Loblaw
COMPANIES LIMITED

Management Proxy Circular

LOBLAW COMPANIES LIMITED
ANNUAL MEETING MAY 5, 2011

THIS DOCUMENT CONTAINS

- NOTICE OF MEETING
- PROXY CIRCULAR

Loblaw

COMPANIES LIMITED

Management Proxy Circular

Table of Contents — ***Page***

Loblaw
COMPANIES LIMITED

March 31, 2011

Invitation to Shareholders

Fellow Shareholder,

It is my pleasure to invite you to the Annual Meeting of Shareholders, which will be held on Thursday, May 5, 2011, at 11:00 a.m. (local time) at the Metro Toronto Convention Centre, South Building, Meeting Room 701, 222 Bremner Boulevard, Toronto, Ontario, Canada. The Notice of Annual Meeting of Shareholders and related materials are enclosed.

This Management Proxy Circular describes the business to be conducted and other important matters to be discussed at the meeting. It is important that you exercise your vote, either in person at the meeting or by completing and sending in your proxy form.

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

Yours very truly,

Galen G. Weston
Executive Chairman

Loblaw
COMPANIES LIMITED

Notice of Annual Meeting of Shareholders

The 2011 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Thursday, May 5, 2011, at 11:00 a.m. (local time) at the Metro Toronto Convention Centre, South Building, Meeting Room 701, 222 Bremner Boulevard, Toronto, Ontario, Canada, for the following purposes:

1. to receive the consolidated financial statements for the financial year ended January 1, 2011, and the auditors' report thereon;
2. to elect the directors;
3. to appoint the auditors and authorize the directors to fix their remuneration; and
4. to transact such other business as may properly be brought before the Annual Meeting or any adjournment thereof.

Shareholders of record at the close of business on March 17, 2011 are entitled to vote at the Annual Meeting.

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

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

Dated at Toronto, Ontario, this 31st day of March, 2011.

BY ORDER OF THE BOARD OF DIRECTORS,

Robert A. Balcom
Senior Vice President and Secretary

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 2011 Annual Meeting of Shareholders (the “Meeting”) of Loblaw Companies Limited (the “Corporation”) to be held on Thursday, May 5, 2011, at 11:00 a.m. (local time) at the Metro Toronto Convention Centre, South Building, Meeting Room 701, 222 Bremner Boulevard, 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 “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 28, 2011 and all dollar amounts used are in Canadian dollars.

BUSINESS OF THE MEETING

At the Meeting, the annual financial statements of the Corporation and the auditors’ report thereon will be placed before the shareholders. In addition, shareholders will be voting on: (i) the election of directors; and (ii) the appointment of the auditors and the authorization of the directors to fix their remuneration. We are not aware of any other matters to be considered at the Meeting. However, you may also vote on any other business that may properly come before the Meeting.

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

VOTING PROCESS

Who can vote?

Holders of common shares of the Corporation (the “Common Shares”) as at the close of business on March 17, 2011 are entitled to vote at the Meeting. As of such date, the Corporation had 280,611,941 Common Shares issued and outstanding. Each Common Share is entitled to one vote.

How do I vote?

The voting process for both registered shareholders and non-registered shareholders is as follows:

Registered Shareholders

Registered shareholders hold Common Shares directly in their name. If you are a registered shareholder, you can vote in one of two ways:

1. In Person

If you wish to vote your Common Shares in person at the Meeting, do not complete or return the form of proxy. Your vote will be taken and counted at the Meeting. Please register with the Corporation’s transfer agent, Computershare Investor Services Inc. (“Computershare”), upon arrival at the Meeting.

2. Via Proxy

If it is not convenient for you to attend the Meeting, you may vote via proxy in one of two ways:

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

Please remember that your proxy must be received by 5:00 p.m. (local time) on May 3, 2011, or, if the Meeting is adjourned, before 5:00 p.m. (local time) on the second last business day before the meeting is reconvened.

If you have returned a proxy form or given voting instructions to a proxyholder, you may revoke the proxy in any of the following ways:

- by completing and signing a proxy form with a later date than the proxy form you previously returned and delivering it to Computershare;
- by delivering a written statement signed by you or your attorney authorized in writing to (a) the offices of Computershare at any time before 5:00 p.m. (local time) on May 3, 2011, or, if the Meeting is adjourned, before 5:00 p.m. (local time) on the second last business day before the meeting is reconvened; or (b) the Secretary of the Meeting before the Meeting starts; or
- in any other manner permitted by law.

Non-Registered Shareholders

Non-registered shareholders beneficially own Common Shares but the shares are held in the name of a nominee, such as a bank, broker or trust company. If you are a non-registered shareholder, you may vote your shares in one of two ways:

1. In Person

If you wish to attend the Meeting and vote in person, you should do one of the following:

- If you have received a proxy form from your intermediary, insert your own name in the blank space on the form to appoint yourself as proxyholder. If the intermediary has not signed the form, you must sign and date it. Follow your intermediary's instructions for returning the proxy form. Do not otherwise complete the form as your vote will be taken at the Meeting; or
- If you have received a voting instruction form from your intermediary, follow your intermediary's instructions for completing the form.

2. Via Proxy

If it is not convenient for you to attend the Meeting, you should do one of the following:

- If you have received a proxy form from your intermediary, you may vote by authorizing the management representatives named on the form to vote your shares. If you choose this option, you may complete the proxy form by indicating how you want your shares to be voted. If the intermediary has not signed the proxy form, you must sign and date it. Return the completed proxy form as indicated on the form. **Alternatively, you may appoint another person to**

attend the Meeting on your behalf and vote your shares by printing that person's name in the blank space on the form and indicating how you want your shares to be voted. The person you choose does not have to be another shareholder. The person named on the form must attend the Meeting and vote on your behalf in order for your votes to be counted; or

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

You may revoke a proxy or voting instruction given to your intermediary by written notice to the intermediary provided that the revocation is received by the intermediary at least seven days before the Meeting. If your revocation is not received by that time, your intermediary is not required to act on it.

How will my shares be voted if I appoint a proxyholder?

Your proxyholder must vote your shares in accordance with your instructions if you have completed and signed the enclosed proxy form correctly and delivered it to Computershare.

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

FOR the election of the directors; and

FOR the appointment of KPMG LLP as the auditors of the Corporation and the authorization of the directors to fix their remuneration.

What happens if any amendments are made to these matters or if other matters are properly brought before the Meeting?

Your proxyholder will have discretionary authority to vote your shares as he or she sees fit with respect to amendments or variations to these matters and with respect to any other matters which may properly come before the Meeting. As of March 28, 2011, management of the Corporation knows of no such amendment, variation or other matter expected to come before the Meeting.

Who is soliciting my proxy?

Management of the Corporation is soliciting proxies for use at the Meeting. The Corporation is soliciting proxies by mail and management may also solicit them personally. The costs of such solicitation will be paid by the Corporation.

Is my vote confidential?

Yes, proxies returned to Computershare are counted and tabulated to preserve the confidentiality of individual shareholder votes. Proxies are referred to the Corporation only in cases where a shareholder clearly intends to communicate with management, in the event of questions as to the validity of the proxy, or where it is necessary to do so to meet applicable legal requirements.

SHARE CAPITAL AND PRINCIPAL SHAREHOLDER

As of March 17, 2011, there were 280,611,941 Common Shares issued and outstanding.

As at March 17, 2011, George Weston Limited (the Corporation's parent corporation) ("Weston") beneficially owned, directly and indirectly through its subsidiaries, a total of 176,360,905 Common Shares, representing approximately 62.9% of the outstanding Common Shares. Weston is controlled by Mr. W. Galen Weston. Note 28 to the Corporation's 2010 consolidated financial statements provides information on certain transactions that the Corporation entered into with Weston in 2010 and 2009. As of March 17, 2011, Mr. W. Galen Weston also beneficially owned 3,741,044 Common Shares, representing approximately 1.3% 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 MEETING

FINANCIAL STATEMENTS AND AUDITORS' REPORT

The Corporation's annual consolidated financial statements for the year ended January 1, 2011, and the auditors' report thereon will be presented at the Meeting. These documents are included in the 2010 Annual Report. Copies of the 2010 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 2010 Annual Report in English or French is also available on SEDAR at www.sedar.com.

ELECTION OF DIRECTORS

The board of directors of the Corporation (the "Board") has determined that the number of directors to be elected at the Meeting will be 12. The persons named in the accompanying form of proxy intend to vote FOR the election as directors of the proposed nominees whose names are set forth below:

Stephen E. Bachand	Anthony S. Fell	John S. Lacey	Thomas O'Neill
Paul M. Beeston	Christiane Germain	Allan L. Leighton	Galen G. Weston
Gordon A.M. Currie	Anthony R. Graham	Nancy H.O. Lockhart	John D. Wetmore

The nominees will be voted on individually. All nominees, other than Christiane Germain, are currently directors of the Corporation. Ms. Germain is Co-President and Chief Executive Officer of Groupe Germain. All nominees have established their eligibility and willingness to serve or to continue to serve as directors. Management does not believe that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons designated in the accompanying form of proxy may vote for another nominee at their discretion. Each director shall hold office until the next annual meeting of shareholders or until the director resigns or a successor is elected or appointed. As previously disclosed, Mr. Leighton will step down from the Corporation's board of directors in the second half of 2011.

More information on each of the 12 proposed nominees for election as director is set forth under the heading "Nominees for Election to the Board of Directors".

APPOINTMENT OF AUDITORS

The Board, on the recommendation of the Audit Committee, is proposing that KPMG LLP be re-appointed as the auditors of the Corporation to hold office until the next annual meeting of shareholders of the Corporation and that the directors be authorized to fix the auditors' remuneration. The persons named in the accompanying form of proxy intend to vote FOR the appointment of KPMG LLP as auditors of the Corporation and the authorization of the directors to fix their remuneration. A simple majority of votes cast for KPMG LLP, by person or by proxy, is needed to approve their re-appointment. As part of the Corporation's corporate governance practices, the Audit Committee has adopted a policy prohibiting the auditors from providing non-audit services to the Corporation or its subsidiaries unless such services are approved in advance by the Audit Committee.

The aggregate fees paid to KPMG LLP for the fiscal years 2010 and 2009 were as follows:

	2010 $(000's)	2009 $(000's)
Audit fees(1)	2,794	2,399
Audit-related fees(2)	1,681	1,128
Tax-related fees(3)	53	—
All other fees(4)	1,641	828
Total Fees	**$6,169**	**$4,355**

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

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

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

(4) All other fees are fees related to risk management, internal control/compliance, legislative and/or regulatory compliance services and the Corporation's conversion to International Financial Reporting Standards (IFRS). All other fees increased in 2010 over 2009 in large part due to the work involved with the transition to IFRS.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

Stephen E. Bachand, 72
Ponte Vedra Beach, Florida, United States

Loblaw Board Details:
- Director since 2009
- Independent

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

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

Mr. Bachand is a director of Harris Financial Corp, a subsidiary of Bank of Montreal.

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received(1)	
				Year	Amount
Board Governance Committee	12/12 8/8	20/20	100%	2010	$146,000
				2009	$61,750

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	3,700	5,569	9,269	$374,190	$400,000	Mr. Bachand has an additional three years to meet the Guidelines.
2009	3,700	1,886	5,586	$189,254	$250,000	

Current Public Board Memberships		Public Board Interlocks	
		Director	Board
—	—	—	—

Public Board Memberships During Last Five Years(3)	
George Weston Limited	2007 to 2009
Fairmont Hotels & Resorts Inc.	2001 to 2006
Canadian Pacific Railway Limited	2001 to 2008
The Bank of Montreal	1999 to 2009

Paul M. Beeston, C.M., F.C.A., 65
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2005
- Independent

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

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

Mr. Beeston is a director of President's Choice Bank (a subsidiary of the Corporation). He is a Member of the Executive Committee of the National Baseball Hall of Fame in Cooperstown, New York. Mr. Beeston is also the former Chairman of the Centre for Addiction and Mental Health.

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received(1)	
				Year	Amount
Board Audit Committee Governance Committee	12/12 7/7 8/8	27/27	100%	2010	$203,250
				2009	$135,250

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	7,900	18,511	26,411	$1,066,212	$400,000	Yes
2009	7,900	14,158	22,058	$747,325	$250,000	

Current Public Board Memberships		Public Board Interlocks	
		Director	Board
Gluskin Sheff & Associates Inc.	2009 to present	—	—

Public Board Memberships During Last Five Years	
Newport Partners Income Fund	2005 to 2008

Gordon A.M. Currie, 52
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2006
- Non-Independent

Mr. Currie is Executive Vice President and Chief Legal Officer of the Corporation and of Weston. He was formerly Senior Vice President and General Counsel of Direct Energy.

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

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received[1]	
Board Pension Committee	12/12 4/4	16/16	100%	**Year**	**Amount**
				2010	—
				2009	—

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs
2010	2,933	—	2,933
2009	1,012	—	1,012

The value of Mr. Currie's eligible holdings in 2010 was $3,698,949. Mr. Currie meets the Executive Share Ownership Guidelines set forth on page 29.[4]

Current Public Board Memberships	
—	—

Public Board Memberships During Last Five Years	
—	—

Public Board Interlocks

Director	Board
—	—

Anthony S. Fell, O.C, 72
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2001
- Independent
- Lead Director

Mr. Fell, a corporate director, is the former Chairman of RBC Capital Markets, former Chairman and Chief Executive Officer of RBC Dominion Securities and a former Deputy Chairman of Royal Bank of Canada.

Mr. Fell was with RBC Capital Markets and predecessor companies for 48 years, including 18 years as Chief Executive Officer and a further eight years as Chairman until his retirement in 2007.

Mr. Fell was appointed an Officer of the Order of Canada in 2001 and received an Honorary Doctor of Laws degree from McMaster University in 2001 and from the University of Toronto in 2006.

Mr. Fell is a past Chairman of the Investment Dealers Association of Canada and a past Governor of the Toronto Stock Exchange.

Mr. Fell is a past Chairman of the University Health Network, the United Way Campaign for Metropolitan Toronto and the Princess Margaret Hospital Capital Campaign. He is also a past Governor of the Duke of Edinburgh's Award Program in Canada, St. Andrew's College and the Ontario Division of the Canadian Arthritis Society.

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received[1]	
Board Governance Committee (Chair) Pension Committee (Chair)	12/12 8/8 4/4	24/24	100%	**Year**	**Amount**
				2010	$181,750
				2009	$112,000

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs[2]	Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	76,084	23,926	100,010	$4,037,404	$400,000	Yes
2009	20,000	19,018	39,018	$1,321,930	$250,000	

Current Public Board Memberships	
BCE Inc. CAE Inc.	2002 to present 2000 to present

Public Board Memberships During Last Five Years[5]	
—	—

Public Board Interlocks

Director	Board
Thomas O'Neill	BCE Inc.

Christiane Germain, 55
Montreal, Quebec, Canada

Loblaw Board Details:
- Director Nominee
- Independent

Ms. Germain is Co-president, Chief Executive Officer and Co-founder of Groupe Germain, which owns and operates hotels in Toronto, Montreal, Calgary and Quebec City. She is responsible for the development strategy of the group's two brands: Le Germain Boutique Hotels and ALT Hotels.

Ms. Germain is a member of the board of Gesca Limitée, a wholly-owned subsidiary of Power Corporation of Canada and of Groupe Le Massif.

Ms. Germain is also actively involved in many community activities, including the board of The Banff Centre and fundraising campaigns for Ronald McDonald House Charities of Canada and Centraide. Ms. Germain was named Knight of the Ordre national du Québec.

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received	
				Year	Amount
—	—	—	—	2010	N/A

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs	Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	—	—	—	—	$400,000	N/A

Current Public Board Memberships		Public Board Interlocks: Director	Board
—	—	—	—
—	—		

Anthony R. Graham, 54
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 1999
- Non-Independent

Mr. Graham is President and a director of Wittington Investments, Limited and President and Chief Executive Officer of Sumarria Inc. He is former Vice Chairman and director of National Bank Financial.

He was awarded an Honorary Doctor of Laws degree from Brock University.

In addition to the public companies listed below, Mr. Graham is also a director of Graymont Limited, Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Selfridges & Co. Ltd., De Bijenkorf B.V., Grupo Calidra, S.A. de C.V. and Victoria Square Ventures Inc. Mr. Graham is also Chairman and a director of President's Choice Bank (a subsidiary of the Corporation).

Mr. Graham also serves as a director of the Art Gallery of Ontario, Canadian Institute for Advanced Research, Ontario Arts Foundation, St. Michael's Hospital and Luminato. He currently serves as Chairman of the Shaw Festival Theatre Endowment Foundation and The Branksome Hall Foundation.

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received[1]	
Board	12/12	24/24	100%	Year	Amount
Executive Committee	—				
Governance Committee	8/8			2010	$180,750
Pension Committee	4/4			2009	$123,500

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs[2]	Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	10,000	21,455	31,455	$1,269,838	$400,000	Yes
2009	10,000	17,214	27,214	$922,010	$250,000	

Current Public Board Memberships		Public Board Interlocks: Directors	Board
George Weston Limited	1996 to present	John S. Lacey	George Weston Limited
Power Corporation of Canada	2001 to present	Allan L. Leighton	George Weston Limited
Power Financial Corporation	2001 to present		
Public Board Memberships During Last Five Years			
Garbell Holdings Limited	2005 to 2009		

John S. Lacey, 67
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2007
- Non-Independent

Mr. Lacey is Chairman of the Advisory Board of Brookfield Special Situations Funds. Mr. Lacey serves as a consultant to the Chairman of the Board of Weston. He is the former President and Chief Executive Officer of the Oshawa Group (a major food retailer, now part of Sobeys Inc.).

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

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received(1)	
Board	12/12	12/12	100%	**Year**	**Amount**
				2010	$124,000
				2009	$74,000

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	3,007	10,924	13,931	$562,394	$400,000	Yes
2009	2,543	7,695	10,238	$346,863	$250,000	

Current Public Board Memberships	
George Weston Limited	2009 to present
TELUS Corporation	2000 to present
Ainsworth Lumber Co. Ltd.	2008 to present

Public Board Memberships During Last Five Years(6)	
Canadian Imperial Bank of Commerce	2004 to 2009
Canadian Tire Corporation, Limited	2004 to 2006
Stelco Inc.(7)	2006
Alderwoods Group, Inc.	2004 to 2007
Western Forest Products Inc.	2004 to 2006

Public Board Interlocks

Directors	Board
Anthony R. Graham	George Weston Limited
Allan L. Leighton	George Weston Limited

Allan L. Leighton, 57
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2006
- Non-Independent

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

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

Mr. Leighton is a graduate of the Advanced Management Program at Harvard University.

Mr. Leighton is a director of Selfridges & Co. Ltd., Holt, Renfrew & Co., Limited and Brown Thomas Group Limited.

In the past five years Mr. Leighton has also served as Chairman of Royal Mail Group (U.K. Postal Service) and as a director of BHS Ltd.

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received(1)	
Board	12/12	12/12	100%	**Year**	**Amount**
Executive Committee	—			2010	—
				2009	—

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs
2010	1,711	—	1,711
2009	1,711	—	1,711

The value of Mr. Leighton's eligible holdings in 2010 was $5,474,212. Mr. Leighton meets the Executive Share Ownership Guidelines. For details relating to his equity-based share ownership as an executive, please see the table on page 29.

Current Public Board Memberships	
George Weston Limited	2000 to present
BskyB plc	1999 to present
PANDORA A/S	2010 to present

Public Board Memberships During Last Five Years(8)	
—	—

Public Board Interlocks

Directors	Board
Anthony R. Graham	George Weston Limited
John S. Lacey	George Weston Limited

Nancy H.O. Lockhart, O. Ont., 56
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2005
- Independent

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

Ms. Lockhart is a director of the Stratford Chefs School. Ms. Lockhart is also a Member of the Advisory Board for the Belinda Stronach Foundation and a Member of the Centre for Addiction and Mental Health Foundation. She is a former Chair of the Ontario Science Centre, former President of the Canadian Club of Toronto and former Chair of the Canadian Film Centre. Ms. Lockhart is also a former director of the Canada Deposit Insurance Corporation.

Board/Committee Membership	**Attendance**	**Attendance (Total)**		**Director Fees Received**(1)	
Board Environmental, Health and Safety Committee (Chair) Governance Committee	11/12 4/4 8/8	23/24	96%	**Year**	**Amount**
				2010	$161,000
				2009	$111,000

Equity Ownership (as of January 1, 2011)

Year	**Common Shares**	**DSUs**	**Total Common Shares and DSUs**	**Total Market Value of Common Shares and DSUs**(2)	**Minimum Equity Ownership**	**Meets Share Ownership Guidelines**
2010	750	18,406	19,156	$773,328	$400,000	Yes
2009	750	14,108	14,858	$503,389	$250,000	

Current Public Board Memberships		**Public Board Interlocks**	
		Director	**Board**
—	—	—	—
Public Board Memberships During Last Five Years			
Retirement Residences Real Estate Investment Trust	2006 to 2007		

Thomas C. O'Neill, F.C.A., 66
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2003
- Independent

Mr. O'Neill, a corporate director, is Chairman of BCE Inc. 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 chartered accountant. Mr. O'Neill received an Honorary LL.D. from Queen's University.

In addition to his public company board memberships listed below, Mr. O'Neill also serves as a director of St. Michael's Hospital and is a former Vice-Chair of the Board of Governors of Queen's University and a past member of the Advisory Council of Queen's University School of Business.

Board/Committee Membership	**Attendance**	**Attendance (Total)**		**Director Fees Received**(1)	
Board Audit Committee (Chair)	12/12 7/7	19/19	100%	**Year**	**Amount**
				2010	$168,000
				2009	$116,000

Equity Ownership (as of January 1, 2011)

Year	**Common Shares**	**DSUs**	**Total Common Shares and DSUs**	**Total Market Value of Common Shares and DSUs**(2)	**Minimum Equity Ownership**	**Meets Share Ownership Guidelines**
2010	3,703	11,328	15,031	$606,801	$400,000	Yes
2009	3,703	8,463	12,166	$412,184	$250,000	

Current Public Board Memberships		**Public Board Interlocks**	
		Director	**Board**
BCE Inc. Nexen Inc. The Bank of Nova Scotia Adecco S.A.	2003 to present 2002 to present 2008 to present 2004 to present	Anthony S. Fell	BCE Inc.
Public Board Memberships During Last Five Years			
Dofasco Inc.	2003 to 2006		

Galen G. Weston, 38
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2006
- Non-Independent

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

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received(1)	
				Year	Amount
Board	12/12	12/12	100%	2010	—
Executive Committee (Chair)	—			2009	—

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs
2010	290,000	—	290,000
2009	290,000	—	290,000

The value of Mr. Weston's eligible holdings in 2010 was $11,707,300. 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 29.

Current Public Board Memberships	
—	—

Public Board Interlocks	
Director	Board
—	—

Public Board Memberships During Last Five Years	
George Weston Limited	2003 to 2006

John D. Wetmore, 61
Toronto, Ontario, Canada

Loblaw Board Details:
- Director since 2006
- Independent

Mr. Wetmore, a corporate director, is the retired Vice President, Contact Centre Development, IBM Americas. He was formerly President and Chief Executive Officer of IBM Canada.

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

Board/Committee Membership	Attendance	Attendance (Total)		Director Fees Received(1)	
				Year	Amount
Board	12/12	23/23	100%	2010	$155,000
Audit Committee	7/7			2009	$105,000
Pension Committee	4/4				

Equity Ownership (as of January 1, 2011)

Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs(2)	Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	10,356	7,619	17,975	$725,651	$400,000	Yes
2009	10,133	4,992	15,125	$512,435	$250,000	

Current Public Board Memberships	
Research in Motion Limited(9)	2007 to present

Public Board Interlocks	
Director	Board
—	—

Public Board Memberships During Last Five Years	
Resolve Business Outsourcing Income Fund	2006 to 2009

(1) "Director Fees Received" includes compensation received as a director of the Corporation and any of its subsidiaries. Directors who are also members of management do not receive any additional remuneration for their role as directors of the Corporation.

(2) "Total Market Value of Common Shares and DSUs" for non-management directors is calculated based on the closing price of the Common Shares on January 1, 2011, which was $40.37, and the closing price of the Common Shares on December 31, 2009, which was $33.88.

(3) Mr. Bachand was a director of Krystal Bond Inc. when it became subject to a cease trade order on April 12, 2002 for failure to file financial statements. It has since ceased to operate as a going concern. Mr. Bachand is no longer a director of Krystal Bond Inc.

(4) Mr. Currie holds Common Shares in the Corporation and common shares, DSUs, RSUs and in-the-money stock options of Weston. The value of these holdings was $3,698,949 based on the December 31, 2010 closing price of the Common Shares of the Corporation, which was $40.37, and $84.20 for the common shares of Weston. As an executive who serves both the Corporation and Weston, Mr. Currie's eligible holdings in both companies are used to satisfy the Executive Share Ownership Guidelines set forth on page 29.

(5) Mr. Fell was a director of Teleglobe Inc., a subsidiary of BCE Inc., for a three month period until April 2002. Teleglobe Inc. filed for court protection under insolvency legislation on May 15, 2002.

(6) Mr. Lacey was Chairman of The Loewen Group Inc. when it filed a petition for creditor protection under Chapter 11 of the U.S. Bankruptcy Code and the Companies' Creditors Arrangement Act in June of 1999. The Loewen Group Inc. emerged from Chapter 11 in January 2003 and CCAA proceedings were held in November of 2006.

(7) In March 2006, Mr. Lacey joined the board of directors of Stelco Inc. as a nominee of Tricap Management Limited. Stelco filed for protection under the Companies' Creditors Arrangement Act in January of 2004 and emerged from those proceedings in March of 2006. Mr. Lacey resigned from the Stelco board of directors in November of 2006.

(8) Mr. Leighton was a member of the board of directors of Leeds United Football, PLC, which was subject to administration proceedings in 2007.

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

BOARD OF DIRECTORS' COMPENSATION AND ATTENDANCE

DIRECTORS' COMPENSATION

The Board of Directors' compensation is designed to attract and retain committed and qualified directors and to align their compensation with the long-term interests of the Corporation. Messrs. Weston, Leighton and Currie are senior executives of the Corporation and do not receive any additional remuneration for their role as directors of the Corporation or any of its subsidiaries. The Board, through the Governance, Employee Development, Nominating and Compensation Committee (the "Governance Committee"), is responsible for reviewing and approving any changes to the directors' compensation arrangements.

In September 2010, the Governance Committee reviewed the compensation paid to its non-management directors. As part of this review, the Committee considered the complexity of the Corporation's operations, the risks and responsibilities involved in being a director of the Corporation, the requirement to participate in scheduled and special Board meetings, the expected participation on the Board's committees and the compensation paid to directors of comparable Canadian companies.

To assist in such review, the Corporation's and Weston's respective governance committees commissioned their independent consultant, Meridian Compensation Partners ("Meridian"), to perform a benchmarking analysis and compile market data relating to director compensation using two groups of comparable Canadian companies. The first group consisted of public companies with market capitalization comparable to the Corporation's and the second group consisted of large public companies with a controlling shareholder. In selecting the groups, the Governance Committee also considered the composition of the comparator groups selected for the review of executive compensation.

The companies in the comparator groups for benchmarking director compensation were as follows:

Comparator Group of Canadian Companies by Market Capitalization	
Agrium Inc.	Power Corporation of Canada
Bombardier Inc.	Saputo Inc.
Brookfield Asset Management Inc.	Shaw Communications Inc.
Cameco Corporation	Shoppers Drug Mart Corporation
Canadian Pacific Railway Limited	SNC-Lavalin Inc.
Canadian Tire Corporation Limited	TELUS Corporation
Metro Inc.	Tim Hortons Inc.

Comparator Group of Canadian Companies with a Controlling Shareholder	
Bombardier Inc.	Power Corporation of Canada
Canadian Tire Corporation Limited	Power Financial Corporation
Empire Company Limited	Shaw Communications Inc.
The Great-West Life Assurance Company	Thomson Reuters Corporation
Rogers Communications Inc.	Torstar Corporation

Based on the Meridian report and the considerations noted above, the Governance Committee approved an increase to the annual retainer for non-management board members from $50,000 to $100,000, paid one-half in cash and the other half in deferred share units ("DSUs"), which are described on page 13. A director may elect to receive the cash component of their board retainer in DSUs. Prior to 2010, the last increase to the board retainer for non-management directors occurred in 2003.

Effective October 10, 2010, the Governance Committee also approved the following changes to directors' compensation: (i) the annual retainer for the Chair of the Governance Committee was increased from $7,000 to $25,000; (ii) the annual retainer for the Chair of the Environmental, Health & Safety Committee was increased from $7,000 to $15,000; (iii) the annual retainer for the Chair of the Pension Committee was increased from $7,000 to $10,000; and (iv) an annual retainer of $50,000 was granted to the Lead Director. These increases were all prorated for 2010. The other aspects of directors' compensation remain unchanged.

The annual board retainer and attendance fees are set forth in the following table:

Type of Fee		Amount ($)
Annual Fees		
- Board Retainer Cash	50,000	
- Board Retainer Equity	50,000	
Total Board Retainer		100,000
Lead Director retainer		50,000 *(1)*
Audit committee chair		30,000 *(2)*
Audit committee member		5,000
Governance committee chair		25,000 *(2)(3)*
Environmental committee chair		15,000 *(2)(4)*
Pension committee chair		10,000 *(2)(5)*
Member of other board committee		4,000
Attendance Fees		
Board or committee meeting		2,000
Meeting of half day or more attended at the request of the board or a committee		2,000

(1) Annual retainer granted to Lead Director effective October 10, 2010.

(2) Includes fee received as committee member.

(3) Increased from $7,000 to $25,000 effective October 10, 2010.

(4) Increased from $7,000 to $15,000 effective October 10, 2010.

(5) Increased from $7,000 to $10,000 effective October 10, 2010.

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. Directors are required to take one-half of their board retainer in DSUs and have the option to receive up to 100% of their remaining fees in DSUs pursuant to the Directors' Deferred Share Unit Plan. The number of DSUs awarded to a director is equal to the value of the compensation that the director elects to be deferred as DSUs divided by the volume weighted average trading price of the Common Shares on the Toronto Stock Exchange (the "TSX") for the five trading days prior to the date of the award. DSUs are not subject to any conditions prior to payment, but are not paid 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. Following cessation of Board service, payment of DSUs is made, at the holder's option, either in cash or in Common Shares purchased on the TSX. A director may elect to defer this conversion until December 15th of the calendar year following his or her separation date. Additional DSUs are accumulated and added to a director's account based on notional equivalents of dividends paid on the underlying Common Shares. DSUs do not entitle the director to any voting or other shareholder rights.

In 2010, 11 out of 12 non-management directors elected to receive all or a portion of the cash component of their fees in DSUs.

DIRECTORS' COMPENSATION FOR 2010

The following table sets out the compensation elements and total compensation earned by each non-management director of the Corporation in 2010 and the manner in which the compensation was paid:

Name (1)	Fees Earned				Total Fees Earned ($)	All Other Compensation ($)	Total Compensation ($)	Allocation of Total Fees		
	Board Retainer ($)(2)	Committee Chair Retainer ($)	Committee Member Retainer ($)	Attendance Fees ($)(3)				Cash ($)	Share Based Awards ($)(4)	Allocation of Fees between Cash and DSUs (%)
Stephen E. Bachand	100,000	—	4,000	42,000	146,000	—	146,000	—	146,000	100% DSUs
Paul M. Beeston	100,000	—	9,000	54,000	163,000	40,250(5)	203,250	40,250	163,000	80% DSUs
Paviter S. Binning(6)	18,750	—	1,875	12,000	32,625	—	32,625	—	32,625	100% DSUs
Camilla H. Dalglish(7)	18,750	—	1,500	14,000	34,250	—	34,250	—	34,250	100% DSUs
Anthony S. Fell	100,000	31,750	—	50,000	181,750	—	181,750	—	181,750	100% DSUs
Anthony R. Graham	100,000	—	8,000	48,000	156,000	24,750(8)	180,750	24,750	156,000	86% DSUs
John S. Lacey	100,000	—	—	24,000	124,000	—	124,000	—	124,000	100% DSUs
Nancy H.O. Lockhart	100,000	9,000	4,000	48,000	161,000	—	161,000	—	161,000	100% DSUs
Pierre Michaud	100,000	—	4,000	30,000	134,000	—	134,000	84,000	50,000	37% DSUs
Thomas C. O'Neill	100,000	30,000	—	38,000	168,000	—	168,000	59,000	109,000	65% DSUs
Karen Radford	100,000	—	4,000	34,000	138,000	—	138,000	—	138,000	100% DSUs
John D. Wetmore	100,000	—	9,000	46,000	155,000	—	155,000	52,500	102,500	66% DSUs
Total ($)	**$1,037,500**	**$70,750**	**$45,375**	**$440,000**	**$1,593,625**	**$65,000**	**$1,658,625**	**$260,500**	**$1,398,125**	

(1) Messrs. Currie, Leighton and Weston are members of senior management of the Corporation and do not receive any additional remuneration for their role as directors of the Corporation or any of its subsidiaries. The compensation of Messrs. Leighton and Weston is set forth in the Summary Compensation Table on page 36.

(2) Except for Mr. Binning and Ms. Dalglish, at least 50% of the board retainer was paid in DSUs.

(3) Directors received a $2,000 fee for each board or committee meeting that they attended.

(4) Amounts reflect 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 award in accordance with the Director 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 have not been included in the table.

(5) Reflects compensation Mr. Beeston received for his role as a director and Chairman of the audit committee of President's Choice Bank, a subsidiary of the Corporation.

(6) Mr. Binning ceased being a director of the Corporation on May 5, 2010. Mr. Binning also received compensation for his role as Chief Financial Officer of Weston commencing on August 16, 2010. The details of his Weston compensation are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.

(7) Ms. Dalglish ceased being a director of the Corporation on May 5, 2010.

(8) Reflects compensation Mr. Graham received for his role as Chairman and director of President's Choice Bank, a subsidiary of the Corporation.

DIRECTOR SHARE OWNERSHIP GUIDELINES

Pursuant to the Director Share Ownership Guidelines adopted by the Board, non-management directors are expected to hold Common Shares or DSUs with a value of not less than $400,000. Prior to November 25, 2010, this value was set at $250,000. For purposes of the Guidelines, securities are valued at their market value. Directors are expected to meet the required level of share ownership within five years of initially being elected or appointed to the Board. Until the required level is achieved, directors must take at least 50% of their fees from the Corporation in the form of DSUs. Ownership and market value of Common Shares and DSUs held or controlled by each director as at January 1, 2011 and January 2, 2010 can be found in the section "Nominees For Election to the Board of Directors" at pages 5 to 10. All directors comply with the Guidelines or are in the process of accumulating securities as required under the Guidelines.

Management directors are subject to the Executive Share Ownership Guidelines described on page 29.

BOARD AND COMMITTEE ATTENDANCE

The following table provides a summary of each director's attendance at Board and Committee meetings in 2010:

Name	Board (12 meetings)	Audit Committee (7 meetings)	Environmental, Health and Safety Committee (4 meetings)	Governance Committee (8 meetings)	Pension Committee (4 meetings)	Overall Attendance
Stephen E. Bachand	12/12			8/8		20/20
Paul M. Beeston	12/12	7/7		8/8		27/27
Paviter S. Binning(1)	4/5	2/3				6/8
Gordon A.M. Currie	12/12				4/4	16/16
Camilla H. Dalglish(2)	5/5		2/2			7/7
Anthony S. Fell	12/12			8/8	4/4	24/24
Anthony R. Graham	12/12			8/8	4/4	24/24
John S. Lacey	12/12					12/12
Allan L. Leighton	12/12					12/12
Nancy H.O. Lockhart	11/12		4/4	8/8		23/24
Pierre Michaud	11/12		4/4			15/16
Thomas C. O'Neill	12/12	7/7				19/19
Karen Radford	12/12		4/4			16/16
Galen G. Weston	12/12					12/12
John D. Wetmore	12/12	7/7			4/4	23/23

(1) Mr. Binning ceased being a director of the Corporation on May 5, 2010.

(2) Ms. Dalglish ceased being a director of the Corporation on May 5, 2010.

COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION

This Compensation Discussion and Analysis describes the compensation programs of the named executive officers, who are the Executive Chairman, the Chief Financial Officers (current and former) and the three most highly compensated executive officers (other than the Executive Chairman and the Chief Financial Officers) as determined in accordance with applicable regulations (collectively, the "NEOs"). For 2010, the NEOs were:

Name	Position
Galen G. Weston	Executive Chairman
Sarah R. Davis	Chief Financial Officer
Allan L. Leighton	Deputy Chairman and President of the Corporation and Deputy Chairman of Weston
Peter K. McMahon	Chief Operating Officer
Cindy C. Y. Lee	Chief Executive Officer, T&T Supermarket Inc.
Robert G. Vaux	Executive Vice President, Corporate Development of Weston (former Chief Financial Officer of the Corporation and Weston)

Mr. Vaux stepped down from the role of Chief Financial Officer of the Corporation on May 5, 2010 and remains with Weston in a senior executive role. Ms. Davis was appointed Chief Financial Officer on that date. Mr. McMahon served in the position of Executive Vice President, Supply Chain, Distribution and IT until January 24, 2011 at which time he became Chief Operating Officer. Ms. Lee is the Chief Executive Officer of T&T Supermarket Inc. ("T&T"), an Asian food retailer acquired by the Corporation in 2009.

On February 24, 2011, the Corporation announced that Mr. Vicente Trius will succeed Mr. Allan Leighton as President in the second half of 2011.

EXECUTIVE COMPENSATION PHILOSOPHY

The objectives of the executive compensation programs are to attract, retain and motivate outstanding executives who are committed to improving the Corporation's performance and creating value for its shareholders. Three core principles underlie the Corporation's executive compensation programs.

1. *Pay for Performance*

The Corporation structures its executive compensation programs to align executive compensation with the financial performance of the Corporation and with the performance of the Corporation's common shares. A significant portion of executive compensation is in the form of at-risk pay. This creates a performance-based corporate culture that rewards individual and team based contributions to the achievement of the Corporation's goals and to the increase in shareholder value.

2. *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 executive compensation programs are competitive with market and industry practices and support the attraction, development and retention of high quality executives.

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 ensures that executives are properly motivated to increase long-term shareholder value.

GOVERNANCE COMMITTEE

The Governance Committee is responsible for providing oversight of executive compensation programs and setting individual compensation for the NEOs. The Governance Committee is also responsible for developing and maintaining high standards of corporate governance within the Corporation. For more detailed information about the Corporation's corporate governance practices, please refer to Schedule A – Corporate Governance Practices, beginning on page 43. The members of the Governance Committee are Anthony S. Fell (Chair), Stephen E. Bachand, Paul M. Beeston, Anthony R. Graham and Nancy H.O. Lockhart. All members of the Governance Committee are independent directors except for Mr. Graham, who is an executive officer of Wittington Investments, Limited ("Wittington"), the private holding company through which Mr. W. Galen Weston indirectly controls the Corporation. The Governance Committee receives assistance from several sources, both internal and external, in fulfilling these responsibilities.

ROLE OF MANAGEMENT AND COMPENSATION CONSULTANTS

Role of Company Management in Determining Compensation and Evaluating Performance

The Executive Chairman and the Deputy Chairman and President participate in the compensation design process and make recommendations to the Governance Committee with respect to the other NEOs and the specific business goals to be used as performance targets for the various incentive programs. The Executive Vice President and Chief Legal Officer and the Executive Vice President, Human Resources and Labour Relations assist the Executive Chairman and the Deputy Chairman and President in developing and presenting management's recommendations and supporting material to the Governance Committee regarding the compensation of the NEOs.

Each year, the Executive Chairman and the Deputy Chairman and President evaluate the performance of key senior executives, including each of the other NEOs. These evaluations are based on the achievement of objectives related to both the individual and the Corporation, leadership capabilities and management team development. The results of these evaluations are presented to the Governance Committee.

Role of Compensation Consultants

Meridian Compensation Partners

To assist in fulfilling its duties, the Governance Committee retains an independent compensation advisor, Meridian, who reports solely to the Committee. The Committee's consultant provides information and independent advice on the design of the Corporation's executive compensation programs, evaluates recommendations put forward by management, and advises on any other items requested by the Committee. The Governance Committee has the sole authority to retain and approve fees for its independent consultant. The Governance Committee instructs Meridian to provide its advice directly to the Governance Committee, including during *in camera* sessions without management present. The Governance Committee retained the services of Hewitt Associates until September 2010, after which, the Governance Committee retained the services of Meridian.

The Governance Committee periodically assesses the independence of its compensation consultant. In 2010, Meridian and its predecessor, Hewitt Associates, were not retained to perform any other services for the Corporation and it did not receive any compensation from the Corporation, except in relation to the services it provided to the Governance Committee. In 2010, Meridian and its predecessor, Hewitt Associates, received an aggregate of $37,485 in fees for services performed for the Governance Committee.

Mercer (Canada) Limited

For the past several years, Mercer (Canada) Limited ("Mercer"), a compensation consultant to the Corporation's management group, has presented a report to the Governance Committee that provides an overview of trends in executive compensation including the design of short and long term incentive programs. The report also reviewed the current regulatory environment and corporate governance issues related to executive compensation matters. Mercer presented its 2010 report to the Governance Committee in September. The Corporation also retains Mercer, from time to time, to provide other advice as described below.

COMPARATIVE MARKET DATA

Comparative market data is just one of the factors used in setting compensation for the NEOs. Other key factors used to determine compensation include personal performance, leadership abilities, internal equity among executives and operating results of the business or area for which the NEO has responsibility. The Governance Committee uses, from time to time, benchmarking or comparisons of certain other companies' compensation programs to confirm that the Corporation's programs are competitive. When performing compensation reviews, the Governance Committee does not specifically identify a median or percentile for total compensation of the NEOs. The Governance Committee considers the general placement of its NEOs' compensation in relation to the relevant comparator group. In 2008, benchmarking was used as a factor in setting the compensation of Mr. Leighton when he was appointed President and was used in 2010 to confirm the appropriateness of Ms. Davis' new compensation arrangements at the time she was appointed Chief Financial Officer.

2008 Compensation Review – Deputy Chairman and President

Select compensation information from the Governance Committee's then compensation consultant, Hewitt, was used in determining the compensation of Mr. Allan Leighton at the time he assumed the role of President of the Corporation in 2008, in addition to his continuing role as Deputy Chairman of both the Corporation and Weston. At that time, and in recognition of his important role in the overall strategy and direction of the Corporation, the Governance Committee assessed the appropriateness of Mr. Leighton's overall compensation arrangements. The Committee considered the level and scope of Mr. Leighton's international executive experience and, in so doing, reviewed the compensation arrangements of senior executives at a group of leading domestic and foreign retailers and other major Canadian companies as follows:

Canadian Corporations	U.S. Retailers	U.K. Retailers
Alimentation Couche-Tard Inc.	Best Buy Co. Inc.	Carphone Warehouse Group plc
Bank of Nova Scotia, The	Costco Wholesale Corporation	Home Retail Group plc
BCE Inc.	J.C. Penney Company, Inc.	J Sainsbury plc
EnCana Corporation	Kohl's Corporation	John Lewis Partnership plc
Husky Energy Inc.	Kroger Co., The	Kingfisher plc
Imperial Oil Limited	Macy's Inc.	Marks and Spencer Group plc
Jean Coutu Group (PJC) Inc., The	Office Depot, Inc.	Next plc
Manulife Financial Corporation	Publix Super Markets Inc.	Signet Group plc
Petro-Canada Inc.	Rite Aid Corporation	Tesco plc
Power Corporation of Canada	Safeway Inc.	Wm Morrison Supermarkets plc
Royal Bank of Canada	Sears Holdings Corporation	
Sobeys Inc.	Staples Inc.	
Sun Life Financial Inc.	Supervalu Inc.	
Suncor Energy Inc.	TJX Companies Inc.	
Toronto-Dominion Bank	Walgreen Co.	

2009 Compensation Review – Top 20 Executive Positions

In September of 2009, the Governance Committee asked management and Mercer to conduct an overall review of the Corporation's executive compensation programs to confirm that the Corporation's programs were competitive, in light of the programs in place at companies in the comparator group listed below. Management selected a group consisting of large retail and other companies in Canada, similar-sized retail and large retail companies in the United States and large retail companies in the United Kingdom that share common elements with the Corporation's structure and business activities. Management and Mercer compared the compensation mix and total compensation of the Corporation's top 20 senior executives, including NEOs, with similar positions in the comparator group. They also compared base salary, short-term incentives, long-term incentives and pension entitlements for those executives with similar positions in the comparator group. The Committee, along with its independent compensation consultant, Hewitt, met with management and Mercer to discuss the reported findings.

In 2009, the comparator group consisted of the following companies:

Canadian Corporations	U.S. Retailers		U.K. Retailers
Alimentation Couche-Tard Inc.	Best Buy Co. Inc.	Rite Aid Corporation	Home Retail Group plc
Canadian Tire Corporation, Limited	Costco Wholesale Corporation	Safeway Inc.	J Sainsbury plc
Empire Company Limited	CVS Caremark Corporation	Sears Holdings Corporation	Marks and Spencer Group plc
Maple Leaf Foods Inc.	Home Depot Inc.	Staples Inc.	Tesco plc
Metro Inc.	J.C. Penney Company, Inc.	Supervalu Inc.	Wm Morrison Supermarkets plc
Rogers Communications Inc.	Kohl's Corporation	Sysco Corporation	
RONA Inc.	Kroger Co., The	Target Corporation	
Sears Canada Inc.	Lowe's Companies Inc.	TJX Companies Inc.	
Shoppers Drug Mart Corporation	Macy's Inc.	Walgreen Co.	
	Publix Super Markets, Inc.	Wal-Mart Stores, Inc.	

In April of 2010, the Committee reviewed relevant extracts of the 2009 review in considering the modifications to Ms. Davis' compensation arrangements in light of her appointment as Chief Financial Officer. The Committee approved certain modifications to Ms. Davis' compensation arrangements which are discussed on page 30. Other than this limited purpose, the Governance Committee did not use the comparator group data for any other 2010 compensation decisions relating to the NEOs.

2010 Compensation Review

In 2010, the Corporation engaged Mercer to perform a limited review of the compensation for 12 executive positions at the Corporation, none of which was held by an NEO. Other than this engagement and the 2010 trends report presented to the Governance Committee, Mercer has not been retained to perform any other services for the Corporation and it did not receive any other compensation from the Corporation.

COMPONENTS OF COMPENSATION

The framework of the compensation program for the NEOs is comprised of base salary, short-term cash incentives (which executives may elect to receive in the form of DSUs) and equity-based long-term incentives (restricted share units ("RSUs") and stock options) as described in the table below. Benefits, pensions and perquisites generally comprise a relatively small part of an NEO's total annual compensation.

Element		Form	Period	Program Objectives and Details
Fixed Compensation	Base Salary	Cash	Annual	• Reflects the executive's level of responsibility, skill and experience, the market value of the position and the executive's overall performance both individually and in relation to the executive's business unit.
Variable Compensation	Short-Term Incentive Plan (STIP)	Cash	Annual	• Incentive program is linked to the achievement of specific performance targets in the fiscal year. • Each executive has a target annual bonus (% of base salary). • Actual payout is determined by achievement of predetermined financial and/or operating performance objectives. • Payouts range from zero to a maximum of 200% of an executive's target bonus.
		Deferred Share Units	Annual election; DSUs held until cessation of employment	• Each executive has the option to receive all or a portion of the executive's STIP award in the form of DSUs to a maximum of three times the executive's base salary. • Aligns executives' interests with those of shareholders and count towards Share Ownership Guidelines.
	Long-Term Incentive Plan (LTIP)	Restricted Share Units	3 year performance period (100% payout at end of period)	• Motivates and rewards executives for creating increased shareholder value. • RSUs typically comprise one-third of the total value of LTIP grants to executives.
		Stock Options	5 year vesting (20% per year); 7 year term	• Motivates and rewards executives for creating long-term shareholder value. • LTIP grants are generally made once per year. However, newly hired or recently promoted executives may receive an LTIP grant outside of the annual grant process. • Individual awards are differentiated based on role and expected future performance. • Stock options typically comprise two-thirds of the total value of LTIP grants to executives using the Black-Scholes-Merton methodology.
Other Elements of Compensation				
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	Defined Benefit Pension Plan/ Defined Contribution Pension Plan		Post-employment	• Plans are designed to provide a reasonable level of retirement income to executives to reward them for their service to the Corporation. • Senior executives (other than Messrs. Galen G. Weston and Allan Leighton) participate in either the executive defined benefit registered pension plan or the executive defined contribution registered pension plan and may also participate in a supplemental executive retirement plan. • New executives participate in the executive defined contribution registered pension plan.
Perquisites	Cash allowance/Reimbursement for professional services		Annual	• Limited personal benefits are provided, including a car or car allowance, an annual medical examination and/ or a discretionary health care spending account.

2010 COMPENSATION REVIEW

Base Salary

Base salaries for the NEOs are set on an individual basis and not within formalized salary ranges. Base salaries are set taking into account the skill, competency and experience of each individual executive. Each year, the Governance Committee reviews the salary of each NEO. The Governance Committee may make adjustments to an NEO's salary as a result of a change in the NEO's duties and responsibilities and 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.

The following table sets out the base salaries for fiscal 2010 for each of the NEOs, and, if applicable, the percentage increase from 2009:

Name	2010 Base Salary ($)	Percentage Increase From 2009 (%)
Galen G. Weston	1,000,000	—
Sarah R. Davis(1)	460,000	9.9
Allan L. Leighton	1,000,000	—
Peter K. McMahon(2)	604,189	2
Cindy C.Y. Lee(3)	510,000	2
Robert G. Vaux(4)	390,000	—

(1) Ms. Davis' base salary was increased from $400,000 to $460,000 at the time of her appointment to Chief Financial Officer on May 5, 2010. Her prorated salary for 2010 was $439,524.

(2) Mr. McMahon's base salary increased from $592,342 to $604,189 effective April 1, 2010. His prorated salary for 2010 was $601,227.

(3) Ms. Lee's base salary increased from $500,000 to $510,000 effective April 1, 2010. Her prorated salary for 2010 was $507,500.

(4) Mr. Vaux's total base salary of $650,000 is apportioned between the Corporation and Weston, with the Corporation allocated 60%.

Short Term Incentive Plan

The Corporation's short term incentive plan (the "STIP") is designed to reward executives, including the NEOs, for the Corporation's annual financial performance. In each fiscal year, the performance of the executives is measured by the achievement of specific financial goals. All participating executives have STIP award targets that are expressed as a percentage of base salary determined by the executive's position and level within the organization. Such percentage of base salary is equal to the payout made for achieving 100% of the predetermined goals. Depending on actual performance relative to the performance targets, payouts range from zero to a maximum of 200% of target. The STIP award payments are made in cash, although executives may elect to receive all or a portion of their STIP award in DSUs.

The key change to the STIP for 2010 was the introduction of sales as a performance measure. The Governance Committee included the sales component to focus the executive team on the challenge of improving the top line sales growth of the Corporation and developing new and innovative products and services.

The Governance Committee believes that the STIP is a balanced program comprised of different performance measures that are designed to focus executives on the key drivers of the business and value creation over both the short and long term and, as such, reduce the risk of inappropriate or excessive risk-taking behaviour by its executives.

The Governance Committee sets targets for each performance measure that are intended to be challenging such that strong financial results are required to achieve each target. The STIP is designed with the intent that, over time, STIP awards will be paid out at the executives' target level.

The Corporation does not disclose certain financial performance targets as they constitute strategic confidential information. The setting of the performance targets is a critical component of the Corporation's confidential business planning and budgeting process that generally covers several years, so that even historical targets could reveal components of the Corporation's longer term objectives. In addition, certain of the Corporation's competitors, including the Canadian subsidiaries of non-Canadian retailers, do not or may not be required to provide disclosure of their financial performance targets.

Plan Design

The Governance Committee believes that the STIP should be designed to properly incent the NEOs to achieve the Corporation's business plan and strategic objectives. Prior to the beginning of each fiscal year, the Governance Committee establishes the STIP design, including the 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 business plan and strategic objectives. At the end of the year, the Governance Committee reviews the financial results of the Corporation against the performance targets and considers whether any adjustments are required to account for unexpected events during the year.

The STIP has evolved in recent years to recognize the key strategic objectives in the Corporation's ever changing business environment. For 2008, the STIP for the NEOs was based solely on the Corporation's earnings performance. For 2009, the STIP included a performance measure for the NEOs relating to the reduction of net debt and the resulting improvement of free cash flow with the objective of strengthening the Corporation's balance sheet. For 2010, a sales component was added to the STIP based on certain sales based growth targets measured against targets set by the Governance Committee. As a result, the 2010 STIP for the NEOs (other than for Ms. Lee) was based on the following three performance measures and weightings: 50% based on earnings, 30% based on sales and 20% based on the reduction of net debt. Where there is more than one performance measure, the STIP payout is determined for each performance measure and then added together to determine the final amount. The earnings, sales and net debt reduction performance measures and their respective weightings and targets for the 2010 STIP reflect the important relationship of these measures to the overall success of the business.

The STIP design for Ms. Lee is different from that of other NEOs. In 2009, the Corporation acquired T&T, an Asian food retailer. Ms. Lee is the Chief Executive Officer of T&T and her STIP relates to the financial performance of the T&T business as well as the financial performance of the Corporation as a whole. In 2010, Ms. Lee's STIP had the following performance measures and weightings: 50% based on the Corporation's earnings, 25% based on sales of T&T and 25% based on earnings before interest and taxes of T&T. The performance of the T&T components of Ms. Lee's STIP are described below under the heading "T&T Earnings and Sales Performance".

Earnings Performance

The Corporation's earnings target was based on budgeted earnings before interest, taxes, depreciation and amortization and reflected the Corporation's confidential annual and multi-year business plans and strategic objectives. The earnings target for the STIP was designed for compensation purposes and differs from the Corporation's publicly reported earnings. As noted above, the earnings target was intended to be challenging such that the Corporation was required to have strong earnings results to achieve the earnings target.

The earnings component, which comprises 50% of the total STIP payout, was designed so that:

- no bonus would be awarded for the earnings component if the Corporation's actual earnings were 90% or less than the earnings target; and
- the maximum bonus payout was 200% of target if the Corporation's actual earnings were equal to or greater than 110% of the earnings target.

Early in 2011, the Governance Committee reviewed the 2010 financial results of the Corporation and calculated the earnings for STIP purposes in accordance with the plan. The Corporation's earnings for 2010, calculated in accordance with the plan, significantly exceeded the earnings target, but did not achieve the maximum payout for this component. As a result, NEOs received a payout of approximately 186% for the earnings component of the STIP. Key factors contributing to the Corporation's strong earnings relative to target were improved gross profit related to improved control label profitability, buying synergies and more disciplined vendor management, partially offset by higher transportation costs and incremental supply chain and IT costs.

The setting of the earnings target and the calculation of earnings in accordance with the STIP are confidential and competitively sensitive. The Corporation believes that the disclosure of the earnings target or calculation of earnings for the purposes of the STIP would be seriously prejudicial to the Corporation's interests for the reasons discussed above.

Sales Performance

In 2010, the Governance Committee added a sales growth component measured against targets set by the Governance Committee. The inclusion of the sales metric was intended to focus executives on improving growth in the Corporation's core retail food business as well as on developing new and innovative products and services to meet customer needs. The sales target for 2010 was based on budgeted growth in net sales set forth in the Corporation's confidential annual and multi-year business plans.

The sales component, which comprises 30% of the total STIP payout, was designed so that:

- no bonus would be awarded for the sales component if the Corporation's actual sales were less than target by 1.5% or more;
- the maximum bonus payout would be 200% of target if the Corporation's actual sales exceeded target by 1.5% or more; and
- a minimum same-store sales percentage increase had to be achieved as a condition to receiving a bonus for the sales component.

Early in 2011, the Governance Committee reviewed the 2010 financial results of the Corporation and calculated the sales for STIP purposes in accordance with the plan. The Corporation's sales for 2010, calculated in accordance with the plan, did not meet the minimum level required to earn any bonus in respect of the sales component of the STIP. This was due to deflationary pressures and competitive intensity that resulted in sales and same-store sales not meeting the threshold for any payout under this component.

The setting of the sales target and the calculation of sales in accordance with the STIP are confidential and competitively sensitive. The Corporation believes that the disclosure of the sales target or calculation of sales for the purposes of the STIP would be seriously prejudicial to the Corporation's interests for the reasons discussed above.

Net Debt Reduction Performance

For STIP purposes, net debt is defined as the sum of long and short term debt less cash, cash equivalents, short term investments and security deposits included in other assets on the Corporation's balance sheet.

The target established by the Governance Committee in 2010 was to reduce net debt by approximately $75 million dollars, which reflected a number of corporate initiatives that were intended to increase free cash flow during the year. The Governance Committee believes that the net debt reduction component of the STIP is an effective overall measure of the Corporation's financial strength, stability and flexibility.

The net debt reduction component, which comprises 20% of the total STIP payout, was designed so that:

- a positive (or negative) change of $10 million in net debt reduction relative to the target had a corresponding 10% increase (or decrease) in the bonus, to a maximum factor of 200% of target; and
- no bonus would be earned if the reduction in net debt during the fiscal year was $100 million less than the target.

Early in 2011, the Governance Committee reviewed the 2010 financial results of the Corporation and considered adjustments to net debt for unexpected events and non-recurring items. During 2010, the Corporation's reduction of net debt of approximately $279 million, calculated in accordance with the plan, was such that the NEOs received the maximum payout for the net debt component of the STIP. This result is attributable to positive cash flows from operating activities and proceeds from fixed asset sales, partially offset by fixed asset purchases.

In 2010, the payout amounts, which account for each performance measure and its respective weighting, were 133% of the target level.

T&T Earnings and Sales Performance

The T&T sales and earnings components of the STIP for 2010 were designed similarly to the Corporation's plan, but based on the T&T targets. T&T sales, calculated in accordance with the plan, did not meet the minimum level required to earn any bonus in respect of the sales component of the STIP. This was primarily due to deflationary pressures in the second half of the year. T&T earnings fell short of the target, paying out at 30%. The earnings growth was the result of synergies and cost savings, offset by increased labour costs and a decline in margins.

In 2010, Ms. Lee's payout amount, which accounts for each performance measure and its respective weighting, was approximately 100% of her target level.

T&T's earnings and performance results are not disclosed on a stand-alone basis in the Corporation's publicly filed financial statements. The Corporation believes that any disclosure of T&T's targets and results would be seriously prejudicial to the Corporation's interests for the reasons discussed above.

The following table sets forth the STIP target, maximum STIP award and the 2010 STIP award for each NEO:

					2010 STIP Award			
Name	**Base Salary**	**STIP Target as Percentage of Base Salary (%)**	**STIP Target ($)**	**Maximum STIP Award ($)**	**Earnings Component ($)(1)**	**Sales Component ($)(2)**	**Net Debt Reduction Component ($)**	**Total ($)**
Galen G. Weston	1,000,000	100	1,000,000	2,000,000	929,500	0	400,000	1,329,500
Sarah R. Davis	460,000	100	405,644(3)	811,288	377,046	0	162,258	539,304
Allan L. Leighton	1,000,000	150	1,500,000	3,000,000	1,394,250	0	600,000	1,994,250
Peter K. McMahon	604,189	80	483,351	966,702	449,275	0	193,340	642,615
Cindy C.Y. Lee	510,000	120	612,000	1,224,000	614,754(4)	0(5)	—	614,754
Robert G. Vaux(6)	390,000	100	390,000	780,000	302,088	0	130,000	432,088

(1) The earnings component of the 2010 STIP award comprised the percentages of total compensation of the NEOs as follows: 23.8% for Mr. Weston; 25.4% for Ms. Davis; 30.8% for Mr. Leighton; 22.5% for Mr. McMahon; 35.7% for Ms. Lee and 21.8% for Mr. Vaux.

(2) The sales component of the 2010 STIP did not comprise any amount of total compensation for each of the NEOs.

(3) Ms. Davis' STIP Target is based on her prorated salary during 2010. Ms. Davis' salary prior to May 5, 2010 was $400,000 with a STIP target of 75% of salary. Following her appointment to the position of Chief Financial Officer on May 5, 2010, Ms. Davis' salary was set at $460,000 and her STIP target at 100% of her base salary.

(4) The earnings component of Ms. Lee's STIP is based on the earnings performance of both the Corporation and T&T. With respect to the earnings component, $568,854 is attributable to the Corporation's earnings performance and $45,900 is attributable to T&T's earning performance.

(5) The sales component of Ms. Lee's STIP is based on the sales performance of T&T.

(6) In addition, Mr. Vaux received an STIP award of $370,662 from Weston resulting in an aggregate award of $802,750.

Executive Deferred Share Unit Plan

Effective in 2009, the Corporation introduced the Executive Deferred Share Unit Plan (the "EDSU Plan"). Executives may elect to defer up to 100% of their STIP bonus in any year into DSUs under the EDSU Plan, subject to a cumulative cap of three times the executive's base salary. All DSUs held by an executive will be paid out in cash 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 the year and is irrevocable. The number of DSUs granted in respect of any year will be determined by dividing the STIP bonus that is subject to the EDSU Plan election by the value of the Common Shares on the date the STIP bonus would otherwise be payable. For this purpose, and for purposes of determining the value of an executive's DSUs upon redemption of the DSUs in cash, the value of the DSUs will be calculated by using the volume weighted average of the trading prices of the Common Shares on the TSX for the five trading days prior to the valuation date. Additional DSUs are accumulated based on notional equivalents of dividends paid on Common Shares. Currently, none of the NEOs participate in the EDSU Plan.

Long Term Incentive Plan

The purpose of the equity-based Long Term Incentive Plan (the "LTIP") is to motivate executives to increase shareholder value. Under the LTIP, the Corporation awards long-term incentives to executives in the form of stock options and RSUs, the value of which is intended to be directly linked to the increase in shareholder value. Executives who are eligible for LTIP grants receive them on an annual basis. Typically, two-thirds of the value is delivered through stock options valued using Black-Scholes-Merton methodology and one-third is delivered through RSUs. The value of the LTIP grant to a participating executive is generally based on 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. LTIP awards are granted in the first quarter during an open trading window in accordance with the Corporation's Securities Trading Policy. Grants are made in this window because it follows the announcement of the Corporation's year-end financial results. "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 2010, the Governance Committee approved annual LTIP awards to the NEOs as follows:

Name	Base Salary ($)	LTIP Grant as a Percentage of Base Salary (%)	Grant Date Fair Value ($)	Type of LTIP Grant
Galen G. Weston	1,000,000	150	1,499,992	Stock Options
Sarah R. Davis	460,000	100(1)	430,480	Stock Options and RSUs(2)
Allan L. Leighton	1,000,000	150	1,484,352	RSUs
Peter K. McMahon	604,189	100(3)	593,519	Stock Options and RSUs(2)
Cindy C. Y. Lee	510,000	100	511,253	Stock Options and RSUs(2)
Robert G. Vaux	390,000	130	506,997	Stock Options and RSUs(4)

(1) Ms. Davis' annual 2010 LTIP grant is 100% of the prorated salary she received in 2010.

(2) Two-thirds of the annual LTIP grant value is comprised of stock options and one-third is comprised of RSUs.

(3) Mr. McMahon's total 2010 LTIP grant is 100% of the base salary he received at the date of the LTIP grant, including the special LTIP grant he received, the details of which are set out on page 30.

(4) The Weston Governance Committee approved Mr. Vaux's annual 2010 LTIP grant, which is comprised of two-thirds stock options and one-third RSUs of Weston. The Corporation is responsible for $506,997 (60% of his total award).

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

Stock Option Plan

The Governance Committee administers the Stock Option Plan, approves the participants, makes grants of options and establishes any limitations, restrictions and conditions upon any grants of options. Any employee or officer of the Corporation or any of its affiliates, as determined by the Governance Committee, may participate in the Stock Option Plan.

As of January 1, 2011, options to purchase 9,320,865 Common Shares were outstanding and 3,650,513 Common Shares were available for future option grants, representing approximately 1.3% of the issued and outstanding Common Shares as of that date. The Stock Option Plan provides that Common Shares issuable pursuant to outstanding options that are, for any reason, cancelled, expired, forfeited or terminated without having been exercised will again be available for grants under the Stock Option Plan.

The exercise price for options granted under the Stock Option Plan may not be lower than the fair market value of the Common Shares, which is defined as the greater of: (i) the volume weighted average of the trading prices of the Common Shares for the five trading days prior to the grant date; or (ii) the volume weighted average of the trading prices of the Common Shares on the trading 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 otherwise determined on the grant of the option. Generally, options vest over a five-year period at a rate of 20% per year and expire at the end of seven years. Each option has a term of not less than five and not more than ten years.

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

In the event of any consolidation, subdivision or reclassification of the Common Shares, or any stock dividend of Common Shares paid otherwise than in lieu of a normal cash dividend, or any merger, amalgamation or reorganization of the Corporation, the Board will make appropriate adjustments to the number of Common Shares subject to any 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, merger, 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; or
6. is required to be approved by shareholders under applicable laws, regulations or stock exchange rules.

In 2011, the Stock Option Plan was amended to remove the right to receive a cash payment in lieu of exercising an option for shares based on changes to the tax legislation dealing with stock options. This amendment did not require shareholder approval.

In 2010, Messrs. Weston and McMahon and Mses. Davis and Lee received stock option grants as described in the table below:

Name	Options Granted	Exercise Price ($)	Grant Date Fair Value ($)	Vesting Schedule	Term of Grant
Galen G. Weston	146,914	36.35	1,499,992	20% per year over 5 years	7 years
Sarah R. Davis	24,282 3,849	36.35 37.92	247,919 40,607	20% per year over 5 years	7 years
Peter K. McMahon	32,501	36.35	331,835	20% per year over 5 years(1)	7 years
Cindy C.Y. Lee	33,597	36.35	343,025	20% per year over 5 years	7 years

(1) Mr. McMahon's stock options immediately vest in the event that he is terminated without cause or resigns on or after January 1, 2012.

In 2010, Mr. Vaux received a stock option grant from Weston as described in the table below:

Name	Weston Options Granted	Exercise Price ($)	Grant Date Fair Value ($)	Vesting Schedule	Term of Grant
Robert G. Vaux	26,399	69.51	563,619	33 1/3% per year over 3 years(1)	7 years

(1) Mr. Vaux's Weston stock options will be paid out in the event of termination without cause as set out on page 32.

The portion of the grant date fair value of Mr. Vaux's stock option award allocated to the Corporation was approximately $338,171 (60% of the total value).

Restricted Share Unit Plan

The RSU Plan is intended to foster employee retention and ensure that the long-term compensation program is aligned with the maximization of shareholder value. The size of the annual award an executive receives is determined as part of the executive's total LTIP award. RSUs entitle the executive to a cash payment after the end of a three-year performance period. The RSU payment is calculated by multiplying the number of RSUs by the volume weighted average price of a Common Share for the five days preceding the end of the performance period. The RSU Plan does not provide for the payment of any additional units in respect of dividends paid on Common Shares.

In 2010, Mses. Davis and Lee and Messrs. Leighton and McMahon were awarded RSUs as described in the table below:

Name	RSUs Granted	Grant Value Per Unit ($)	Grant Date Fair Value ($)	Performance Period End Date
Sarah R. Davis	3,345 537	36.35 37.92	121,591 20,363	March 11, 2013 May 12, 2013
Allan L. Leighton	40,835	36.35	1,484,352	March 11, 2013(1)
Peter K. McMahon	7,199	36.35	261,684	March 11, 2013(2)
Cindy C.Y. Lee	4,628	36.35	168,228	March 11, 2013

(1) In accordance with his employment agreement, Mr. Leighton's RSUs will be payable upon his resignation, termination without cause or at his option in certain circumstances.

(2) Mr. McMahon's RSUs will be paid out in the event that he is terminated without cause or resigns on or after January 1, 2012.

In 2010, Mr. Vaux was awarded RSUs from Weston as described in the table below:

Name	Weston RSUs Granted	Grant Value Per Unit ($)	Grant Date Fair Value ($)	Performance Period End Date
Robert G. Vaux	4,048	69.51	281,376	March 2, 2013(1)

(1) Mr. Vaux's Weston RSUs will be paid out in the event of termination without cause as set out on page 32.

The portion of the grant date fair value of the RSU award allocated to the Corporation was approximately $168,826 (60% of his total award). The Weston RSUs have a three year performance period.

Long Term Incentive Plan Clawback

The Governance Committee has approved the inclusion of a clawback provision in all LTIP grants of the Corporation awarded after January 1, 2010. If an executive, including an NEO, 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 and RSU payments received in the twelve 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 1, 2011

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 • Employee Stock Option Plan	9,320,865	$ 38.56	3,650,513
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A
Total	**9,320,865**	**$38.56**	**3,650,513**

Retirement and Pension Arrangements

The Corporation's retirement and pension arrangements are designed to provide a reasonable level of retirement income to executives and to reward them for service with the Corporation. Messrs. Weston and Leighton do not participate in any retirement plans and they do not have any other retirement or pension arrangements with the Corporation. Senior executives, other than Messrs. Weston and Leighton, participate in either the Corporation's defined benefit registered pension plan (the "Executive DB Plan") or the executive defined contribution registered pension plan (the "Executive DC Plan"). All newly hired and newly appointed executives join the Executive DC Plan, including Mses. Davis and Lee. In addition, senior executives of the Corporation whose pensionable earnings exceed prescribed levels (including the NEOs other than Messrs. Weston and Leighton) participate in a non-contributory supplemental executive retirement plan (the "SERP").

Executive Benefit Plans

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

Perquisites

NEOs receive a limited number of perquisites. These include a car or car allowance, an annual medical examination and a discretionary health care spending account.

Executive Share Ownership Guidelines

The Corporation maintains share ownership guidelines to further align the interests of senior executives with those of the Corporation's shareholders. Under the Guidelines, Common Shares, RSUs, DSUs and the in-the-money value of vested stock options of the Corporation are included in determining a senior executive's share ownership. Senior executives who serve both the Corporation and Weston may include their eligible holdings in both companies to satisfy the Executive Share Ownership Guidelines. The Common Shares, RSUs and DSUs held by an executive are valued at their market value.

Under these 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 – 5x base salary
- President and Deputy Chairman – 3x base salary
- Executive Vice Presidents (NEOs) – 2x base salary
- Other Executive Vice Presidents – 1x base salary

Senior executives are expected to attain the required ownership level within five years of their appointment.

The eligible equity-based holdings of each NEO and the dollar value of such holdings based on the market value on January 1, 2011, which was $40.37, are set forth in the following table:

	Value of Equity-Based Holdings				Ownership Requirement		
Name	**Common Shares ($)**	**RSUs ($)**	**In-the-money stock options ($)**	**Total ($)**	**($)**	**Multiple of Salary**	**Meets Executive Share Ownership Guidelines**
Galen G. Weston	11,707,300	—	—	11,707,300	5,000,000	5	Yes
Sarah R. Davis	86,271	396,191	186,582	669,044	920,000	2	Ms. Davis has an additional four years to meet the Guidelines.
Allan L. Leighton	69,073	5,405,139	—	5,474,212	3,000,000	3	Yes
Peter K. McMahon	247,064	863,555	303,688	1,414,307	1,208,378	2	Yes
Cindy C.Y. Lee	40,047	260,831	20,092	320,970	1,020,000	2	Ms. Lee has an additional four years to meet the Guidelines.
Robert G. Vaux(1)	—	—	—	1,758,044	1,300,000	2(2)	Yes

(1) The value of Mr. Vaux's holdings in Weston satisfy the Executive Share Ownership Guidelines. The details of his Weston holdings are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.

(2) Mr. Vaux's multiple is based on his combined salary from the Corporation and Weston.

All directors and employees, including the NEOs, are subject to the Corporation's Securities Trading Policy, which prohibits trading in the securities of the Corporation or Weston while in possession of material undisclosed information about the Corporation or Weston. Under this Policy, such persons are also prohibited from entering into certain types of hedging transactions involving the securities of the Corporation or Weston, such as short sales, puts and calls.

2010 COMPENSATION DECISIONS REGARDING THE NAMED EXECUTIVE OFFICERS

The following outlines the rationale underlying the compensation decisions for each of the NEOs for 2010.

Galen G. Weston, Executive Chairman

In 2010, the Governance Committee structured Mr. Weston's LTIP award to be comprised solely of stock options. In March 2010, Mr. Weston received 146,914 stock options with a grant date fair value of approximately $1.5 million. The Governance Committee reviewed Mr. Weston's leadership and performance in determining the quantum of this grant. The Governance Committee also took into account the last LTIP grant, also comprised solely of stock options, was awarded to Mr. Weston in March 2007.

Sarah R. Davis, Chief Financial Officer

Following Ms. Davis' appointment to the position of Chief Financial Officer in May 2010, her base salary was increased from $400,000 to $460,000 to reflect her increased responsibilities. Ms. Davis received an annual LTIP grant in March of 2010 of 24,282 stock options and 3,345 RSUs with a grant date fair value of approximately $368,600 based on her position at that time of Executive Vice President, Finance. She received a second LTIP grant at the time of her appointment to Chief Financial Officer of 3,849 stock options and 537 RSUs with a grant date fair value of approximately $60,934 in May of 2010 reflecting the increase in her LTIP target from 95% to 100% of her base salary. Ms. Davis' total LTIP grant, set at approximately 100% of her pro-rated base salary, is consistent with the LTIP grant values of other senior executives of the Corporation. Ms. Davis' STIP target as a percentage of base salary also changed during 2010. Prior to her appointment, Ms. Davis' STIP target was set at 75% of her base salary. As Chief Financial Officer, Ms. Davis' STIP target became 100% of her base salary.

Allan L. Leighton, Deputy Chairman and President

The Governance Committee did not make any compensation decisions with respect to Mr. Leighton in 2010, other than to award him 40,835 RSUs with a grant date fair value of approximately $1.5 million. The quantum of this grant was determined in accordance with his employment agreement that was entered into in April 2008 when Mr. Leighton was appointed President of the Corporation. The terms of Mr. Leighton's RSUs are the same as the terms of those RSUs described in the RSU Plan section on page 27, except that the terms of Mr. Leighton's RSUs provide for payment upon his resignation, termination without cause, or at his option in certain circumstances.

Peter K. McMahon, Chief Operating Officer

Mr. McMahon has been with the Corporation for five years. In 2010, Mr. McMahon was responsible for the Corporation's supply chain and information technology areas. He served in the position of Executive Vice President, Supply Chain, Distribution and IT until January 24, 2011, at which time he became Chief Operating Officer. In 2010, Mr. McMahon's base salary increased from $592,342 to $604,189, a 2% increase over the previous year. This increase is consistent with other merit based salary increases awarded to executives of the Corporation. As part of the annual LTIP program, Mr. McMahon was also awarded 32,501 stock options and 4,448 RSUs with a grant date fair value of approximately $493,368. In addition, he was awarded an additional LTIP award in 2010 with a grant value of approximately $100,000 comprised of 2,751 RSUs. Mr. McMahon's total LTIP grant, set at approximately 100% of his base salary, is consistent with the LTIP grant values of other senior executives of the Corporation.

Cindy C.Y. Lee, Chief Executive Officer, T&T Supermarket Inc.

Ms. Lee's salary increased from $500,000 to $510,000 on April 1, 2010, a 2% increase over the previous year. This increase is consistent with other merit based salary increases awarded to executives of the Corporation. As part of the annual LTIP program, Ms. Lee received 33,597 stock options and 4,628 RSUs with a grant date fair value of approximately $510,000. Ms. Lee's LTIP grant, set at approximately 100% of her base salary, is consistent with the LTIP grant values of other senior executives of the Corporation.

Robert G. Vaux, Executive Vice President, Corporate Development of Weston (former Chief Financial Officer of the Corporation and Weston)

For Mr. Vaux, the Weston Governance Committee established the level of his LTIP grant for 2010 at approximately $845,000, with 60% of this amount allocated to the Corporation. The Weston Governance Committee approved an increase to Mr. Vaux's annual pension payable upon retirement to $280,369, effective January 1, 2010. The increased pension was based on Mr. Vaux's important contributions to the Corporation's various initiatives in 2009 and his leadership in contributing to improved liquidity levels during difficult economic times. In addition, the amount also reflects his agreement to defer his pension entitlement beyond his normal retirement age. Mr. Vaux received an additional payment of $41,429 in recognition of his service during the time period in which he served in the position of Chief Financial Officer of both the Corporation and Weston in 2010, with 60% of this amount allocated to the Corporation.

TERMINATION AND CHANGE OF CONTROL BENEFITS

None of the Corporation's NEOs' employment agreements provide for change of control benefits. The Corporation's compensations 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 the cessation of employment:

Type of Compensation	Separation Event				
	Resignation	Termination without Cause	Termination with Cause	Retirement	Change of Control
Short Term Incentive Plan	No payment	Payment for the applicable performance period	No payment	Bonus for current year is prorated to retirement date	Governance Committee discretion to grant or adjust bonus
Stock Option Plan	Options forfeited at time of notice of resignation	30 days to exercise vested options	Options cancelled at time of notice of termination	90 days 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 pro rata basis provided termination date is more than 12 months after the grant date	Units forfeited at time of notice of termination	Value of units paid out on a pro rata basis	Governance Committee discretion to adjust grant
Executive Deferred Share Unit Plan	Units automatically redeemed	Units automatically redeemed	Units automatically redeemed	Units automatically redeemed	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 it is deemed 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

Mr. Weston has no contractual entitlement to any severance, termination or change of control payments. Upon termination, Mr. Weston is subject to certain non-competition and confidentiality agreements. Mr. Weston does not participate in any of the Corporation's pension or retirement arrangements.

Sarah R. Davis, Chief Financial Officer

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

Allan L. Leighton, Deputy Chairman and President
Mr. Leighton is not entitled to any severance, termination or change of control payments. The effect of his termination on his outstanding RSUs is described on page 30 under “2010 Compensation Decisions Regarding NEOs”. Upon termination, Mr. Leighton is subject to certain non-competition and confidentiality agreements. Mr. Leighton does not participate in any of the Corporation’s pension or retirement arrangements.

Peter K. McMahon, Chief Operating Officer
If Mr. McMahon’s employment is terminated without cause, he will be entitled to 175% of his base salary. Mr. McMahon’s stock options will vest and his RSUs will be paid out in the event that he is terminated without cause or resigns from the Corporation anytime on or after January 1, 2012.

Cindy C. Y. Lee, Chief Executive Officer, T&T Supermarket Inc.
If Ms. Lee is terminated without cause, she is entitled to receive her salary for 18 months and applicable incentive payments as provided for under the terms of such programs. If Ms. Lee is terminated for cause or resigns, she is entitled to (a) her salary up to the date of termination, and (b) applicable incentive and share based payments as provided for under the terms of such programs. Upon termination in any circumstance, Ms. Lee is subject to certain non-competition and confidentiality agreements.

Robert G. Vaux, Executive Vice President, Corporate Development of Weston (former Chief Financial Officer of the Corporation and Weston)
Mr. Vaux stepped down from the role as Chief Financial Officer of the Corporation on May 5, 2010, remaining with Weston in a senior executive role. If Mr. Vaux is terminated without cause, he is entitled to receive his salary and target STIP bonus for the period to December 31, 2011 and, in addition, his stock option awards will continue to vest until December 31, 2011, at which time all his options will fully vest and he will have up to two years from such date to exercise his options. If Mr. Vaux is terminated without cause, he is entitled to payments for any RSUs received in 2010 and 2011 at the end of their respective performance periods. If Mr. Vaux is terminated for cause or resigns prior to December 31, 2011, he is entitled to (a) salary up to the date of termination, and (b) applicable incentive and share based payments as provided for under the terms of such programs. Upon termination in any circumstance, Mr. Vaux is subject to certain non-competition and confidentiality agreements.

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 1, 2011 for the various reasons described below.

		Amounts Due on Termination					
		Contractual Severance			Long Term Incentive Plans		
Name	**Event**	**Salary(1) ($)**	**Annual Bonus(1) ($)**	**Benefits ($)**	**Stock Options(2) ($)**	**RSUs(3) ($)**	**Total ($)**
Galen G. Weston	Termination with cause	—	—	—	—	—	—
Executive Chairman	Termination without cause	—	—	—	—	—	—
	Resignation	—	—	—	—	—	—
	Retirement(4)	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—
Sarah R. Davis	Termination with cause	—	—	—	—	—	—
Chief Financial Officer	Termination without cause	460,000	460,000	—	—	—	920,000
	Resignation	—	—	—	—	—	—
	Retirement(4)	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—
Allan L. Leighton	Termination with cause	—	—	—	—	—	—
Deputy Chairman and	Termination without cause	—	—	—	—	—(5)	—
President	Resignation	—	—	—	—	—(5)	—
	Retirement(4)	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—
Peter K. McMahon	Termination with cause	—	—	—	—	—	—
Chief Operating Officer	Termination without cause	1,057,331	—	—	885,660	409,361	2,352,352
	Resignation	—	—	—	—	—	—
	Retirement(4)	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—
Cindy C.Y. Lee	Termination with cause	—	—	—	—	—	—
Chief Executive Officer,	Termination without cause	765,000	—	—	—	—	765,000
T&T Supermarket Inc.	Resignation	—	—	—	—	—	—
	Retirement(4)	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—
Robert G. Vaux	Termination with cause	—	—	—	—	—	—
Executive Vice President,	Termination without cause	390,000(6)	390,000(6)	—	748,160(7)	245,714(8)	1,773,874
Corporate Development	Resignation	—	—	—	—	—	—
of Weston (former Chief	Retirement	—	—	—	—	—	—
Financial Officer)	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 in accordance with the Stock Option Plan. The values shown for Mr. McMahon reflects the acceleration of all of his unvested in-the-money options based on a closing price for the Common Shares on January 1, 2011 of $40.37.

(3) RSUs are paid out on a prorated basis where the NEO retires or is terminated without cause in accordance with the RSU Plan. The values shown are for RSUs that would be accelerated and paid out based on a closing price for the Common Shares on January 1, 2011 of $40.37 or a closing price for the common shares of Weston on December 31, 2010 of $84.20.

(4) The NEO was not entitled to retirement benefits as of January 1, 2011.

(5) A portion of Mr. Leighton's compensation for 2008, 2009 and 2010 was paid to him in RSUs. As of January 1, 2011, those awards are all unconditional (other than termination for cause). If he had resigned or been terminated without cause on January 1, 2011, his cash payment would have been $5,405,139, based on the closing price of the Common Shares on January 1, 2011, of $40.37.

(6) In addition, Mr. Vaux is entitled to termination payments relating to salary and annual bonus from Weston of $260,000 for an aggregate payment of $650,000.

(7) If Mr. Vaux had been terminated without cause on January 1, 2011, all stock options granted to Mr. Vaux would continue to vest until December 31, 2011, at which time his options would fully vest and he would have up to December 31, 2013 to exercise such options. The amount in the table reflects the acceleration of all of Mr. Vaux's unvested in-the-money stock options. On January 1, 2011, only Mr. Vaux's Weston stock options were in-the-money. The acceleration of these unvested in-the-money stock options has been valued using the closing price for Weston common shares on December 31, 2010, which was $84.20. The value of these accelerated stock options was $1,246,934, with the Corporation responsible for 60% of this payment.

(8) The value of Mr. Vaux's accelerated Weston RSUs is $409,523, with the Corporation responsible for 60% of this payment.

COMPENSATION DECISIONS FOR 2011

For 2011, the overall structure of the executive compensation program is unchanged.

Long Term Incentive Plan Changes

As a result of recent changes in tax legislation, the Corporation amended its Stock Option Plan to remove the ability of the holder to receive a cash payment equal to the appreciation in the share price in excess of the exercise price. In 2011, stock option exercises will now result in common shares being issued to the holder.

2011 Long Term Incentive Plan Grants

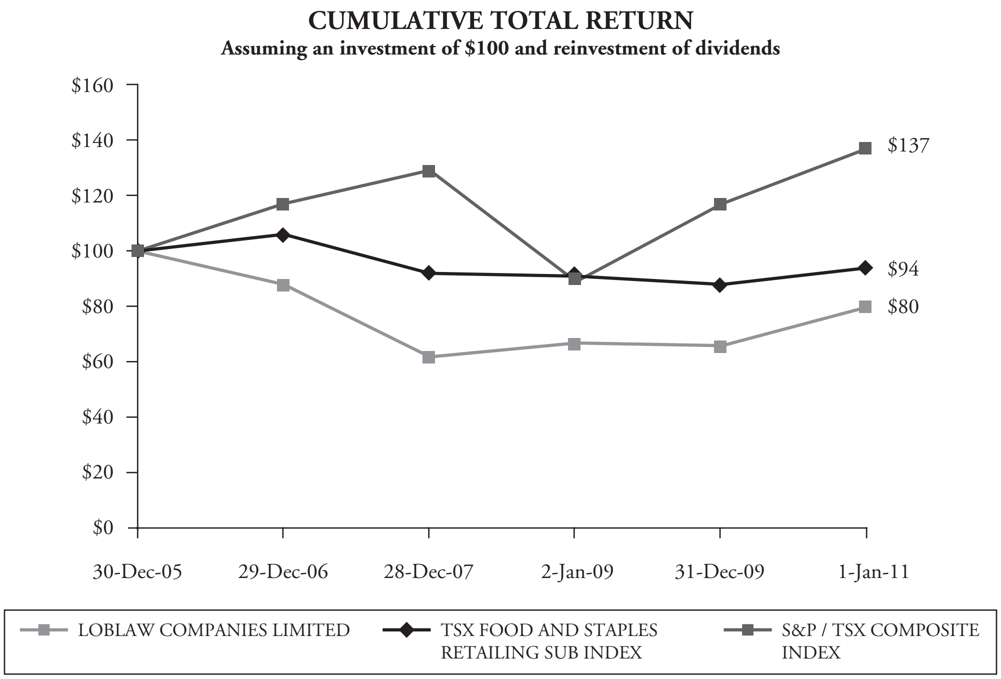
In March, the Governance Committee approved LTIP awards to the executive group. Mr. Galen G. Weston received 187,034 stock options with a grant date fair value of approximately $1.5 million. Ms. Davis received 41,563 stock options and 4,244 RSUs with a grant date fair value of approximately $500,000. Mr. Leighton received 38,192 RSUs of the Corporation with a grant date fair value of approximately $1.5 million. Mr. McMahon received 54,032 stock options and 5,517 RSUs with a grant date fair value of approximately $650,000 as part of the annual LTIP program. As a result of Mr. McMahon taking on increased responsibilities, he was awarded an additional grant of 54,032 stock options and 5,516 RSUs with a grant date fair value of approximately $650,000. Ms. Lee received 39,866 stock options and 4,228 RSUs with a grant date fair value of approximately $518,925. In February, the Weston Governance Committee approved an LTIP grant to Mr. Vaux. Mr. Vaux received 34,514 stock options and 4,113 RSUs of Weston with an aggregate grant date fair value of $845,000 of which the Corporation is responsible for $507,000 (60% of his total award).

Clawback Policy

The Governance Committee has approved a clawback policy for STIP and LTIP grants awarded to employees who are members of the executive management group, subject to certain triggering events. An executive's STIP and LTIP awards will be subject to a clawback if such executive (i) committed a serious breach of the Corporation's Code of Business Conduct; or (ii) received an award based upon the achievement of financial results that were subsequently the subject of a correction due to a significant error in the reporting of the Corporation's financial results, or a restatement of all or a portion of the Corporation's financial statements, and such executive engaged in gross negligence, misconduct or fraud that caused or partially caused the need for the correction or misstatement; and the award received would have been lower had the financial results been properly reported.

PERFORMANCE GRAPH

The graph below compares the cumulative total shareholder return on $100 invested in Common Shares on December 30, 2005, with the cumulative annual total return of the S&P/TSX Composite Index and the Food and Staples Retailing Sub Index over the same period.



	30-Dec-05	29-Dec-06	28-Dec-07	2-Jan-09	31-Dec-09	1-Jan-11
S&P / TSX COMPOSITE INDEX	$100	$117	$129	$89	$117	$137
TSX FOOD AND STAPLES RETAILING SUB INDEX	$100	$106	$ 92	$91	$ 88	$ 94
LOBLAW COMPANIES LIMITED	**$100**	**$ 88**	**$ 62**	**$67**	**$ 66**	**$ 80**

	30-Dec-05	29-Dec-06	28-Dec-07	2-Jan-09	31-Dec-09	1-Jan-11
S&P / TSX COMPOSITE INDEX	26,618.80	31,213.49	34,253.31	23,622.30	31,019.40	36,480.60
TSX FOOD AND STAPLES RETAILING SUB INDEX	1,705.86	1,802.73	1,575.51	1,559.59	1,496.68	1,607.16

For the five-year period ended January 1, 2011, the Corporation's total shareholder return underperformed the S&P/TSX Composite Index and the TSX Food and Staples Retailing Sub Index. In February 2007, the Corporation embarked on a multi year renewal program. Since then, compensation for the NEOs has increased primarily as a result of their achievement of important financial targets at various stages of the renewal program. The NEO compensation for the years prior to the commencement of the renewal program involved substantially different incentive programs such that they do not provide a basis that is relevant to this analysis of NEO compensation.

A substantial portion of executive pay is at-risk based on the financial performance of the Corporation. The at-risk compensation for the NEOs range from 62.0% to 76.8% of the NEOs' total compensation. Stock option and RSU grants are the elements of at-risk compensation that are directly correlated to the Corporation's share price and are therefore directly aligned with shareholder returns. STIP awards are at-risk compensation that are paid based on the successful performance of key financial objectives, which are designed to increase long term shareholder value in the Corporation even if such success does not have an immediate impact on the share price. Since the STIP was introduced in 2007, the Corporation's performance against the earnings targets has varied considerably from year to year. In 2007, the STIP earnings failed to meet the threshold level required to deliver the minimum payout target and accordingly, no bonuses were paid. In 2008, the performance slightly exceeded target and, in 2009, the maximum payout for the STIP was achieved. In 2010, the payouts on two of the performance measures significantly exceeded target but were offset by the fact that the sales component failed to meet the threshold level for a payment.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation earned by the NEOs during fiscal years 2010, 2009 and 2008, as applicable.

					Non-Equity Incentive Plan Compensation				
Name and Principal Position	**Year**(1)	**Salary ($)**	**Share-Based Awards ($)**(2)	**Option-Based Awards ($)**(3)	**Annual Incentive Plans ($)**	**Long-Term Incentive Plans ($)**	**Pension Value ($)**	**All Other Compensation ($)**(4)	**Total Compensation ($)**
Galen G. Weston	2010	1,000,000	—	1,499,992	1,329,500	—	—(5)	83,915	3,913,407
Executive Chairman	2009	1,000,000	—	—	2,000,000	—	—(5)	74,198	3,074,198
	2008	1,000,000	—	—	1,183,800	—	—(5)	69,072	2,252,872
Sarah R. Davis	2010	439,524	141,954	288,526	539,304	—	33,000	43,336	1,485,644
Chief Financial Officer									
Allan L. Leighton(6)	2010	1,000,000	1,484,352	—	1,994,250	—	—(5)	50,004	4,528,606
Deputy Chairman and President	2009	1,000,000	1,479,277	—	3,000,000	—	—(5)	28,641	5,507,918
	2008	1,000,000	1,500,000	—	2,775,700(7)	—	—(5)	10,650	5,286,350
Peter K. McMahon	2010	601,227	261,684	331,835	642,615	—	50,000	107,198	1,994,559
Chief Operating Officer	2009	592,342	353,720	716,739	947,747	—	72,000	227,913	2,910,461
Cindy C.Y. Lee	2010	507,500	168,228	343,025	614,754	—	38,000	49,171	1,720,678
Chief Executive Officer, T&T Supermarket Inc.									
Robert G. Vaux	2010	390,000	168,826(8)	338,171(8)	432,088	—	—	55,146	1,384,231(9)
Executive Vice President,	2009	390,000	169,000(8)	338,000(8)	780,000	—	269,000	94,247	2,040,247(9)
Corporate Development of Weston (former Chief Financial Officer)	2008	274,560	—	—	482,820	—	292,800	49,397	1,099,577

(1) Compensation has been disclosed for the years in which an executive served as an NEO. Mses. Davis and Lee became NEOs in 2010. Mr. McMahon became an NEO in 2009.

(2) Amounts represent the grant date fair value of RSUs awarded to the NEOs, calculated in the following manner: *RSU Grant Date Value = Number of RSUs Granted x volume weighted average share price for the five trading days preceding the grant date*. The grant date fair value of RSU awards is the same as the accounting fair value of such awards on the applicable grant date.

(3) These amounts reflect the grant date fair value of the options when granted. The grant date fair value of stock options granted is calculated in the following manner: *Stock Option Value = Number of Stock Options Granted x Black-Scholes-Merton Value*. The Black-Scholes-Merton methodology is different from that used for accounting purposes, which is based on intrinsic value. For accounting purposes, the value ascribed (or recorded) at the grant date for the stock options referred to in the Summary Compensation Table was based on the intrinsic value of nil, as the exercise price is equal to the market price of the common shares. As a result, the difference between the grant date fair value and the value for accounting purpose is the full amount disclosed.

(4) Amounts under All Other Compensation include the value of a tax equalization payment to Mr. McMahon in the amount of $57,909, the additional payment amount of $24,857 to Mr. Vaux described on page 31, perquisites and payments made by the Corporation under employee share ownership plans.

(5) Messrs. Weston and Leighton do not participate in any retirement plans and they do not have any other retirement or pension arrangements with the Corporation.

(6) Mr. Leighton also serves as Deputy Chairman of Weston and is separately compensated by Weston.

(7) Amount includes a $1,000,000 signing bonus paid to Mr. Leighton in 2008 at the time he assumed the role of President of the Corporation.

(8) Mr. Vaux received share based and option based awards from Weston in 2010. The dollar amounts set forth in the Summary Compensation Table above represent those amounts of the share-based and option-based awards allocated to the Corporation.

(9) Mr. Vaux served as Chief Financial Officer of both the Corporation and Weston in 2010. This table reflects compensation paid to him in his capacity with the Corporation. Pursuant to an agreement between the Corporation and Weston, the costs of his compensation are shared 60:40 between the Corporation and Weston unless otherwise noted.

INCENTIVE PLAN AWARDS

Incentive Plan Awards – Outstanding Option-Based Awards and Share-Based Awards

The following table sets forth the number and value of outstanding option-based and share-based awards for each of the NEOs at the end of fiscal 2010:

	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)**
Galen G. Weston Executive Chairman	10,340 495,786 146,914	69.63 47.44 36.35	January 20, 2012 March 19, 2014 March 11, 2017	0 0 —	—	—
Sarah R. Davis Chief Financial Officer	10,719 17,107 8,553 21,667 1,693 24,282 3,849	49.11 28.95 28.95 30.99 32.54 36.35 37.92	August 3, 2014 March 20, 2015 March 20, 2015(3) March 25, 2016 November 25, 2016 March 11, 2017 May 12, 2017	0 78,158 65,117 40,653 2,654 — —	9,814	396,191
Allan L. Leighton(4) Deputy Chairman and President	371,839	47.44	March 19, 2014	0	133,890	5,405,139
Peter K. McMahon Chief Operating Officer	48,742 5,000 18,580 9,290 78,936 32,501	54.71 46.01 28.95 28.95 30.99 36.35	February 13, 2013 March 28, 2014 March 20, 2015 March 20, 2015(3) March 25, 2016 March 11, 2017	0 0 84,873 70,724 148,091 —	21,391	863,555
Cindy C. Y. Lee Chief Executive Officer, T&T Supermarket Inc.	12,828 33,597	32.54 36.35	November 25, 2016 March 11, 2017	20,092 —	6,461	260,831
Robert G. Vaux Executive Vice President, Corporate Development of Weston (former Chief Financial Officer)	10,771 6,977(5) 76,832(5) 29,870(5) 26,399(5)	69.63 111.02 72.21 59.56 69.51	January 20, 2012 May 13, 2012 March 19, 2014 March 25, 2016(3) March 2, 2017(3)	0 0 552,739 245,340 —	8,778(6)	443,465(6)

(1) The value of outstanding vested option-based awards is calculated based on the closing price for the Common Shares on January 1, 2011 of $40.37.

(2) The dollar value of RSUs awarded to the NEOs is based on the closing price of the Common Shares on January 1, 2011, which was $40.37, multiplied by the number of RSUs awarded.

(3) Three-year vesting period.

(4) Mr. Leighton also received share-based and option-based awards from Weston.

(5) Stock options awarded by Weston for which the Corporation is allocated 60% of the compensation amount. The option grants scheduled to expire on March 25, 2016 and March 2, 2017 will fully vest on December 31, 2011 and Mr. Vaux will have two years to exercise such options.

(6) Mr. Vaux's RSUs were awarded by Weston. The dollar value of the RSUs is based on the closing price of the common shares of Weston on December 31, 2010, which was $84.20, multiplied by the number of RSUs held by Mr. Vaux. The Corporation is allocated 60% of the compensation amount for Mr. Vaux's RSU awards which have a total value of $739,108. The RSUs granted to Mr. Vaux in 2009 and 2010 will be paid at the end of the three year performance period.

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 2010, as well as the value of non-equity incentive plan compensation that the NEOs earned during fiscal 2010.

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	—	—	1,329,500
Sarah R. Davis Chief Financial Officer	114,945	244,205(2)	539,303
Allan L. Leighton Deputy Chairman and President	—	—	1,994,250
Peter K. McMahon Chief Operating Officer	225,884	22,707(2)	642,615
Cindy C.Y. Lee Chief Executive Officer, T&T Supermarket Inc.	20,092	—	614,754
Robert G. Vaux Executive Vice President, Corporate Development of Weston (former Chief Financial Officer)	257,747(3)	295,933(4)	432,088

(1) Payments made in accordance with the Corporation's STIP.

(2) Payments made in 2010 relating to RSUs of the Corporation granted in 2007.

(3) Stock options of Weston for which the Corporation is allocated 60% of the total amount of $429,579.

(4) Payments made in 2010 relating to RSUs of Weston granted in 2007 for which the Corporation paid 60% of the total amount of $493,221.

PENSION PLAN AND LONG SERVICE EXECUTIVE ARRANGEMENTS

Neither Messrs. Weston nor Leighton has any pension arrangements with the Corporation. Mr. Vaux participates in the Weston Executive DB Plan. During 2009, Mr. Vaux's employment agreement with Weston was amended to provide him with an annual pension of $280,369 at retirement. The Corporation has agreed to reimburse Weston a portion of the cost to service this pension entitlement. Mr. McMahon participates in the Corporation's Executive DB Plan. All newly hired and newly appointed executives join the Executive DC Plan, including Mses. Davis and Lee.

Pension Plan Amendments

The Governance Committee approved amendments to the Corporation's executive pension plans effective January 1, 2010. The maximum annual pension cap under the Executive DB Plan was increased from $100,000 to $125,000, with the result that the pensionable earnings salary cap under that plan was increased from $200,000 to $250,000. Similarly, the pensionable earnings salary cap under the Executive DC Plan was increased from $200,000 to $250,000.

Executive Defined Benefit Pension Plan and Supplemental Executive Retirement Plan

For those executives who participate in the Executive DB Plan and retired in 2010, annual pension benefits were capped at $2,494 per year of service. In addition, the Corporation provides SERP allowances to executives who participate in the Executive DB Plan, including Messrs. Vaux and McMahon. The SERP is an unfunded obligation of the Corporation and executives who participate in this plan must comply with certain non-competition provisions in order to receive payment.

Pension entitlements for executives in the Executive DB Plan and the SERP are based on the executive's length of service and his or her highest three-year average rate of base salary during his or her years of service with the Corporation. For senior executives other than Mr. Vaux, 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 those NEOs 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 Note 13 of the 2010 consolidated financial statements of the Corporation. Certain accrued obligations in respect of the 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 Mr. McMahon who participates in the Corporation's Executive DB Plan and Mr. Vaux, who participates in Weston's Executive DB Plan. The table below sets out the Corporation's contribution to the cost of Mr. Vaux's pension entitlement. Mr. Vaux has additional pension entitlements payable from Weston. The details of his Weston compensation are set forth in the Weston Management Proxy Circular, which is available at www.sedar.com.

Name	Number of Years Credited Service (#)	Annual Benefits Payable ($)		Accrued Obligation at Start of Year ($)(1)(2)	Compensatory Change ($)	Non Compensatory Change ($)	Accrued Obligation at Year End ($)(3)
		At Year End	At Age 65				
Peter K. McMahon Chief Operating Officer	5	22,917	47,083	179,000	50,000	41,000	270,000
Robert G. Vaux Executive Vice President, Corporate Development of Weston (former Chief Financial Officer)	27(4)	116,683	116,683(5)	1,359,000	0	199,000	1,558,000

(1) Discount rate is 5.75%.

(2) Benefit amount is fully accrued over the lesser of 25 years and total years of service to retirement.

(3) Discount rate is 5.00%.

(4) Mr. Vaux was credited at a rate of 2.5 years of service for each year of actual service during his first 10 years with the Corporation.

(5) Mr. Vaux's pension entitlement will be actuarially adjusted to $116,683 if he retires on January 1, 2012. Mr. Vaux's total pension entitlement, including the portion allocated to Weston, will be actuarially adjusted to $280,369.

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 2010, contributions were set as a percentage of base salary (maximum of $250,000) and were capped at $22,450 per year, as set forth on the following table:

Age + Years of Service	Employer Contributions as a Percentage of Base Salary
< 50	13%
50-60	15%
61 +	17%

The Corporation entered into retirement agreements with certain executives who participate in the Executive DC Plan to provide SERP benefits to those executives with allocations for contributions in excess of the annual $22,450 registered plan limit.

The following table sets forth details regarding the NEOs who participated in the Corporation's Executive DC plan during 2010:

Name	Accumulated Value at Start of Year ($)	Compensatory ($)	Non-Compensatory ($)	Accumulated Value at Year End ($)
Sarah R. Davis Chief Financial Officer	69,000	33,000	11,000	113,000
Cindy C. Y. Lee Chief Executive Officer, T&T Supermarket Inc.	8,000	38,000	2,000	48,000

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND EMPLOYEES

As at March 28, 2011, there was no indebtedness (other than "routine indebtedness" under applicable Canadian securities laws) owing to the Corporation or any of its subsidiaries by any directors, executive officers, employees or former directors, executive officers or employees of the Corporation or any of its subsidiaries.

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. The Corporation's annual insurance premium in 2010 was $751,200 (shared with Weston). The insurance limit is $100 million per year on an aggregate basis or per occurrence basis. There is no deductible in the case of directors and officers and a deductible of up to a maximum of $1 million for the Corporation.

NORMAL COURSE ISSUER BID

The Corporation has a Normal Course Issuer Bid (the "Issuer Bid") on the TSX which allows for the purchase and cancellation of up to 13,865,435 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 8, 2011. The Corporation intends to renew the Issuer Bid.

ADDITIONAL INFORMATION

The Corporation is a reporting issuer under the securities acts 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*.

Additional copies of the Corporation's latest Annual Information Form (together with the documents or pertinent pages of documents incorporated therein by reference), the Corporation's consolidated financial statements for 2010, together with the report of the auditors on those statements along with Management's Discussion and Analysis and any financial statements for periods after 2010, and this Circular can be obtained upon request from the Vice President, Investor Relations of the Corporation at 1 President's Choice Circle, Brampton, Ontario L6Y 5S5. Additional information about or relating to the Corporation can also be found at www.loblaw.ca and www.sedar.com or by dialing in for regularly scheduled conference calls. Additional information with regard to Weston can be found at www.weston.ca and www.sedar.com. Financial information is provided in the Corporation's comparative financial statements and MD&A for the 2010 financial year.

SHAREHOLDER PROPOSALS

The Canada Business Corporations Act permits eligible shareholders of the Corporation to submit shareholder proposals for consideration at the Annual Meeting of Shareholders. No proposals were received by the deadline for the Meeting. The final date for submission of proposals by shareholders to the Corporation for inclusion in the Management Proxy Circular in connection with the 2012 Annual Meeting of Shareholders is January 1, 2012.

CONTACTING THE BOARD OF DIRECTORS

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

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

BOARD APPROVAL

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

Robert A. Balcom
Senior Vice President and Secretary

Dated in Toronto, Ontario
March 31, 2011

SCHEDULE A CORPORATE GOVERNANCE PRACTICES

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation's Board and management believe that sound corporate governance practices contribute to the effective management of the Corporation and its achievement of strategic and operational plans, goals and objectives. The Corporation's approach to corporate governance is generally consistent with Canadian Securities Administrators' Corporate Governance Guidelines (the "Guidelines"). The Governance Committee regularly reviews the Corporation's corporate governance practices and considers any changes necessary to maintain the Corporation's high standards of corporate governance in a rapidly changing environment.

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

Board Responsibilities and Duties

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

The Board approves the Corporation's goals, objectives, operating budgets and strategies, which take into account the opportunities and risks of the business. Members of the Board attend an annual all-day strategy session with management to discuss and review the Corporation's strategic plans and opportunities. At that session, each operating division presents a review of its activities and its outlook and strategies for the long-term. Through the Audit Committee, the Board oversees the Corporation's risk management framework and assesses and evaluates the integrity of the Corporation's internal control over financial reporting and information systems. As part of its risk management oversight, the Board receives reports on management's approach to risk management. Through the Governance Committee, the Board oversees succession planning and compensation for senior management and members of the Board. Individual directors may, with the approval of the Lead Director, retain an outside advisor at the expense of the Corporation.

The Board reviews and approves:

- strategic corporate direction and corporate performance objectives;
- multi-year and annual business, capital and operating plans and budgets;
- material capital expenditures, acquisitions, divestitures and restructurings;
- investments outside of the ordinary course of business; and
- management's approach to enterprise risk management.

These matters are in addition to those matters that are required by law or corporate policy to receive Board consideration and approval.

The Board regularly receives reports on the operating results of the Corporation, as well as reports on certain non-operational matters, including insurance, pensions, corporate governance, health and safety, legal and treasury matters. The Board also closely monitors any potential conflicts of interest between the Corporation and its affiliates, including Weston.

Board Leadership

Mr. Galen G. Weston is the Executive Chairman of the Board and Mr. Allan L. Leighton is the Deputy Chairman and President of the Corporation. The Board maintains a position description for each of the Executive Chairman and the Deputy Chairman and President which are reviewed annually by the Governance Committee and the Board.

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

The Board has also appointed an independent director, Anthony S. Fell, to serve as Lead Director. The Lead Director provides leadership to the Board and particularly to the independent directors. He ensures that the Board operates independently of management and that directors have an independent leadership contact. The Lead Director chairs meetings of the independent directors following each Board meeting and on other occasions as required or desirable. In addition, the Board maintains a position description for the Lead Director. The Lead Director meets periodically with the other directors to obtain insight as to areas where the Board and its Committees can operate more effectively and to ensure that the Board is able to discharge its responsibilities independent of management.

Director Independence

The mandate of the Board of Directors 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 Guidelines and the requirements set by the Canadian securities regulators in National Instrument 52-110 – Audit Committees. In determining independence, the Governance Committee determines whether directors have any material relationship with the Corporation or its affiliates that could reasonably be expected to interfere with the exercise of the director's independent judgment. This determination is conducted through a due diligence process that includes the following:

- directors' responses to a detailed annual questionnaire;
- biographical reviews;
- internal records and documents on relationships between directors and entities affiliated with directors and the Corporation and its subsidiaries; and
- discussions with individual directors 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, or 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 Guidelines. The Governance Committee determined that 7 of the 12 nominees to be independent.

The following director nominees were determined to be independent: Stephen E. Bachand, Paul M. Beeston, Anthony S. Fell, Christiane Germain, Nancy H.O. Lockhart, Thomas C. O'Neill and John D.

Wetmore. The following director nominees were determined not independent because they have a material relationship with the Corporation or its affiliates, as described below:

- Galen G. Weston, who is an executive officer of the Corporation and a relative of Mr. W. Galen Weston, the Corporation's controlling shareholder;
- Gordon A. M. Currie, who is an executive officer of the Corporation and of Weston;
- Anthony R. Graham, who is an executive officer of Wittington Investments, Limited, the principal shareholder of Weston;
- John S. Lacey, who is an advisor to the Chairman of the Board of Weston; and
- Allan L. Leighton, who is an executive officer of the Corporation and of Weston.

The Chair of the Board and of each Committee typically meet separately with the Board or Committee members after each meeting without management present. The independent directors typically meet separately following each Board meeting and on other occasions as required or desirable without the non-independent directors or management present. There were eight separate meetings of the independent directors in 2010. Additional information relating to the individual directors and director nominees 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 2010, can be found on pages 5 through 10 of this Circular.

Ethical Business Conduct

The Corporation's Code of Business Conduct (the "Code") reflects the Corporation's long-standing commitment to high standards of ethical conduct and business practices. The Code is reviewed annually to ensure it is current and reflects best practices in the area of ethical business conduct. All directors, officers and employees of the Corporation are required to comply with the Code and must acknowledge their commitment to abide by the Code on a periodic basis. The Audit Committee receives periodic reports on any compliance issues. In 2010, there were no material violations of the Code by any directors or officers. The Code is available on the Corporation's website at www.loblaw.ca.

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

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

The Corporation encourages the reporting of unethical behaviour and has established an Ethics Response Line (or "whistleblower" line), a toll-free number that any employee or director may use to report conduct which he or she feels violates the Code or otherwise constitutes fraud or unethical conduct. A fraud reporting protocol has also been implemented to ensure that fraud is reported to senior management in a timely manner. In addition, the Audit Committee has endorsed procedures for the anonymous receipt, retention and handling of complaints regarding accounting, internal 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 complaints are being handled appropriately.

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

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 for new directors. 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 a directors' guide containing details of the Corporation's operations, the structure and role of the Board and its Committees, the Board's mandate, compliance requirements for directors, corporate policies, as well as agendas and minutes for recent Board and Committee meetings. New directors are provided with additional historical and financial information, opportunities to visit the Corporation's facilities and stores, and opportunities for one-on-one meetings and discussions with the executive leadership team and other directors. The goal is to ensure that new directors fully understand the nature and operation of the Corporation's businesses. 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.

All Board members participate in an annual all-day Board meeting at which in-depth information regarding particular aspects of the Corporation's strategic plan is reviewed. In addition, at least one off-site board meeting is held each year to familiarize directors with regional operations. Such meetings include visits to the Corporation's stores and distribution centres and meetings with local senior management. Members of the Board also participate periodically in senior management meetings. These meetings involve presentations by, and discussions with, senior executives responsible for different aspects of the business of the Corporation. In 2010, the Board received training on the transition to International Financial Reporting Standards from Canadian Generally Accepted Accounting Principles. The Governance Committee also receives periodic reports on regulatory developments and matters of general interest in the area of corporate governance and executive compensation. Directors are canvassed on governance topics or issues on which the Corporation is asked to provide input from time to time.

Assessment of the Board, its Members and its Committees

Each year, the Governance Committee undertakes a review process to assess the performance and effectiveness of the Board and its Committees. 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 assessment, the members of the Board make recommendations for improvements in certain areas, including the involvement of the Board with the Corporation's strategic plan and the number of Board meetings held in a typical year. 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 and the Deputy Chairman and President and reviews the results with the Board.

Nomination of Directors

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

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 or otherwise. As part of this assessment, the Governance Committee reviews the skill set of current board members to determine skills and experience 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. The Governance Committee also assesses any concerns relating to potential conflicts, independence or time commitment that the candidate may present. The Executive Chairman, 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 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.

Composition of the Governance Committee

One member of the Governance Committee, Mr. Graham, is an executive officer of Wittington, the principal shareholder of Weston, and he is considered not independent under the guidelines. Because of Wittington's significant stake in the Corporation and the alignment of its interests with those of minority shareholders of the Corporation, namely, the creation of value and long-term growth, the Board has determined that it is appropriate for Mr. Graham to be a member of the Governance Committee, with the remainder of the members of the Governance Committee being independent directors. The Board believes that the presence of a majority of independent directors on the Governance Committee and the alignment of interests described above ensures an objective nomination process that is in the interests of all shareholders.

Board Committees

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

The Audit Committee is comprised solely of independent directors. All other committees (other than the Executive and Pension Committees) are comprised solely of non-management directors, in each case with a majority of members being independent directors. 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 (other than the Executive Committee) allows them to operate independently from management such that shareholders' interests are protected. All committees (other than the Executive Committee) may engage outside advisors or consultants as necessary, and have the authority to approve fees for any such engagements.

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 reported to the Board for approval. Copies of the Committees' mandates are available on the Corporation's website at www.loblaw.ca.

Position Descriptions for the Chair of each Committee

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

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

Audit Committee

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

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

Governance, Employee Development, Nominating and Compensation Committee

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

- identifying candidates for membership on the Board and evaluating the independence of the directors;
- assisting in directors' orientation and assessing their performance on an on going basis;

- shaping the Corporation's approach to corporate governance and recommending to the Board the corporate governance principles to be followed by the Corporation;
- discharging the Board's responsibilities relating to compensation and succession planning for the Corporation's senior executives; and
- determining the process for the compensation of directors and executive officers.

The Board has appointed the Chair of the Governance Committee, who is an independent director, to serve as Lead Director.

Pension Committee

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; and
- reviewing and approving the assumptions used, the funded status and amendments to the Corporation's and its subsidiaries' pension plans.

Environmental, Health and Safety Committee

The Environmental, Health and Safety Committee ("EH&S Committee") is responsible for reviewing and monitoring the Corporation's policies, procedures, practices and compliance in the areas of environmental affairs, food safety and workplace health and safety. The EH&S Committee receives periodic reports on risks and risk management activities in these areas, including compliance programs.

Executive Committee

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

OTHER CORPORATE GOVERNANCE MATTERS

Disclosure Policy

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

Disclosure Committee

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

SCHEDULE B 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 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 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

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

(d) Monitor 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 and oversee the Corporation's compliance with applicable audit, accounting and reporting requirements.

(e) Monitor Enterprise Risk Management Program

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

(f) Oversee Effective External Communications

- Satisfy itself that there is effective communication between the Board and the Corporation's shareholders and 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.

(g) 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.
- 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 Deputy Chairman, the Lead Director and the chair of each committee of the Board.
- Assess the effectiveness and performance of the Board and its committees as well as their individual members.

(h) Monitor Corporate Social Responsibility, Integrity and Ethics

- Ensure that senior executives maintain a culture of integrity throughout the Corporation.
- Adopt a written code of business conduct which is applicable to employees, officers and directors of the Corporation, and monitor compliance with the code.
- Monitor and receive 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 National Instrument 58-101 Disclosure of Corporate Governance Practices, 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;
- the Pension Committee; and
- the Executive Committee.

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 charter, as approved by the Board. At least annually, each mandate shall be reviewed and, on the recommendation of the Governance, Employee Development, Nominating and Compensation Committee, approved by the Board. Each Committee Chair shall provide a report to the Board on material matters considered by the Committee at the next regular Board meeting following the 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 equity ownership guidelines.