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Loblaw Companies Limited

Management Proxy Circular

Solicitation of Proxies

This Management Proxy Circular (the "Circular") is furnished in connection with the solicitation by the management of LOBLAW COMPANIES LIMITED (the "Corporation") of proxies to be used at the Annual Meeting of Shareholders of the Corporation (the "Meeting") to be held on Wednesday, May 5, 2004, at 11:00 a.m. (local time) in Constitution Hall, Room 105 Metro Toronto Convention Centre, 255 Front Street West, Toronto, Ontario, M5V 2W6 or any adjournment thereof. The cost of such solicitation will be borne by the Corporation.

At the Meeting, shareholders will act upon the matters outlined in the Notice of Annual Meeting accompanying this Circular including the election of directors, the re-appointment of the auditor and the shareholder proposal attached as Schedule C. In addition, the Corporation's management will report on the performance of the Corporation and respond to questions from shareholders.

Revocation of Proxies

A registered shareholder of common shares of the Corporation ("Common Shares") who has given a proxy may revoke the proxy by an instrument in writing executed by him/her or by his/her attorney authorized in writing or, if the shareholder is a corporation, by its duly authorized officer(s) or attorney authorized in writing, and deposited either at the registered office of the Corporation, Suite 1500, 22 St. Clair Avenue East, Toronto, Ontario, M4T 2S8, or at the offices of the Corporation's transfer agent, Computershare Trust Company of Canada, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 (the "Transfer Agent"), at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or with the Secretary of the Meeting on the day of the Meeting or adjournment thereof prior to the commencement of the Meeting.

A Non-registered Shareholder (as defined below) may revoke a voting instruction form or a waiver of the right to receive meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on a revocation of a voting instruction form or of a waiver of the right to receive materials and to vote that is not received by the intermediary at least 7 days prior to the Meeting.

Non-Registered Shareholders

If Common Shares of the Corporation are not registered in the name of the shareholder ("Non-registered Shareholder"), they will be held in the name of a "nominee", which is usually a trust company, securities broker or other financial institution. The nominee is required to seek the instructions from the Non-registered Shareholder as to how to vote such Common Shares. For that reason, Non-registered Shareholders should have received this Circular from their respective nominees, together with a voting instruction form. Each nominee has its own signing and return instructions, which Non-registered Shareholders should follow carefully to ensure their Common Shares will be voted in accordance with their instructions.

Since the Corporation does not have access to the names of its Non-registered Shareholders, if a Non-registered Shareholder wishes to attend the Meeting, the Corporation will have no record of the Non-registered Shareholder's shareholdings or of their entitlement to vote, unless the nominee has appointed the Non-registered Shareholder as proxyholder. Therefore, if a Non-registered Shareholder wishes to attend and vote in person at the Meeting, a Non-registered Shareholder's name should be placed in the space provided on the voting instruction form sent by respective nominees. By doing so, a Non-registered Shareholder is instructing the nominee to appoint such Non-registered Shareholder as proxyholder. Non-registered Shareholders should sign and follow the return instructions provided by individual nominees. Non-registered Shareholders who will be voting at the Meeting need not complete the voting instruction portion of the form.

Non-registered Shareholders should follow the instructions on the forms they receive and contact their intermediaries promptly if they need assistance.

Voting and Exercise of Discretion by Proxyholder

The Common Shares represented by properly executed and returned proxies in favour of the persons designated in the printed portion of the enclosed form of proxy will be voted or not voted on any ballot that may be called for with respect to any matter referred to therein in accordance with the instructions made in the proxy. **In the absence of such instructions, such Common Shares will be voted for the election of the directors, for the re-appointment of the auditor and against the shareholder proposal attached as Schedule C.**

The proxy confers discretionary authority upon the persons named therein with respect to any amendments or variations to matters identified in the Notice of Annual Meeting and with respect to any other matters which may properly come before the Meeting. **The Common Shares represented by proxies in favour of management nominees will be voted with respect to any such matter in the manner directed by management.** The management of the Corporation is not aware of any amendments or variations or other matters to come before the Meeting.

Record Date for Voting

Holders of Common Shares as at the close of business April 2, 2004 are entitled to one vote at the Meeting for each Common Share shown as registered in such holder's name on such date.

Voting Securities

The Corporation currently has 274,696,614 Common Shares issued and outstanding.

Controlling Shareholder

Mr. W. Galen Weston and George Weston Limited, beneficially own directly or indirectly through Weston Food Distribution Inc. and Weston Holdings Limited 173,544,635 Common Shares or 63.17% of the outstanding Common Shares. Mr. W. Galen Weston beneficially owns or controls, through Wittington Investments, Limited and affiliated companies, 80,691,887 or 62.62% of the outstanding common shares of George Weston Limited.

Votes Required for Approval

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

Voting Confidentiality

In order to preserve the confidentiality of individual shareholder votes, proxies are counted and tabulated by the Transfer Agent. This function is performed independently of the Corporation. Proxies are only referred to the Corporation in cases where a shareholder clearly intends to communicate an individual position to management or when it is necessary to do so to meet the requirements of applicable law.

Election of Directors

On March 9, 2004, the Board of Directors, in accordance with the by-laws of the Corporation, determined that the number of directors to be elected at the Meeting would be 13. It is proposed that the persons named below be nominated for election as directors of the Corporation. Management does not believe that any of the nominees will be unable to serve as a director, but if that occurs for any reason prior to the Meeting, **the persons named in the enclosed form of proxy may vote for another nominee at their discretion.** Each director will hold office until the next annual meeting or until the director resigns or a successor is elected or appointed.

The table below provides information with respect to each of the nominees, including the number of Common Shares beneficially owned by them or over which they exercise control or direction and the number of deferred share units of the Corporation held by them on March 9, 2004. Biographies and current committee responsibilities of these nominees are attached as Schedule A. The independence and relatedness of directors is discussed under Statement of Corporate Governance Practices.

Information as to Proposed Nominees for Election as Directors

	Age	Director Since	Common Shares	Deferred Share Units	Securities of George Weston Limited
John M. Cassaday, Toronto, Ontario President and Chief Executive Officer of Corus Entertainment Inc. (media and production company)	50	1999	5,865	3,199	–
Camilla H. Dalglish, Toronto, Ontario Corporate Director	66	1991	800	2,847	310,560 [i] 20,000 [ii] 40,000 [iii]
Robert J. Dart, Toronto, Ontario Vice Chairman of Wittington Investments, Limited (an affiliate of the Corporation and investment company)	65	1994	5,000	–	35,000 [i] 2,000 [ii] 4,000 [iii]
Anthony S. Fell, Toronto, Ontario Chairman of RBC Capital Markets Inc. (investment and financial company)	65	2001	20,000	2,335	–
Anne L. Fraser, Calgary, Alberta Corporate Director	63	2000	500	926	1,500 [i] 500 [ii] 1,065 [iv]
Anthony R. Graham, Toronto, Ontario President of Wittington Investments, Limited (an affiliate of the Corporation and investment company)	47	1999	10,000	2,810	10,000 [i] 1,653 [iv]
John A. Lederer, Toronto, Ontario President of the Corporation	48	2002	50,000	–	–
Pierre Michaud, Montreal, Quebec Chairman of Provigo Inc. (a subsidiary of the Corporation)	60	1999	85,284	–	–
Thomas C. O'Neill, Toronto, Ontario Corporate Director, retired Chairman, PricewaterhouseCoopers Consulting (accounting and consulting firm)	58	2003	2,000	397	500 [i]
G. Joseph Reddington, Lititz, Pennsylvania Chairman and Chief Executive Officer of Breuners Home Furnishings Corporation (retail furniture company)	62	1994	3,000	2,817	–

	Age	Director Since	Common Shares	Deferred Share Units	Securities of George Weston Limited
T. Iain Ronald, Toronto, Ontario Corporate Director	71	1992	6,000	2,679	–
W. Galen Weston, Toronto, Ontario Chairman of the Corporation	63	1972	173,544,635	–	80,691,887[i]
Joseph H. Wright, Toronto, Ontario Managing Partner of Barnagain Capital (investment company)	61	1996	7,086	3,482	–

i Common Shares of George Weston Limited
ii Preferred Shares Series I of George Weston Limited
iii Preferred Shares Series II of George Weston Limited
iv Deferred Share Units of George Weston Limited

Re-Appointment of Auditor

It is proposed that KPMG LLP Chartered Accountants be re-appointed as auditor of the Corporation to hold office until the next annual meeting of shareholders in 2005. KPMG LLP have served as auditor of the Corporation for more than 10 years.

For the years 2003 and 2002, KPMG LLP and its affiliates received fees as detailed below:

	2003	2002
		($thousands)
KPMG LLP		
Audit Services	1,166	1,200
Audit-related services	400	264
Tax Related Services	327	384
Other Services	455*	73
Total Fees	2,348	1,921

*$425 relates to planning and documentation assistance in connection with a review of the Corporation's internal financial controls and procedures.

Shareholder Proposal

Set out in Schedule C to this Circular is a shareholder proposal that has been submitted for consideration at the Meeting and the response of management and the Board of Directors. The proposal would require a simple majority of the votes cast at the Meeting in order to be approved.

The *Canada Business Corporations Act* permits certain eligible shareholders of the Corporation to submit shareholder proposals to the Corporation, which proposals may be included in a management proxy circular relating to an annual meeting of shareholders. The final date by which the Corporation must receive shareholder proposals for the annual meeting of shareholders to be held in 2005 is December 21, 2004.

Executive Compensation

The following table sets forth compensation paid by the Corporation and its subsidiaries to the persons who were at the end of 2003 the five most highly compensated policy making executive officers including the Chief Executive Officer and Chief Financial Officer of the Corporation and its principal subsidiaries as required by applicable legislation (collectively the "Named Executive Officers") for services rendered in all capacities to the Corporation or a subsidiary for the years 2003, 2002 and 2001.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation: Salary ($)	Annual Compensation: Bonus ($)	Other Annual Compensation ($)	Long-Term Compensation: Awards: Securities Under Options/SARs Granted (#)(1)	Long-Term Compensation: Payouts: Long-Term Incentive Plan Payouts ($)	All Other Compensation ($)
W. Galen Weston	2003	800,000	500,000	–	149,254	–	–
Chairman of the Corporation	2002	800,000	500,000	–	–	–	–
	2001	1,200,000	500,000	–	41,240	–	–
John A. Lederer	2003	1,200,000	851,750	–	149,254	–	–
President of the Corporation	2002	1,200,000	781,500	–	–	–	–
	2001	1,200,000	630,732	–	164,950	–	–
David K. Bragg	2003	375,000	277,624	–	41,978	–	–
President, Loblaw Properties	2002	330,000	242,499	–	–	–	–
Limited	2001	330,000	263,696	–	–	–	–
David R. Jeffs	2003	700,000	509,966	–	52,239	–	–
President, Westfair Foods Ltd.	2002	600,000	393,999	–	–	–	–
	2001	583,333	329,767	–	100,000	–	–
Richard P. Mavrinac	2003	500,000	284,916	–	46,642	–	–
Executive Vice President	2002	275,000	233,750	–	–	–	–
of the Corporation	2001	275,000	201,575	–	–	–	–

(1) Common Shares of the Corporation

Option/SAR Grants During the Most Recently Completed Financial Year (2003)

Under its Stock Option Plan ("Option Plan"), the Corporation grants options to buy Common Shares or receive stock appreciation rights attaching to option grants that are valued based on the fair market value of the Common Shares at the close of business on the day before the grant. Stock options have a 7-year term, are exercisable at the market price of the Common Shares on the date prior to the grant, and vest 20% on each of the first, second, third, fourth and fifth anniversaries of the date of the grant. Messrs. John A. Lederer, Richard P. Mavrinac and W. Galen Weston also participate in the George Weston Limited Option Plan, details of which are outlined in the George Weston Limited Management Proxy Circular.

The following table sets forth grants of options of the Corporation made during 2003 to Named Executive Officers:

Name	Securities Under Options/SARs Granted (#)[(1)]	% of Total Options/SARs Granted to Employees on January 15, 2003	Exercise or Base Price ($/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant ($/Security)	Expiration Date
W. Galen Weston	149,254	6.3%	53.60	53.60	January 15, 2010
John A. Lederer	149,254	6.3%	53.60	53.60	January 15, 2010
David K. Bragg	41,978	1.77%	53.60	53.60	January 15, 2010
David R. Jeffs	52,239	2.21%	53.60	53.60	January 15, 2010
Richard P. Mavrinac	46,642	1.97%	53.60	53.60	January 15, 2010

(1) Common Shares of the Corporation

The following table sets forth, where applicable, options on Common Shares exercised during 2003 and unexercised options at January 3, 2004 for each of the Named Executive Officers:

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

Name	Securities/ SAR's Acquired on Exercise #[(1)]	Aggregate Value Realized $[(1)(2)]	Unexercised Options at Financial Year End (#) Exercisable	Unexercisable	Date Option/ SAR Granted	Value of Unexercised in the Money Options/SARs at Financial Year End $ Exercisable	Unexercisable
W. Galen Weston			37,500	75,000	Jan. 11/00	1,344,375	2,688,750
			16,496	24,744	Jan. 08/01	319,197	478,796
			–	149,254	Jan. 15/03	–	2,126,869
John A. Lederer	12,632	488,631	–	–	Jan. 03/97	–	–
	17,368	493,806	70,064	–	Jan. 30/98	3,037,274	–
			11,236	2,809	Jan. 13/99	362,361	90,590
			112,500	75,000	Jan. 11/00	4,033,125	2,688,750
			65,980	98,970	Jan. 08/01	1,276,713	1,915,069
			–	149,254	Jan. 15/03	–	2,126,869
David K. Bragg	2,000	79,018	–	–	Jan. 30/98	–	–
			2,808	1,404	Jan. 13/99	90,558	45,279
			13,130	26,260	Jan. 11/00	470,710	941,421
			–	41,978	Jan. 15/03	–	598,186
David R. Jeffs	26,315	1,250,015	–	–	Jan. 03/97	–	–
			15,000	–	Jan. 30/98	650,250	–
			5,616	1,404	Jan. 13/99	181,116	45,279
			59,070	39,380	Jan. 11/00	2,117,659	1,411,773
			40,000	60,000	Oct. 19/01	752,000	1,128,000
			–	52,239	Jan. 15/03	–	744,405
Richard P. Mavrinac	2,000	75,844	–	–	Jan. 30/98	–	–
	1,404	37,658	–	1,404	Jan. 13/99	–	45,279
	7,520	228,773	–	15,040	Jan. 11/00	–	539,184
			–	46,642	Jan. 15/03	–	664,648

(1) Common Shares of the Corporation

(2) Pretax value accrued since date option granted to date of exercise.

Pension Plan and Long Service Executive Arrangements

The following table illustrates the estimated annual benefit payable at normal retirement age for all senior executives participating in the Corporation's Designated Executive Pension Plan (the "Plan"). The annual benefit does not include bridge benefits for the Canada Pension Plan and Old Age Security. In calculating the annual benefit, the pension formula incorporates the senior executive's average annual base salary and years of service.

Pension Plan Table

Annual Base Salary	Years of Service				
$(000's)	15	20	25	30	35
75	22,500	30,000	37,500	45,000	52,500
100	25,833	34,444	43,055	51,666	60,277
125 and above	25,833	34,444	43,055	51,666	60,277

In addition, senior executives of the Corporation are entitled to receive an annual retirement allowance under a Supplementary Employee Retirement Plan ("SERP") up to a maximum of 50% of final salary to a maximum of $100,000, inclusive of any and all pensions payable from all Corporation sources. Pursuant to the SERP, each of John A. Lederer, David K. Bragg, David R. Jeffs and Richard P. Mavrinac, will be entitled to receive an annual retirement allowance at his normal retirement date. The retirement allowance is based on length of service at the rate of 2% per year, to a maximum of 50% of his best three years' average base salary as defined in the Plan. Pursuant to their contracts, Messrs. John A. Lederer and Richard P. Mavrinac are entitled to an aggregate annual retirement allowance at age 60 of $500,000 and $250,000 respectively, depending on length of service. These payments are inclusive of whatever annual amount is payable from the Plan, the SERP and/or any pension plan of an affiliate. The Plan rules otherwise applicable to the Plan apply to this annual retirement allowance.

The estimated total credited years of service at normal retirement date for each Named Executive Officer is as follows: John A. Lederer (34.2); David K. Bragg (25.6); David R. Jeffs (38.9) and Richard P. Mavrinac (30.4). W. Galen Weston (27.8) participates in the George Weston Limited Designated Executive Pension Plan which has the same attributes as the Plan.

Employment and Retirement Arrangements

Mr. Lederer was appointed President of the Corporation on January 1, 2001 and entered into an employment contract with the Corporation which, among other things, fixed Mr. Lederer's annual base salary at $1.2 million for 3 years and entitled him to a bonus of up to $1 million per annum upon achieving certain objectives and an initial grant of options on 164,950 Common Shares, which were granted at market price on January 8, 2001. Effective January 1, 2004 and in accordance with his contract, Mr. Lederer's base salary was reviewed by the Governance, Employee Development, Nominating and Compensation Committee and increased to $1.35 million annually for a 3 year period and his bonus was increased to a maximum of 100% of salary based on Economic Value Added ("EVA") consistent with all senior executives and up to an additional maximum of $250,000 at the discretion of the Governance, Employee Development, Nominating and Compensation Committee. Upon ceasing to be employed by the Corporation, Mr. Lederer may be entitled to a payment of a maximum of $10 million, subject to certain non-competition covenants.

Mr. Mavrinac entered into a 5-year contract with the Corporation and its parent, effective January 1, 2003, which fixes his base salary at $500,000 for 2 years and entitles him to a bonus of up to a maximum of

100% of base salary based on EVA. On ceasing to be employed by the Corporation, Mr. Mavrinac may be entitled to a maximum payment of up to $5 million subject to certain non-competition covenants.

Report on Executive Compensation

The responsibilities of the Governance, Employee Development, Nominating and Compensation Committee (the "Governance Committee") are summarized under "Statement of Corporate Governance Practices" on page 12. Among other matters, the Governance Committee is responsible for reviewing, approving overall compensation policies and reviewing, approving and recommending compensation for senior officers of the Corporation and its operating divisions, including those Named Executive Officers listed in the Summary Compensation Table on page 5.

As of March 9, 2004, the members of the Governance Committee were Anthony S. Fell (Chairman), Anthony R. Graham, G. Joseph Reddington and Joseph H. Wright, all of whom are independent, within the meaning of the recommended best practices published in draft for public comment by the Canadian securities regulators in January, 2004, except for Mr. Graham who is not independent solely because he is an executive officer of Wittington Investments, Limited.

Compensation Philosophy

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

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

Comparator Group

In determining compensation for senior officers, including the Named Executive Officers, the Corporation considers the compensation practices of a comparator group of similarly-sized Canadian and U.S. companies in the food distribution and retail industries. In determining compensation for the Named Executive Officers, the Governance Committee also considers publicly-disclosed executive compensation information of various Canadian public companies whose revenues, profitability and market capitalization are comparable to those of the Corporation.

On a regular basis, the Governance Committee retains external compensation consultants to analyze total compensation paid by the Corporation and its form to ensure that such compensation is competitive with that paid by companies in the comparator group described above and is effective in achieving the objectives established by the Corporation.

Components of Total Compensation

The aggregate compensation of senior officers of the Corporation, including the Named Executive Officers, consists of four components: base salary, annual cash incentives, equity incentives and retirement plans. The Corporation aims to ensure that each senior officer's compensation is an appropriate balance of salary and short term and long term incentive components.

(i) Base Salary

The Governance Committee reviews base salaries for senior officers, including the Named Executive Officers, on a two or three-year basis. Base salaries are set with reference to the criteria and competitive benchmarks set forth above. The Corporation's compensation philosophy with respect to base salaries is to maintain levels at approximately the market median (50^{th} percentile) and to place more upside opportunities on the discretionary incentives. Accordingly, although base salaries are reviewed on a regular multi-year basis, they are relatively de-emphasized and are increased infrequently except in the case of a change of responsibility or promotion.

(ii) Annual Cash Incentives

The senior officers participate in a bonus plan based on EVA principles which is applicable to 152 senior executives and is based on operating income performance and the cost of capital to achieve operating income results as determined by the Corporation. EVA, for purposes of the bonus plan, is a performance measure of the economic value generated by the assets employed by the Corporation. The determination of EVA evaluates the return generated by the operating performance of the Corporation over the cost of capital, for both debt and equity, employed to generate operating income. As a result of the bonus plan, a significant portion of each senior officer's annual compensation is linked to the EVA generated by the business. The EVA bonus plan more closely aligns the bonus aspect of the senior officers' compensation with long-term shareholder objectives of producing sustainable long-term returns above the cost of capital. By measuring the economic value added over operating costs and the cost of capital, EVA measures the combined productivity of all factors of production which focuses both on operating income generation and the efficient management of assets.

The EVA bonus earned in any year is paid out over a 3-year period, one-third in each subsequent year, commencing with the immediate following year after it is earned. As a result of the payout mechanism, subsequent years' EVA bonus earned can either increase or decrease the amount of the EVA received by the senior officers and therefore ensures that long-term performance is not sacrificed by decisions to enhance profitability for the short term.

(iii) Equity Incentives

Senior officers participate in the Corporation's Option Plan. Allocations under the Option Plan are intended to provide strong incentives for superior long-term future performance. The Option Plan links compensation to shareholders' interests because the value of the awards is directly related to the Corporation's future stock price.

The Corporation's Option Plan has two objectives:

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

Options are granted to senior officers based upon a multiple of base salary reflecting their position, length of service and responsibility. For the fiscal year ending January 3, 2004, the multiple ranged from 10 times salary at the most senior levels to 1 times salary at the division operating level. Options are not granted every year and are reviewed by the Governance Committee as part of its regular review.

Under the Option Plan, individuals can elect to take up Common Shares or the share appreciation value in accordance with the terms of the Option Plan. Options are awarded as part of total compensation without reference to outstanding option grants held by a particular officer although total unvested option entitlements are reviewed at the time of option grants to ensure that the Corporation is within its target of no more than 5% of outstanding Common Shares being subject to options at any time. The Governance Committee examines stock options granted by companies in the comparator group described above to ensure that such option grants to the Corporation's senior officers are competitive. To hold stock options, an individual must be an officer or employee of the Corporation, or of a subsidiary or affiliate of the Corporation.

The maximum number of Common Shares issuable under the Option Plan at any time without first obtaining shareholder approval cannot exceed 20,405,991. As indicated above, the Corporation has a target of a maximum of 5% of outstanding Common Shares at any time.

On January 15, 2003, options on 2,367,746 Common Shares were granted at market price to 196 employees of the Corporation. On October 15, 2003, options on 20,000 Common Shares were granted at market price to one employee of the Corporation.

Stock option grants of the Corporation as at March 9, 2004 had total unexercised options outstanding of 5,104,434 Common Shares or 1.9% of issued and outstanding Common Shares.

To encourage stock ownership by senior officers of the Corporation and its operating divisions, the Corporation has share ownership guidelines for senior executives that require a minimum level of ownership of shares of the Corporation and its affiliate set as a percentage of salary to be achieved over a 5-year period. Requirements are generally at the following aggregate levels: president – 5 times base salary, executive vice presidents – 3 times base salary and senior vice presidents – 2 times base salary. The Named Executive Officers are in compliance with these guidelines.

(iv) Retirement Plans

Senior officers participate in the Corporation's Designated Executive Pension Plan. In addition, senior executives of the Corporation, including the Named Executive Officers, are entitled to a Supplementary Employee Retirement Plan. Information on these plans can be found under "Pension Plan and Long Service Executive Arrangements" on page 7.

The Chairman's and the President's Compensation

The Chairman's and the President's compensation are considered and determined by the Governance Committee. Neither the Chairman nor the President participates in the Governance Committee's or the Board's decisions or votes relating to his compensation.

The aggregate compensation of each of the Chairman and the President consists of four components: base salary, annual cash incentives, equity incentives and retirement plan. The Governance Committee aims to ensure that the compensation is generally balanced among these four components.

Mr. Lederer's base salary was $1,200,000 in 2003 as per his contract. He received an annual bonus award of $851,750 for 2003, based on the financial performance of the Corporation, including the achievement of the EVA bonus. Effective January 1, 2004 and in accordance with his contract, Mr. Lederer's base salary was increased to $1.35 million annually for a 3 year period and his bonus was increased to a maximum of 100% of salary. See Employment and Retirement Arrangements on page 7 for further details.

Mr. Weston's salary and bonus were reviewed by the Governance Committee in 2003 to reflect his continuing involvement and contribution to the management of the Corporation in addition to acting as Chairman. Mr. Weston's base salary was $800,000 in 2003. He received a bonus of $500,000 based on the financial results and EVA attained by the Corporation.

In establishing the Chairman and the President's salaries, the Governance Committee considers the publicly-disclosed compensation of chief executive officers of companies whose revenues, profitability and market capitalization are comparable to those of the Corporation as well as a comparative group of similar sized Canadian and U.S. retail companies. In establishing their other compensation entitlements, the Governance Committee considers the EVA bonus provided to senior officers based on the achievement of the Corporation's financial targets and budget approved by the Board. In addition, the Governance Committee considers their contribution to the Corporation in terms of leadership in the management of the Corporation and its subsidiaries, increases in shareholder value, the effective development and growth of the Corporation and the development of new growth opportunities for the Corporation and its subsidiaries.

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

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

Governance, Employee Development, Nominating and Compensation Committee Interlock

During the last year, no executive officer of the Corporation served as (i) a member of the governance committee (or other committee of the board performing equivalent functions, or in the absence of any such committee, the entire board) of another entity, one of whose executive officers served on the Governance Committee of the Corporation; (ii) a director of another entity, one of whose executive officers served on the Governance Committee of the Corporation; or (iii) a member of the governance committee (or other committee of the board of directors performing equivalent functions or in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of the Corporation.

Compensation of Directors

Effective January 1, 2003, annual director retainer and fees were (i) $35,000 annual retainer; (ii) $4,000 for each non-audit committee member; (iii) $3,000 for non audit committee chairman; (iv) $5,000 for audit committee member (v) $10,000 for audit committee chairman and (vi) $1,500 for each Board and committee meeting attended.

Effective October 1, 2003, the annual retainer and fees were increased to; (i) $50,000 annual retainer; (ii) $4,000 per annum for each non-audit committee member; (iii) $3,000 per annum for non-audit committee chairman; (iv) $5,000 per annum for audit committee member; (v) $10,000 per annum for audit committee chairman and (vi) $2,000 for each Board and committee meeting attended and for specific meeting requests of a half day or more. Joseph Wright and Iain Ronald each received $20,000 in director fees in 2003 from President's Choice Bank.

In order to align the interests of directors with those of shareholders, directors can elect annually to take all or a portion of their annual retainer(s) and fees in the form of deferred share units. If a director elects to receive deferred share units, units each representing the value of the Common Shares are credited to the director's account each quarter based on the market value of a Common Share. Deferred share units are paid to the director following termination of Board service. Payment will be made in Common Shares, based on the market value of the Common Shares on the date of payment.

The Board has approved share ownership guidelines for the directors equal to a target shareholding of $250,000. Directors are required to take their annual retainers and fees or a portion thereof, in deferred share units until they reach this threshold. All directors are in compliance with these guidelines.

Statement of Corporate Governance Practices

The Corporation's Board of Directors and management believe that sound corporate governance practices will contribute to the effective management of the Corporation and its achievement of strategic and operational plans, goals and objectives. The Corporation seeks to attain high standards of corporate governance and believes that it has adopted "best practices" in developing its approach to corporate governance.

The Corporation's approach to corporate governance is in full compliance with the Guidelines for Corporate Governance adopted by the TSX in 1995 (the "TSX Guidelines"). A report with specific reference to each of the TSX Guidelines is attached as Schedule B. In addition, the Governance Committee has been reviewing its approach to corporate governance in light of the recommended "best practices" (the "Proposals") published in draft form for public comment by the Canadian securities regulators in January, 2004 and believes its practices are in compliance with these Proposals. Once the Proposals are adopted in final form, the Governance Committee will reassess its corporate governance practices and implement any changes necessary so that the Corporation's commitment to exemplary corporate governance practice is maintained.

Director Independence

The Governance Committee reviews the factual circumstances and relationships of each director nominee to determine whether he or she is related or unrelated within the meaning of the TSX Guidelines and is independent within the meaning of the Proposals. The Governance Committee have concluded that there are 7 unrelated and independent director nominees on the Board. The following directors are independent: John M. Cassaday, Anthony S. Fell, Anne L. Fraser, Thomas C. O'Neill, G. Joseph Reddington, T. Iain Ronald and Joseph H. Wright.

These 7 directors do not have any direct relationship with George Weston Limited or W. Galen Weston, the direct and indirect significant shareholders of the Corporation and therefore are considered independent.

Accordingly, the Board is comprised of a majority of directors who are unrelated and independent. The Governance Committee believes this reflects the interests of all shareholders.

The Board, not management, is responsible for recommending director nominees for election by the shareholders so that the Board is continually renewed with directors who are independent.

The Corporation is controlled by W. Galen Weston, who owns or controls approximately 63% of the total outstanding Common Shares of the Corporation and is a "significant shareholder" within the meaning of the TSX Guidelines. Mr. Weston has a significant common interest with other shareholders with respect to value creation, the well being of the Corporation, and the performance of its publicly listed securities. In addition, Messrs. Dart and Graham are executive officers of Wittington Investments, Limited and Mrs. Dalglish is a relative of Mr. Weston and they are therefore not considered independent. Messrs. Michaud and Lederer assist or are associated with or are part of management and are therefore each a related director (See Schedule B).

Board Responsibilities and Duties

The Board, directly and through its committees, supervises the management of the business and affairs of the Corporation with the goal of enhancing long-term shareholder value. The Board has adopted a formal mandate (available on the Corporation's website) and makes 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 directly to management and through committees of the Board.

The Board approves the Corporation's operating budgets 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. Through the Audit Committee, the Board oversees the Corporation's risk management framework and assesses the integrity of the Corporation's internal control over financial reporting and management information systems. Through the Governance Committee, the Board oversees succession planning and compensation for senior management as well as board nominees.

At each Board meeting, the Board meets without management present, to ensure that the Board is able to discharge its responsibilities independently of management. Individual directors may, with the approval of the Chairman of the Governance Committee (Lead Director), retain an outside advisor at the expense of the Corporation.

The Board is also responsible for having in place a process to ensure the effectiveness and accountability of the Board as a whole as well as the committees of the Board. Through the Governance Committee, the Board assesses its performance and the adequacy and form of compensation paid to directors. Each year, the Governance Committee benchmarks directors' compensation against compensation paid by major Canadian public companies in order to ensure that their compensation reflects the responsibilities involved in being a director.

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

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

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

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

The Chairman directs the operations of the Board. He is responsible for establishing the agenda for meetings and ensuring that the Board has sufficient resources and information to make decisions in the best interests of all shareholders. The Board has appointed the Chairman of the Governance Committee, who is an independent director, to serve as Lead Director. The Lead Director chairs meetings of the independent directors, consults with the Chairman of the Board on the effectiveness of Board committees and ensures that independent directors have adequate opportunity to discuss the issues without management present and acts in other circumstances where required or appropriate and ensures that the Board's agenda will enable it to successfully carry out its duties.

Code of Business Conduct

The Board has adopted a Code of Business Conduct applicable to all directors, officers and employees, which is available on the Corporation's website. The Audit Committee receives regular compliance reports with respect to the Code of Business Conduct.

Committee Structures
There are 5 committees of the Board: Audit; Governance, Employee Development, Nominating and Compensation; Pension and Benefits; Environmental, Health and Safety and Executive.

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

Each of the committees has a formal charter established by the Board, which is reviewed annually. The committees upon which each director serves are listed in Schedule A.

Every year, the Governance Committee undertakes a review process to assess the performance of the Board and its committees and each Board member evaluates the Board's and committee's performance. The resulting data is presented to the Governance Committee. The Governance Committee also reviews the experience and performance of nominees proposed for election to the Board and the appointment of directors to committees.

The following is a brief summary of some of the committees' responsibilities:

Audit Committee
The Audit Committee, whose members are all financially literate as defined under applicable regulations, is responsible for:

- recommending the appointment of the external auditor;
- reviewing the arrangements for and scope of the audit by the external auditor;
- reviewing the independence of the external auditor;
- considering the adequacy of the systems of internal accounting controls and reviewing any proposed corrective actions;
- reviewing and monitoring the Corporation's policies relating to ethics and conflicts of interests;
- reviewing the integrity of the Corporation's management and information systems;
- establishing a procedure for the receipt, retention and follow up of complaints regarding the Corporation's accounting, internal controls and auditing matters;
- reviewing and monitoring the internal audit function of the Corporation;
- 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;
- approving the Corporation's annual and interim consolidated financial statements and Management's Discussion and Analysis; and
- reviewing the proposed risks of the Corporation's business.

A copy of the committee's charter is available on the Corporation's website.

Governance, Employee Development, Nominating and Compensation Committee
The Governance, Employee Development, Nominating and Compensation Committee is responsible for:

- identifying candidates for membership on the Board;
- assisting in educating directors and assessing their performance on an on-going basis;
- shaping the Corporation's approach to corporate governance and recommending to the Board, corporate governance principles to be followed by the Corporation; and
- discharging the Board's responsibilities relating to compensation and succession planning of the Corporation's senior executives.

A copy of the committee's charter is available on the Corporation's website.

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

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

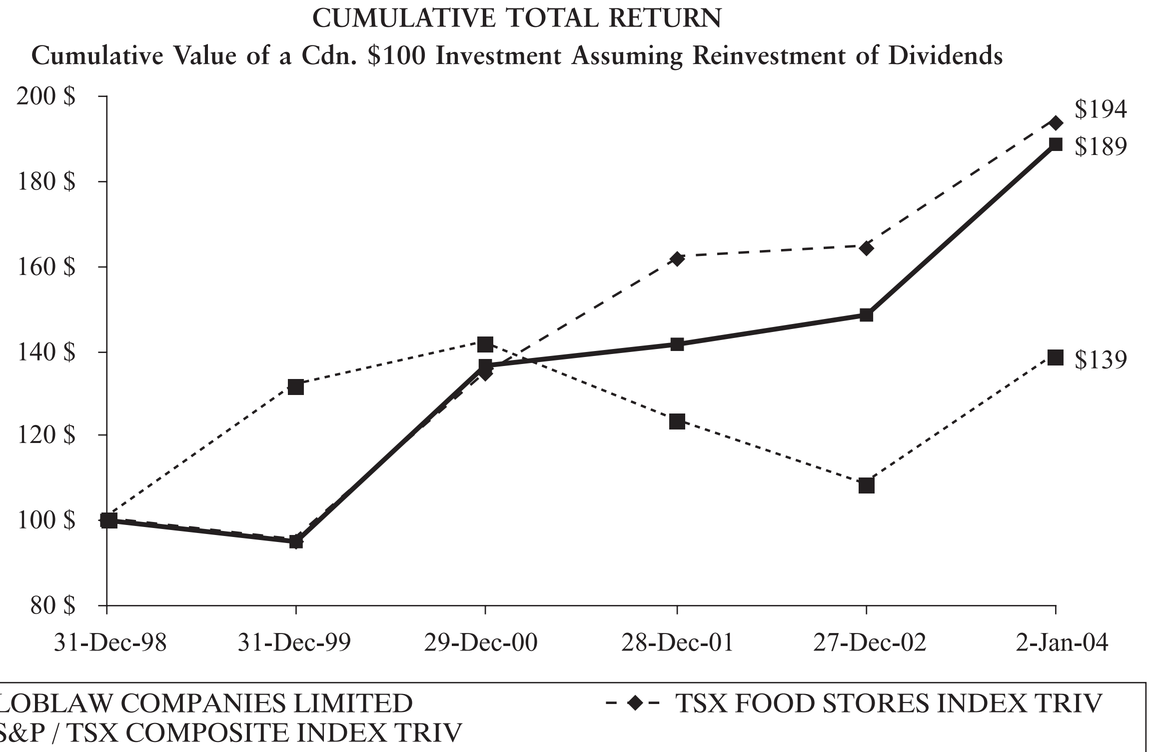
Environmental, Health and Safety Committee
The Environmental, Health and Safety Committee is responsible for reviewing and monitoring environmental, health and safety policies, procedures, practices and compliance. A copy of the committee's charter is available on the Corporation's website.

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.

Disclosure Committee
A Disclosure Committee comprised of senior management of the Corporation has been established to supervise the Corporation's disclosure process. Its mandate includes ensuring that effective controls and procedures are in place to allow the Corporation to satisfy all of its continuous disclosure obligations including the new certification requirements. The Disclosure Committee is also responsible for ensuring that the policies and procedures contained in the Corporation's Disclosure Policy, which relates to the timely and accurate dissemination of all material information, are in compliance with regulatory requirements. A copy of the Disclosure Policy is available on the Corporation's website.

Performance Graph

The graph below compares the cumulative total shareholder return on $100 invested in Common Shares on December 31, 1998 with the cumulative total return of the S&P/TSX Composite and the Food Stores Index over the same period.



	31-Dec-98	31-Dec-99	29-Dec-00	28-Dec-01	27-Dec-02	2-Jan-04
S&P / TSX COMPOSITE INDEX TRIV	$100	$132	$141	$123	$108	$139
TSX FOOD STORES INDEX TRIV	$100	$95	$135	$162	$164	$194
LOBLAW COMPANIES LIMITED	**$100**	**$95**	**$137**	**$141**	**$148**	**$189**

	31-Dec-98	31-Dec-99	29-Dec-00	28-Dec-01	27-Dec-02	2-Jan-04
S&P / TSX COMPOSITE INDEX TRIV	13,648.84	17,977.46	19,309.36	16,852.24	14,739.86	18,905.25
TSX FOOD STORES INDEX TRIV	49,226.71	46,862.31	66,386.84	79,738.11	80,685.48	95,346.06

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, as a group, in respect of the performance by them of their duties of their offices. The Corporation believes that coverage limits and deductibles are in line with those maintained by other corporations similar to the Corporation. The annual insurance premium of $205,936 is paid by the Corporation. The insurance limit is $300 million per annum on an aggregate basis or per occurrence basis. There is no deductible in the case of directors and officers and a $250,000 deductible for the Corporation.

General
Information contained herein, save and except where indicated, is given as of March 9, 2004. The contents and sending of this Management Proxy Circular have been approved by the Board.

Additional copies of our latest annual information form (together with the documents or pertinent pages of documents incorporated by reference), our consolidated financial statements for 2003 together with the report of the auditor on those statements, any financial statements for periods after 2003 and this Circular can be obtained upon request from the Vice President, Industry and Investor Relations of the Corporation at 22 St. Clair Avenue East, Suite 1800, Toronto, Ontario M4T 2S8. Additional information about the Corporation can also be found at www.loblaw.com.

Stewart E. Green
Senior Vice President and Secretary

Schedule A — Directors' Biographies

JOHN M. CASSADAY, M.B.A.

Mr. Cassaday is President and Chief Executive Officer and a Director of Corus Entertainment Inc. and was formerly President and Chief Executive Officer of CTV Television Network. Mr. Cassaday is a Director of Manulife Financial Corporation and Masonite International Corporation.

Member of the Audit and Environmental, Health and Safety Committees; Unrelated and Independent Director

CAMILLA H. DALGLISH, B.A.

Mrs. Dalglish is a Director of The W. Garfield Weston Foundation and of The Nature Conservancy of Canada. Mrs. Dalglish is a past President of The Civic Garden Centre and a former Member of the Board of Directors of the Royal Botanical Gardens.

Member of the Environmental, Health and Safety Committee

ROBERT J. DART, B.Comm., F.C.A.

Mr. Dart is Vice Chairman of Wittington Investments, Limited and was formerly President of Wittington Investments, Limited. Mr. Dart was a former senior tax partner of Price Waterhouse Canada. He is a Director of George Weston Limited, Holt, Renfrew & Co., Limited and Brown Thomas Group Limited.

ANTHONY S. FELL. O.C.

Mr. Fell is Chairman of RBC Capital Markets Inc. and was previously Chairman and Chief Executive Officer of RBC Dominion Securities and Deputy Chairman of Royal Bank of Canada. Mr. Fell is Chairman of Munich Reinsurance Group of Companies, a Director of BCE Inc. and CAE Inc., and is Chair of the Board of Trustees of University Health Network.

Chairman of the Governance, Employee Development, Nominating and Compensation Committee and member of the Audit Committee; Unrelated and Independent Director

ANNE L. FRASER, B.Sc., LL.D.

Mrs. Fraser is an Education Consultant with the University of Victoria, an Associate Governor of Dalhousie University and an Associate, Faculties of Management, Education, Engineering, Law and Fine Arts at the University of Calgary. She is a Director of George Weston Limited, Neuroscience Canada Foundation, Bamfield Marine Research Centre and Pier 21 Society.

Member of the Environmental, Health and Safety Committee; Unrelated and Independent Director

ANTHONY R. GRAHAM

Mr. Graham is President and a Director of Wittington Investments, Limited and President and Chief Executive Officer of Sumarria Inc. (Investment management company). Mr. Graham was formerly Vice-Chairman and Director of National Bank Financial and Senior Executive Vice President and Managing Director of Lévesque Beaubien Geoffrion Inc. Mr. Graham is Chairman and a Director of both Graymont Limited and President's Choice Bank. He is also a Director of George Weston Limited, Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Power Corporation of Canada, Power Financial Corporation, Provigo Inc. and Selfridges & Co. Ltd.

Member of the Executive; Governance, Employee Development, Nominating and Compensation and Pension and Benefits Committees

JOHN A. LEDERER, B.A.

Mr. Lederer is President of the Corporation and was formerly Executive Vice President of the Corporation. He is a Director of Food Marketing Institute and founder of the President's Choice Children's Charity.

Member of the Executive Committee

PIERRE MICHAUD, C.M.

Mr. Michaud is Chairman and Director of Provigo Inc. Mr. Michaud is also Vice-Chairman of the Board of Laurentian Bank of Canada. He is a Director of Capital d'Amerique CDPQ, Old Port of Montreal Corporation Inc., Bombardier Recreational Products Inc., Member, Advisory Board of Mont-Tremblant

Chairman of the Environmental, Health and Safety Committee

THOMAS C. O'NEILL, F.C.A.

Mr. O'Neill is the retired Chairman of PricewaterhouseCoopers Consulting. He held the prior position of Chief Executive Officer, and previously, he had been Chief Operating Officer of PricewaterhouseCoopers LLP global organization. He is a past member of the Advisory Council of Queen's University School of Business and is currently Vice-Chair of the Board of Governors of Queen's University. Mr. O'Neill is a Director of Nexen Inc., St. Michael's Hospital, BCE Inc., OTPP (Ontario Teachers Pension Plan) and Dofasco Inc.

Member of the Audit Committee; Unrelated and Independent Director

G. JOSEPH REDDINGTON, B.A., J.D.

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

Member of the Governance, Employee Development, Nominating and Compensation Committee; Unrelated and Independent Director

T. IAIN RONALD, F.C.A., M.B.A., B.L.

Mr. Ronald is Chairman of Transalta Power Ltd., Transalta Cogeneration Ltd. and BFI Canada Inc. and was formerly Vice Chairman of Canadian Imperial Bank of Commerce. He is a Director of Holt, Renfrew & Co., Limited, President's Choice Bank, Leon's Furniture Limited, Strongco Inc. and Allied Properties Real Estate Investment Trust.

Chairman of the Audit and Pension and Benefits Committees; Unrelated and Independent Director

W. GALEN WESTON, O.C., B.A., LL.D.

Mr. Weston has been Chairman of Loblaw Companies Limited since 1976 and is Chairman and President of George Weston Limited. Mr. Weston is also Chairman of Holt, Renfrew & Co., Limited, Brown Thomas Group Limited and Selfridges & Co. Ltd. He is President of The W. Garfield Weston Foundation and is a Director of Associated British Foods plc, and Canadian Imperial Bank of Commerce and is a member of the Advisory Board of Columbia University.

Chairman of the Executive Committee

JOSEPH H. WRIGHT, B.A.

Mr. Wright is a Managing Partner of Barnagain Capital and was formerly President and Chief Executive Officer of Swiss Bank Corporation (Canada). Mr. Wright is Chairman and Trustee of O & Y Reit, Chairman of Hip Interactive, and a Director of President's Choice Bank, CallNet Enterprises Inc. and The Centre for Addiction and Mental Health Foundation. He is also a Trustee of Chartwell Seniors Housing Reit and BFI Canada Income Fund.

Member of the Audit; Governance, Employee Development, Nominating and Compensation and Pension and Benefits Committees; Unrelated and Independent Director

Schedule B — Corporate Governance Practices — (TSX Guidelines)

Summary of TSX proposed guidelines for improved corporate governance	Corporation's Governance Practices
1. The board should explicitly assume responsibility for stewardship of the corporation and specifically for:	The Board of Directors (the "Board") supervises the management of the Corporation's business and affairs with the goal of enhancing long-term shareholder value. It makes major policy decisions, delegates to management the authority and responsibility for day-to-day affairs and reviews management's performance and effectiveness.
(a) adoption of a strategic planning process;	The Board approves the Corporation's operating budgets which take into account the opportunities and risks of the business. In addition to regular updates, a day-long meeting is held every year with senior management and the Board to discuss and review the strategic plan which takes into consideration the risks and opportunities for the Corporation.
(b) identification of the principal risks of the corporation's business and ensuring implementation of appropriate systems to manage those risks;	The Board, through its Audit Committee, reviews the principal risks of the Corporation's businesses and ensures that risk management systems are implemented and are effectively managed. The Audit Committee reviews risk management policies and processes with internal and external auditors. The Audit Committee reviews reports from the internal audit group and reviews internal controls and risk management policies and processes.
(c) succession planning, including appointing, training and monitoring senior management;	The Governance, Employee Development, Nominating and Compensation Committee reviews succession planning for senior management, reports from senior management on staffing, organizational structure and succession planning matters as well as broad employee development initiatives developed by management as part of its strategic plan.
(d) communications policy; and	The Board has reviewed and adopted a corporate disclosure policy. The Board reviews and approves the contents of major disclosure documents, including the Annual Report, the Annual Information Form, Management's Discussion and Analysis and this Management Proxy Circular. • Procedures are in place to provide timely information to investors and potential investors and to respond to investor inquiries and concerns; • An investor relations group has the responsibility of maintaining communications with the investing public in accordance with policies and procedures and legal disclosure requirements; • The Chairman and the President, the Executive Vice President and other senior executives meet periodically with financial analysts and institutional investors;

Summary of TSX proposed guidelines for improved corporate governance	Corporation's Governance Practices
	• Investor relations' staff are available to shareholders by telephone and fax and through the investor relations web site at www.loblaw.com; and • Quarterly earnings conference calls are broadcast live over the Internet and are accessible on a live and recorded basis via telephone and on the website.
(e) integrity of internal control and management information systems.	The Audit Committee requires management to implement and maintain appropriate systems of internal control and assess the adequacy and effectiveness of those systems. Regular reports by the Internal Audit department are provided to the Audit Committee.
2. A majority of directors should be "unrelated" (independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation other than interests and relationships arising from shareholdings).	Currently, as determined pursuant to the TSX Guidelines, 7 of the directors proposed for election to the Board of Directors are "unrelated and independent": The Corporation has a significant shareholder. The Board, through the Governance, Employee Development, Nominating and Compensation Committee, analyzes the relationship of all directors with the Corporation, its subsidiaries and affiliates.
3. The board has responsibility for applying the definition of "unrelated" directors to each director.	• the Chairman and the President are each "related" directors; • Mr. Michaud receives a retainer from Provigo Inc. and is considered related; • Mrs. Dalglish is a relative of Mr. Weston and Messrs. Dart and Graham are executives of Wittington Investments, Limited and are therefore not considered independent.
4. The board should appoint a committee of directors composed exclusively of non-management directors, a majority of whom are unrelated directors, with responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.	The Governance, Employee Development, Nominating and Compensation Committee, composed entirely of non-management directors, identifies, evaluates and recommends nominees for the Board. The Governance, Employee Development, Nominating and Compensation Committee determines what competencies, skills and personal qualities it should seek in new Board members and periodically retains outside consultants to conduct searches for appropriate nominees. The responsibilities of the Governance, Employee Development, Nominating and Compensation Committee are summarized under the heading "Statement of Corporate Governance Practices" in this Management Proxy Circular.

Summary of TSX proposed guidelines for improved corporate governance	Corporation's Governance Practices
5. The board should implement a process, to be carried out by an appropriate committee, for assessing the effectiveness of the board, its committees and the contribution of individual directors.	Every year, the Governance, Employee Development, Nominating and Compensation Committee undertakes a review process to assess the performance of the Board and its committees. The Governance, Employee Development, Nominating and Compensation Committee reviews the experience and performance of nominees proposed for election to the Board and the appointment of directors to committees.
6. The board should establish an orientation and education program for new directors.	The Corporation prepares a manual of all relevant material and policies for new directors. The Board ensures that prospective candidates fully understand the role of the Board and its committees and the contribution that individual directors are expected to make, including, the commitment of time required. Senior management makes regular presentations to the full Board on the Corporaton's various operations and activities and directors are encouraged to visit operating facilities to familiarize themselves with the Corporation's operations.
7. The board should examine its size and undertake, where appropriate, a program to establish a board size which facilitates effective decision-making.	The Board, and the Governance, Employee Development, Nominating and Compensation Committee have carefully examined issues related to the size of the Board to ensure its effectiveness.
8. The board should review the adequacy and form of compensation of directors in light of the risks and responsibilities involved in being a director.	The Governance, Employee Development, Nominating and Compensation Committee reviews the amount and the form of compensation of directors. In making recommendations, the Governance, Employee Development, Nominating and Compensation Committee considers the time commitment and responsibilities of directors, as well as comparative data prepared and analyzed by an outside consultant. Directors may receive their compensation in cash or deferred share units and are required to hold a minimum number of shares and must take directors fees as deferred share units until these share requirements are met.
9. Committees of the board should generally be composed of non-management directors, a majority of whom are unrelated.	Each committee of the Board, except the Executive Committee, is composed solely of non-management directors, a majority of whom are unrelated and independent.
10. The board should assume responsibility for, or assign to a committee of directors, responsibility for developing the corporation's approach to corporate governance issues.	The Governance, Employee Development, Nominating and Compensation Committee advises and assists the Board in applying governance principles and practices, and tracks developments in corporate governance, adopting best practices where applicable. It also recommends suitable candidates for election to the Board.
11. The board together with the CEO, should develop position descriptions for the board and for the CEO, including the definition of the limits to management's responsibilities.	Position descriptions have been developed for the Chairman and the President. Delegations of authority have been put in place by the Board to define the limits of management's authority and responsibilities.

Summary of TSX proposed guidelines for improved corporate governance	Corporation's Governance Practices
12. The board should approve or develop the corporate objectives for which the CEO is responsible.	The Board meets independently from management at every Board meeting.
13. The board should implement structures and procedures so that it can function independently of management. An appropriate structure would be to (i) appoint a chair of the board who is not a member of management with responsibility to ensure the board discharges its responsibilities or (ii) adopt alternate means such as assigning this responsibility to a committee of the board or to a director, sometimes referred to as the "lead director". Appropriate procedures may involve the board meeting on a regular basis without management present and may involve assigning responsibility for administering the board's relationship to management to a committee of the board.	The Board is composed of a majority of unrelated and independent directors. The Board has adopted a formal mandate as well as written charters for each of its committees, which, other than the Executive Committee, are comprised entirely of non-management directors of which a majority are unrelated and independent. The independent directors meet separately without operating management present at every Board meeting. In addition, the Board has appointed the Chairman of the Governance, Employee Development, Nominating and Compensation Committee to serve as the Lead Director. The Lead Director chairs meetings of the independent directors and acts in other circumstances where required or appropriate.
14. The audit committee should be composed entirely of non-management directors.	The Audit Committee is composed entirely of independent directors. All members of the Audit Committee are financially literate as defined under applicable regulations.
The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties.	The charter of the Audit Committee has been approved by the Board and is reviewed annually. It is summarized under the heading "Statement of Corporate Governance Practices" in the Circular. The Audit Committee recommends the appointment of the external auditor and is directly responsible for the oversight of the work of the external auditor. The Audit Committee approves all audit engagement fees and terms as well as the provision of any legally permissible non-audit services provided by the external auditor. The Audit Committee is responsible for reviewing the independence and objectivity of the external auditor, including reviewing relationships between the external auditor and the Corporation which may impact on the external auditor's independence and objectivity. The Audit Committee also is responsible for reviewing with the external auditor any audit problems or difficulties and management's response. The Audit Committee reviews: • the annual financial statements and quarterly financial statements, the Annual Information Form and Management's Discussion and Analysis; • prospectuses relating to the issuance of securities by the Corporation; and

Summary of TSX proposed guidelines for improved corporate governance	Corporation's Governance Practices
	• any significant issues reported to management by the external auditor and management's responses to any such reports.
The audit committee should have direct communication channels with the internal and the external auditor to discuss and review specific issues as appropriate.	The Audit Committee charter provides that the Audit Committee will, at least quarterly, meet separately with the external auditor, the internal auditors and senior management, to discuss and review specific issues as appropriate.
The audit committee's duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.	The Audit Committee has oversight responsibility for management reporting on internal financial controls and requires that management implement and maintain appropriate internal financial control procedures. The Audit Committee meets with the internal auditors and with management to assess the adequacy and effectiveness of these systems of internal control.
15. The board should implement a system to enable an individual director to engage an outside advisor, at the corporation's expense, in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the board.	Individual directors may, with the approval of the Chairman of the Governance, Employee Development, Nominating and Compensation Committee (Lead Director), engage outside advisors at the expense of the Corporation.
	The Board's mandate provides that the Board acts in a supervisory role and that any responsibilities not delegated to management remain with the Board. The scope of the Board's supervisory role expressly includes such matters as the strategic planning process, identification and management of risks, succession planning, communications policy, internal controls and governance.

Schedule C — Shareholder Proposal

The following Shareholder Proposal has been submitted for consideration at the Annual Meeting by the Carpenters' Local 27 Benefit Trust Funds, 230 Norseman Street, Etobicoke, Ontario M8Z 6A2. The proposal and statement of support are set out in italics.

Executive Compensation Proposal:

Resolved, that the shareholders of Loblaw Companies Limited ("Company") request that the Company's Board of Directors and its Executive Compensation Committee replace the current system of compensation for senior executives with the following executive compensation program including the following features:

(1) Salary — The chief executive officer's ("CEO") salary should be targeted at the mean of salaries paid at peer group companies, not to exceed $1,000,000 annually. No senior executive should be paid more than the CEO.

(2) Annual Bonus — The annual bonus paid to senior executives should be based on well-defined quantitative (financial) and qualitative (non-financial) performance measures. The maximum level of annual bonus should be a percentage of the executive's salary level, capped at 100% of salary.

(3) Long-Term Equity Compensation — Long-term equity compensation to senior executives should be in the form of restricted shares, not stock options. The restricted share program should utilize justifiable performance criteria and challenging performance benchmarks. It should contain a vesting requirement of at least three years. Executives should be required to hold all shares awarded under the program for the duration of their employment. The value of the restricted share grant should not exceed $1,000,000 on the date of grant.

(4) Severance — The maximum severance payment to a senior executive should be no more than one year's salary and bonus.

(5) Disclosure — Key components of the executive compensation plan should be outlined in the Compensation Committee's report to shareholders, with variances from the Commonsense program explained in detail.

The Commonsense compensation program should be implemented in a manner that does not violate any existing employment agreement or equity compensation plans.

Supporting Statement: *We believe that compensation paid to senior executives at most companies, including ours, is excessive, unjustified, and contrary to the interests of the Company, its shareholders, and other important corporate constituents. CEO pay has been described as a "wasteland that has not been reformed." (Institutional Shareholder Services senior vice-president, Wall Street Journal, "Executive Pay Keeps Rising, Despite Outcry," October 3, 2003). We believe that the growing disparity between the compensation paid to senior executives and average workers is a disturbing trend and contrary to the long-term interests of companies, their shareholders, workers and communities.*

We believe that it is long past time for shareholders to be proactive and provide companies clear input on the parameters of what they consider to be reasonable and fair executive compensation. We believe that executive compensation should be designed to promote the creation of long-term corporate value. The proposal's executive compensation principles seek to focus senior executives, not on quarterly performance numbers, but on long-term corporate value growth, which should benefit all the important constituents of the Company. We challenge our Company's leadership to embrace the ideas embodied in this proposal, which still offers senior executives the opportunity to build personal long-term wealth, but only when they generate long-term corporate value.

THE BOARD OF DIRECTORS OF THE CORPORATION RECOMMENDS A VOTE "AGAINST" THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board's Governance, Employee Development, Nominating and Compensation Committee ("Governance Committee") consists solely of non management directors. The Governance Committee reviews the Company's executive compensation policies, which are intended to align employee remuneration with the fundamental goal of creating shareholder value while meeting the demands of a highly competitive marketplace for key creative and managerial talent. In addition, the Governance Committee works with independent consultants to help ensure that its programs and policies in the area of compensation are appropriate to the needs of the Corporation and consistent with the practices of the Corporation's industry peers.

As indicated in the report, bonus entitlements are based upon economic value added ("EVA"), i.e., increase in shareholder value which reflects the Net Operating Profit After Taxes ("NOPAT") and in the opinion of the Governance Committee are the appropriate performance measures for the Corporation. In addition, payment of the EVA bonus is deferred over a three year period and capped at 100% of base salary.

Grants of stock options form a key element of the compensation policy and are an appropriate component to ensure the competitiveness and attractiveness of the Corporation's employment policies, particularly at senior levels. The current option program has vesting over a period of five years and is tied to the same share performance all shareholders receive. Options are expensed for accounting purposes and are not dilutive with total options outstanding being less than two percent (2%) of issued share capital.

Generally executives' salary and compensation are fixed for a two or three-year period and executives are subject to share ownership requirements. Details of the components of these compensation programs are outlined in the Governance Committee report in the Management Proxy Circular along with a summary of any existing employment contracts.

The Board does not believe that its objectives can be met through unduly rigid approaches to compensation decisions as outlined in the shareholder proposal. As indicated many of the shareholder proposal suggestions are already incorporated into existing compensation programs and practices in a manner which best suits the needs of the Corporation.

Accordingly, the Board of Directors recommends voting against the shareholder proposal.