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.*

(2) *Additional grants were awarded to the NEOs to reflect increases to their actual base salary amounts during 2015. The full details of each NEO's LTIP grants are set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48.*

Performance Share Unit Plan

PSUs represent a form of at-risk long-term compensation that serves to motivate the recipient to deliver on objectives set forth in the Corporation's strategic plan. Like RSUs, PSUs also entitle an executive to receive the value of a PSU award in Common Shares purchased on the open market at the end of the applicable performance period, also typically three years in length. However, the number of PSUs that vest during such period depends on the achievement of certain performance measures. For 2015, the Corporation's PSU performance measures were revenue and return on capital.

In 2015, the Governance Committee approved a new methodology for evaluating performance for vesting purposes. Although PSUs granted in 2015 and after will continue to vest at the end of the applicable three-year performance period, the number of PSUs that vest will be determined by averaging results against target in each year in the performance period. The results in each year will, in turn, be determined based upon the level of achievement of each of the performance conditions during that year. The overall number of PSUs that vest at the end of a performance period will range from 0% to 200% of the initial grant.

A threshold performance condition, with respect to each performance measure, must be met in order for any PSUs to vest with respect to that measure. The Corporation has set a targeted level of performance for each measure. If the target performance condition is achieved for each measure, the number of PSUs that vest will be equal to 100% of PSUs initially granted. The maximum performance condition with respect to each performance measure is the level of achievement that results in 200% of PSUs vesting for that measure. If the maximum performance conditions are achieved for each measure during every year of the performance period, 200% of the initial number of PSUs granted will vest.

Any performance results between the threshold performance conditions and maximum performance conditions will result in the vesting of PSUs determined on a linear basis. The PSU Plan does not provide for the payment of any additional units in respect of dividends paid on Common Shares during the period when a PSU is outstanding.

The performance targets for the PSUs granted in 2015 relate to a three-year period ending in 2018 and were developed taking into account the Corporation's confidential business strategies, plans and initiatives and its expectations regarding financial and operational performance. These targets are intended to be challenging – neither impossible nor easy to achieve. These targets are forward-looking and their disclosure before the end of the performance period would seriously prejudice the Corporation's interests. The targets will be disclosed at the time of payout of the PSUs.

In 2015, the following NEOs were awarded PSUs from the Corporation for which the grant date fair value assumes vesting at 100% of target:

Name	PSUs Granted	Grant Value Per Unit ($)	Grant Date Fair Value ($)	Vesting Date
Galen G. Weston	23,101	63.49	1,466,682	March 5, 2018
Richard Dufresne(1)	4,594	63.49	291,673	March 5, 2018
	70(2)	69.83	4,888	July 30, 2018
	9,308(3)	69.83	649,978	December 15, 2018
Sarah R. Davis	6,038	63.49	383,353	March 5, 2018
	298(2)	69.83	20,809	July 30, 2018
	9,308(3)	69.83	649,978	December 15, 2018
Michael Motz	4,229	63.49	268,499	March 5, 2018
	1,580(2)	69.83	110,331	July 30, 2018
	8,592(3)	69.83	599,979	December 15, 2018
Grant Froese	7,350	63.49	466,652	March 5, 2018
	796(2)	69.83	55,585	July 30, 2018
	8,592(3)	69.83	599,979	December 15, 2018

(1) *Mr. Dufresne also received grants of PSUs from Weston in 2015 with a grant date fair value of $125,033. Full details of Mr. Dufresne's compensation from Weston are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.*

(2) *Additional grants were awarded to the NEOs to reflect increases to their base salary amounts during 2015. The full details of each NEO's LTIP grants are set out in the section "2015 Compensation Decisions Regarding the Named Executive Officers" on pages 47 and 48.*

(3) *Ms. Davis and Messrs. Dufresne, Motz and Froese also received a special one-time grant of PSUs which vest on December 15, 2018.*

Performance of 2013 PSUs

In 2013, certain NEOs were awarded PSUs whose vesting was tied to achieving specific targets including return on capital and market share ("Market/Footage Share") over a three-year period. The return on capital measure is defined as adjusted net earnings before interest and income taxes ("Adjusted EBIT")* divided by average total capital. The Market/Footage Share metric is based on Nielson's rolling 52 week dollar share as at week 52. At the time of grant, the performance targets relating to the 2013 return on capital and Market/Footage Share metrics were forward-looking as they related to the three-year period ending in 2015 and were developed taking into account the Corporation's business strategies, plans and initiatives and its expectations regarding financial and operational performance. The targets were intended to be challenging – neither impossible nor easy to achieve.

In early 2016, the Governance Committee reviewed the performance of the 2013 PSU grants against target and determined the following results:

- the Market/Footage Share component achieved a performance result in respect of this component at 200% of target; and
- the return on capital component achieved a performance result in respect of this component at 173.4% of target.

The target and payout for each component for PSUs awarded in 2013 and paid out in 2016 are set out below:

Measure(1)	Minimum (0%)	Target (100%)	Maximum (200%)	Actual Results ($)	Payout (%)
Market/Footage Share Performance ($)	1,052	1,052	1,063	1,065	200.0
Return on Capital (%)	9.8	10.62	11.4	11.19	173.4
Overall Payout					186.7
Adjusted Payout					170.9

(1) Payouts for performance between target and maximum are interpolated on a straight-line basis

In determining the Adjusted EBIT* component of the 2013 PSUs, Loblaw's Governance Committee considered the impact of the labour buy-downs, as described in the Loblaw and SDM STIP sections. In assessing the 2013 PSU payout, Loblaw's Governance Committee, on the recommendation of management, concluded that the impact of the labour buy-downs should not be entirely excluded from the incentive plan results and reduced the payout factor from 186.7% to 170.9% for senior executives including the NEOs.

2013 PSU Payout Summary

In 2016, the Governance Committee determined that the 2013 grant of PSUs paid out at 170.9% of target. The number of PSUs that vested pursuant to these performance results is set out in the table below:

	Vesting of 2013 PSU Award (#)				
Name	2013 PSUs Granted (#)	Return on Capital Component (#)	Market/Footage Share Component (#)	Total number of PSUs Vested (#)	Payout Amount(1) ($)
Galen G. Weston	20,543	17,554	17,554	35,108	2,425,963
Grant Froese	13,786	11,780	11,780	23,560	1,627,996
Sarah Davis	6,443	5,505	5,506	11,011	760,860

(1) The value of the PSU payouts was based on the transactional market price of the Common Shares on the TSX on February 29, 2016, which was $69.10, multiplied by the number of PSUs vested, as applicable.

Mr. Dufresne did not receive a grant of 2013 PSUs from the Corporation. He did however receive a grant of Weston PSUs in 2013 which paid out in 2016. In 2016, the Weston Governance Committee determined that Mr. Dufresne's 2013 grant of Weston PSUs paid out at 109% of target based on the results of his individual component, the results of the Weston Foods MTIP component against target and the results of the Loblaw PSUs. For details of Mr. Dufresne's 2013 Weston PSU grant please refer to the Weston Management Proxy Circular available at www.sedar.com.

* Non-GAAP financial measure. Please see the note in the "Other Information" section of this Circular.

Long-Term Incentive Plan Clawback

All LTIP grants include a clawback provision stating that if an executive accepts employment with a competitor of the Corporation within six months after leaving the employment of the Corporation, the gross dollar value of all stock option, RSU and PSU payments received in the 12 months of employment immediately prior to the date of cessation of employment must be repaid to the Corporation.

Securities Authorized for Issuance under Equity Compensation Plans as of January 2, 2016

The following table shows the number of securities authorized for issuance under equity compensation plans of the Corporation:

Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)**	**Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)**
Equity Compensation Plans Approved by Securityholders			
• Stock Option Plan(1)	7,411,405	$43.77	12,128,648
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A
Total	**7,411,405**	**$43.77**	**12,128,648**

(1) *Under the former SDM stock option plan, there are 99,244 stock options outstanding with no stock options available for future option grants. Upon exercise, Common Shares will be issued. These SDM stock options have been reflected in the above table.*

RETIREMENT AND PENSION ARRANGEMENTS

The Corporation's retirement and pension arrangements are designed to provide a reasonable level of retirement income to executives. Senior executives of the Corporation, other than Mr. Weston, participate in either the Corporation's executive defined benefit registered pension plan (the "Executive DB Plan") or executive defined contribution registered pension plan (the "Executive DC Plan"). All new Loblaw executives join the Executive DC Plan. In addition, senior executives of the Corporation whose pensionable earnings exceed prescribed levels participate in a non-contributory supplemental executive retirement plan (the "SERP"). Mr. Dufresne participates in Weston's Executive DC Plan.

Senior management of SDM, including Mr. Motz, are provided retirement arrangements through participation in the Pension Plan for Executives of Shoppers Drug Mart Inc., a registered defined benefit pension plan, and the Shoppers Drug Mart Inc. Supplementary Pension Plan, an unregistered defined benefit pension plan (collectively, the "SDM Pension Plans").

The details of these retirement and pension arrangements are set out in the section "Pension Plan and Long Service Executive Arrangements" on pages 55 and 56.

EXECUTIVE BENEFIT PLANS

The Corporation provides the NEOs with designated health, dental, disability and insurance coverage through executive benefit plans paid for by the Corporation.

PERQUISITES

NEOs receive a limited number of perquisites. For Loblaw's NEOs, these include a car or car allowance, an annual medical examination, a discretionary health care spending account and the ability to participate in the employee share ownership purchase plan. SDM's NEOs' perquisites include reimbursement of annual health club membership dues, an allowance for personal financial and tax planning advice, an annual medical examination and a car allowance.

EXECUTIVE SHARE OWNERSHIP GUIDELINES

The Corporation maintains Executive Share Ownership Guidelines to further align the interests of senior executives with those of the Corporation's shareholders. The Guidelines establish minimum share ownership levels for executives which, based on their executive level, are set at a multiple of their base salary.

Under the Guidelines, Common Shares, EDSUs and the in-the-money value of vested stock options of the Corporation are the only eligible holdings included in determining an executive's ownership value. The Guidelines apply to every executive at the senior vice president level and higher. Senior executives who serve the Corporation as well as Weston or Choice Properties may include their eligible holdings in all of these entities to satisfy the Guidelines.

Under the Guidelines, senior executives are expected to own eligible equity-based holdings with a value equal to a multiple of their base salary as determined by their position:

Executive Chairman and President	5x base salary
COO/CFO/CAO	2x base salary
Executive Vice Presidents/Divisional Presidents	2x base salary
Senior Vice Presidents	0.5x base salary

Executives are expected to attain the required ownership level within five years of their appointment, but as a result of the elimination of RSUs and PSUs from the list of eligible holdings, effective January 1, 2013, all executives have five years from that date, or the date of their appointment, if later, to meet the required ownership levels. SDM executives have five years from the close of the SDM acquisition to attain the required ownership levels. In 2015, the Governance Committee approved an amendment to the Guidelines to increase the President's share ownership multiple from three-times to five-times base salary. In addition, the Governance Committee approved a mandatory hold period requiring the President to maintain his or her share ownership level for one year following the end of his or her employment.

The Governance Committee also approved a holding requirement that requires any executive subject to the Guidelines to retain a minimum of 50% of his or her after-tax proceeds received on the payout of RSUs or PSUs or an exercise of stock options in Common Shares until such executive's ownership level has been attained.

The dollar values of each NEO's eligible equity-based holdings, based on the market value as at March 14, 2016 of $71.00, are set forth in the following table:

	Value of Equity-Based Holdings			Ownership Requirement	
Name	**Common Shares ($)**	**Vested In-the-Money Stock Options ($)**	**Total ($)**	**($)**	**Multiple of Salary**
Galen G. Weston	22,426,060	25,580,820	48,006,880	5,500,000	5
Richard Dufresne	34,151	47,042	4,016,105(1)	1,300,000	2
Sarah R. Davis	563,811	3,770,470	4,334,281	1,300,000	2
Michael Motz	3,049,237	2,142,842	5,192,078	1,600,000	2
Grant Froese	2,251,552	7,638,865	9,890,417	1,600,000	2

(1) Mr. Dufresne is also subject to Weston's Executive Share Ownership Guidelines. His Weston equity-based holdings are set forth in the table based on their value on March 14, 2016 at $112.06, being the price on the TSX of a Weston common share on that date.

For a description of Weston's Executive Share Ownership Guidelines in respect of Mr. Dufresne, please refer to the Weston Management Proxy Circular available at www.sedar.com.

2015 COMPENSATION DECISIONS REGARDING THE NAMED EXECUTIVE OFFICERS

The following outlines the rationale underlying the compensation decisions for each of the Corporation's NEOs for 2015.

As discussed in the section "2015 Compensation Analysis" on page 30, in 2015, Meridian was retained by the Corporation to provide a compensation analysis of the Corporation's most senior executive officers. The Governance Committee reviewed the market reference data prepared by Meridian and management's recommendations for the Corporation's NEO compensation. The Governance Committee also considered the need for internal equity and the retention of key individuals. Based on this review, the Governance Committee approved changes to the Corporation's NEOs' compensation (other than Mr. Weston) in July 2015. The Governance Committee also approved each of the Corporation's NEO's 2015 STIP award in February 2016 as further described below.

Galen G. Weston, Executive Chairman and President

Mr. Weston became President of the Corporation on July 16, 2014 and the Governance Committee approved certain amendments to his compensation arrangements effective January 1, 2015. Mr. Weston's base salary increased from $1,000,000 to $1,100,000 and his STIP target increased from 100% to 150% of base salary to reflect his expanded role and responsibilities. Mr. Weston's annual LTIP target also increased from 250% to 400% of base salary. For 2015, Mr. Weston's annual LTIP award in 2015 had an aggregate grant date fair value of $4,400,027, comprised of 150,427 stock options, 23,101 RSUs and 23,101 PSUs. As discussed in the section "Loblaw STIP—Individual STIP Components" the Governance Committee awarded Mr. Weston an individual performance rating of 107.5% on his STIP. The Governance Committee did not make any other changes to Mr. Weston's compensation arrangements in 2015.

Richard Dufresne, Chief Financial Officer

In February 2015, Mr. Dufresne's base salary increased from $600,000 to $625,000. The cost of Mr. Dufresne's base salary and STIP amounts are split between the Corporation (90%) and Weston (10%) and his annual target LTIP grant, which remains at 200% of his base salary, is split between the Corporation (70%) and Weston (30%). Mr. Dufresne's annual Loblaw LTIP grant for 2015 had an aggregate grant date fair value of approximately $875,017, comprised of 29,915 stock options, 4,594 RSUs and 4,594 PSUs. Mr. Dufresne's annual Weston LTIP grant for 2015 had an aggregate grant date fair value of approximately $375,066, comprised of 9,542 Weston stock options, 1,243 Weston RSUs and 1,243 Weston PSUs.

Effective July 2015, the Corporation's and Weston's Governance Committees approved certain amendments to Mr. Dufresne's compensation arrangements to recognize increases in the scope of his role. Mr. Dufresne's base salary increased from $625,000 to $650,000 and he received an additional LTIP grant (with a grant date fair value of $14,635 from the Corporation and $6,333 from Weston) to reflect the increase to his base salary amount. Mr. Dufresne was also awarded a one-time grant of PSUs from the Corporation with a grant date fair value of $649,978, representing 100% of his base salary as part of a program of special one-time grants of PSUs to increase the focus of certain NEOs on key operating targets over the three-year period. These special PSUs have a vesting date of December 15, 2018. In addition, as discussed in the section "Loblaw STIP—Individual STIP Components" the Governance Committees of both the Corporation and Weston awarded Mr. Dufresne an individual performance component of his STIP award at 100% of target.

Full details of Mr. Dufresne's compensation from Weston are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.

Sarah R. Davis, Chief Administrative Officer

In February 2015, Ms. Davis received her annual LTIP grant with an aggregate grant date fair value of $1,150,037, equal to approximately two times her base salary at the time of grant.

In July 2015, the Governance Committee approved certain amendments to Ms. Davis' compensation arrangements to reflect her additional accountability for Human Resources and her increased experience in the CAO role. Ms. Davis' base salary increased from $575,000 to $650,000 in recognition of her key strategic role at Loblaw. Ms. Davis received an additional LTIP grant (with a grant date fair value of $62,455) to reflect the increase to her base salary amount. Ms. Davis was also awarded a special one-time grant of PSUs with a grant date fair value of $649,978, representing 100% of her new base salary with a vesting date of December 15, 2018. In addition, as discussed in the section "Loblaw STIP—Individual STIP Components" the Governance Committee awarded Ms. Davis an individual performance rating of 107.5% for her 2015 STIP award.

Michael Motz, President, Shoppers Drug Mart

In February 2015, the Governance Committee approved an annual LTIP grant for Mr. Motz with a grant date fair value of $805,464 set at approximately 115% of base salary.

In July 2015, the Governance Committee approved certain amendments to Mr. Motz's compensation arrangements following his assumption of the role of SDM President. Mr. Motz's base salary increased from $700,350 to $800,000 and his STIP target increased from 70% to 100% of base salary. Mr. Motz's annual LTIP target increased from 115% to 200% of base salary. Mr. Motz received an additional LTIP grant (with a grant date fair value of $331,018) to reflect the increase to his base salary and annual LTIP target amounts. Mr. Motz was also awarded a special one-time grant of PSUs with a grant date fair value of $599,979, representing 75% of his new base salary with a vesting date of December 15, 2018. In addition, as discussed in the section "Loblaw STIP—Individual STIP Component" the Governance Committee awarded Mr. Motz an individual performance rating of 105% for his 2015 STIP award.

Grant Froese, Chief Operating Officer

In February 2015, the Governance Committee approved an annual LTIP grant for Mr. Froese with a grant date fair value of $1,399,968 comprised of 47,863 stock options 7,350 RSUs and 7,350 PSUs set at approximately 200% of base salary. In July 2015, the Governance Committee approved certain amendments to Mr. Froese's compensation arrangements to ensure that his positioned compensation was competitive relative to market and commensurate with the scope of his role. Mr. Froese's base salary increased from $700,000 to $800,000 and his annual LTIP target also increased from 200% to 225% of base salary. Mr. Froese received an additional grant (with a grant date fair value of $166,721) to reflect the increase to his base salary amount and LTIP target. Mr. Froese was also awarded a special one-time grant of PSUs with a grant date fair value of $599,979, representing 75% of his base salary with a vesting date of December 15, 2018. In addition, as discussed in the section "Loblaw STIP—Individual STIP Components" the Governance Committee awarded Mr. Froese an individual performance rating of 105% for his STIP award.

TERMINATION AND CHANGE OF CONTROL BENEFITS

None of the NEOs' employment agreements provides for change of control benefits; however, the Corporation's compensation plans have termination and change of control provisions. The table below summarizes the termination and change of control benefits provided under each plan in situations that result in cessation of employment.

	Separation Event				Change of Control
Type of Compensation	**Resignation**	**Termination without Cause**	**Termination with Cause**	**Retirement**	
Short-Term Incentive Plan	No payment	Bonus for the applicable year is prorated to the termination date	No payment	Bonus for the applicable year is prorated to the retirement date	Governance Committee discretion to grant or adjust bonus
Stock Option Plan	Options forfeited at time of notice of resignation	30 days from notice of termination to exercise vested options	All outstanding options forfeited at time of notice of termination	90 days from notice of retirement to exercise vested options	Board discretion to accelerate vesting of options
Restricted Share Unit Plan	Units forfeited at time of notice of resignation	Value of units paid out on a prorated basis provided termination date is more than 12 months after the grant date	All outstanding units forfeited at time of notice of termination	Value of outstanding units paid out on a prorated basis	Governance Committee discretion to adjust grant
Performance Share Unit Plan	Units forfeited at time of notice of resignation	Value of units paid out on a prorated basis (at target level) provided termination date is more than 12 months after the grant date	All outstanding units forfeited at time of notice of termination	Value of outstanding units paid out on a prorated basis	Governance Committee discretion to adjust grant
Executive Deferred Share Unit Plan	NEO has until December 15th of the year following resignation to redeem	NEO has until December 15th of the year following termination to redeem	NEO has until December 15th of the year following termination to redeem	NEO has until December 15th of the year following retirement to redeem	Governance Committee to ensure substantially similar award following a change of control event

The Governance Committee has discretion to make adjustments to the general plan provisions for a particular executive if considered appropriate in the circumstances. The following summarizes the termination benefits described above as they relate to the specific arrangements under each NEO's employment agreement.

Galen G. Weston, Executive Chairman and President

Mr. Weston is not contractually entitled to severance, termination or change of control payments other than applicable incentives and share based payments as provided for under the terms of the STIP and the LTIP. Upon termination, Mr. Weston will be subject to certain non-competition and confidentiality undertakings.

Richard Dufresne, Chief Financial Officer

If Mr. Dufresne's employment is terminated without cause, he will be entitled to receive: (a) his salary for up to 12 months, (b) his STIP bonus for up to 12 months up to a maximum of his target bonus amount, and (c) applicable incentive and share based payments as provided for under the terms of the LTIP. Upon termination, Mr. Dufresne will be subject to certain non-competition and confidentiality undertakings.

Sarah R. Davis, Chief Administrative Officer

If Ms. Davis' employment is terminated without cause, she will be entitled to receive: (a) her salary for up to 12 months, (b) her STIP bonus for up to 12 months up to a maximum of her target bonus amount, and (c) applicable incentive and share based payments as provided for under the terms of the LTIP. Upon termination, Ms. Davis will be subject to certain non-competition and confidentiality undertakings.

Michael Motz, President, Shoppers Drug Mart

If Mr. Motz resigns prior to March 27, 2017, he will be entitled to receive a portion of his initial grant of Synergy Award PSUs (up to 67%) based upon the performance goal criteria on his resignation date. For additional details on the Synergy Award PSUs, please refer to the Loblaw Management Proxy Circular dated March 26, 2015.

If Mr. Motz's employment is terminated without cause prior to March 27, 2016, he will be entitled to receive: (a) a cash payment equal to two times his (i) base salary, (ii) average annual STIP award received in the three fiscal years prior to termination and (iii) annual car allowance; (b) credit of an additional 24 months of service under the SDM Pension Plans with a value of approximately $448,000; (c) extended health and dental care benefits for an additional 24 months with a value of $21,090; and (d) applicable incentive and share-based payments as provided for under the terms of the LTIP. Upon termination or resignation of Mr. Motz's employment (however occasioned), he will be subject to certain non-competition and confidentiality undertakings.

Grant Froese, Chief Operating Officer

If Mr. Froese's employment is terminated without cause, he will be entitled to receive: (a) his salary for up to 24 months, (b) his STIP bonus for up to 24 months up to the maximum of his target bonus amount, and (c) applicable incentive payments as provided for under the terms of the LTIP. Upon termination, Mr. Froese will be subject to certain non-competition and confidentiality undertakings.

POTENTIAL AMOUNTS PAID ON TERMINATION

The following table sets forth the estimated incremental payments or benefits that the NEOs would have received upon termination of employment on January 2, 2016 for the various reasons described below.

		Amounts Due on Termination							
		Contractual Severance				Long-Term Incentive Plans			
Name	**Event**	**Salary ($)**(1)	**Annual Bonus ($)**(1)	**Benefits ($)**	**Other ($)**	**Stock Options ($)**(2)	**RSUs ($)**(3)	**PSUs ($)**(3)	**Total ($)**
Galen G. Weston	Termination with cause	—	—	—	—	—	—	—	—
Executive Chairman	Termination without cause	—	—	—	—	—	—	—	—
and President	Resignation	—	—	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—	—	—
Richard Dufresne	Termination with cause	—	—	—	—	—	—	—	—
Chief Financial	Termination without cause	650,000	650,000(4)	—	—	—	—	—	1,300,000
Officer	Resignation	—	—	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—	—	—
Sarah R. Davis	Termination with cause	—	—	—	—	—	—	—	—
Chief Administrative	Termination without cause	650,000	650,000(4)	—	—	—	—	—	1,300,000
Officer	Resignation	—	—	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—	—	—
Michael Motz	Termination with cause	—	—	—	—	—	—	—	—
President, SDM	Termination without cause	1,600,000	1,523,308	448,000(5)	42,868(6)	—	—	—	3,614,176
	Resignation	—	—	—	—	—	—	75,916(7)	75,916
	Retirement	—	—	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—	—	—
Grant Froese	Termination with cause	—	—	—	—	—	—	—	—
Chief Operating	Termination without cause	1,600,000	1,600,000(4)	—	—	—	—	—	3,200,000
Officer	Resignation	—	—	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—	—	—
	Change of Control	—	—	—	—	—	—	—	—

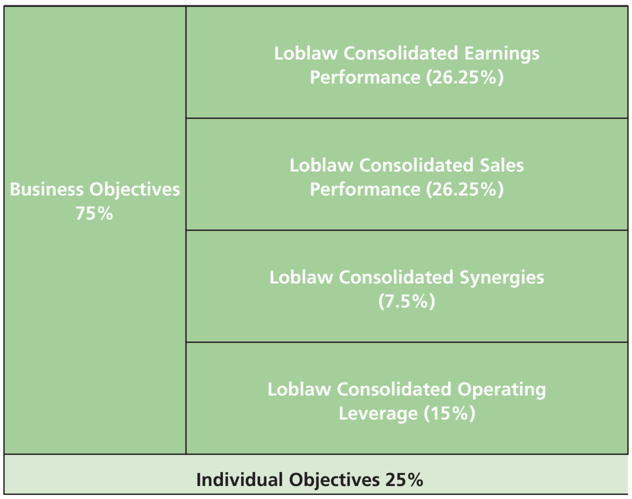
(1) The Salary and Annual Bonus figures reflect contractual entitlements and may be paid by salary continuance, subject to mitigation obligations.
(2) The NEOs are entitled to exercise vested options following termination without cause in accordance with the Stock Option Plan.
(3) RSUs and PSUs are paid out on a prorated basis where the NEO retires or is terminated without cause in accordance with the RSU Plan and PSU Plan, respectively.
(4) Annual bonus is valued at target level.
(5) Mr. Motz's credit of 24 months of service under the SDM pension plans has a value of approximately $448,000.
(6) Includes the value of two years of car allowance and extended health and dental care benefits.
(7) The value of Mr. Motz's Synergy Award PSUs reflects the synergies target achieved as of January 2, 2016 and is based on the closing price of Common Shares on the TSX on December 31, 2015, the last trading day preceding January 2, 2016, which was $65.34.

COMPENSATION DECISIONS FOR 2016

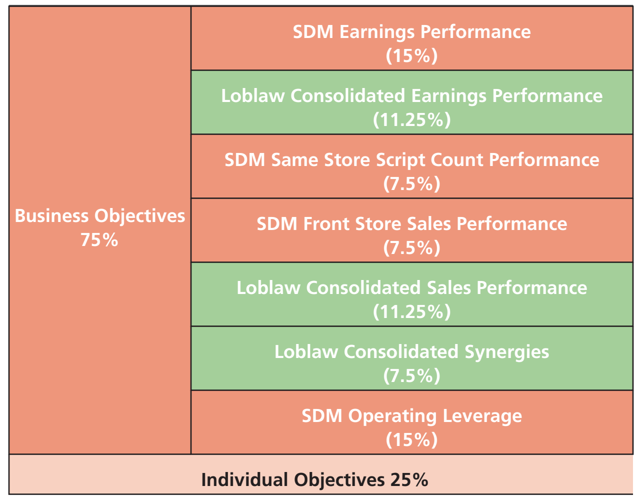
2016 SHORT-TERM INCENTIVE PLAN

The Governance Committee has approved performance measures and weightings for the 2016 STIP:

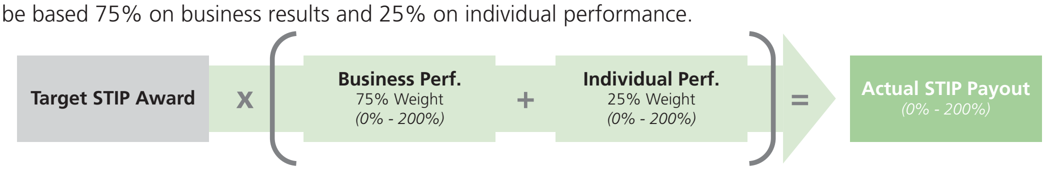
Loblaw STIP



SDM STIP



For 2016, the Governance Committee replaced the multiplicative approach (in which an individual performance multiplier was used to adjust the business performance factor up or down a defined range of 90% to 110%) with an additive design in which a STIP payout will be based 75% on business results and 25% on individual performance.



2016 LONG-TERM INCENTIVE PLAN AMENDMENTS

The Governance Committee approved certain changes to the long-term incentive plans. These changes extend the vesting and/or exercise periods of LTIP grants upon certain triggering events, as further set out below:

Triggering Event	Original Plan	Amended Plan
Retirement	For executives who retire, the value of outstanding RSUs and PSUs are paid out on a prorated basis and option holders have 90 days from their notice of retirement to exercise vested options.	For executives who retire at age 55 or over with 10 or more years of service, LTIP will continue to vest until the end of the term of grant and pay out in the normal course. Options remain exercisable until expiry of their term.
Death and Disability	For executives who die, the value of outstanding RSUs and PSUs are paid out on a prorated basis and their estate has 180 days from the date of death to exercise vested options. The Plans are silent on disability.	For executives who die or become disabled, their RSUs and PSUs will continue to vest until the end of the term of the grant and pay out in the normal course. All vested and unvested stock options will immediately vest and executives (or their estates) will have 2 years from the date of death or disability (or, if earlier, expiry of the term) to exercise vested options.
Termination Without Cause	For executives who are terminated without cause, option holders have 30 days from the date of termination to exercise vested options.	For executives who are terminated without cause, option holders will have 90 days from the date of termination (or, if earlier expiry of the term) to exercise vested options.

2016 LONG-TERM INCENTIVE PLAN GRANTS

In February 2016, the Governance Committee approved LTIP awards to the Corporation's NEOs as set out below. These annual LTIP grants were comprised of equal grants (by grant value) of stock options, RSUs and PSUs and were awarded on March 3, 2016.

Name	Grant Date Fair Value ($)(1)	Stock Options (#)(2)	RSUs (#)	PSUs (#)
Galen G. Weston	4,400,060	127,758	21,275	21,275
Richard Dufresne	910,008	26,423	4,400	4,400
Sarah R. Davis	1,300,050	37,747	6,286	6,286
Michael Motz	1,599,978	46,458	7,736	7,736
Grant Froese	1,799,972	52,265	8,703	8,703

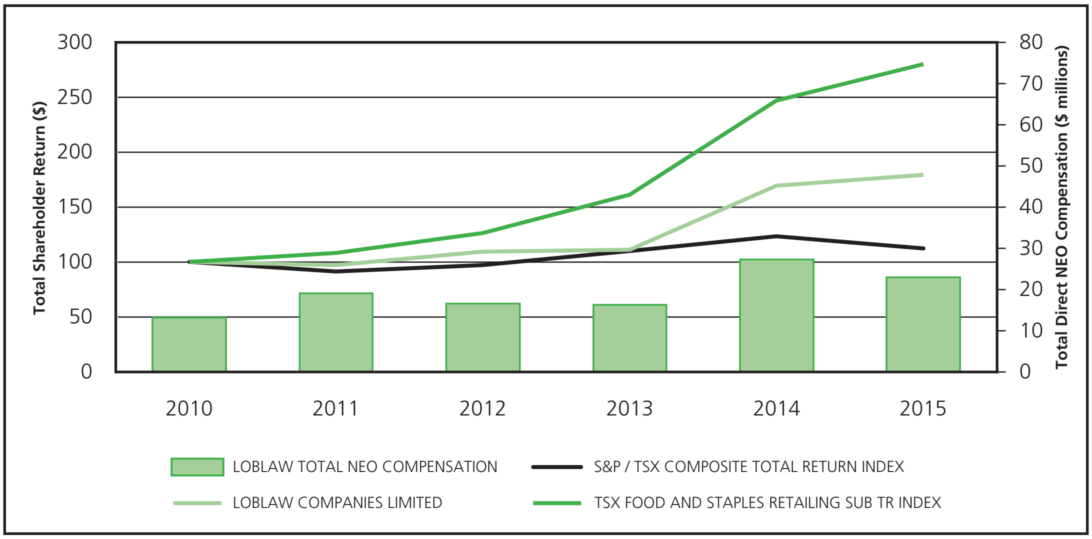
(1) These amounts reflect the grant date fair value of the options, RSUs and PSUs. The grant date fair value of stock options is calculated in the following manner: Stock Option Value = Number of Stock Options Granted x Black-Scholes-Merton Value. The grant date fair value of the RSUs and PSUs is calculated in the following manner: RSU or PSU Value = Number of RSUs or PSUs Granted x the greater of the volume-weighted average share price for the one or five trading days preceding the grant date, which was $68.94 as of March 3, 2016. The grant date fair value of a PSU award assumes vesting at 100% of target.

(2) The exercise price of the stock options is $68.94.

EXECUTIVE COMPENSATION

PERFORMANCE GRAPH

The graph below compares the cumulative total shareholder return on $100 invested in Common Shares on December 31, 2010, with the cumulative annual total return of the S&P/TSX Composite Total Return Index and the TSX Food and Staples Retailing Sub Total Return Index over the same period (assuming all dividends were reinvested). The graph also shows the Corporation's total direct NEO compensation (which includes base salary, STIP and LTIP) over the same period.



Five-Year Total Cumulative Shareholder Return on $100 Investment

	2010	2011	2012	2013	2014	2015
S&P / TSX COMPOSITE TOTAL RETURN INDEX	$ 100	$ 91	$ 97	$ 110	$ 123	$ 112
LOBLAW COMPANIES LIMITED	$ 100	$ 97	$ 109	$ 111	$ 169	$ 179
TSX FOOD AND STAPLES RETAILING SUB TR INDEX	$ 100	$ 108	$ 126	$ 161	$ 247	$ 280

Total Direct NEO Compensation

	2010	2011	2012	2013	2014	2015
TOTAL DIRECT NEO COMPENSATION ($ millions)	$13.2	$19.1	$16.6	$16.3	$27.3	$22.9

For the five-year period ended January 2, 2016, the Corporation's total shareholder return, as shown above, out-performed the S&P/TSX Composite Total Return Index. During the period, the total cumulative shareholder return for $100 invested in Common Shares was $179 as compared to $112 for the S&P/TSX Composite Index. The Corporation's total shareholder return was positively affected by key strategic initiatives, including the creation of Choice Properties and the Corporation's acquisition of SDM.

Both the Corporation's total shareholder return and total compensation for the Corporation's NEOs have increased over the five fiscal years ended January 2, 2016. However, there have been year-over-year fluctuations in the reported total compensation primarily as a result of one-time payments for incoming and departing NEOs and the resulting changes in the constitution of the NEO group. Equity-based incentives (LTIP awards) account for approximately 51% of all NEO compensation in 2015.

NEO compensation is not strongly correlated to shareholder returns in the short to medium term, in part because equity-based incentives are calculated at the time of grant using grant date fair values, which do not reflect the actual value of compensation received when such incentives vest or are exercised. In the longer term, NEO compensation is directly affected by the Corporation's share price performance. Stock option, RSU and PSU awards directly correlate to the share price and are therefore aligned with shareholder returns.

A substantial portion of NEO pay is at-risk. In addition to the LTIP awards, the Corporation's STIP awards are made based on the successful performance of key financial objectives that are tied to the business plan. These at-risk components (the STIP and LTIP awards) for the Loblaw NEOs in 2015 ranged from 72.5% to 84.7% of their total compensation.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the NEOs during fiscal years 2015, 2014 and 2013, as applicable:

					Non-Equity Incentive Plan Compensation				
Name and Principal Position	**Year**	**Salary ($)**	**Share-Based Awards ($)**[1]	**Option-Based Awards ($)**[2]	**Annual Incentive Plans ($)**	**Long-Term Incentive Plans ($)**	**Pension Value ($)**	**All Other Compensation ($)**[3]	**Total Compensation ($)**
Galen G. Weston	2015	1,100,000	2,933,364	1,466,663	2,788,335	—	—[4]	196,835[5]	8,485,197
Executive Chairman	2014	1,000,000	1,666,650	833,333	1,342,099	—	—[4]	181,673[5]	5,023,755
and President	2013	1,000,000	1,666,448	833,460	1,092,613	—	—[4]	129,351[5]	4,721,872
Richard Dufresne	2015	635,417[6]	1,497,410[7]	423,619[7]	881,476[8]	—	38,000	68,667	3,544,589[9]
Chief Financial Officer	2014	600,417[6]	1,914,003[7]	506,944[7]	655,054[8]	—	35,000	50,462	3,761,880[9]
Sarah R. Davis	2015	606,250	1,458,302	404,168	1,024,502	—	38,000	68,190	3,599,412
Chief Administrative	2014	561,938	1,916,743	383,329	754,176	—	38,000	52,867	3,707,053
Officer	2013	520,188	522,656	261,417	568,363	—	35,000	51,257	1,958,881
Michael Motz	2015	742,510	1,357,639	378,822	1,023,516	—	283,000	21,434	3,806,921
President, SDM	2014	713,818[10]	2,606,969	268,465	601,040	—	167,000	790,088[11]	5,147,380
	2013	690,000	860,154	515,039	660,406	—	153,000	158,347	3,036,946
Grant Froese	2015	741,667	1,644,453	522,215	1,224,195	—	44,000	65,668	4,242,198
Chief Operating	2014	641,667	2,055,580	427,780	861,180	—	36,000	205,013[12]	4,227,220
Officer	2013	521,710	908,625	349,576	570,027	—	38,000	63,834	2,451,772

(1) Amounts represent the grant date fair value of RSUs and PSUs awarded to the NEOs, calculated in the following manner: RSU Grant Date Value + PSU Grant Date Value. RSU Grant Date Value = Number of RSUs Granted x the greater of the volume-weighted average share price for the one or five trading days preceding the grant date. PSU Grant Date Value = Number of PSUs Granted x the greater of the volume-weighted average share price for the one or five trading days preceding the grant date. The grant date fair value of an RSU or PSU award is the same as the accounting grant date fair value of such award on the applicable grant date except that for accounting purposes the calculation of the grant date fair value of an RSU or PSU also reflects the deduction of the net present value of the dividends over the term of the RSU or PSU, to which an RSU or PSU holder is not entitled. The grant date fair value of a PSU award assumes vesting at 100% of target. These awards do not include dividends or equivalents of dividends. The number of PSUs that may vest will range between 0% and 200% of the number granted.

(2) These amounts reflect the grant date fair value of the options when granted. The grant date fair value of stock options is calculated in the following manner: Stock Option Value = Number of Stock Options Granted x Black-Scholes-Merton Value. The Corporation has chosen to use Black-Scholes-Merton model as the methodology for calculating the grant date fair value of the options granted as this methodology is commonly used by issuers. To determine the grant date fair value of options granted using the Black-Scholes-Merton model an expected life of 7 years is used, which is based on the contractual term of the options. The other assumptions used in the model are based on relevant market data on the day of the valuation. The Corporation also uses the Black-Scholes-Merton model for accounting purposes. However, the accounting value ascribed at the grant date for the stock options is based on an expected life that reflects historical exercise patterns, as opposed to the contractual term of the option which is used for compensation reporting purposes (see Notes 2 and 26 to the Corporation's annual audited consolidated financial statements for the year ended January 2, 2016, for the other assumptions and estimates used for this calculation). As a result, when using the Black-Scholes-Merton value method, there is a difference between the grant date fair value per option for compensation reporting purposes, and the accounting value per option as follows: For Mr. Weston's 2015 grant, the accounting value per option is lower by $1.07 (2014 and 2013 grants are lower by $2.46 and $0.60 respectively); for Mr. Dufresne's 2015 grants on March 5, 2015 and July 30, 2015, the accounting value per option is lower by $1.07 and $0.86, respectively (2014 grant is lower by $0.44 per option); for Mr. Froese's 2015 grants on March 5, 2015 and July 30, 2015, the accounting value is lower by $1.07 and $0.86, respectively (2014 grants on March 28, 2014 and September 16, 2014 are lower by $2.46 and $0.44, respectively, per option and 2013 grant is lower by $0.60); for Ms. Davis' and Mr. Motz's 2015 grants on March 5, 2015 and July 30, 2015, the accounting value per option is lower by $1.07 and $0.86, respectively, (Ms. Davis and Mr. Motz's 2014 grants are lower by $2.46 and Ms. Davis's 2013 grant – lower by $0.60 per option).

(3) Amounts under All Other Compensation include the value of perquisites, and payments made by the Corporation under the share employee share ownership plans.

(4) Mr. Weston does not participate in any retirement plans and does not have any other retirement or pension arrangement with the Corporation.

(5) In 2013, 2014 and 2015, Mr. Weston received $91,500, $144,000 and $134,000, respectively, in compensation for his role as Chairman of Choice Properties.

(6) In July 2014, Mr. Dufresne was appointed Chief Financial Officer. As a result of this appointment, effective August 1, 2014, Mr. Dufresne received a base salary increase to $625,000 which was apportioned between the Corporation (90%) and Weston (10%) following such date. In 2014, Mr. Dufresne's actual base salary amount was $600,417 of which the Corporation paid $234,375. In 2015, Mr. Dufresne's actual base salary amount was $635,417 of which the Corporation paid $571,875.

(7) The cost of Mr. Dufresne's annual LTIP grants is apportioned between the Corporation (70%) and Weston (30%). Mr. Dufresne's annual LTIP grant from Weston in 2015 was comprised of 9,665 stock options, 1,262 RSUs and 1,262 PSUs, with an aggregate grant date value of $381,399. Mr. Dufresne annual LTIP grant from the Corporation in 2015 was comprised of 30,345 stock options, 4,664 RSUs and 4,664 PSUs, with an aggregate grant date value of $889,652. Mr. Dufresne also received a special one-time PSU grant from the Corporation of 9,308 PSUs with a grant date fair value of $649,978.

In 2014, Mr. Dufresne's annual LTIP grant from Weston was 250% of his base salary amount of $600,000 at the time of grant, and was comprised of 37,425 Weston stock options, 6,104 Weston RSUs and 6,104 Weston PSUs. Mr. Dufresne also received an annual LTIP grant from the Corporation following his appointment to the position of Chief Financial Officer, which was comprised of 687 stock options, 125 RSUs and 125 PSUs, with an aggregate grant date fair value of $20,874, to reflect an increase to his base salary to $625,000. In 2014, Mr. Dufresne also received a special one-time Synergy PSU Grant from the Corporation of 16,155 PSUs with a grant date fair value of $899,995.

(8) Mr. Dufresne's 2014 STIP payment was $655,054, the cost of which, as of August 1, 2014, was apportioned between the Corporation (90%) and Weston (10%). In 2014, the Corporation paid $245,645 towards Mr. Dufresne's STIP payment. The cost of Mr. Dufresne's 2015 STIP payment was apportioned between the Corporation (90%) and Weston (10%). In 2015, the Corporation paid $793,328 towards Mr. Dufresne's STIP payment.

(9) The cost of Mr. Dufresne's total compensation amount was apportioned between the Corporation and Weston, as described in footnotes 6, 7, and 8. In 2014 and 2015, the Corporation paid $512,068 and $2,904,833, respectively, of Mr. Dufresne's total compensation amount.

(10) Mr. Motz's actual 2014 base salary amounts were slightly higher than their bi-annual amounts as a result of a bi-weekly payroll process at SDM which compensated them on a 53-week retail calendar, as compared to the Corporation's monthly payroll process.

(11) Mr. Motz received a payment in the amount of $756,889 representing the accelerated vesting of options related to the SDM acquisition.

(12) In 2014, Mr. Froese received $141,200 as a one-time payment to buy-out certain of his contractual entitlements granted to him as part of his relocation from Alberta.

INCENTIVE PLAN AWARDS

INCENTIVE PLAN AWARDS – OUTSTANDING OPTION-BASED AWARDS AND SHARE-BASED AWARDS

The following table sets forth the number and value of all unexercised option-based and share-based awards granted to NEOs outstanding as at January 2, 2016:

	Option-Based Awards				Share-Based Awards		
Name	**Number of Securities Underlying Unexercised Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Value of Unexercised In-The-Money Options ($)(1)**	**Number of Shares or Units of Shares That Have Not Vested (#)**	**Market or Payout Value of Share-Based Awards That Have Not Vested ($)(2)**	**Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed ($)**
Galen G. Weston	146,914	36.35	March 11, 2017	4,259,037	122,368	7,995,525	—
Executive Chairman	187,034	39.27	March 3, 2018	4,875,976			
and President	415,428	34.93	March 1, 2019	12,633,165			
	106,991	40.56	February 28, 2020	2,651,237			
	82,590	47.51	March 28, 2021	1,472,580			
	150,427	63.49	March 5, 2022	278,290			
Richard Dufresne	687	55.71	September 16, 2021	6,616	35,041	2,289,579	—
Chief Financial Officer	29,915	63.49	March 5, 2022	55,343			
	430	69.83	July 30, 2022	0			
Sarah R. Davis	8,312	39.27	March 3, 2018	216,694	75,210	4,914,221	—
Chief Administrative	99,189	34.93	March 1, 2019	3,016,338			
Officer	33,558	40.56	February 28, 2020	831,567			
	37,991	47.51	March 28, 2021	677,379			
	39,316	63.49	March 5, 2022	72,735			
	1,844	69.83	July 30, 2022	0			
Michael Motz	30,018	32.47	February 19, 2020	986,692	31,512	2,058,994	—
President, SDM	31,558	45.02	February 18, 2021	641,259			
	26,607	47.51	March 28, 2021	474,403			
	27,535	63.49	March 5, 2022	50,940			
	9,766	69.83	July 30, 2022	0			
Grant Froese	32,501	36.35	March 11, 2017	942,204	90,380	5,905,429	—
Chief Operating Officer	41,563	39.27	March 3, 2018	1,083,547			
	142,353	34.93	March 1, 2019	4,328,955			
	44,875	40.56	February 28, 2020	1,112,003			
	39,643	47.51	March 28, 2021	706,835			
	2,748	55.71	September 16, 2021	26,463			
	47,863	63.49	March 5, 2022	88,547			
	4,916	69.83	July 30, 2022	0			

(1) The value of outstanding vested and unvested option-based awards is calculated based on the closing price for the Common Shares on the TSX on December 31, 2015, which was $65.34.

(2) The value of RSUs and PSUs held by the NEOs is calculated based on the closing price of the Common Shares on the TSX on December 31, 2015, which was $65.34, multiplied by the number of RSUs or PSUs held, as applicable. The value of a PSU award assumes vesting at 100% of target.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING THE YEAR

The following table sets forth the value of option-based and share-based awards of the NEOs that vested during fiscal 2015, as well as the value of non-equity incentive plan compensation that the NEOs earned during fiscal 2015. The dollar value of the option-based and share-based awards is calculated using the number of units vested/earned multiplied by the closing price of the Common Shares on the TSX on the applicable vesting date.

Name	Option-Based Awards – Value Vested During The Year ($)	Share-Based Awards – Value Vested During The Year ($)	Non-Equity Incentive Plan Compensation – Value Earned During The Year(1) ($)
Galen G. Weston Executive Chairman and President	4,722,056	—	2,788,335
Richard Dufresne Chief Financial Officer	1,773	—	881,476(2)
Sarah R. Davis Chief Administrative Officer	1,335,452	664,029	1,024,502
Michael Motz President, SDM	78,819(3)	5,991,549(4)	1,023,516
Grant Froese Chief Operating Officer	1,505,573	887,986	1,224,195

(1) Payments made in accordance with the Corporation's STIP.
(2) Mr. Dufresne's total STIP award for 2015 was $881,476 of which the Corporation paid $793,328.
(3) Mr. Motz held stock options with SDM. Included in this value are stock options that vested during fiscal 2015 pursuant to their normal vesting schedule.
(4) Mr. Motz held RSUs with SDM which fully vested on December 1, 2015. Included in this amount is the value of Mr. Motz's initial grant of Synergy Award PSUs which vested in 2015.

PENSION PLAN AND LONG SERVICE EXECUTIVE ARRANGEMENTS

The Corporation's retirement programs are designed to facilitate the retirement of executives who have served over the long-term. The NEOs, other than Mr. Galen G. Weston who does not participate in any pension plan, participate in the same retirement programs as other executives and receive no additional enhancements in determining their pension benefits. The NEOs (other than Messrs. Weston and Mr. Dufresne) participate in the Corporation's Executive DB Plan, the Corporation's Executive DC Plan or the SDM Pension Plans. Mr. Dufresne is a member of Weston's Executive DC Plan, Mr. Froese is a member of the Corporation's Executive DB Plan, Ms. Davis is a member of the Corporation's Executive DC Plan and Mr. Motz is a member of the SDM Pension Plan. All newly hired or newly appointed executives join the Corporation's Executive DC Plan.

EXECUTIVE DEFINED BENEFIT PENSION PLAN AND SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

For those executives who participated in the Executive DB Plan and who retired in 2015, annual pension benefits were capped at $2,818.89 per year of service. In addition, the Corporation provides SERP allowances to executives who participate in the Executive DB Plan, including Mr. Froese. The SERP is an unfunded obligation of the Corporation and executives who participate in this plan must comply with certain eligibility provisions in order to receive payment, most notably, executives are not eligible to receive SERP payments while employed by a competitor of the Corporation.

Pension entitlements for an executive 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 base salary during his or her years of service with the Corporation. For senior executives, the total annual benefits payable under the Executive DB Plan and the SERP are capped at $125,000.

The cost of the estimated future Executive DB Plan benefits and SERP benefits for each NEO participating in the Executive DB Plan 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 Notes 2 and 27 to the 2015 consolidated financial statements. Certain accrued obligations in respect of the Corporation's NEOs and other senior executives for the SERP are secured by a stand-by letter of credit issued by a major Canadian bank. The following table sets forth details regarding the only NEO who participates in the Corporation's Executive DB Plan:

Name	Number of Years Credited Service (#)	Annual Benefits Payable ($)		Opening Present Value of Defined Benefit Obligation ($)(1)	Compensatory Change ($)	Non-Compensatory Change ($)	Closing Present Value of Defined Benefit Obligation ($)(2)
		At Year End	At Age 65				
Grant Froese	37	125,000	125,000	1,593,000	44,000	76,000	1,713,000

(1) Discount rate is 4.00%.
(2) Discount rate is 4.00%.

EXECUTIVE COMPENSATION

SDM PENSION PLANS

Mr. Motz participates in the SDM Pension Plans. The SDM Pension Plans provide a combined monthly pension benefit equal to 2% of the average of the highest consecutive 36-months base salary (excluding incentive awards) times years of credited service, limited to 70% of the average 12-month base salary (excluding incentive awards) immediately prior to retirement. The following table sets forth details regarding Mr. Motz who participates in the SDM Pension Plans:

Name	Number of Years Credited Service (#)	Annual Benefits Payable ($) At Year End	Annual Benefits Payable ($) At Age 65	Opening Present Value of Defined Benefit Obligation ($)(1)	Compensatory Change ($)	Non-Compensatory Change ($)	Closing Present Value of Defined Benefit Obligation ($)(2)
Michael Motz	12	177,000	369,000	2,220,000	283,000	180,000	2,683,000

(1) Discount rate is 4.00% for the Executive Registered Plan and the Supplementary Plan.
(2) Discount rate is 4.25% for the Executive Registered Plan and 4.00% for the Supplementary Plan.

EXECUTIVE DEFINED CONTRIBUTION PENSION PLAN AND SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Certain senior executives of the Corporation participate on a non-contributory basis in the Corporation's Executive DC Plan. During 2015, contributions were set as a percentage of base salary (maximum of $250,000) and were capped at $25,370 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 or Weston have entered into retirement agreements with certain executives who participate in the Corporation's or Weston's Executive DC Plan to provide SERP benefits to those executives with allocations for contributions in excess of the annual $25,370 registered plan limit. As noted above, the SERP is an unfunded obligation of the Corporation or Weston and executives who participate in this plan must comply with certain eligibility provisions in order to receive payment, most notably, executives are not eligible to receive SERP payments while employed by a competitor of the Corporation.

The following table sets forth details regarding Ms. Davis who participated in the Corporation's Executive DC Plan and SERP during 2015:

Name of Participant	Accumulated Value at Start of Year ($)	Compensatory ($)	Accumulated Value at Year End ($)
Sarah R. Davis	328,000	38,000	384,000

The following table sets forth details regarding Mr. Dufresne who participated in Weston's Executive DC Plan during 2015:

Name of Participant	Accumulated Value at Start of Year ($)	Compensatory ($)	Accumulated Value at Year End ($)
Richard Dufresne	107,000	38,000	151,000

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

As of March 14, 2016, none of the current or former executive officers or directors of the Corporation or any of its subsidiaries were indebted to the Corporation or any of its subsidiaries (other than "routine indebtedness" under applicable Canadian securities laws). The following table sets forth certain indebtedness (other than "routine indebtedness" under applicable Canadian securities laws) of the current and former employees of the Corporation and any of its subsidiaries as of March 14, 2016.

AGGREGATE INDEBTEDNESS ($)

Purpose (a)	To the Company or its Subsidiaries (b)	To Another Entity (c)
Share purchases	—	—
Other	1,892,500	—

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

OVERVIEW

The Corporation's Board and management believe that sound corporate governance practices contribute to the effective management of the Corporation, achievement of strategic and operational plans, goals and objectives, and protection of its investors, employees and other stakeholders. The Corporation's Board and management are committed to maintaining high standards of corporate governance which comply with the Canadian Securities Administrators' Corporate Governance Guidelines (the "Governance Guidelines"). The Governance Committee regularly reviews the Corporation's corporate governance practices to ensure they reflect evolving best practices in a rapidly changing environment.

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

Board Responsibilities and Duties

The Board is responsible for the overall stewardship and governance of the Corporation. It oversees the management of the business and affairs of the Corporation both directly and through its committees. In addition, the Board has the following responsibilities and duties:

Strategic Oversight

The Board oversees the development, execution and fulfillment of the Corporation's strategic plans and assigns responsibility to management for achievement of that strategy. As part of its responsibility for overseeing the strategic direction of the Corporation, the Board reviews and approves:

- management's strategic plans;
- material capital expenditures, acquisitions, divestitures and restructurings; and
- investments outside the ordinary course of business.

In overseeing the strategic planning of the Corporation, the Board has a high level of engagement with management. In addition to a multi-day meeting dedicated to strategic planning, the Board regularly receives updates from management on the Corporation's achievements against its strategic plans. At each meeting, the Board monitors the Corporation's performance against both short-term and long-term strategic plans and annual operating objectives.

Oversight of Management

Although the Board delegates to management the responsibility for managing day-to-day affairs of the Corporation, the Board reviews management's performance and effectiveness on an ongoing basis. The Board's expectations of management are communicated to management directly and through committees of the Board. The Board approves the Corporation's business and operating plans and budgets, which take into account the opportunities and risks of the business. The Board also regularly receives reports on the operating and financial results of the Corporation and on non-operational matters such as pensions, tax, food and workplace safety, treasury and legal matters.

Enterprise Risk Management

The Board has oversight responsibility for risk management activities associated with the Corporation's business. In order to identify and address any material risks, the Board undertakes an annual assessment of the Corporation's ERM structure. The annual ERM assessment is carried out through interviews, surveys, and facilitated workshops between management and the Board. Risks are identified and then assessed and evaluated based on the Corporation's vulnerability to the risk and the potential impact that the underlying risks would have on the Corporation's ability to execute its strategies and achieve its objectives. To assist with the ERM process, the Corporation has adopted a risk appetite statement that takes into consideration important aspects of the Corporation's businesses, values, and brands. The risk appetite framework articulates key aspects of the Corporation's business, values and brands and provides directional guidance on risk taking. The type of risks the Corporation is exposed to includes: strategic; financial; operational; regulatory; human capital; and reputational risk. Management provides periodic updates to the applicable committee(s) of the Board on the status of the key risks including any anticipated impacts in future quarters and significant changes in key risk indicators. In addition, long-term (three to five year) risk levels are assessed to assist in risk mitigation planning activities. Accountability for oversight of each risk is allocated by the Board either to the full Board or to committees of the Board.

Internal Controls and Financial Reporting

The Board is responsible for overseeing the Corporation's financial reporting and disclosure obligations to ensure compliance with applicable audit, accounting, regulatory and reporting requirements. The Board, through the Audit Committee, assesses and evaluates the integrity and effectiveness of the Corporation's internal controls over financial reporting and information systems.

Talent Management and Succession Planning

The Board, with support from the Governance Committee, oversees the Corporation's talent management and succession planning for senior executive roles. The succession planning process includes an annual review of each senior executive position and the performance of the incumbents to ensure the Corporation has a pipeline of talented leaders.

Governance Matters

The Board is responsible for developing and monitoring the Corporation's approach to corporate governance. The Board, through the Audit and Governance Committees, closely monitors any potential conflicts of interest between the Corporation and its affiliates and related parties, including Weston, Wittington Investments, Limited and Choice Properties and reviews and approves any material related party transactions. Individual directors may, with the approval of the Lead Director, retain an outside advisor at the expense of the Corporation.

A copy of the Board's mandate is attached as Schedule "A" of this Circular.

Board Leadership

Mr. Weston is the Executive Chairman and President. The Board has also appointed an independent director, Mr. Thomas C. O'Neill, to serve as Lead Director. The Board maintains a position description for the Executive Chairman and President that is reviewed annually and approved by the Governance Committee and the Board and also maintains a position description for the Lead Director. The following is a description of the roles of the Executive Chairman and Lead Director:

Executive Chairman and President
Galen G. Weston

- Directs the operations of the Board
- Chairs each meeting of the Board
- Responsible for the management and effective functioning of the Board
- Provides leadership to the Board in all matters
- Ensures that the Board has all the information it needs to discuss the matters brought before the Board
- Ensures that all of the Board's responsibilities, as set out in the Board mandate, are being fulfilled
- Monitors the reports from the committees of the Board to ensure the committees are fulfilling the responsibilities delegated to them by the Board
- Chairs meetings of shareholders and facilitates the response by management to shareholder concerns
- Ensures that strategic plans are communicated to and evaluated by the Board

Independent Lead Director
Thomas C. O'Neill

- Provides leadership to the Board and particularly to the independent directors
- Ensures that the Board operates independently of management and that directors have an independent leadership contact
- Chairs meetings of the independent directors following each Board meeting and on other occasions, as required or desirable
- Meets periodically with the other independent directors to obtain insight as to areas where the Board and its committees can operate more effectively and to ensure that the Board is able to discharge its responsibilities independent of management

Director Independence

The mandate of the Board provides that the Board shall be comprised of a majority of independent directors. The independence of each director is assessed by the Governance Committee with reference to the Governance Guidelines and the requirements set by the Canadian Securities Administrators in National Instrument 52-110 – *Audit Committees*. In determining independence, the Governance Committee determines whether a director has any material relationship with the Corporation or its affiliated entities that could reasonably be expected to interfere with the exercise of such director's independent judgment. Directors who have a material relationship with the Corporation, including management directors, are not considered independent. This determination is conducted through a due diligence process that includes reviewing the following:

- each director's responses to a detailed annual questionnaire about their individual circumstances;
- biographical information;
- internal records and documents on relationships between a director and any entity affiliated with the director on the one hand, and the Corporation and its affiliated entities, on the other hand; and
- discussions with the director as may be required.

When assessing materiality, the Governance Committee considers all relevant factors and circumstances including, without limitation, transactions between the Corporation and the director directly, immediate family members of the director, and organizations with which the director is affiliated, and the frequency and dollar amounts associated with any such transactions. 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 Governance Guidelines. The Governance Committee determined that 10 of the 13 director nominees are independent. The Governance Committee reviews its findings with the Board.

The following director nominees were determined to be independent: Stephen E. Bachand, Paul M. Beeston, Warren Bryant, Christie J.B. Clark, M. Marianne Harris, Claudia Kotchka, Nancy H.O. Lockhart, Thomas C. O'Neill, Beth Pritchard, and Sarah Raiss. The following director nominees were determined not to be independent because they have a material relationship with the Corporation or its affiliated entities, as described below:

- Galen G. Weston, who is the Executive Chairman of the Corporation and a relative of Mr. W. Galen Weston, the Corporation's principal shareholder;
- John S. Lacey, who provides advisory services to the Corporation and to Weston; and
- Paviter S. Binning, who is the President and Chief Executive Officer of Weston, the controlling shareholder of the Corporation.

The Corporation has taken steps to ensure that adequate structures and processes are in place to permit the Board to function independently of management of the Corporation. The Chair of the Board and of each committee meet separately with the Board or committee members after each meeting without management's presence. The independent directors typically meet separately following each Board meeting and may meet without the non-independent directors or management's presence on other occasions as required or desirable. There was one separately scheduled meeting of the independent directors in 2015. Additional information relating to the directors 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 2015, can be found on pages 7 through 14 of this Circular.

The Board is confident that the current leadership structure ensures the appropriate level of oversight, independence and responsibility is applied to Board decisions. Under the current leadership structure, the offices of the Executive Chairman and the Chief Executive Officer are held by one person and an independent director acts as Lead Director. The Board is of the view that having a Lead Director who is independent ensures that any potential conflicts of interest between the Corporation and the controlling shareholder are addressed. The role of an independent Lead Director is needed to ensure that the interests of the Corporation and of the minority shareholders and other relevant stakeholders are protected.

The Chairman of the Governance Committee serves as the Lead Director. The Lead Director facilitates communication with the Board and presides over sessions where the independent directors meet without the non-independent directors, or sessions where the Executive Chairman is not present. The Lead Director, and each of the other directors, communicate regularly with the Executive Chairman regarding appropriate agenda topics and other Board related matters. The Board's view on the effective role of an independent lead director has also been endorsed by leading corporate governance organizations.

Individual directors may, with the approval of the Lead Director, retain an outside advisor at the expense of the Corporation as necessary.

Board Committees

The Board has four standing committees:

- the Audit Committee;
- the Governance Committee;
- the Environmental, Health and Safety Committee; and
- the Pension Committee.

The Board determined that its Finance Committee would be disbanded at the end of 2015, having substantially achieved its mandate with respect to de-leveraging and achieving the Corporation's desired capital structure.

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 to the Board regarding the matters discussed and decisions taken 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.

Committee Membership

At least once a year, the Governance Committee reviews committee composition and committee chairs and tables its recommendations to the Board for approval. The Board believes that the composition of its committees allows them to operate independently from management such that shareholders' interests are protected. All committees may engage outside advisors or consultants as necessary and have the authority to approve fees for any such engagements.

The Governance Committee, Audit Committee and EH&S Committee are comprised solely of independent directors. The Pension Committee is comprised solely of non-management directors.

Committees Responsibilities

Each committee has a formal mandate and a position description for its Chair established by the Board. Each committee reviews its mandate and the position description annually to ensure they reflect best practices and address applicable regulatory requirements. The results of those reviews are presented to the Board for approval. Copies of the committees' mandates are available on the Corporation's website at www.loblaw.ca.

The following is a summary of some of the responsibilities of each committee:

1. Audit Committee

The Audit Committee reviews with management and the external auditor the Corporation's annual and interim consolidated financial statements, Management's Discussion and Analysis, Annual Information Form and other matters relating to the Corporation's financial disclosure. The Audit Committee also assesses and evaluates the integrity of the Corporation's internal control over financial reporting and information systems. Although the Board oversees the Corporation's ERM Program, it delegates the oversight of certain risks to the Audit Committee. The Audit Committee reviews the design and structure of the Company's ERM program and monitors and assesses its effectiveness. The Committee reviews and recommends to the Board for approval the Corporation's ERM policy and risk appetite statement. The Audit Committee is responsible for:

- recommending the appointment of the external auditor;
- reviewing and approving the annual audit plan for the external auditor;
- reviewing the independence of the external auditor;
- considering and evaluating with management the adequacy and effectiveness of internal control 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 interest 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 approving internal audit's annual plan and receiving regular reports thereon;
- reviewing regular reports by management relating to the implementation of the Corporation's information technology systems;

- reviewing and approving the audit fees paid to the external auditor and pre-approval of non-audit related fees to the external auditor; and
- reviewing and approving any material related party transactions.

The Audit Committee, whose members are Christie J.B. Clark (Chair), Paul M. Beeston, Warren Bryant and Holger Kluge, had four meetings in 2015. Further information relating to the Audit Committee's accomplishments in 2015 is set out in the "Audit Committee Report" on pages 18 and 19.

2. Governance Committee

The Governance Committee oversees succession planning and compensation for directors and senior management. The Governance Committee's specific responsibilities include:

- developing criteria and qualifications for selecting director candidates and identifying and recommending candidates for membership on the Board;
- evaluating the independence of directors and assessing their performance on an on-going basis;
- assessing and reporting to the Board on its performance and effectiveness and that of its Committees;
- assisting in the directors' orientation program;
- shaping the Corporation's approach to corporate governance and recommending to the Board the corporate governance principles to be followed by the Corporation;
- assisting the Board in discharging its responsibilities relating to compensation and succession planning processes for the Corporation's senior executives; and
- reviewing and determining the design of the compensation of directors and executive officers.

The Governance Committee, whose members are Thomas C. O'Neill (Chair), Stephen E. Bachand, Nancy H.O. Lockhart and Sarah Raiss, had five meetings in 2015. Further information relating to the Governance Committee's accomplishments in 2015 is set out in the "Governance Committee Report to Shareholders" on pages 23 through 25.

3. Pension Committee

The Pension Committee assists the Board in overseeing the administration and governance of the Corporation's pension plans and other post/retirement arrangements in order to meet applicable legal and fiduciary obligations. Additionally, the Pension 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 funds' portfolios;
- 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;
- reviewing the management and administration of the Corporation's pension plans, capital accumulation plans, and retiree health and welfare plans;
- reviewing and setting the investment objectives and risk management practices of the Corporation and approving the Statement of Investment Policies and Procedures; and
- managing the retention and oversight of all third parties retained for the Corporation's pensions plans, including the trustee, actuaries and investment managers.

In 2015, the Pension Committee focused on a number of de-risking activities involving the Corporation's pension plans.

The Pension Committee, whose members are John Lacey (Chair) and Holger Kluge, had four meetings in 2015.

4. Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee (the "EH&S Committee") is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to the Corporation's environmental health, safety and wellness matters; food safety and product safety matters, including safe preparation and handling standards; and compliance with legal and regulatory requirements with respect to the foregoing. The EH&S Committee's specific responsibilities include:

- reviewing and overseeing the Corporation's policies, procedures, practices and compliance in the areas of environmental affairs, food safety and workplace health and safety;
- receiving periodic reports on risks and risk management activities in relation to environmental affairs, food safety and workplace health and safety;
- reviewing actions taken by management with respect to environmental and occupational health and safety matters;
- reviewing actions taken by management with respect to food safety programs to address safe manufacturing, handling and preparation standards;

- receiving and reviewing periodic reports from management on any elements of the Corporation's corporate social responsibility program; and
- receiving timely reports on any major incidents or violation of the Corporation's policies and any food safety issues.

The EH&S Committee, whose members are Nancy H.O. Lockhart (Chair), Warren Bryant, and Beth Pritchard, had four meetings in 2015.

5. Finance Committee

The Finance Committee was responsible for assisting the Board in monitoring and reviewing the financial structure of the Corporation and the investment and financial risk programs of the Corporation. The Finance Committee's responsibilities included:

- reviewing and receiving periodic reports on the Corporation's target capital structure, and progress with respect to achieving such structure;
- reviewing and receiving periodic reports on the Corporation's key operating and financing metrics including, where appropriate, peer group comparative data;
- reviewing and receiving periodic reports on the Corporation's balance sheet, including cash, investment assets and debt position;
- receiving periodic reports from rating agencies and updates on any material discussions or communications with rating agencies;
- reviewing any proposed financing or refinancing plans, pre-payment or redemption of any debt and the associated impact on the debt maturity profile of the Corporation; and
- reviewing any proposed issuances of equity or share repurchases of the Corporation and the implementation or cessation of any dividend reinvestment plans and dividend policies of the Corporation.

In 2015, the Finance Committee received a number of reports on the Corporation's deleveraging activities and having substantially fulfilled its mandate, the Committee was disbanded at the end of 2015.

The Finance Committee, whose members were Thomas C. O'Neill (Chair) and Christie J.B. Clark, had four meetings in 2015.

Orientation and Continuing Education

The Governance Committee is responsible for the orientation and education of new directors about the business of the Corporation and co-ordinates an in-depth orientation session. The session typically includes an overview of the Corporation's history and operations, a review of industry conditions and an introduction to the Corporation's senior management team. New directors are provided with materials describing 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. New directors are provided with additional historical financial information and opportunities to visit the Corporation's facilities and stores. One-on-one meetings may be 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.

In 2015, Board members participated in an annual two-day off-site meeting with management. At this session, each operating division presented a review of its activities and its outlook and strategies. The members also received presentations from management on the SDM business, PC Financial business, Joe Fresh business, Discount division, Market division and Emerging division.

In addition, at least one off-site Board meeting is held each year to familiarize directors with regional operations. These meetings involve presentations by, and discussions with, senior executives responsible for different aspects of the business of the Corporation. As part of this meeting, the directors visited a number of Loblaw, SDM and competitor stores in the Greater Ottawa Area in 2015.

The Governance Committee also receives periodic reports on regulatory developments and matters of general interest in the areas of corporate governance and executive compensation. As well, directors are canvassed on specific topics relevant to the Board or to a specific committee that they would like to learn more about. These topics are included as part of the agenda for regularly scheduled Board and committee meetings.

Assessment of the Board and its Committees

Each year, the Governance Committee undertakes a review process to assess the performance and effectiveness of the Board and its committees. This process includes a confidential 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 are reviewed by the Governance Committee and then presented to the full Board.

Following the 2015 assessment, the members of the Board made recommendations for improvements in certain areas and recommended relevant topics for future Board meetings. Each year, the Governance Committee reviews committee composition, recommends committee chairs and takes recommendations to the Board for approval.

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

Nomination of Directors

The Governance Committee is responsible for the process of identifying prospective director nominees. The Governance Committee reviews the relevant experience, skills and competencies of nominees for election to the Board. It also recommends the appointment of directors to the various committees.

The Governance Committee meets on an annual basis, or when required, to assess the appropriate size of the Board and whether any vacancies are expected due to retirement in accordance with the Director Tenure Policy or otherwise. As part of this assessment, the Governance Committee reviews the skills matrix of current Board members to determine criteria and qualifications to be considered when recruiting new director nominees. In the event that vacancies are anticipated or otherwise arise, the Governance Committee considers candidates for 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. As part of this evaluation process, in accordance with the Board Diversity Policy, the Board is mindful of diversity considerations in terms of gender, experiences and perspectives, and recognizes the benefits of promoting diverse candidates to its Board. The Governance Committee also assesses any concerns relating to potential conflicts, independence, interlocking board memberships, or time commitment that the candidate may present. The Executive Chairman and President, the Chair of the Governance Committee, as well as other members of the Governance Committee meet with the potential candidates to determine their interest, availability and suitability. The Governance Committee then presents its list of potential candidates and recommendations to the Board. A continuous list of potential candidates is kept with the records of the Governance Committee.

Before being put forward as a director nominee, candidates meet the Chair of the Governance Committee, the Executive Chairman and President and other Board members prior to nomination to discuss the Board's expectations in regards to contribution and commitment obligations.

In July 2015, Mr. Anthony Graham retired from the Board. Mr. Holger Kluge decided to retire and not to stand for re-election at the Annual Meeting of Shareholders on May 5, 2016. The Board identified two new female director nominees who have the requisite skills, experience and qualifications to become Board members. Ms. M. Marianne Harris and Ms. Claudia Kotchka will be standing for election to the Board at the Annual Meeting of Shareholders on May 5, 2016.

CORPORATE GOVERNANCE MATTERS

Ethical Business Conduct

The Corporation's Code of Conduct (the "Code") reflects the Corporation's long-standing commitment to high standards of ethical conduct and business practices. The Board annually reviews the Code to ensure it is current and reflects best practices in the area of ethical business conduct and includes a strong "tone from the top" message. In 2015, the Corporation conducted a review of the Code to ensure it continued to match the industry's best practices. The Code addresses, among other things, conflicts of interest, several compliance issues including compliance with laws, rules and regulations, confidentiality and fair dealing with the Corporation's shareholders, customers and suppliers and reporting of illegal or unethical behavior. 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 Audit Committee receives periodic reports on any compliance issues. In 2015, all material violations of the Code were brought to the attention of the Audit Committee and resolved to its satisfaction. The Code is available on the Corporation's website at www.loblaw.ca.

Senior management, which reviews all material breaches of the Code, oversees the implementation of the Code and the education of employees regarding the Code. Senior management also reviews the Code annually to determine if it requires revision.

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 and is required to abstain from voting 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 encourages the reporting of violations and potential violations of the Code and has established an Integrity Action Line (or "whistleblower" line) which is a toll-free number that any employee or director may use to report conduct that 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 controls and auditing matters. Reports are received periodically by the Audit Committee regarding any concerns reported through any of these procedures. These procedures are available at www.loblaw.ca. The Senior Vice President, Legal reports regularly to the Audit Committee regarding complaints received through the whistleblower procedures so that the Audit Committee can ensure that any complaints are handled appropriately.

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

Disclosure Policy

The Board has adopted a corporate Disclosure Policy to deal with the timely dissemination of all material information. The Disclosure Policy, which is reviewed annually, establishes consistent guidance for determining what information is material and how to ensure that all material information is publicly disclosed on a timely basis to avoid selective disclosure. The Board, directly and through its committees, reviews and approves the content of major disclosure documents, including annual and interim consolidated financial statements, the Annual Report, the Annual Information Form, Management's Discussion and Analysis and the Management Proxy 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 calls and meetings.

Disclosure Committee

A Disclosure Committee comprised of the Corporation's senior management oversees the Corporation's disclosure process as outlined in the Disclosure Policy. The Disclosure Committee's mandate includes ensuring that effective controls and procedures are in place to allow the Corporation to satisfy all of its continuous disclosure obligations including evaluating events to determine whether they give rise to material information that must be publicly disclosed and reviewing all disclosure documents before they are presented to the Audit Committee and the Board. In addition, the Disclosure Committee is responsible for ensuring that the policies and procedures contained in the Corporation's Disclosure Policy are in compliance with regulatory requirements.

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

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 their duties. This insurance policy is shared with Weston. The Corporation's annual insurance premium in 2015 was $597,160, half of which was paid by Weston. The insurance limit is $160 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 $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 21,931,288 Common Shares at market prices. A copy of the Corporation's Notice of Intention filed with the TSX can be found at www.sedar.com. The current Issuer Bid expires on April 27, 2016. The Corporation intends to refile the Issuer Bid.

NON-GAAP FINANCIAL MEASURES

Certain financial measures discussed in this Circular, such as Adjusted EBITDA and Adjusted EBIT, are non-GAAP financial measures. For reconciliations to the most comparable GAAP measure, please see section 17, "Non-GAAP Financial Measures", included in the MD&A of the Corporation's 2015 Annual Report.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

ADDITIONAL INFORMATION

The Corporation is a reporting issuer under the applicable legislation of all of the provinces and territories of Canada and is required to file consolidated financial statements and information circulars with the various securities commissions. The Corporation has filed its Annual Information Form with those securities commissions which, among other things, contained all of the disclosure required by Form 52-110F1 under National Instrument 52-110 – *Audit Committees*.

Copies of the Corporation's latest Annual Information Form, the Corporation's 2015 Annual Report 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.

Financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year. 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 regarding Weston and Choice Properties can be found at www.weston.ca, www.choicereit.ca and www.sedar.com.

SHAREHOLDER PROPOSALS

There were no shareholder proposals received in relation to the Meeting.

The *Canada Business Corporations Act* permits eligible shareholders of the Corporation to submit shareholder proposals for consideration at the Annual Meeting of Shareholders. The final date for submission of proposals by shareholders to the Corporation for inclusion in the Management Proxy Circular in connection with the 2017 Annual Meeting of Shareholders is December 27, 2016.

CONTACTING THE BOARD OF DIRECTORS

Shareholders, employees and other interested parties may communicate directly with the Board through the Lead Director by writing to:

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

Shareholders may also contact the Lead Director with any proposals for director nominees.

BOARD APPROVAL

The contents and sending of this Circular to shareholders entitled to receive notice of the Meeting, to each director, to the external auditor of the Corporation and to the appropriate government agencies have been approved by the Board.

Gordon A. M. Currie
Executive Vice President and Chief Legal Officer

Dated in Toronto, Ontario
March 18, 2016

SCHEDULE A
LOBLAW COMPANIES LIMITED

Mandate of the Board of Directors

1. ROLE

The role of the Board is to provide governance and stewardship to 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, risk management activities, internal control over financial reporting, disclosure controls and procedures, and information systems. Through its oversight, the Board ensures that the Corporation accurately and fairly reports financial and other information to shareholders, other stakeholders and the public. The Board is required to appoint corporate officers. The Board satisfies itself as to the integrity of senior management that the Corporation engages in ethical and legal conduct and that senior management maintains a culture of integrity throughout the Corporation.

2. RESPONSIBILITIES

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

(a) Define Shareholder Expectations and Monitor Corporate Performance

- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set corporate strategic goals and objectives within this context.
- Monitor performance against both corporate strategic goals and objectives.

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

The Board will review and, if advisable, approve broad strategic objectives and 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.
- Approve significant acquisitions, sales of assets or shares, and material financing arrangements.
- Review and approve the Corporation's dividend policy and approve the payment of dividends.
- Set targets and budgets against which to measure corporate and executive performance.
- Satisfy itself of the appropriateness of all executive and colleague compensation matters and 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 and President

- Delegate to the Executive Chairman and President the authority to manage and supervise the business of the Corporation, including making any 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 Financial Disclosure

- Oversee the Corporation's financial reporting and disclosure obligations in accordance with applicable law.
- Approve the Corporation's financial statements, management's discussion and analysis and related releases.
- Oversee the Corporation's compliance with applicable audit, accounting and reporting requirements, including in the areas of internal control over financial reporting and disclosure controls and procedures.

(e) Monitor Enterprise Risk Management Program

- Approve management's approach to enterprise risk management, including the identification and assessment of the principal risks.
- Satisfy itself as to the effective oversight of risk management of individual risks by the Board or by a Committee delegated by the Board, through the receipt of periodic reports from the Committee Chairs or management, as appropriate.

(f) Approve Related Party Transactions

- Approve all proposed material related party transactions and any related party transactions that are not dealt with by a "special committee" of independent directors pursuant to applicable securities legislation.

(g) Oversee Effective External Communications

- Satisfy itself that there is effective communication between the Board and the Corporation's shareholders, other stakeholders and the public.
- At least annually, with the assistance of the Audit Committee, review and approve any material changes to the Corporation's disclosure policy.

(h) Monitor Corporate Governance

- Develop, and monitor compliance with, a set of corporate governance principles and guidelines.
- Appoint a lead director who is independent to provide leadership to the Board and the independent directors, including presiding over meetings or sessions of the non-management directors and consulting with the Executive Chairman on any matters arising out of such sessions.
- Ensure that independent directors hold regular meetings without the attendance of management or non-independent directors.
- On the recommendation of the Governance, Employee Development, Nominating and Compensation Committee, approve the appointment of directors or recommend the election of director nominees to the Board at the annual general meeting of shareholders.
- Review the Board's mandate on an annual basis and make appropriate revisions.
- Develop, adopt and regularly review position descriptions for the Executive 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.
- Oversee significant compensation decisions for the directors and for senior executive management.

(i) Monitor Corporate Social Responsibility, Integrity and Ethics

- Ensure that senior executives maintain a culture of integrity throughout the Corporation.
- Adopt a written code of conduct which is applicable to employees, officers and directors of the Corporation, and monitor compliance with the code.
- Monitor and receive periodic reports on policies and practices related to corporate social responsibility.

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 the applicable Canadian securities laws, as the same may be amended from time to time.

4. COMMITTEES

The Board has established committees and delegated appropriate authority and responsibilities to such committees as it approves from time to time. The Board has established the following committees:

- the Audit Committee (comprised entirely of independent directors);
- the Governance, Employee Development, Nominating and Compensation Committee (comprised of a majority of independent directors);
- the Environmental, Health and Safety Committee; and
- the Pension Committee.

The Board shall provide a forum for discussion and reporting of all matters considered by the committees. Circumstances may warrant the establishment of new committees, the disbanding of current committees or the reassignment of authority and responsibilities amongst committees. The authority and responsibilities of each committee are set out in a written mandate, as approved by the Board. At least annually, each mandate shall be reviewed by the respective committee and submitted to the Board for approval with such amendments as the committee proposes. Each Committee Chair shall provide a report to the Board on material matters considered by the Committee at the next regular Board meeting following such Committee's meeting.

5. ORIENTATION AND CONTINUING EDUCATION

With the Governance, Employee Development, Nominating and Compensation Committee, the Board shall ensure that all directors receive a comprehensive orientation program and continuing education in connection with their role, responsibilities, the business of the Corporation, and the skills they must use in their roles as directors.

6. EQUITY OWNERSHIP BY DIRECTORS

The Board shall oversee directors' compliance with the Corporation's Share Ownership Policy.

Loblaw

COMPANIES LIMITED