



# Management Proxy Circular

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GEORGE WESTON LIMITED  
ANNUAL MEETING MAY 12, 2011

THIS DOCUMENT CONTAINS

- NOTICE OF MEETING
- PROXY CIRCULAR



*Management Proxy Circular*

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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 12, 2011, at 11:00 a.m. (local time) in Constitution Hall, Room 105, at the Metro Toronto Convention Centre, North Building, 255 Front Street West, 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 Centre section of our website at [www.weston.ca](http://www.weston.ca). A recorded version of the meeting will be available on our website following the meeting.

Yours very truly,

W. Galen Weston  
Chairman and President



### *Notice of Annual Meeting of Shareholders*

The 2011 Annual Meeting of Shareholders of George Weston Limited will be held on Thursday, May 12, 2011, at 11:00 a.m. (local time) in Constitution Hall, Room 105, at the Metro Toronto Convention Centre, North Building, 255 Front Street West, Toronto, Ontario, Canada, for the following purposes:

1. to receive the consolidated financial statements for the financial year ended December 31, 2010, 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 24, 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,

A handwritten signature in black ink, appearing to read "R. Balcom". The signature is written in a cursive, flowing style.

**Robert A. Balcom**

Senior Vice President, General Counsel — Canada 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 George Weston Limited (the “Corporation”) to be held on Thursday, May 12, 2011, at 11:00 a.m. (local time) in Constitution Hall, Room 105, at the Metro Toronto Convention Centre, North Building, 255 Front Street West, 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 24, 2011, are entitled to vote at the Meeting. As of such date, the Corporation had 129,077,333 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](http://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 10, 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 10, 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 24, 2011, there were 129,077,333 Common Shares issued and outstanding.

As at March 24, 2011, Mr. W. Galen Weston beneficially owned, directly and indirectly through other companies which he controls, including Wittington Investments, Limited ("Wittington"), a total of 80,724,598 Common Shares, representing approximately 62.5% 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 December 31, 2010 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](http://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 13. 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:

A. Charles Baillie	Anne L. Fraser	Allan L. Leighton	Thomas F. Rahilly
Warren Bryant	Anthony R. Graham	Isabelle Marcoux	Barbara Stymiest
Peter B.M. Eby	John S. Lacey	J. Robert S. Prichard	W. Galen Weston
Darren Entwistle			

The nominees will be voted on individually. All nominees, other than Mr. Entwistle and Ms. Stymiest, are currently directors of the Corporation. Mr. Entwistle is the President and Chief Executive Officer of TELUS Corporation. Ms. Stymiest is currently the Group Head of Strategy, Treasury & Corporate Services of Royal Bank of Canada, but has announced that she will retire from this position in 2011. 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.

More information on each of the 13 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 <sup>(1)</sup>	3,941	3,637
Audit-related fees <sup>(2)</sup>	2,562	2,210 <sup>(5)</sup>
Tax-related fees <sup>(3)</sup>	76	254
All other fees <sup>(4)</sup>	2,218	1,318 <sup>(5)</sup>
<b>Total Fees</b>	<b>\$8,797</b>	<b>\$7,419</b>


- (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.
- (5) Fees associated with the conversion to IFRS were previously classified as Audit-related fees in 2009 but have been re-classified as All other fees in this table.


## NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS


 <p><b>A. Charles Baillie</b>, O.C., 71 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2003</li> <li>• Independent</li> </ul>		<p>Mr. Baillie, a corporate director, is also Chair of Alberta Investment Management Company. Mr. Baillie is the retired Chairman and Chief Executive Officer of Toronto Dominion Bank.</p> <p>Mr. Baillie graduated from the University of Toronto with a B.A. and from Harvard Business School with an M.B.A.</p> <p>Mr. Baillie is Chancellor Emeritus of Queen's University, Chair of the Art Gallery of Ontario's Board of Trustees and former Chair of the Canadian Council of Chief Executives.</p>																								
		<p><b>Board/Committee Membership</b></p> <p>Board Audit Committee (Chair) Governance Committee</p>		<p><b>Attendance</b></p> <p>11/11 7/7 6/6</p>		<p><b>Attendance (Total)</b></p> <p>24/24      100%</p>		<p><b>Director Fees Received<sup>(1)</sup></b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>\$188,250</td> </tr> <tr> <td>2009</td> <td>\$181,000</td> </tr> </tbody> </table>		Year	Amount	2010	\$188,250	2009	\$181,000											
Year	Amount																									
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<p><b>Equity Ownership (as of December 31, 2010)</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Common Shares</th> <th>DSUs</th> <th>Total Common Shares and DSUs</th> <th>Total Market Value of Common Shares and DSUs<sup>(2)</sup></th> <th>Minimum Equity Ownership</th> <th>Meets Share Ownership Guidelines</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>20,000</td> <td>15,757</td> <td>35,757</td> <td>\$3,010,739</td> <td>\$400,000</td> <td rowspan="2">Yes</td> </tr> <tr> <td>2009</td> <td>20,000</td> <td>13,051</td> <td>33,051</td> <td>\$2,211,773</td> <td>\$400,000</td> </tr> </tbody> </table>							Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>	Minimum Equity Ownership	Meets Share Ownership Guidelines	2010	20,000	15,757	35,757	\$3,010,739	\$400,000	Yes	2009	20,000	13,051	33,051	\$2,211,773	\$400,000
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>	Minimum Equity Ownership	Meets Share Ownership Guidelines																				
2010	20,000	15,757	35,757	\$3,010,739	\$400,000	Yes																				
2009	20,000	13,051	33,051	\$2,211,773	\$400,000																					
<p><b>Current Public Board Memberships</b></p> <p>Canadian National Railway Company TELUS Corporation</p>			<p><b>Public Board Interlocks</b></p> <p><b>Directors</b></p> <p>John S. Lacey Darren Entwistle</p>		<p><b>Board</b></p> <p>TELUS Corporation TELUS Corporation</p>																					
<p><b>Public Board Memberships During Last Five Years</b></p> <p>Dana Corporation<sup>(3)</sup> Ballard Power Systems Inc.</p>			<p>1998 to 2008 2002 to 2005</p>																							


 <p><b>Warren Bryant</b>, 65 Bellevue, Washington, United States</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2010</li> <li>• Independent</li> </ul>		<p>Mr. Bryant, a corporate director, is the former Chairman, President and Chief Executive Officer of Longs Drug Stores, headquartered in Walnut Creek, California. Prior to joining Longs Drug Stores, Mr. Bryant held management and executive positions at Kroger Co., a leading U.S. grocery chain.</p> <p>Mr. Bryant graduated from California State University with a B.S. and from Azusa Pacific University with an M.B.A. Mr. Bryant is also a graduate of the Executive Financial Management Program at Harvard University.</p> <p>Mr. Bryant is a member of the Executive Advisory Committee for the Portland State University Food Industry Leadership Center. Mr. Bryant is the former Chairman of the Board of Directors and was a member of the Board Executive Committee for the National Association of Chain Drug Stores (NACDS). Mr. Bryant is also a former member of the Board of Directors for the California Governor's Council on Physical Fitness and Sports.</p>																		
		<p><b>Board/Committee Membership</b></p> <p>Board Audit Environment</p>		<p><b>Attendance</b></p> <p>6/7 3/4 2/3</p>		<p><b>Attendance (Total)</b></p> <p>11/14      79%</p>		<p><b>Director Fees Received<sup>(1)</sup></b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>\$92,208</td> </tr> <tr> <td>2009</td> <td>N/A</td> </tr> </tbody> </table>		Year	Amount	2010	\$92,208	2009	N/A					
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Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>	Minimum Equity Ownership	Meets Share Ownership Guidelines														
2010	—	1,165	1,165	\$98,093	\$400,000	Mr. Bryant has an additional four years to meet the Guidelines.														
<p><b>Current Public Board Memberships</b></p> <p>Dollar General Corporation OfficeMax Incorporated</p>			<p><b>Public Board Interlocks</b></p> <p><b>Director</b></p> <p>—</p>		<p><b>Board</b></p> <p>—</p>															
<p><b>Public Board Memberships During Last Five Years</b></p> <p>Longs Drug Stores</p>			<p>2002 to 2008</p>																	


 <p><b>Peter B.M. Eby</b>, 72 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2000</li> <li>• Independent</li> <li>• Lead Director</li> </ul>		<p>Mr. Eby, a corporate director, is the former Vice Chairman and Director of Nesbitt Burns Inc. He was associated with Nesbitt Burns Inc. and its predecessor companies for 38 years in several senior capacities. He is the former Chairman of Olympic Trust.</p> <p>Mr. Eby graduated from the University of Toronto with a B. Comm. and from the University of California-Berkeley with an M.B.A.</p> <p>Mr. Eby is a director of TD Asset Management USA Funds Inc.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board		11/11		25/25		100%	
Executive		1/1				<b>Year</b>	<b>Amount</b>
Audit Committee		7/7				2010	\$225,000
Governance Committee (Chair)		6/6				2009	\$214,000
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>		Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	2,000	18,627	20,627	\$1,736,793		\$400,000	Yes
2009	2,000	15,403	17,403	\$1,164,609		\$400,000	
Current Public Board Memberships				Public Board Interlocks			
				Director		Board	
Leon's Furniture Limited			1977 to present	—		—	
Sixty Split Corp.			2001 to present				
Public Board Memberships During Last Five Years							
R. Split II Corp.			2004 to 2009				


 <p><b>Darren Entwistle</b>, 48 Vancouver, British Columbia, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director Nominee</li> <li>• Independent</li> </ul>		<p>Darren Entwistle is President and Chief Executive Officer of TELUS Corporation (a Canadian communications company).</p> <p>Mr. Entwistle holds a Bachelor of Economics (Honours) degree from Concordia University, an MBA in Finance from McGill University and a diploma in Network Engineering from the University of Toronto. He is on a number of boards including the Canadian Council of Chief Executives and McGill University.</p> <p>Mr. Entwistle is also a past director of the TD Bank Financial Group, the Vancouver Symphony Orchestra and the Leading Edge Endowment Fund. He also served as Chair of the Royal Conservatory of Music's Capital Campaign.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received	
—		—		—		<b>Year</b>	<b>Amount</b>
						2010	N/A
Equity Ownership (as of December 31, 2010)							
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			
				Directors		Board	
TELUS Corporation			2000 to present	A. Charles Baillie John S. Lacey		TELUS Corporation TELUS Corporation	
Public Board Memberships During Last Five Years							
Toronto-Dominion Bank			2001 to 2008				


 <p><b>Anne L. Fraser, C.M.</b> 70 Victoria, British Columbia, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 1995</li> <li>• Independent</li> </ul>		<p>Ms. Fraser, a corporate director, is an Education Consultant with the University of Victoria, President of EnerG Enterprises Inc. and an Associate, Faculties of Education, Engineering, Law and Fine Arts, at the University of Calgary. She is a former syndicated broadcaster with the Canadian Broadcasting Corporation.</p> <p>Ms. Fraser graduated from Acadia University with a B.Sc. and holds Honorary Doctor of Laws degrees from the University of Calgary and Dalhousie University. In January 2006, Ms. Fraser was awarded the Order of Canada.</p> <p>Ms. Fraser is a director of Pier 21 Foundation and has been active with The Victoria Foundation.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board Environmental Committee (Chair)		11/11 4/4		15/15 100%		<b>Year</b>	<b>Amount</b>
						2010	\$143,250
						2009	\$136,000
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>		Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	1,500	4,954	6,454	\$543,427		\$400,000	Yes
2009	1,500	3,632	5,132	\$343,433		\$400,000	
Current Public Board Memberships				Public Board Interlocks			
—				Director		Board	
—				—		—	
Public Board Memberships During Last Five Years							
Loblaw Companies Limited			2000 to 2005				


 <p><b>Anthony R. Graham, 54</b> Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 1996</li> <li>• Non-Independent</li> </ul>		<p>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.</p> <p>He was awarded an Honorary Doctor of Laws Degree from Brock University.</p> <p>In addition to the public companies listed below, Mr. Graham is also a director of Graymont Limited, Brown Thomas Group Limited, Holt, Renfrew &amp; Co., Limited, Selfridges &amp; 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 Loblaw).</p> <p>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.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board Executive Committee Governance Committee Pension Committee (Chair)		11/11 1/1 6/6 4/4		22/22 100%		<b>Year</b>	<b>Amount</b>
						2010	\$338,750
						2009	\$275,000
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>		Minimum Equity Ownership	Meets Share Ownership Guidelines
2010	10,000	14,721	24,721	\$2,081,508		\$400,000	Yes
2009	10,000	12,421	22,421	\$1,500,413		\$400,000	
Current Public Board Memberships				Public Board Interlocks			
Loblaw Companies Limited Power Corporation of Canada Power Financial Corporation				Directors		Boards	
1999 to present 2001 to present 2001 to present				John S. Lacey Allan L. Leighton Isabelle Marcoux		Loblaw Companies Limited Loblaw Companies Limited Power Corporation of Canada	
Public Board Memberships During Last Five Years							
Garbell Holdings Limited			2005 to 2009				


 <p><b>John S. Lacey</b>, 67 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2009</li> <li>• Non-Independent</li> </ul>		<p>Mr. Lacey is Chairman of the Advisory Board of Brookfield Special Situations Funds. Mr. Lacey serves as a consultant to the Chairman of the Corporation. He is the former President and Chief Executive Officer of the Oshawa Group (a major food retailer, now part of Sobeys Inc.).</p> <p>Mr. Lacey graduated from Kearsney College, South Africa and the Harvard Graduate School of Business Administration.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board		11/11		11/11	100%	Year	Amount
						2010	\$246,000
						2009	\$145,917
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>	Minimum Equity Ownership	Meets Share Ownership Guidelines	
2010	6,000	2,782	8,782	\$739,444	\$400,000	Yes	
2009	4,000	1,171	5,171	\$346,043	\$400,000		
Current Public Board Memberships				Public Board Interlocks			
Loblaw Companies Limited TELUS Corporation Ainsworth Lumber Co. Ltd.			2007 to present 2000 to present 2008 to present	Directors		Boards	
				A. Charles Baillie Darren Entwistle Anthony R. Graham Allan L. Leighton		TELUS Corporation TELUS Corporation Loblaw Companies Limited Loblaw Companies Limited	
Public Board Memberships During Last Five Years <sup>(4)</sup>							
Canadian Imperial Bank of Commerce Canadian Tire Corporation, Limited Stelco Inc. <sup>(5)</sup> Alderwoods Group, Inc. Western Forest Products Inc.			2004 to 2009 2004 to 2006 2006 2004 to 2007 2004 to 2006				


 <p><b>Allan L. Leighton</b>, 57 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2000</li> <li>• Non-Independent</li> </ul>		<p>Mr. Leighton is Deputy Chairman of the Corporation and Deputy Chairman and President of Loblaw. He is also Deputy Chairman of Selfridges &amp; Co. Ltd.</p> <p>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.</p> <p>Mr. Leighton is a graduate of the Advanced Management Program at Harvard University.</p> <p>Mr. Leighton is a director of Selfridges &amp; Co. Ltd., Holt, Renfrew &amp; Co., Limited and Brown Thomas Group Limited.</p> <p>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.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board		10/11		10/11	91%	Year	Amount
						2010	—
						2009	—
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	The value of Mr. Leighton's eligible holdings in 2010 was \$8,650,100. 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 33.			
2010	4,781	—	4,781				
2009	4,781	—	4,781				
Current Public Board Memberships				Public Board Interlocks			
Loblaw Companies Limited BskyB plc. PANDORA A/S			2006 to present 1999 to present 2010 to present	Directors		Board	
				Anthony R. Graham John S. Lacey		Loblaw Companies Limited Loblaw Companies Limited	
Public Board Memberships During Last Five Years <sup>(6)</sup>							
—		—					

 <p><b>Isabelle Marcoux</b>, 41 Montreal, Quebec, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2007</li> <li>• Independent</li> </ul>		<p>Ms. Marcoux is Vice Chair of the Board and Vice President, Corporate Development, of Transcontinental Inc. (a major Canadian printing and publishing company).</p> <p>Ms. Marcoux formerly practiced corporate and securities law at McCarthy Tétrault LLP.</p> <p>Ms. Marcoux has an LL.B. in Civil Law and a B.A. in Political Science and Economics from McGill University.</p> <p>Ms. Marcoux is a board member of the Montreal Museum of Fine Arts and of the Board of Trade of Metropolitan Montreal and serves as Chair of Tel-jeunes' capital campaign.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board Audit Committee		11/11 7/7		18/18 100%		<b>Year</b>	<b>Amount</b>
						2010	\$141,000
						2009	\$135,000
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>	Minimum Equity Ownership	Meets Share Ownership Guidelines	
2010	—	7,217	7,217	\$607,671	\$400,000	Yes	
2009	—	5,279	5,279	\$353,271	\$400,000		
Current Public Board Memberships				Public Board Interlocks			
				Director	Board		
Transcontinental Inc. Rogers Communications Inc. Power Corporation of Canada			2005 to present 2008 to present 2010 to present	Anthony R. Graham	Power Corporation of Canada		
Public Board Memberships During Last Five Years							
—		—					

 <p><b>J. Robert S. Prichard</b>, O.C., O. Ont., 62 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2000</li> <li>• Independent</li> </ul>		<p>Mr. Prichard is the Chair of Torys LLP and of the Board of Directors of Metrolinx. He is the former President and CEO of Metrolinx (a transportation company). Mr. Prichard is the past President and Chief Executive Officer and a former director of Torstar Corporation.</p> <p>Mr. Prichard graduated from the University of Chicago with an M.B.A., from the University of Toronto with an LL.B., and from Yale Law School with an LL.M.</p> <p>He is also Vice Chair of Canada's Science Technology &amp; Innovation Council, Chairman of the Visiting Committee for Harvard Law School, a director of the Toronto Community Foundation and a trustee of the Hospital for Sick Children. He is President Emeritus of the University of Toronto where he served as the University's thirteenth President from 1990 to 2000.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board Governance Committee Pension Committee		11/11 6/6 4/4		21/21 100%		<b>Year</b>	<b>Amount</b>
						2010	\$150,000
						2009	\$142,000
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>	Minimum Equity Ownership	Meets Share Ownership Guidelines	
2010	2,000	14,313	16,313	\$1,373,555	\$400,000	Yes	
2009	2,000	12,123	14,123	\$ 945,111	\$400,000		
Current Public Board Memberships				Public Board Interlocks			
				Director	Board		
The Bank of Montreal Onex Corporation			2000 to present 1994 to present	—	—		
Public Board Memberships During Last Five Years							
Four Seasons Hotels Inc. Torstar Corporation			1996 to 2007 2002 to 2009				

 <p><b>Thomas F. Rahilly</b>, 67 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 2007</li> <li>• Independent</li> </ul>		<p>Mr. Rahilly, a corporate director, was, from 1996 until his retirement at the end of 2006, Vice Chairman of RBC Capital Markets, a division of Royal Bank of Canada. He worked as an investment banker for over 30 years.</p> <p>Mr. Rahilly graduated from the University of Toronto with a B.A., an LL.B. and an M.A.</p> <p>In the past five years, Mr. Rahilly has also served as a director of Wittington Investments, Limited.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board		11/11		26/26		100%	
Audit Committee		7/7				<b>Year</b>	<b>Amount</b>
Environmental Committee		4/4				2010	\$175,000
Pension Committee		4/4				2009	\$167,000
Equity Ownership (as of December 31, 2010)							
Year	Common Shares	DSUs	Total Common Shares and DSUs	Total Market Value of Common Shares and DSUs <sup>(2)</sup>	Minimum Equity Ownership	Meets Share Ownership Guidelines	
2010	—	9,896	9,896	\$833,243	\$400,000	Yes	
2009	—	7,472	7,472	\$500,026	\$400,000		
Current Public Board Memberships				Public Board Interlocks			
—				Director		Board	
—				—		—	
Public Board Memberships During Last Five Years							
—							

 <p><b>Barbara Stymiest</b>, 53 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director Nominee</li> <li>• Independent</li> </ul>		<p>As a Group Head of RBC, Ms. Stymiest is one of ten executives responsible for the overall performance of Canada's largest bank (as measured by market capitalization, earnings and assets) and one of North America's leading diversified financial services companies. She is the former Chief Executive Officer of TSX Group Inc.</p> <p>Ms. Stymiest obtained her B.A. from the Richard Ivey School of Business and is a Fellow of the Institute of Chartered Accountants of Ontario.</p> <p>Ms. Stymiest serves as a director of Symcor Inc., the Canadian Bankers Association and Research in Motion Limited. She also serves as director of the Canadian Institute for Advanced Research, Royal Ontario Museum and Toronto Rehabilitation Institute and has worked with a number of professional and charitable organizations including the CICA's Accounting Oversight Committee, United Way Campaign Cabinet and Hincks-Dellcrest Children's Centre.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received	
—		—		—		<b>Year</b>	<b>Amount</b>
						2010	N/A
Equity Ownership (as of December 31, 2010)							
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			
Research in Motion				Director		Board	
2007 to Present				—		—	
Public Board Memberships During Last Five Years							
—							

 <p><b>W. Galen Weston, O.C.</b>, 70 Toronto, Ontario, Canada</p> <p><b>Weston Board Details:</b></p> <ul style="list-style-type: none"> <li>• Director since 1967</li> <li>• Non-Independent</li> </ul>		<p>Mr. Weston is Chairman and President of the Corporation and was Chairman of Loblaw from 1976 until his retirement on September 19, 2006. Mr. Weston is Chairman of Brown Thomas Group Limited, Holt, Renfrew &amp; Co., Limited and Selfridges &amp; Co. Ltd., and is President of The W. Garfield Weston Foundation.</p> <p>Mr. Weston received a B.A. and was awarded an Honorary Doctor of Laws Degree from the University of Western Ontario.</p>					
Board/Committee Membership		Attendance		Attendance (Total)		Director Fees Received <sup>(1)</sup>	
Board Executive Committee (Chair)		11/11 1/1		12/12 100%		Year	Amount
						2010	—
						2009	—
Equity Ownership (as of December 31, 2010)							
Mr. Weston is the controlling shareholder of the Corporation. For further information regarding the holdings of the Principal Shareholder, please see page 3.							
Current Public Board Memberships				Public Board Interlocks			
				Director		Board	
Associated British Foods, plc		1964 to present		—		—	
Public Board Memberships During Last Five Years							
Loblaw Companies Limited		1972 to 2006					

- (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 December 31, 2010, which was \$84.20 and the closing price of the Common Shares on December 31, 2009 which was \$66.92.
- (3) Dana Corporation filed voluntary petitions for reorganizations under Chapter 11 of the U.S. Bankruptcy Code on March 3, 2006. Dana's European, South American, Asian-Pacific, Canadian and Mexican subsidiaries were not included in the Chapter 11 filing. Dana emerged from bankruptcy in January of 2008.
- (4) 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.
- (5) 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.
- (6) Mr. Leighton was a member of the board of directors of Leeds United Football, PLC, which was subject to administration proceedings in 2007.



## 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 and Leighton 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, Human Resource, 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 Loblaw'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:

<b>Comparator Group of Canadian Companies by Market Capitalization</b>	
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.

<b>Comparator Group of Canadian Companies with a Controlling Shareholder</b>	
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, effective October 10, 2010, the Governance Committee approved the following changes to directors' compensation: (i) the annual retainer for the Chair of the Audit Committee was increased from \$25,000 to \$30,000; (ii) the annual retainer for the Lead Director was increased from \$30,000 to \$50,000; and (iii) the annual retainer for the

Chair of the Environmental, Health & Safety Committee was increased from \$10,000 to \$15,000. These increases were all prorated for 2010. In addition, the annual retainer for non-management board members was increased from \$90,000 to \$100,000, paid one-half in cash and the other half in deferred share units (“DSUs”), which are described below. In past years, non-management board members received a special grant of \$40,000 in DSUs. This change incorporated that special grant, and increased it to \$50,000, as part of the annual retainer. A director may elect to receive the cash component of their board retainer in DSUs. 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 (\$)
<b>Annual Fees</b>	
- Board Retainer Cash	50,000
- Board Retainer Equity	50,000 <sup>(1)</sup>
Total Board Retainer	100,000
Lead Director retainer	50,000 <sup>(2)</sup>
Audit committee chair	30,000 <sup>(3)(4)</sup>
Audit committee member	5,000
Governance committee chair	25,000 <sup>(3)</sup>
Environmental committee chair	15,000 <sup>(3)(5)</sup>
Pension committee chair	10,000 <sup>(3)</sup>
Member of other board committee	4,000
<b>Attendance Fees</b>	
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) Increased from \$40,000 to \$50,000 effective October 10, 2010.

(2) Increased from \$30,000 to \$50,000 effective October 10, 2010.

(3) Includes fee received as committee member.

(4) Increased from \$25,000 to \$30,000 effective October 10, 2010.

(5) Increased from \$10,000 to \$15,000 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 15<sup>th</sup> 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, all 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 <sup>(1)</sup>	Fees Earned				Total Fees Earned (\$)	All Other Compensation (\$)	Total Compensation (\$)	Allocation of Total Fees		
	Board Retainer (\$) <sup>(2)</sup>	Committee Chair Retainer (\$)	Committee Member Retainer (\$)	Attendance Fees (\$) <sup>(3)</sup>				Cash (\$)	Share Based Awards (\$) <sup>(4)</sup>	Allocation of Fees between Cash and DSUs (%)
A. Charles Baillie	100,000	26,250	4,000	58,000	188,250	—	188,250	—	188,250	100% DSUs
Warren Bryant <sup>(5)</sup>	64,583	—	5,625	22,000	92,208	—	92,208	—	92,208	100% DSUs
Robert J. Dart	100,000	—	8,000	38,000	146,000	—	146,000	—	146,000	100% DSUs
Peter B.M. Eby	100,000	60,000 <sup>(6)</sup>	5,000	60,000	225,000	—	225,000	—	225,000	100% DSUs
Anne L. Fraser	100,000	11,250	—	32,000	143,250	—	143,250	46,625	96,625	67% DSUs
Anthony R. Graham	100,000	10,000	4,000	44,000	158,000	180,750 <sup>(7)</sup>	338,750	24,750	314,000	93% DSUs
John S. Lacey	100,000	—	—	22,000	122,000	1,524,000 <sup>(8)</sup>	1,646,000	1,400,000	246,000	15% DSUs
Isabelle Marcoux	100,000	—	5,000	36,000	141,000	—	141,000	—	141,000	100% DSUs
J. Robert S. Prichard	100,000	—	8,000	42,000	150,000	—	150,000	—	150,000	100% DSUs
Thomas F. Rahilly	100,000	—	13,000	62,000	175,000	—	175,000	—	175,000	100% DSUs
<b>Total (\$)</b>	<b>\$964,583</b>	<b>\$107,500</b>	<b>\$52,625</b>	<b>\$416,000</b>	<b>\$1,540,708</b>	<b>\$1,704,750</b>	<b>\$3,245,458</b>	<b>\$1,471,375</b>	<b>\$1,774,083</b>	

- (1) Messrs. 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 40.
- (2) 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) Mr. Bryant was elected to the Board on May 13, 2010.
- (6) Mr. Eby received \$50,000 for his role as Lead Director in addition to his retainer as chair of the Governance Committee.
- (7) Mr. Graham also received compensation for his role as director of Loblaw and as Chairman and director of President's Choice Bank, a subsidiary of Loblaw. The details of his Loblaw compensation are set forth in the Loblaw Management Proxy Circular, which is available at [www.sedar.com](http://www.sedar.com).
- (8) Mr. Lacey received \$1,400,000 from the Corporation in consulting fees as an advisor to the Chairman and President of the Corporation. He also received compensation of \$124,000 for his role as director of Loblaw. The details of his Loblaw compensation are set forth in the Loblaw Management Proxy Circular, which is available at [www.sedar.com](http://www.sedar.com).

## 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. 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 December 31, 2010 and December 31, 2009 can be found in the section "Nominees For Election to the Board of Directors" at pages 6 to 12. 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 33.

**BOARD AND COMMITTEE ATTENDANCE**

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

Name	Board (11 meetings)	Audit Committee (7 meetings)	Environmental, Health and Safety Committee (4 meetings)	Governance Committee (6 meetings)	Pension Committee (4 meetings)	Executive Committee (1 meeting)	Overall Attendance
W. Galen Weston	11/11					1/1	12/12
A. Charles Baillie	11/11	7/7		6/6			24/24
Warren Bryant <sup>(1)</sup>	6/7	3/4	2/3				11/14
Robert J. Dart	11/11		3/4		4/4		18/19
Peter B.M. Eby	11/11	7/7		6/6		1/1	25/25
Anne L. Fraser	11/11		4/4				15/15
Anthony R. Graham	11/11			6/6	4/4	1/1	22/22
John S. Lacey	11/11						11/11
Allan A. Leighton	10/11						10/11
Isabelle Marcoux	11/11	7/7					18/18
J. Robert S. Prichard	11/11			6/6	4/4		21/21
Thomas F. Rahilly	11/11	7/7	4/4		4/4		26/26

(1) Mr. Bryant was elected to the Board on May 13, 2010.

## COMPENSATION DISCUSSION AND ANALYSIS

### INTRODUCTION

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

Name	Position
W. Galen Weston	Chairman and President
Paviter S. Binning	Chief Financial Officer
Allan L. Leighton	Deputy Chairman of the Corporation and Deputy Chairman and President of Loblaw
Ralph A. Robinson	President of Weston Foods
Galen G. Weston	Executive Chairman of Loblaw
Robert G. Vaux	Executive Vice President, Corporate Development (former Chief Financial Officer)

Mr. Vaux stepped down from the role of Chief Financial Officer of the Corporation on August 16, 2010 and remains with the Corporation in a senior executive role as Executive Vice President, Corporate Development. Mr. Binning was appointed Chief Financial Officer on that date.

On February 24, 2011, Loblaw 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 medium and 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 47. The members of the Governance Committee are A. Charles Baillie, Peter B.M. Eby (Chair), Anthony R. Graham and J. Robert S. Prichard. All members of the Governance Committee are independent directors except for Mr. Graham, who is an executive officer of Wittington, the private holding company through which Mr. W. Galen Weston 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 Chairman and President participates in the compensation design process, makes recommendations to the Governance Committee with respect to the NEOs (excluding himself and Mr. Galen G. Weston) and the specific business goals to be used as performance targets for the various incentive programs. The Chief Financial Officer and the Executive Vice President and Chief Legal Officer assist the Chairman and President in developing and presenting management's recommendations and supporting material to the Governance Committee regarding the compensation of the NEOs, other than Mr. Galen G. Weston.

Each year, the Chairman and President evaluates 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 \$28,073 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 of Loblaw.

### *2008 Compensation Review – Deputy Chairman of the Corporation*

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 Loblaw in 2008, in addition to his continuing role as Deputy Chairman of both the Corporation and Loblaw. At that time, and in recognition of his important role in the overall strategy and direction of the Corporation and Loblaw, 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.	



***Loblaw's 2009 Compensation Review – Top 20 Executive Positions***

In September of 2009, Loblaw's Governance Committee asked management and Mercer to conduct an overall review of Loblaw's executive compensation programs to confirm that its programs were competitive, in light of the programs in place at companies in the comparator group listed below. Loblaw's 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 Loblaw's structure and business activities. Loblaw's management and Mercer compared the compensation mix and total compensation of Loblaw's top 20 senior executives, including NEOs of the Corporation, 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. Loblaw's Governance 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:

<b>Canadian Corporations</b>	<b>U.S. Retailers</b>		<b>U.K. Retailers</b>
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.	

A copy of this report was made available to the Governance Committee.

***2010 Compensation Review***

In 2010, Mercer presented its 2010 trends report to the Governance Committee, as noted above. 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	
<b>Fixed Compensation</b>	Base Salary	Cash	Annual	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Variable Compensation</b>	Short-Term Incentive Plan (STIP)	Cash	Annual	<ul style="list-style-type: none"> <li>Incentive program is linked to the achievement of specific performance targets in the fiscal year.</li> <li>Each executive has a target annual bonus (% of base salary).</li> <li>Actual payout is determined by achievement of predetermined financial and/or operating performance objectives.</li> <li>Payouts range from zero to a maximum of 200% of an executive’s target bonus.</li> </ul>
		Deferred Share Units	Annual election; DSUs held until cessation of employment	<ul style="list-style-type: none"> <li>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.</li> <li>Aligns executives’ interests with those of shareholders and count towards Share Ownership Guidelines.</li> </ul>
	Medium-Term Incentive Plan (MTIP)	MTIP Units	3 year performance period (100% payout at end of period)	<ul style="list-style-type: none"> <li>Motivates and rewards Weston Foods executives for creating increased shareholder value.</li> <li>Eligible executives have a targeted bonus for the relevant performance period expressed as a percentage of base salary.</li> <li>Actual payout is determined by the increase in implied equity value of the relevant Weston Foods business during the performance period.</li> <li>Payouts generally range from zero to a maximum of 200% of an executive’s base salary in the last year of the performance period.</li> </ul>
	Long-Term Incentive Plan (LTIP)	Restricted Share Units	3 year performance period (100% payout at end of period)	<ul style="list-style-type: none"> <li>Motivates and rewards executives for creating increased shareholder value.</li> <li>RSUs typically comprise one-third of the total value of LTIP grants to executives.</li> </ul>
		Stock Options	5 year vesting (20% per year); 7 year term	<ul style="list-style-type: none"> <li>Motivates and rewards executives for creating long-term shareholder value.</li> <li>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.</li> <li>Individual awards are differentiated based on role and expected future performance.</li> <li>Stock options typically comprise two-thirds of the total value of LTIP grants to executives using the Black-Scholes-Merton methodology.</li> </ul>
<b>Other Elements of Compensation</b>				
<b>Benefits</b>	Group health, dental and insurance benefits	Employment and post employment	<ul style="list-style-type: none"> <li>Executive benefit plans, paid for by the Corporation, provide health, dental, disability and insurance coverage.</li> </ul>	
<b>Pensions</b>	Defined Benefit Pension Plan/ Defined Contribution Pension Plan	Post-employment	<ul style="list-style-type: none"> <li>Plans are designed to provide a reasonable level of retirement income to executives to reward them for their service to the Corporation.</li> <li>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.</li> <li>New executives participate in the executive defined contribution registered pension plan.</li> </ul>	
<b>Perquisites</b>	Cash allowance/Reimbursement for professional services	Annual	<ul style="list-style-type: none"> <li>Limited personal benefits are provided, including a car or car allowance, an annual medical examination and/or a discretionary health care spending account.</li> </ul>	

## 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. No base salary changes were made in 2010.

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 (%)
W. Galen Weston	1,000,000	Nil
Paviter S. Binning <sup>(1)</sup>	750,000	—
Allan L. Leighton <sup>(2)</sup>	2,000,000	Nil
Ralph A. Robinson	700,000	Nil
Galen G. Weston	1,000,000	Nil
Robert G. Vaux <sup>(3)</sup>	650,000	Nil

(1) Mr. Binning was appointed Chief Financial Officer of the Corporation on August 16, 2010 and his pro-rated salary for 2010 was \$284,617.

(2) Mr. Leighton's base salary includes \$1,000,000 received from Loblaw in his capacity as Deputy Chairman and President of Loblaw.

(3) Mr. Vaux's total base salary of \$650,000 is apportioned between the Corporation and Loblaw, with the Corporation allocated 40%.

### *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 for both Weston Foods and Loblaw was the introduction of sales as a performance measure. The Governance Committees of both the Corporation and Loblaw included the sales component to focus their respective executive teams on the challenge of improving the top line sales growth of the Corporation and developing new and innovative products and services.

The Governance Committees of both the Corporation and Loblaw believe that the STIP programs are balanced as they are comprised of different performance measures that are designed to focus executives on the key drivers of the 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 Committees of the Corporation and Loblaw set 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.

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

The Governance Committee determines the appropriate STIP performance measures for each NEO based on his or her roles and responsibilities within the Weston Foods and/or Loblaw businesses. The Governance Committee is responsible for the plan design and awards made by the Corporation and under the separate Weston Foods STIP. The Loblaw Governance Committee is responsible for the plan design and awards made pursuant to the Loblaw STIP.

The following table sets forth the performance measures and weightings that were used in determining the STIP awards for each NEO for 2010:

Name	Title	Performance Measure	Weighting (%)
W. Galen Weston	Chairman and President	Discretion of the Governance Committee	100
Paviter S. Binning	Chief Financial Officer	Loblaw STIP Weston Foods STIP	67 33
Allan L. Leighton Weston Loblaw	Deputy Chairman Deputy Chairman and President of Loblaw	Discretion of the Governance Committee Loblaw STIP	100 100
Ralph A. Robinson	President of Weston Foods	Weston Foods STIP	100
Galen G. Weston	Executive Chairman of Loblaw	Loblaw STIP	100
Robert G. Vaux	Executive Vice President, Corporate Development (former Chief Financial Officer)	Loblaw STIP Weston Foods STIP Discretion of the Governance Committee	50 25 25

A description of each performance measure and the actual achievements against these measures is set forth below.

#### *Discretion of Governance Committee*

In determining the STIP awards for the Chairman and President and the Deputy Chairman, the Governance Committee considered the financial performance of the Corporation and each individual's overall performance. A portion of the STIP received by the former Chief Financial Officer was also determined by the Governance Committee on the same basis.

#### *W. Galen Weston, Chairman and President*

The STIP awarded to the Chairman and President is determined in the discretion of the Governance Committee based on both quantitative and qualitative factors. The quantitative factors were the financial performance of the Corporation and its two operating segments, Weston Foods and Loblaw, as reflected by the STIP plans and targets for both segments. The payouts for these plans were approximately 105% and 133% of target respectively. The qualitative factors are the Committee's assessment of the Corporation progress for its major strategic objectives and the Chairman and President's overall leadership of the Corporation. The Committee concluded that the Chairman and President exceeded the Corporation's objectives in this respect. Absent exceptional circumstances, the Chairman and President's STIP target award is 100% of his salary and is capped at that amount. Taking account of all of these factors, the Committee awarded the Chairman a STIP payout of \$1,000,000.

#### *Allan L. Leighton, Deputy Chairman and Deputy Chairman and President of Loblaw*

Based on his strong leadership performance with both the Corporation and Loblaw, including leading Loblaw towards the conclusion of its five-year renewal period and exceeding the Loblaw STIP

performance measures, the Governance Committee granted Mr. Leighton a 2010 STIP award of \$1,000,000. As noted above, the payout under Loblaw's STIP was approximately 133% of target and the payout under Weston Foods' STIP was approximately 105% of target. Based on the financial performance of both the Corporation and Loblaw exceeding 100% of target, the Governance Committee awarded Mr. Leighton 100% of his STIP target, which is also his maximum award.

*Robert G. Vaux, Executive Vice President, Corporate Development (former Chief Financial Officer)*

For a portion of 2010, Mr. Vaux served as the Chief Financial Officer for each of the Corporation and Loblaw. Mr. Vaux's STIP is comprised of amounts based on the performance of both businesses as well as a portion that is determined at the discretion of the Governance Committee. Based on the strong performance of both businesses, the Governance Committee set the discretionary component of Mr. Vaux's STIP at a level consistent with the awards made under the Weston Foods and Loblaw STIP plans.

*Weston Foods STIP*

*Plan Design*

The Governance Committee believes that the STIP should be designed to properly incent the NEOs to achieve the Weston Foods 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 Weston Foods business plan and strategic objectives. At the end of the year, the Governance Committee reviews the financial results of Weston Foods against the performance targets and considers whether any adjustments are required to account for unexpected events during the year. For 2010, the Governance Committee made certain adjustments to both the earnings and sales components of the STIP to neutralize the impact of two significant acquisitions that took place during the year.

As noted above, the notable change to the Weston Foods STIP in 2010 was the introduction of sales growth as a performance measure. For 2008 and 2009, earnings performance was the only measure for the Weston Foods STIP. For 2010, Weston Foods STIP was based on the following two performance measures and weightings: 67% based on earnings and 33% based on sales. Where there is more than one performance measure, the STIP payouts are determined for each performance measure and then aggregated to determine the final amount.

*Earnings Performance*

The earnings target for 2010 was based on budgeted earnings before interest and taxes ("EBIT") and reflected Weston Foods' confidential annual and multi-year business plans and strategic objectives. The Governance Committee believes that EBIT represents one of the best indicators of overall business performance. The earnings target for the STIP was designed specifically for compensation purposes and differs from the segmented GAAP financial information publicly reported for Weston Foods by the Corporation.

The earnings component of the Weston Foods STIP for 2010 was designed so that:

- no bonus would be awarded for the earnings component if Weston Foods' actual earnings were 80% or less than the earnings target; and
- the maximum bonus payout was 180% of target if Weston Foods' actual earnings were equal to or greater than 120% of the earnings target.<sup>(1)</sup>

<sup>(1)</sup> In 2010, Mr. Robinson's maximum STIP award was 100% of his target amount.

Early in 2011, the Governance Committee reviewed the 2010 financial results of Weston Foods and calculated that the earnings for STIP purposes in accordance with the plan exceeded the earnings target at approximately 157%. As a result, the NEOs received the payout amounts for the earnings component of the Weston Foods STIP set forth in the chart below. The benefits realized from cost and productivity improvements and other cost reduction initiatives contributed to Weston Foods' strong earnings performance relative to target during 2010.

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 target or calculation of earnings for the purposes of the STIP would be seriously prejudicial to its interests for the reasons discussed above.

### *Sales Performance*

In 2010, the Governance Committee added a sales growth measure against targets set by the Governance Committee. The sales growth measure was added to focus executives on both strengthening Weston Foods' core business and developing new and innovative products in the North American bakery market. The sales target for 2010 was based on budgeted growth in net sales as set forth in Weston Foods' confidential annual and multi-year business plans.

The sales component of the Weston Foods STIP for 2010 was designed so that:

- no bonus would be awarded for the sales component if Weston Foods' actual sales were less than target by 2% or greater; and
- the maximum bonus payout was 180% of target if Weston Foods' actual sales exceed target by 2% or greater.<sup>(1)</sup>

Early in 2011, the Governance Committee reviewed the 2010 financial results of Weston Foods and calculated the sales for STIP purposes in accordance with the plan. Weston Foods' 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.

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 its interests for the reasons discussed above.

### *Loblaw STIP*

#### *Plan Design*

Loblaw's Governance Committee believes that the STIP should be designed to properly incent the NEOs to achieve Loblaw's business plan and strategic objectives. Prior to the beginning of each fiscal year, Loblaw's Governance Committee establishes the STIP design, including the specific business performance measures, weightings and targets, and presents it to Loblaw's Board for approval. In determining the performance measures, weightings, targets and payout ranges for each fiscal year, Loblaw's Governance Committee takes into account the key components of Loblaw's business plan and strategic objectives. At the end of the year, Loblaw's Governance Committee reviews the financial results of Loblaw 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 Loblaw's ever changing business environment. For 2008, the STIP for the NEOs was based solely on Loblaw'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 Loblaw'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.

<sup>(1)</sup> In 2010, Mr. Robinson's maximum STIP award was 100% of his target amount.

As a result, the Loblaw component of the 2010 STIP for the applicable NEOs 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.

#### *Loblaw Earnings Performance*

Loblaw's earnings target was based on budgeted earnings before interest, taxes, depreciation and amortization and reflected Loblaw'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 Loblaw's publicly reported earnings. As noted above, the earnings target was intended to be challenging such that Loblaw was required to have strong earnings results to achieve the earnings target.

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

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

Early in 2011, Loblaw's Governance Committee reviewed Loblaw's 2010 financial results and calculated the earnings for STIP purposes in accordance with the plan. Loblaw'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 Loblaw'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. Loblaw believes that the disclosure of the earnings target or calculation of earnings for the purposes of the STIP would be seriously prejudicial to Loblaw's interests for the reasons discussed above.

#### *Loblaw Sales Performance*

In 2010, Loblaw's 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 Loblaw'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 Loblaw's confidential annual and multi-year business plans.

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

- no bonus would be awarded for the sales component if Loblaw's actual sales were less than target by 1.5% or more;
- the maximum bonus payout would be 200% of target if Loblaw'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, Loblaw's Governance Committee reviewed the 2010 financial results of Loblaw and calculated the sales for STIP purposes in accordance with the plan. Loblaw'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. Loblaw believes that the disclosure of the sales target or calculation of sales for the purposes of the STIP would be seriously prejudicial to Loblaw's interests for the reasons discussed above.

***Loblaw 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 Loblaw's balance sheet.

The target established by Loblaw's 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. Loblaw's Governance Committee believes that the net debt reduction component of the STIP is an effective overall measure of Loblaw's financial strength, stability and flexibility.

The net debt reduction component, which comprises 20% of the total Loblaw 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, Loblaw's Governance Committee reviewed Loblaw's 2010 financial results and considered adjustments to net debt for unexpected events and non-recurring items. During 2010, Loblaw'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 for Loblaw and 105% for Weston Foods. The following table sets forth the STIP target, maximum STIP award and the 2010 STIP award for each NEO:

Name	Base Salary	STIP Target as Percentage of Base Salary (%)	STIP Target (\$)	Maximum STIP Award (\$)	2010 STIP Award						
					Weston Foods Earnings Component (\$) <sup>(1)</sup>	Weston Foods Sales Component (\$) <sup>(2)</sup>	Loblaw Earnings Component (\$) <sup>(3)</sup>	Loblaw Sales Component (\$) <sup>(4)</sup>	Loblaw Net Debt Reduction Component (\$)	Discretionary Component (\$)	Total (\$)
W. Galen Weston	1,000,000	100	1,000,000	n/a	—	—	—	—	—	1,000,000	1,000,000
Paviter S. Binning	750,000	100	750,000	1,450,000	98,347	0	173,019	0	75,978	—	347,344
Allan L. Leighton	1,000,000	100	1,000,000	1,000,000	—	—	—	—	—	1,000,000	1,000,000
- Weston	1,000,000	150	1,500,000	3,000,000	—	—	1,394,250	0	600,000	—	1,994,250
Ralph A. Robinson	700,000	100	700,000	700,000	700,000	0	—	—	—	—	700,000
Galen G. Weston	1,000,000	100	1,000,000	2,000,000	—	—	929,500	0	400,000	—	1,329,500
Robert G. Vaux	650,000	100	650,000	1,267,500	170,825	0	302,088	0	130,000	199,837	802,750

- (1) The Weston Foods earnings component of the 2010 STIP award comprised the percentages of total compensation of the NEOs as follows: 2.8% for Mr. Binning; 15.2% for Mr. Robinson and 7.1% for Mr. Vaux.
- (2) The Weston Foods sales component of the 2010 STIP did not comprise any amount of total compensation for the applicable NEOs.
- (3) The Loblaw's earnings component of the 2010 STIP award represented the respective percentages of total compensation for the applicable NEOs as follows: 4.9% for Mr. Binning; 17.4% for Mr. Leighton; 23.8% for Mr. Galen G. Weston and 12.6% for Mr. Vaux.
- (4) The Loblaw's sales component of the 2010 STIP did not comprise any amount of total compensation for the applicable NEOs.

#### *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.

#### *Medium Term Incentive Plan (MTIP)*

Under the medium term incentive plan ("MTIP"), awards of MTIP units are made to eligible executives of Weston Foods on an annual basis. The purpose of the MTIP is to reward executives for growth in certain factors that influence the Corporation's enterprise value (such as EBITDA, debt and cash flow) based on the performance of the Weston Foods business units over a three-year performance period. The size of an award to a participating executive is generally determined as a percentage of the executive's base salary. The value of an MTIP on vesting is based on pre-determined performance levels of EBITDA and cash flow of the relevant business unit. Payouts may be higher or lower than the targeted amounts based on the actual performance of the business unit. The targets for the awards made in 2010 were forward-looking as they relate to the three-year period ending in 2012 and were developed taking into account Weston Foods business strategies, plans and initiatives and its expectations regarding financial and operational performance. The targets are confidential and their disclosure would seriously prejudice the Corporation's interests. Consistent with the STIP plans, the targets are intended to be challenging such that strong financial performance is required to achieve the targeted results. The MTIP program was introduced in 2006 with an initial three-year performance period that concluded at year-end 2008. The financial results relating to the performance periods for the 2006, 2007 and 2008 MTIP grants were strong, such that payouts for each of these grants exceeded target.



In 2010, the Governance Committee approved the grant of MTIP units to approximately 60 executives of Weston Foods.

The following table sets forth the MTIP target award and the performance measure that was used in determining the MTIP awards for Mr. Robinson for 2010:

Name	Target MTIP as Percentage of Base Salary (%)	Target MTIP Award (\$)	Performance Measure
Ralph A. Robinson	200	1,400,000	Increase in estimated enterprise value of Weston Foods from January 1, 2010 to December 31, 2012 <sup>(1)</sup>

(1) Mr. Robinson's grant has a three-year term subject to a right of early termination after two years.

The amounts under the heading "Non-Equity Incentive Plan Compensation – Long-Term Incentive Plans" in the Summary Compensation Table reflect the payment made to Mr. Robinson with respect to his 2008 MTIP grants, for which the three-year performance period ended on December 31, 2010.

### *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.

The Governance Committee believes that these equity-based incentives are ill-suited to those executives of the Corporation who are employed by Weston Foods, as the Corporation's share price is overwhelmingly determined by the value of the Corporation's substantial investment in Loblaw. Accordingly, in 2006, the Corporation introduced the MTIP for Weston Foods to reward executives for increases in the equity value of those businesses over time. As a result of the introduction of the MTIP, participation in the LTIP is now restricted to the relatively small number of executives of the Corporation (approximately 35 in 2010) who do not work directly for Weston Foods.

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
Paviter S. Binning	750,000	100	2,845,675 <sup>(1)</sup>	Stock options and RSUs
Allan L. Leighton	2,000,000	150 <sup>(2)</sup>	1,500,026	RSUs
Robert G. Vaux	650,000	130	844,995	Stock options and RSUs <sup>(3)</sup>

(1) Mr. Binning was given a one-time special grant of 120,000 stock options with a grant date fair value of \$2,564,400 at the time of his appointment to the position of Chief Financial Officer. Mr. Binning's annual LTIP grant of 8,774 stock options and 1,157 RSUs had a grant date fair value of \$281,275 which is approximately 100% of his prorated base salary for 2010.

(2) Mr. Leighton's LTIP grant from the Corporation is 150% of the base salary he receives from the Corporation which is \$1,000,000.

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

In 2010, the Loblaw Governance Committee approved annual LTIP awards to Mr. Leighton and Mr. Galen G. Weston as follows:

Name	Base Salary (\$)	LTIP Grant as a Percentage of Base Salary (%)	Grant Date Fair Value (\$)	Type of Loblaw LTIP Grant
Galen G. Weston	1,000,000	150	1,499,992	Stock options
Allan L. Leighton	1,000,000	150	1,484,352	RSUs

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 December 31, 2010, options to purchase 1,533,443 Common Shares were outstanding and 4,761,474 Common Shares were available for future option grants, representing approximately 3.7% 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. Binning and Vaux received stock option grants from the Corporation as described in the table below:

Name	Options Granted	Exercise Price (\$)	Grant Date Fair Value (\$)	Vesting Schedule	Term of Grant
Paviter S. Binning	128,774	81.05	2,751,900	20% per year over 5 years	7 years
Robert G. Vaux	26,399	69.51	563,619	33 1/3% per year over 3 years <sup>(1)</sup>	7 years

<sup>(1)</sup> Mr. Vaux's stock options will be paid out in the event of termination without cause as set out on page 36.

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

Name	Loblaw 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

#### ***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, Messrs. Binning, Leighton and Vaux were awarded RSUs from the Corporation as described in the table below:

Name	RSUs Granted	Grant Value Per Unit (\$)	Grant Date Fair Value (\$)	Vesting Date
Paviter S. Binning	1,157	81.05	93,775	August 16, 2013
Allan L. Leighton	21,580	69.51	1,500,026	March 2, 2013 <sup>(1)</sup>
Robert G. Vaux	4,048	69.51	281,376	March 2, 2013 <sup>(2)</sup>

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

<sup>(2)</sup> Mr. Vaux's RSUs will be paid out in the event of termination without cause as set out on page 36.

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

Name	Loblaw RSUs Granted	Grant Value Per Unit (\$)	Grant Date Fair Value (\$)	Vesting Date
Allan L. Leighton	40,835	36.35	1,484,352	March 11, 2013 <sup>(1)</sup>

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

#### *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. The Loblaw Governance Committee approved the inclusion of the same provision in its LTIP awards to Loblaw executives.

#### *Securities Authorized for Issuance under Equity Compensation Plans as of December 31, 2010*

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	1,533,443	\$ 75.71	4,761,474
Equity Compensation Plans Not Approved by Securityholders	N/A	N/A	N/A
<b>Total</b>	<b>1,533,443</b>	<b>\$75.71</b>	<b>4,761,474</b>

#### *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. Mr. Leighton does not participate in any retirement plans and does not have any other retirement or pension arrangements with the Corporation or Loblaw. Mr. Galen G. Weston does not participate in any retirement plans and does not have any other retirement or pension arrangements with Loblaw. Senior executives of the Corporation, other than Messrs. Leighton and Galen G. Weston, participate in either the Corporation's executive 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 Mr. Binning. In addition, senior executives of the Corporation whose pensionable earnings exceed prescribed levels, including the NEOs (other than Messrs. Leighton and Galen G. Weston) 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:

- Deputy Chairman – 3x base salary
- Executive Vice Presidents – (NEOs) – 2x base salary
- Other Executive Vice Presidents – 1x base salary
- Executive Chairman of Loblaw – 5x 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 December 31, 2010, which was \$84.20, are set forth in the following table:

Name	Value of Equity-Based Holdings				Ownership Requirement		Meets Executive Share Ownership Guidelines
	Common Shares (\$)	RSUs (\$)	In-the-money stock options (\$)	Total (\$)	(\$)	Multiple of Salary	
Paviter S. Binning	12,546	97,419	—	109,965	1,500,000	2	Mr. Binning has an additional four years to satisfy the Guidelines.
Allan L. Leighton	402,560	6,469,507	1,778,033	8,650,100	6,000,000	3	Yes
Galen G. Weston <sup>(1)</sup>	—	—	—	11,707,300	5,000,000	5	Yes
Robert G. Vaux	220,857	739,108	798,079	1,758,044	1,300,000	2	Yes

(1) Mr. Galen G. Weston has Common Shares in the Corporation that have not been disclosed since only the value of Mr. Galen G. Weston's holdings in Loblaw satisfy the Loblaw's Executive Share Ownership Guidelines. The details of his Loblaw holdings are set forth in the Loblaw Management Proxy Circular, which is available at [www.sedar.com](http://www.sedar.com).

As previously noted, the share price of the Corporation is not strongly correlated with the performance of the business of Weston Foods because of the value of the Corporation's substantial investment in Loblaw. Accordingly, in 2008, the Governance Committee concluded that the share ownership guidelines would no longer apply to Mr. Robinson.

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 Loblaw while in possession of material undisclosed information about the Corporation or Loblaw. Under this Policy, such persons are also prohibited from entering into certain types of hedging transactions involving the securities of the Corporation or Loblaw, 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.

### *Paviter S. Binning, Chief Financial Officer*

Mr. Binning was appointed Chief Financial Officer of the Corporation on August 16, 2010. Mr. Binning's employment agreement provides for a base salary of \$750,000 and a STIP target payout of 100% of his base salary. In recognition of his joining the Corporation, Mr. Binning was granted 120,000 stock options with a grant date fair value of approximately \$2,564,400. On this date, Mr. Binning also received an annual LTIP grant equal to 100% of his prorated salary for 2010. Mr. Binning's annual grant was composed of 8,774 stock options of the Corporation with a grant date fair value of approximately \$187,500 and 1,157 RSUs with a grant date fair value of \$93,775. Mr. Binning is also eligible to participate in the Corporation's other compensation and benefit plans available to executive officers including the EDSU Plan, executive pension plan and other group benefits.

Mr. Binning's compensation arrangements were set by the Governance Committee taking into account his position and qualifications, including his extensive knowledge and experience in the consumer packaged goods industry. In determining the appropriate level of compensation, the Governance Committee reviewed the compensation of other senior executives within the organization and concluded, based on this internal analysis, that Mr. Binning's compensation was appropriate. The Governance Committee did not conduct any external benchmarking in setting Mr. Binning's compensation.

### *Allan L. Leighton, Deputy Chairman*

In 2010, Mr. Leighton was awarded 21,580 RSUs of the Corporation and 40,835 RSUs of Loblaw, each with a grant value of approximately \$1.5 million. The quantum of this grant was determined in accordance with his employment agreements that were entered into in April 2008 when Mr. Leighton was appointed President of Loblaw. The terms of these RSUs are the same as the terms of the RSUs described in the Restricted Share Unit Plan section on page 31, except that the terms of Mr. Leighton's RSUs provide for vesting upon his resignation, termination without cause and at his option in certain circumstances.

### *Ralph A. Robinson, President, Weston Foods*

Mr. Robinson's employment agreement was amended effective January 1, 2010 to provide for a deferral of his retirement date from December 31, 2010 to December 31, 2011. Under the amendment, no changes were made to Mr. Robinson's base salary, STIP target or MTIP target for 2010 or 2011, although for 2011 only, his maximum STIP payment will increase from 100% of base salary to 126%. Consistent with Mr. Robinson's agreement to defer his retirement, he was awarded an MTIP grant for 2011 with the same targeted payout of 200% of base salary, subject to a claw back of up to 30% if certain sales growth targets are not met. As with the 2010 MTIP grant, Mr. Robinson's grant in 2011 has a three-year term subject to a right of early termination after two years. Mr. Robinson has also agreed to enter into a consulting agreement for a two year period following his retirement to, among other things, assist in the transition of leadership of the business to his successor.

### *Galen G. Weston, Executive Chairman of Loblaw*

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



*Robert G. Vaux, Executive Vice President, Corporate Development (former Chief Financial Officer)*

For Mr. Vaux, the Governance Committee established the level of his LTIP grant for 2010 at approximately \$845,000, with 60% of this amount allocated to Loblaw. The 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 strategic 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 Loblaw in 2010, with 60% of this amount allocated to Loblaw.

**TERMINATION AND CHANGE OF CONTROL BENEFITS**

None of the Corporation's NEOs' employment agreements provide for change of control benefits other than for Mr. Robinson. The Corporation's and Loblaw's compensations plans have termination and change of control provisions. The table below summarizes the termination and change of control benefits provided under each of the Corporation's, or if applicable, Loblaw's compensation plans 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
Medium-Term Incentive Plan	Forfeited at time of notice of resignation	Grant value paid out on a pro rata basis	All outstanding units are forfeited	Grant value paid out on a pro rata basis	Board discretion to grant or grant value paid out
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.

*W. Galen Weston, Chairman and President*

The Corporation does not have an employment agreement with Mr. Weston. If Mr. Weston's employment is terminated, he will be entitled to receive accrued and unpaid salary up to the date of termination and any LTIP awards in accordance with the terms of the applicable plan. The effect of his termination on his outstanding stock options is described above.

*Paviter S. Binning, Chief Financial Officer*

If Mr. Binning is terminated without cause, he is entitled to receive (a) his salary for 18 months, (b) target STIP bonus for 18 months, and (c) applicable incentive and share based payments as provided for under the terms of such programs. If Mr. Binning is terminated for cause or resigns, he is entitled to receive (a) salary up to the date of termination, and (b) applicable incentive payments as provided for under the terms of such programs. Upon termination in any circumstance, Mr. Binning is subject to certain non-competition and confidentiality agreements.

*Allan L. Leighton, Deputy Chairman*

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 34 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.

*Ralph A. Robinson, President, Weston Foods*

Mr. Robinson’s employment agreement contains a change of control provision. This provision is invoked only if, following a change in control (as defined in the agreement), Mr. Robinson resigns under certain circumstances. In that event, Mr. Robinson would receive (a) salary up to the date of termination, (b) applicable incentive payments as provided for under the terms of such programs, and (c) a payment of \$3 million.

If Mr. Robinson is terminated without cause, he is entitled to receive (a) salary up to the date of termination, (b) applicable incentive payments as provided for under the terms of such programs, and (c) a termination payment of \$4 million. If Mr. Robinson is terminated for cause or resigns, he is entitled to receive (a) salary up to the date of termination, and (b) applicable incentive payments as provided for under the terms of such programs. Upon retirement, Mr. Robinson is entitled to receive certain payments in accordance with the terms of his MTIP awards. Upon termination in any circumstance, Mr. Robinson is subject to certain non-competition and confidentiality agreements.

*Galen G. Weston, Executive Chairman of Loblaw*

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

*Robert G. Vaux, Executive Vice President, Corporate Development (former Chief Financial Officer)*

Mr. Vaux stepped down from the role as Chief Financial Officer on August 16, 2010, remaining with the Corporation 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 December 31, 2010 for the various reasons described below.

Name	Event	Amounts Due on Termination						Total (\$)
		Contractual Severance		Benefits (\$)	Long term Incentive Plans			
		Salary <sup>(1)</sup> (\$)	Annual Bonus <sup>(1)</sup> (\$)		Stock Options <sup>(2)</sup> (\$)	RSUs <sup>(3)</sup> (\$)	MTIP (\$)	
<b>W. Galen Weston</b> Chairman and President	Termination with cause	—	—	—	—	—	—	—
	Termination without cause	—	—	—	—	—	—	—
	Resignation	—	—	—	—	—	—	—
	Retirement <sup>(4)</sup>	—	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—	—
<b>Paviter S. Binning</b> Chief Financial Officer	Termination with cause	—	—	—	—	—	—	—
	Termination without cause	1,125,000	1,125,000	—	—	—	—	2,250,000
	Resignation	—	—	—	—	—	—	—
	Retirement <sup>(4)</sup>	—	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—	—
<b>Allan L. Leighton</b> Deputy Chairman	Termination with cause	—	—	—	—	—	—	—
	Termination without cause	—	—	—	—	— <sup>(5)</sup>	—	—
	Resignation	—	—	—	—	— <sup>(5)</sup>	—	—
	Retirement <sup>(4)</sup>	—	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—	—
<b>Ralph A. Robinson</b> President of Weston Foods	Termination with cause	—	—	—	—	—	—	—
	Termination without cause	4,000,000	—	—	—	—	—	4,000,000
	Resignation	—	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—	—
	Change of control	3,000,000	—	—	—	—	—	3,000,000
<b>Robert G. Vaux</b> Executive Vice President, Corporate Development (former Chief Financial Officer)	Termination with cause	—	—	—	—	—	—	—
	Termination without cause	650,000 <sup>(6)</sup>	650,000 <sup>(6)</sup>	—	\$1,246,934 <sup>(7)</sup>	409,523 <sup>(8)</sup>	—	2,956,457
	Resignation	—	—	—	—	—	—	—
	Retirement	—	—	—	—	—	—	—
	Change of control	—	—	—	—	—	—	—
<b>Galen G. Weston</b> Executive Chairman of Loblaw	Termination with cause	—	—	—	—	—	—	—
	Termination without cause	—	—	—	—	—	—	—
	Resignation	—	—	—	—	—	—	—
	Retirement <sup>(4)</sup>	—	—	—	—	—	—	—
	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.
- (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 December 31, 2010 of \$84.20.
- (4) The NEO was not entitled to retirement benefits as of December 31, 2010.
- (5) A portion of Mr. Leighton's compensation for 2008, 2009 and 2010 was paid to him in RSUs. As of December 31, 2010, those awards are all unconditional (other than termination for cause). If he had resigned or been terminated without cause on December 31, 2010, his cash payment would have been \$11,874,646 based on the December 31, 2010 closing price of \$84.20 for the Common Shares and \$40.37 for the common shares of Loblaw.
- (6) In addition, Mr. Vaux is entitled to termination payments relating to salary and annual bonus from Loblaw of \$390,000 for an aggregate payment of \$650,000.
- (7) If Mr. Vaux had been terminated without cause on December 31, 2010, 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 based on a December 31, 2010 share price. On December 31, 2010, 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 Common Shares on December 31, 2010, which was \$84.20. The value of these accelerated stock options was \$1,246,934, with Loblaw responsible for 60% of this payment.
- (8) The value of Mr. Vaux's accelerated RSUs is \$409,523, with Loblaw responsible for 60% of this payment.

## COMPENSATION DECISIONS FOR 2011

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

### *Weston Medium Term Incentive Plan Changes*

Beginning with the MTIP awards issued in 2011, the Governance Committee approved the adoption of a claw-back mechanism against the final payout if the sales growth target is not met over the three-year MTIP performance period.

### *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.

In connection with the payment by the Corporation of a special dividend of \$1 billion on January 25, 2011, the Governance Committee determined in accordance with the Stock Option Plan and RSU Plan to compensate employees who hold stock options and RSUs for the decreased value of their awards resulting from the payment of the dividend. The compensation mechanism approved by the Governance Committee provides for employees holding vested stock options to receive a tax effected cash payment equivalent in value to that of the special dividend (in prescribed circumstances) and for employees who hold RSUs to receive additional RSUs which will be paid out at the same time as their existing RSUs.

### *2011 Long Term Incentive Plan Grants*

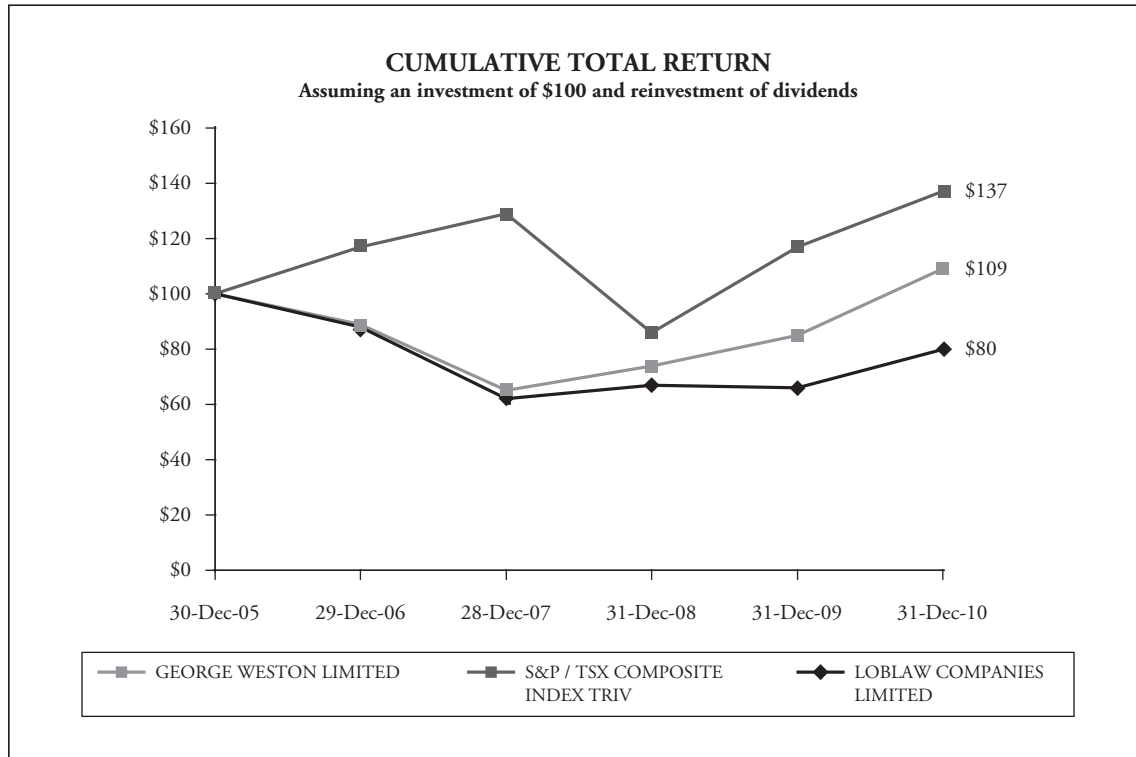
In March, the Governance Committee approved LTIP awards to the executive group. Messrs. Binning, Leighton and Vaux received annual LTIP awards from the Corporation and Messrs. Leighton and Galen G. Weston received annual LTIP awards from Loblaw. Mr. Binning received 30,634 stock options and 3,651 RSUs of the Corporation with an aggregate grant date fair value of approximately \$750,000. Mr. Leighton received 21,927 RSUs of the Corporation and 38,192 RSUs of Loblaw, each with a grant date fair value of approximately \$1.5 million. Mr. Robinson received an annual award of MTIP units with a grant date fair value of \$1.4 million. Mr. Galen G. Weston received 187,034 stock options from Loblaw with a grant date fair value of approximately \$1.5 million. Mr. Vaux received 34,514 stock options and 4,113 RSUs of the Corporation with an aggregate grant date fair value of approximately \$845,000.

### *Clawback Policy*

The Governance Committee has approved a clawback policy for STIP and LTIP grants awarded to employees at the senior vice president level and higher, 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 Weston and Loblaw Common Shares on December 30, 2005, with the cumulative annual total return of the S&P/TSX Composite Index over the same period.



	30-Dec-05	29-Dec-06	28-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10
S&P / TSX COMPOSITE INDEX	\$100	\$117	\$129	\$86	\$117	\$137
GEORGE WESTON LIMITED	\$100	\$89	\$65	\$74	\$85	\$109
LOBLAW COMPANIES LIMITED	\$100	\$88	\$62	\$67	\$66	\$80

	30-Dec-05	29-Dec-06	28-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10
S&P / TSX COMPOSITE INDEX	26,618.80	31,213.49	34,253.31	22,968.00	31,019.40	36,480.60

For the five-year period ended December 31, 2010, the Corporation's total shareholder return underperformed the S&P/TSX Composite Index. In February 2007, Loblaw embarked on a multi year renewal program. Since then, compensation for the NEOs involved in the Loblaw business has increased primarily as a result of their achievement of important financial targets at Loblaw at various stages of the renewal program. The compensation of NEOs involved in the Weston Foods business has increased over this period as a result of the achievement of important financial targets at Weston Foods. The NEO compensation for the years prior to 2007 involved substantially different incentive programs such that they do not provide a basis that is relevant to this analysis of NEO compensation since such time. Further, during this renewal period, the underperformance of the Corporation's share price does not necessarily reflect the underlying performance of the Weston Foods business.

A substantial portion of executive pay is at-risk based on the financial performance of the Corporation. In 2010, the at-risk compensation for the Corporation's NEOs range from 47.7% to 90.9% 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 therefore directly aligned with shareholder

returns. STIP and MTIP 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.

## SUMMARY COMPENSATION TABLE

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

Name and Principal Position	Year <sup>(1)</sup>	Salary (\$)	Share-Based Awards (\$) <sup>(2)</sup>	Option-Based Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$) <sup>(5)</sup>	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$) <sup>(4)</sup>			
<b>W. Galen Weston</b> Chairman and President	2010	1,000,000	—	—	1,000,000	—	—	98,387	2,098,387
	2009	1,000,000	—	—	1,000,000	—	—	71,653	2,071,653
	2008	1,000,000	—	—	1,000,000	—	—	78,355	2,078,355
<b>Paviter S. Binning</b> Chief Financial Officer	2010	284,617	93,775	2,751,900	347,344	—	14,000	21,812	3,513,448
<b>Allan L. Leighton</b> Deputy Chairman	2010	2,000,000 <sup>(6)</sup>	2,984,378 <sup>(7)</sup>	—	2,994,250 <sup>(8)</sup>	—	—	50,004	8,028,632
	2009	2,000,000 <sup>(6)</sup>	2,979,296 <sup>(7)</sup>	—	4,000,000 <sup>(8)</sup>	—	—	28,641	9,007,937
	2008	2,000,000 <sup>(6)</sup>	3,000,000 <sup>(7)</sup>	—	3,775,700 <sup>(8)</sup>	—	—	10,650	8,786,350
<b>Ralph A. Robinson</b> President of Weston Foods	2010	700,000	—	—	700,000	2,800,000	—	406,285	4,606,285
	2009	700,000	—	—	700,000	2,500,000	—	364,156	4,264,156
	2008	700,000	—	—	700,000	2,500,000	—	176,009	4,076,009
<b>Galen G. Weston</b> Executive Chairman of Loblaw	2010	1,000,000	—	1,499,992	1,329,500	—	—	83,915	3,913,407
<b>Robert G. Vaux</b> <sup>(9)</sup> Executive Vice President, Corporate Development (former Chief Financial Officer)	2010	650,000	281,376	563,619	802,750 <sup>(10)</sup>	—	—	91,909 <sup>(12)</sup>	2,389,654
	2009	650,000	281,719	563,281	1,201,200 <sup>(10)</sup>	—	1,448,000 <sup>(11)</sup>	157,078 <sup>(12)</sup>	4,301,278
	2008	640,593	—	—	804,700 <sup>(10)</sup>	—	488,000	116,944 <sup>(12)</sup>	2,050,237

- (1) Compensation has been disclosed for the years in which an executive served as an NEO. Messrs. Binning and Galen G. Weston became NEOs in 2010.
- (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 represent MTIP awards paid relating to 2006, 2007 and 2008 MTIP grants respectively.
- (5) Amounts under All Other Compensation include an additional payment to Mr. Vaux (see footnote 12), pension entitlements (Mr. Robinson received \$325,000 in 2010, \$325,000 in 2009 and \$135,417 in 2008), perquisites and payments made by the Corporation and Loblaw under the employee share ownership plans respectively.
- (6) For 2010, 2009 and 2008, Mr. Leighton's base salary was comprised of \$1,000,000 paid by the Corporation and \$1,000,000 paid by Loblaw.
- (7) For 2010, Mr. Leighton's share-based awards were comprised of \$1,500,026 awarded by the Corporation and \$1,484,352 awarded by Loblaw. For 2009, Mr. Leighton's share-based awards were comprised of \$1,500,019 awarded by the Corporation and \$1,479,277 awarded by Loblaw. For 2008, Mr. Leighton's share-based awards were comprised of \$1,500,000 awarded by both the Corporation and Loblaw.

- (8) In 2010, Mr. Leighton's annual bonus was comprised of \$1,000,000 paid by the Corporation and \$1,994,250 paid by Loblaw. In 2009, Mr. Leighton's annual bonus was comprised of \$1,000,000 paid by the Corporation and \$3,000,000 paid by Loblaw. In 2008, Mr. Leighton's annual bonus was comprised of \$1,000,000 paid by the Corporation and \$1,775,700 paid by Loblaw. Mr. Leighton also received a \$1,000,000 signing bonus from Loblaw in 2008 at the time he assumed the role of President of Loblaw.
- (9) Mr. Vaux served in the capacity of Chief Financial Officer of both the Corporation and Loblaw during 2010. He is currently the Executive Vice President, Corporate Development of the Corporation. This table reflects the total compensation paid to Mr. Vaux by both the Corporation and Loblaw for the last three years. Pursuant to an agreement between the Corporation and Loblaw, the costs of his compensation are shared 60:40 between Loblaw and the Corporation unless otherwise noted.
- (10) In 2010, Mr. Vaux's annual bonus was comprised of \$370,662 paid by the Corporation and \$432,088 paid by Loblaw. In 2009, Mr. Vaux's annual bonus was comprised of \$421,200 paid by the Corporation and \$780,000 paid by Loblaw. In 2008, \$321,880 was paid by the Corporation and \$482,820 was paid by Loblaw.
- (11) With respect to the compensatory change to Mr. Vaux's pension, \$1,179,000 is attributed to the Corporation and \$269,000 is attributed to Loblaw.
- (12) Award includes the payments of \$41,429 in 2010, \$120,000 in 2009 and \$84,000 in 2008 to Mr. Vaux for serving as Chief Financial Officer of both the Corporation and Loblaw as described on page 35.

## 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:

Name of Participant	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares That Have Not Vested (#)	Market or Payout Value of Share-Based Awards That Have Not Vested (\$) <sup>(2)</sup>
W. Galen Weston Chairman and President	72,490	111.02	May 13, 2012	0	—	—
	123,750	72.21	March 19, 2014	890,258		
	114,893 <sup>(3)</sup>	69.63	January 20, 2012	0		
Paviter S. Binning Chief Financial Officer	128,774	81.05	August 16, 2017	—	1,157	97,419
Allan L. Leighton Deputy Chairman	247,155	72.21	March 19, 2014	1,778,033	76,835	6,469,507
	371,839 <sup>(3)</sup>	47.44	March 19, 2014	0	133,890 <sup>(5)</sup>	5,405,139 <sup>(5)</sup>
Ralph A. Robinson President of Weston Foods	40,000	111.02	May 13, 2012	0	—	—
Robert G. Vaux Executive Vice President, Corporate Development (former Chief Financial Officer)	6,977	111.02	May 13, 2012	0	8,778	739,108
	76,832	72.21	March 19, 2014	552,739		
	29,870 <sup>(4)</sup>	59.56	March 25, 2016	245,340		
	26,399 <sup>(4)</sup>	69.51	March 2, 2017	—		
	10,771 <sup>(3)</sup>	69.63	January 20, 2012	0		
Galen G. Weston Executive Chairman of Loblaw	10,340 <sup>(3)</sup>	69.63	January 20, 2012	0	—	—
	495,786 <sup>(3)</sup>	47.44	March 19, 2014	0		
	146,914 <sup>(3)</sup>	36.35	March 11, 2017	—		

- (1) The value of outstanding vested option-based awards is calculated based on the closing price for the Common Shares of Weston on December 31, 2010, which was \$84.20 or the Loblaw common shares on December 31, 2010, which was \$40.37.
- (2) The dollar value of RSUs awarded to the NEOs is based on the closing price of the Common Shares on December 31, 2010, which was \$84.20 or the Loblaw common shares on December 31, 2010, which was \$40.37, multiplied by the number of RSUs awarded.
- (3) Stock options awarded by Loblaw.
- (4) Stock options awarded by the Corporation. 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.
- (5) RSUs awarded by Loblaw.

***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 <sup>(1)</sup> (\$)
<b>W. Galen Weston</b> Chairman and President	296,753	—	1,000,000
<b>Paviter S. Binning</b> Chief Financial Officer	—	—	347,344
<b>Allan L. Leighton</b> Deputy Chairman	592,678	—	2,994,250
<b>Ralph A. Robinson</b> President, Weston Foods	0	—	3,500,000 <sup>(3)</sup>
<b>Robert G. Vaux</b> Executive Vice President, Corporate Development (former Chief Financial Officer)	429,579	493,221 <sup>(2)</sup>	802,750
<b>Galen G. Weston</b> Executive Chairman of Loblaw	—	—	1,329,500

(1) Payments made in accordance with the Corporation's STIP and Loblaw's STIP, as applicable.

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

(3) Amount includes payments for the 2008 grant made pursuant to the Corporation's MTIP plan.

**PENSION PLAN AND LONG SERVICE EXECUTIVE ARRANGEMENTS**

Executives of the Corporation, including the NEOs (other than Messrs. Leighton and Galen G. Weston, who do not participate in the pension plans of either the Corporation or Loblaw), participate in either the Corporation's Executive DB Plan or Executive DC Plan. All newly hired and newly appointed executives join the Executive DC Plan, including Mr. Binning.

***Pension Plan Amendments***

The Governance Committee approved amendments to the executive pension plans of the Corporation and Loblaw 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. Weston, Vaux and Robinson. 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 Messrs. Weston, Vaux and Robinson, 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 16 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 the NEOs who participate in the Corporation's Executive DB Plan:

Name	Number of Years Credited Service (#)	Annual Benefits Payable (\$)		Accrued Obligation at Start of Year (\$) <sup>(1)(2)</sup>	Compensatory Change (\$)	Non Compensatory Change (\$)	Accrued Obligation at Year End (\$) <sup>(3)</sup>
		At Year End	At Age 65				
W. Galen Weston Chairman and President	38	500,000	500,000 <sup>(4)</sup>	5,476,000	0	686,000	6,162,000
Ralph A. Robinson President, Weston Foods	35	442,000	442,000 <sup>(5)</sup>	5,951,000	0	369,000	6,320,000
Robert G. Vaux <sup>(6)</sup> Executive Vice President, Corporate Development (former Chief Financial Officer)	27 <sup>(7)</sup>	280,369	280,369 <sup>(8)</sup>	3,264,000	0	480,000	3,744,000

(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. Weston is entitled to receive a pension of \$500,000 per year at age 70.

(5) On August 1, 2008, Mr. Robinson commenced receipt of annual pension benefits of \$325,000. At retirement, Mr. Robinson will receive his full annual pension of \$442,000.

(6) The amounts shown for Mr. Vaux include any pension entitlements that will be paid by Loblaw. The details of his Loblaw Compensation are set forth in the Loblaw Management Proxy Circular, which is available at [www.sedar.com](http://www.sedar.com).

(7) 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.

(8) Mr. Vaux's pension entitlement will be actuarially adjusted to \$280,369 if he retires on January 1, 2012.

#### *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 Mr. Binning 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 (\$)
Paviter S. Binning Chief Financial Officer	0	14,000	1,000	15,000



**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 respective duties. The Corporation's annual insurance premium in 2010 was \$751,200 (shared with Loblaw). 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 6,453,683 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](http://www.sedar.com). The current Issuer Bid expires on May 10, 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 Senior Vice President, Financial Control and Investor Relations of the Corporation, at 22 St. Clair Avenue East, Suite 901, Toronto, Ontario M4T 2S7. Additional information about or relating to the Corporation can also be found at [www.weston.ca](http://www.weston.ca) and [www.sedar.com](http://www.sedar.com) or by dialing in for regularly scheduled conference calls. Additional information with regard to Loblaw can be found at [www.loblaw.ca](http://www.loblaw.ca) and [www.sedar.com](http://www.sedar.com). Financial information for the Corporation and Loblaw is provided in their respective 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  
George Weston Limited, Suite 2001  
22 St. Clair Avenue East  
Toronto, Ontario M4T 2S7

**BOARD APPROVAL**

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

A handwritten signature in black ink, appearing to read 'RABM', with a large, sweeping initial 'R'.

**Robert A. Balcom**

Senior Vice President, General Counsel – Canada 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.weston.ca](http://www.weston.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. The members also attend an all-day strategy session with respect to Loblaw. At these sessions, 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 Loblaw.

***Board Leadership***

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

The Chairman directs the operations of the Board. He chairs each meeting of the Board and is responsible for the management and effective functioning of the Board generally and provides leadership to the Board in all matters. More specifically, the Chairman works in consultation with 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 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 Chairman also chairs meetings of shareholders and facilitates the response by management to shareholder concerns. The 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, Peter B. M. Eby, 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 9 of the 13 nominees to be independent.

The following director nominees were determined to be independent: A. Charles Baillie, Warren Bryant, Peter B. M. Eby, Darren Entwistle, Anne L. Fraser, Isabelle Marcoux, J. Robert S. Prichard, Thomas F. Rahilly and Barbara Stymiest. The following director nominees were determined not independent because they have a material relationship with the Corporation or its affiliates as described below:

- W. Galen Weston, who is an executive officer of the Corporation;
- Allan L. Leighton, who is an executive officer of the Corporation and of Loblaw;

- Anthony R. Graham, who is an executive officer of Wittington, the Corporation's principal shareholder; and
- John S. Lacey, who is an advisor to the Chairman of the Corporation.

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 six 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 6 through 12 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.weston.ca](http://www.weston.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 quarterly by the Audit Committee regarding any concerns reported through any of these procedures. These procedures are available at [www.weston.ca](http://www.weston.ca). The 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.

Loblaw has adopted a Vendor Code of Conduct that sets out Loblaw's expectations of its vendor community with respect to ethical conduct and social responsibilities. The Vendor Code deals with such matters as labour practices, 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 manufacturing facilities and meetings with local senior management. Members of the Board also participate periodically in senior management meetings and Loblaw strategy meetings. These meetings involve presentations by and discussions with senior executives responsible for different aspects of the businesses of the Corporation and Loblaw. In 2010, the Audit Committee and 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 Chairman and President and the Deputy Chairman 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 Chairman and President, the Chair of the Governance Committee, as well as other members of the Governance Committee meet with the potential candidates to determine their interest, availability and suitability. The 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.

This year the Board decided to increase its size to 13 directors to expand upon its skill and expertise to better serve the Corporation and its strategic direction.

#### ***Composition of the Governance Committee***

One member of the Governance Committee, Mr. Graham, is an executive officer of Wittington, the principal shareholder of the Corporation, 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, Human Resource, 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.weston.ca](http://www.weston.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, Human Resource, 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 ongoing 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.weston.ca](http://www.weston.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 Chairman and President**

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

**(d) Monitor 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 Chairman and President 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 Chairman and President, 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, Human Resource, 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, Human Resource, 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, Human Resource, 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.

