

SAPUTO INC.

MANAGEMENT PROXY CIRCULAR

This Circular is furnished in connection with the solicitation by the Management of SAPUTO INC. (the “Company”) of proxies which will be used to vote at the Annual and Special Meeting (the “Meeting”) of the holders of common shares of the Company (the “Common Shares”) to be held on August 7, 2002, at the time and place and for the purposes set forth in the foregoing Notice and at any adjournment thereof.

The solicitation of proxies will be made primarily by mail. However, the management of the Company may solicit proxies at a nominal cost by telephone, telecopier or by personal interview. The Company will pay brokers and other persons holding shares for others their reasonable expenses for sending proxy material to beneficial owners in order to obtain voting instructions. The Company will bear all expenses in connection with the solicitation of proxies.

PROXIES

In order to be voted at the Meeting, a proxy must be received by the Secretary of the Company at least 48 hours prior to the Meeting. A proxy may be revoked at any time by the person giving it, to the extent that it has not already been exercised. A proxy may be revoked by filing a written notice with the Secretary of the Company if this notice is received no later than the business day preceding the Meeting. The powers of the proxy holders may also be revoked if the holder of Common Shares attends the Meeting in person and so requests.

The persons whose names are printed on the enclosed form of proxy are directors and executive officers of the Company. **Every holder of Common Shares has the right to appoint a person (who need not be a shareholder) other than those whose names are printed on the form of proxy to act on his behalf at the Meeting. To exercise this right, the holder of Common Shares must insert his nominee’s name in the blank space provided for such purpose in the form of proxy or prepare another proxy in proper form.**

The persons whose names are printed on the enclosed form of proxy will vote all the shares in respect of which they are appointed to act in accordance with the instructions indicated on the form of proxy. **If the form of proxy does not provide for any instructions, these persons will vote in favour of the proposals made by Management.**

Every proxy given to any of the persons named in the form of proxy confers discretionary authority with respect to amendments or variations to the matters identified in the Notice and with respect to any other matter that may properly come before the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The Common Shares are the only securities of the share capital of the Company which carry voting rights. As at June 1, 2002, the Company had 103,298,237 Common Shares outstanding. Each Common Share entitles its holder to one vote.

Only holders of Common Shares of record at 5:00 p.m. on June 19, 2002 will be entitled to receive the Notice. They will also be entitled to vote at the Meeting and at any adjournment thereof unless their Common Shares have been transferred and the transferee has produced properly endorsed certificate(s) representing the transferred Common Shares or has otherwise established ownership of the transferred Common Shares and has requested, at least 10 days before the Meeting, that such transferee's name be duly entered on the list of shareholders of the Company, in which case the transferee shall exercise the voting rights attached to the Common Shares.

In connection with the Company's initial public offering in October 1997 (the "Initial Public Offering"), the initial shareholders of the Company, being Gestion Jolina Inc., a holding company controlled by Mr. Emanuele (Lino) Saputo, and the holding companies owned and controlled by Emanuele (Lino) Saputo's brothers and sisters and their families and G. De Lucia Holdings Inc. (collectively, the "Saputo Shareholders") entered into an agreement governing their relationship as shareholders of the Company. Under this agreement, Gestion Jolina Inc. has been granted by all other Saputo Shareholders a power of attorney to vote all of the Common Shares held by them at the time of the Initial Public Offering, which combined with the 41,050,608 shares held by Gestion Jolina Inc. represented, as of June 1, 2002, 67,600,074 Common Shares or 65.4% of all of the outstanding Common Shares. The agreement will terminate on the earlier of December 31, 2007 or the day on which Mr. Saputo ceases to control Gestion Jolina Inc.

To the knowledge of the Company's directors and executive officers, on June 1, 2002, the only persons or companies who or which owned of record or beneficially, directly or indirectly, or exercised control or direction over 10% or more of the issued and outstanding Common Shares were the following:

Name and municipality of residence	Type of ownership	Number of Common Shares	Percentage of class
Gestion Jolina Inc.	of record	41,050,608 ⁽¹⁾	39.7 %
Montréal, Québec	proxy	17,894,372 ⁽²⁾	17.3 %
Placements Italcant Inc.	of record	10,628,614 ⁽²⁾	10.3 %
Laval, Québec			

(1) Includes 7,622,274 Common Shares held by Jolina Capital Inc., the sole shareholder of Gestion Jolina Inc.

(2) 8,655,094 of the 10,628,614 Common Shares held by Placements Italcant Inc. are voted by proxy by Gestion Jolina Inc., in addition to the 17,894,372 Common Shares indicated above.

ELECTION OF DIRECTORS

For fiscal 2003, Management proposes that the Board of Directors be composed of eight members. **Except where the authority to vote in favour of the directors is withheld, the persons whose names are printed on the form of proxy intend to vote FOR the election of the eight nominees whose names are set forth in the following table.** Each director elected will hold office until the next annual meeting or until that director's successor is duly elected, unless the office is vacated earlier in accordance with the relevant provisions of the applicable laws.

The following table sets forth, for each person nominated by Management for election as a director, his or her name and municipality of residence, the year in which he or she first became a director, the principal occupation of each nominee and the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction was exercised by each nominee as at June 1, 2002.

Name and municipality of residence	Director since	Principal occupation	Common Shares beneficially owned or over which control or direction was exercised
EMANUELE (LINO) SAPUTO ⁽²⁾ Senneville, Québec	1992	Chairman of the Board and Chief Executive Officer of the Company	67,600,074 ⁽¹⁾
ANDRÉ BÉRARD ⁽²⁾ Verdun, Québec	1997	Chairman of the Board of a Canadian Chartered Bank	5,000
CLAUDE BLANCHET ⁽³⁾ Ile-Bizard, Québec	2000	Chairman of the Board, President and Chief Executive Officer of Société générale de financement du Québec	--
PIERRE BOURGIE ⁽²⁾ Outremont, Québec	1997	President and Chief Executive Officer of Société Financière Bourgie Inc. (a holding company)	460,000
CATERINA MONTICCIOLO, CA ⁽³⁾ Laval, Québec	1997	President of Julvest Capital Inc. (a holding company)	119,000
LINO A. SAPUTO, JR. Westmount, Québec	2001	President and Chief Operating Officer, Cheese Division (USA) of the Company	33,176
PATRICIA SAPUTO, CA, FP ⁽³⁾ Laval, Québec	1999	President of Pasa Holdings Inc. (a holding company)	17,200
LOUIS A. TANGUAY ⁽³⁾ Laval, Québec	1997	Corporate Director	4,000

(1) The shares are held by Jolina Capital Inc. and Gestion Jolina Inc., both of which are holding companies controlled by Mr. Emanuele (Lino) Saputo, and by other holding companies owned and controlled by his brothers and sisters and their families, and G. De Lucia Holdings Inc., all of which have granted to Gestion Jolina Inc. a power of attorney to vote all of the Common Shares held by them at the time of the Company's Initial Public Offering. See "Voting Shares and Principal Holders of Voting Shares".

(2) Members of the Corporate Governance and Human Resources Committee.

(3) Members of the Audit Committee.

During the last five years, all of the above nominees have been engaged in their present principal occupations or in other executive capacities with the companies indicated opposite their name or with related or affiliated companies, except for: Mr. Lino A. Saputo, Jr., who, from January 1, 2000 to January 15, 2001, was Assistant to the President of Uniforêt Inc. (a lumber company); and Ms. Patricia Saputo who, prior to July 1998, was a Senior Tax Manager with Deloitte & Touche.

Information as to shares beneficially owned by each nominee, or over which each exercised control or direction, as at June 1, 2002, has been furnished by the nominees individually as such information is not within the knowledge of the Company.

EXECUTIVE COMPENSATION

The following table provides a summary of compensation earned during the fiscal years ended March 31, 2002, 2001 and 2000, as salary, bonus or otherwise, by the five most highly compensated senior executives of the Company (collectively, the “Named Executive Officers”). Certain aspects of this compensation are dealt with in further detail in the following tables.

Name and principal occupation	Year	Annual compensation			Long-term compensation	All other compensation (\$)
		Salary ⁽¹⁾ (\$)	Bonus ⁽¹⁾ (\$)	Other annual compensation ⁽²⁾ (\$)	Awards	
					Number of Common Shares under options granted ⁽³⁾	
Emanuele (Lino) Saputo Chairman of the Board and Chief Executive Officer	2002 C\$	600,000	300,000	-	-	-
	2001 C\$	400,000	200,000	-	-	-
	2000 C\$	400,000	200,000	-	-	-
Lino A. Saputo, Jr. President and Chief Operating Officer Cheese Division (USA) ⁽⁴⁾	2002 C\$	48,000	14,000	-	23,053	-
	2002 US\$	286,000	141,000	-	34,579	-
	2001 C\$	42,300	-	-	-	-
	2000 C\$	82,500	36,750	-	15,372	-
	2000 US\$	123,750	49,500	-	23,058	-
Dino Dello Sbarba President and Chief Operating Officer Cheese Division (Canada)	2002 C\$	365,500	197,000	-	23,053	-
	2002 US\$	73,000	21,000	-	34,579	-
	2001 C\$	140,000	59,000	-	31,112	-
	2001 US\$	210,000	81,000	-	46,666	-
	2000 C\$	110,000	49,000	-	16,752	-
	2000 US\$	165,000	66,000	-	25,126	-
Louis-Philippe Carrière Executive Vice-President Finance and Administration and Secretary	2002 C\$	146,000	61,000	-	23,053	-
	2002 US\$	219,000	84,000	-	34,579	-
	2001 C\$	140,000	59,000	-	31,112	-
	2001 US\$	210,000	81,000	-	46,666	-
	2000 C\$	110,000	49,000	-	16,752	-
	2000 US\$	165,000	66,000	-	25,126	-
Pierre Leroux Executive Vice-President Human Resources and Corporate Affairs	2002 C\$	146,000	61,000	-	23,053	-
	2002 US\$	219,000	84,000	-	34,579	-
	2001 C\$	140,000	59,000	-	31,112	-
	2001 US\$	210,000	81,000	-	46,666	-
	2000 C\$	100,000	49,000	-	15,230	-
	2000 US\$	150,000	66,000	-	22,842	-

- (1) The allocation of salary and bonus of the Named Executive Officers in US and Canadian dollars reflects the involvement of the individuals in the Company’s United States and Canadian operations respectively. Unless otherwise specified, all amounts are in Canadian dollars.
- (2) Excluded from Other Annual Compensation are perquisites and other personal benefits which, in the aggregate, do not exceed the lesser of \$50,000 and ten percent of the total annual salary and bonus of the Named Executive Officer for the fiscal year.
- (3) Prior years figures have been restated to reflect the stock dividend on the Common Shares of November 23, 2001, which had the same effect as a two-for-one stock split.
- (4) Mr. Lino A. Saputo, Jr. was absent from the Company from January 1, 2000 to January 15, 2001. The table shows the compensation effectively earned during the fiscal years 2001 and 2000. On an annual basis, Mr. Saputo would have earned C\$200,000 in salary for fiscal 2001, and C\$110,000 and US \$165,000 in salary, and C\$49,000 and US \$66,000 in bonus for fiscal 2000.

The aggregate cash remuneration paid by the Company and its subsidiaries to the executive officers of the Company for services rendered during fiscal 2002, including salaries and bonuses, was \$2,732,500 and US\$1,127,000.

STOCK OPTION PLAN

On October 15, 1997, prior to the closing of its Initial Public Offering, the Company established a Stock Option Plan (the "Plan") for full-time employees, officers and directors of the Company. The purpose of the Plan is to attract and retain experienced and competent employees, officers and directors and to encourage share ownership by such persons.

The total number of Common Shares which may be issued pursuant to the Plan was initially set at 3,000,000 Common Shares. At the Annual and Special Meeting of Shareholders held on August 1, 2001, this number was increased by 4,000,000 Common Shares, bringing the total number of Common Shares that may be issued under the Plan to 7,000,000. After giving effect to the stock dividend of November 23, 2001, which had the same effect as a two-for-one stock split, the total number of Common Shares that may be issued under the Plan is now 14,000,000 Common Shares.

The terms, exercise price and number of Common Shares covered by each option as well as the vesting periods of such options are determined by the Corporate Governance and Human Resources Committee at the time the options are granted. However, the Plan provides that the exercise price may not be less than the closing price of the Common Shares on The Toronto Stock Exchange on the business day immediately preceding the date of grant. Options granted under the Plan may not be assigned, and expire ten years from the date of grant. The maximum number of Common Shares which may be optioned in favour of any single individual shall not exceed the maximum number allowed pursuant to the rules of applicable regulatory authorities.

As at March 31, 2002, 3,258,967 options were outstanding. As of April 1, 2002, the Corporate Governance and Human Resources Committee granted an aggregate of 934,965 options to participants under the Plan at an exercise price of \$30.35 per share. Of the 4,012,081 options outstanding as at June 1, 2002, 1,444,371 options were exercisable and 2,567,710 will vest at a rate of 20% per year, on each of the first five anniversaries of their date of grant.

As at June 1, 2002, 8,883,702 Common Shares remained available out of the basket of 14,000,000 Common Shares.

Options granted during the most recently completed fiscal year

The following table presents a summary of the options granted under the Plan to the Named Executive Officers during the fiscal year ended March 31, 2002.

Name	Number of Common Shares under options granted	% of total options granted to employees in financial year	Exercise price ⁽¹⁾ (\$/Share)	Market value of Common Shares underlying options on the date of grant (\$/Share) ⁽¹⁾	Expiration date
Emanuele (Lino) Saputo	-	-	-	-	-
Lino A. Saputo, Jr.	57,632	4.47	19.00	19.00	04/01/2011
Dino Dello Sbarba	57,632	4.47	19.00	19.00	04/01/2011
Louis-Philippe Carrière	57,632	4.47	19.00	19.00	04/01/2011
Pierre Leroux	57,632	4.47	19.00	19.00	04/01/2011

(1) Corresponds to the closing price of the Common Shares on The Toronto Stock Exchange on March 30, 2001, which is the business day immediately preceding April 1, 2001 being the date of grant.

Fiscal year end option values

The following table presents, for each of the Named Executive Officers, a summary of the options exercised during the fiscal year ended March 31, 2002, as well as a summary of the unexercised options and of the value of the unexercised in-the-money options as at March 31, 2002 under the Plan. It should be noted that unexercised options might never be exercised and that the value of unexercised in-the-money options might never be realized.

Name	Number of Common Shares acquired on exercise	Aggregate value realized ⁽¹⁾ (\$)	Number of unexercised options as at 03/31/02		Value of unexercised in-the-money options as at 03/31/02 ⁽²⁾	
			Exercisable	Unexercisable	Exercisable (\$)	Unexercisable (\$)
Emanuele (Lino) Saputo	-	-	-	-	-	-
Lino A. Saputo, Jr.	-	-	-	57,632	-	654,123.20
Dino Dello Sbarba	53,600	992,210	49,952	163,460	680,584.35	2,276,940.50
Louis-Philippe Carrière	89,000	1,187,530	2,316	161,578	32,887.75	2,235,818.80
Pierre Leroux	62,000	1,048,600	28,573	158,245	328,139.80	2,203,648.35

(1) The aggregate value realized on exercise is equal to the difference between the closing price of the Common Shares on The Toronto Stock Exchange on the exercise date and the exercise price of the option.

(2) The value of an unexercised in-the-money option at fiscal year-end is equal to the difference between the closing price of the Common Shares on The Toronto Stock Exchange on March 28, 2002, being \$30.35 per share, and the exercise price of the option.

TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL

There is no contract, arrangement or any other understanding with respect to employment, termination of employment, a change of control or a change in responsibilities following a change of control, between the Company and any of the Company's senior executive officers.

CORPORATE GOVERNANCE AND HUMAN RESOURCES COMMITTEE

Composition of the Committee

The Corporate Governance and Human Resources Committee (the "Corporate Governance Committee") is composed of three members of the Board of Directors, being two directors considered related to the Company (Messrs. Emanuele (Lino) Saputo and André Bérard) and one unrelated director (Mr. Pierre Bourgie). See "Statement of Corporate Governance Practices - Composition of the Board and of its Committees".

Mandate of the Committee

The Committee was created on October 28, 1997 and has been assigned by the Board of Directors of the Company various functions which may be summarized as follows:

- (i) the responsibility of reviewing the executive compensation policy of the Company;
- (ii) the determination of option grants and financial performance targets for the bonuses of the executives of the Company;
- (iii) the review of the Company's corporate governance practices and making recommendations to the Board of Directors with respect thereto;
- (iv) the responsibility to ensure proper management succession planning for the Company and making recommendations to the Board of Directors with respect thereto;
- (v) the review of the compensation of the directors in their capacity as directors and making recommendations to the Board of Directors with respect thereto;
- (vi) the implementation of a uniform and transparent process for selecting nominees for election to the Board of Directors and the recruiting of new candidates for Board membership, and making recommendations to the Board of Directors with respect thereto; and
- (vii) the implementation of a process to assess, on an annual basis, the effectiveness of the Board of Directors and its various committees.

Report on Executive Compensation

General Principles of Executive Compensation

During the year ended March 31, 1999, the Company revised its compensation policy following a review conducted by a compensation consulting firm. During such review, the compensation policies of several manufacturing companies and distributors were analysed in light of the size of the Company, the geographic markets in which it operates and the responsibilities given to its senior executives (the “Comparative Group”).

For fiscal 2002, compensation for the senior executives of the Company, including the Named Executive Officers, consisted of three components: base salary, bonus and options. The compensation policy for fiscal 2002 was determined based on the principles established in fiscal 1999. The Corporate Governance Committee believes that the compensation policy is competitive with that offered by Canadian corporations of similar size having operations in the United States.

The following constitutes a summary of the principles based upon which the compensation of the senior executives was determined for fiscal 2002. The compensation policy is designed to attract and retain competent individuals who can ensure the current and long-term success of the Company.

Base Salary

For fiscal 2002, base salary was re-evaluated based on the principles established in fiscal 1999 following the review of the Comparative Group, as well as on more subjective criteria such as internal equity and prior performance of each senior executive. Base salary is competitive with the upper range of the base salaries offered by the Canadian corporations included in the Comparative Group and with the lower range offered by American corporations. A portion of the base salary of the Named Executive Officers (other than the Chief Executive Officer) for fiscal 2002 was paid in U.S. dollars in order to take into account compensation packages paid in the United States for similar positions, considering the importance of the Company’s American operations. Upon the creation of four business units in July 2001, the compensation for two of the Named Executive Officers was revised to reflect their new responsibilities.

The Corporate Governance Committee believes that the base salary component of the compensation for the Company’s senior executives reflects salaries offered for positions involving similar responsibilities and complexity, internal equity comparisons as well as the ability and experience of the Company’s senior executives.

Annual Incentive (Bonus)

For fiscal 2002, the Corporate Governance Committee determined at the beginning of the fiscal year the financial performance targets which had to be achieved by the Company as well as the maximum amount of bonus which could be paid to each senior executive in the event the targets were met.

Under the plan, a bonus could only be paid if at least 85% of the financial performance targets were met by the Company and, in this event, payments were made in proportion to the level actually reached. Therefore, the maximum amount of bonus payable to a senior executive was only paid if the Company reached or exceeded the target levels set at the beginning of the fiscal year.

For fiscal 2002, the amount of bonus paid to each senior executive, other than the Chief Executive Officer, represented between 38% and 50% of his base salary. As with the base salary, considering the

importance of the Company's American operations, a portion of the bonuses was paid in U.S. dollars in order to take into account compensation packages paid in the United States for similar positions.

The Corporate Governance Committee reviewed the bonus plan and believes that its underlying principles are sufficiently defined and adequately encourage the senior executives to excel.

Long-Term Incentive Plan (Options)

Options to purchase Common Shares may be granted from time to time to senior executives and other key employees pursuant to the Stock Option Plan in order to sustain a commitment to long-term profitability and maximize shareholder value.

On April 1, 2001, the Corporate Governance Committee granted options to senior executives for the fiscal year ended March 31, 2002. The number of options granted depended on the position held by each senior executive and represented a percentage of base salary, without taking into account the number of options already held by such senior executive. Refer to the section entitled "Stock Option Plan" for a discussion of the terms and conditions relating to the options, including vesting periods.

Chief Executive Officer

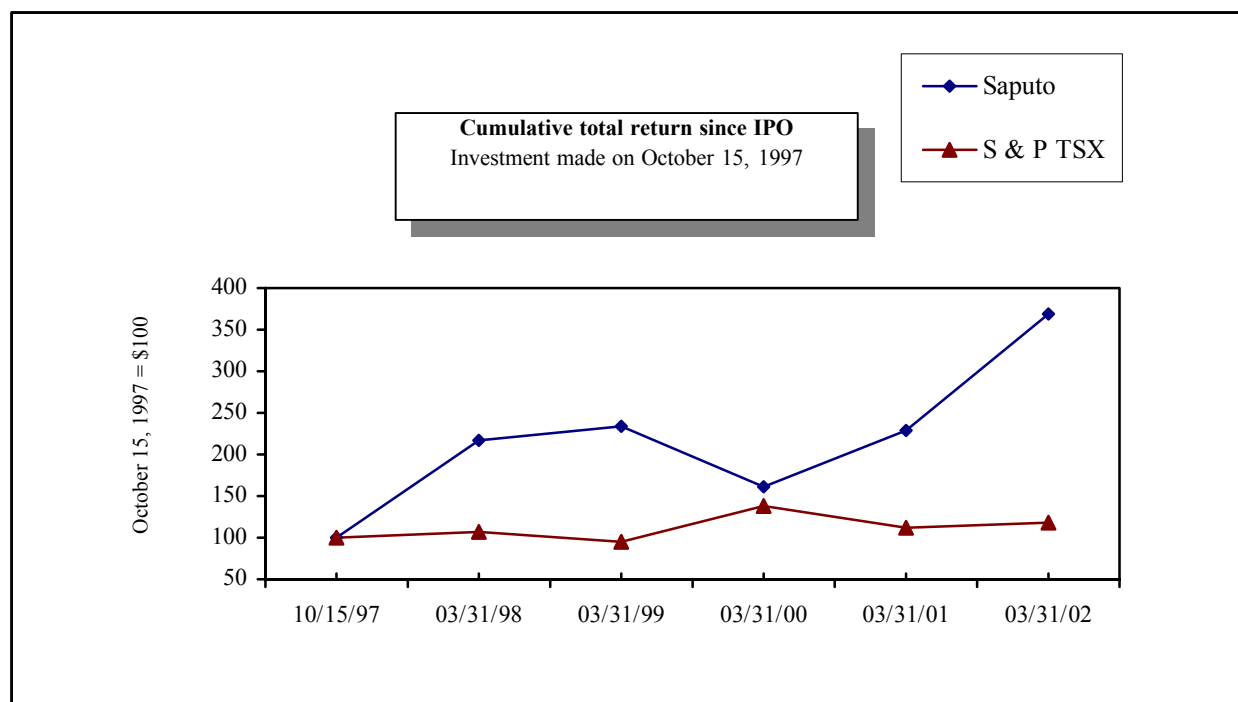
For fiscal 2002, the Chief Executive Officer's base salary and bonus and the evaluation of his performance were based upon the same principles as those used for the other senior executives of the Company. During fiscal 2002, no options were granted to the Chief Executive Officer, as his interest as principal shareholder constitutes a sufficient long-term incentive.

The members of the Corporate Governance Committee whose names are set forth below have approved the issuance of the foregoing report and its inclusion in this Management Proxy Circular.

André Bérard, Chairman
Pierre Bourgie
Emanuele (Lino) Saputo

PERFORMANCE GRAPH

The following graph compares, on a yearly basis, the total cumulative shareholder return for \$100 invested in the Common Shares with the S & P TSX Index of The Toronto Stock Exchange during the period starting October 15, 1997, when the Common Shares were listed on such exchange, and ending March 31, 2002.



	10/15/97	03/31/98	03/31/99	03/31/00	03/31/01	03/31/02
SAPUTO	100	217	234	161	229	369
S & P TSX	100	107	95	138	112	118

COMPENSATION OF DIRECTORS

Each director who is not a salaried officer or employee of the Company is paid an annual fee of \$20,000 and a further attendance fee of \$1,000 for each meeting of the Board of Directors or any committee thereof. The Chairman of a committee is also paid an additional annual fee of \$3,000. For fiscal 2002, each director who was not a salaried officer or employee of the Company was granted 2,000¹ options pursuant to the Company's Stock Option Plan in consideration for his or her services as director of the Company. See "Stock Option Plan".

¹ This information has been restated to reflect the stock dividend on the Common Shares of November 23, 2001, which had the same effect as a two-for-one stock split.

DIRECTORS AND OFFICERS INSURANCE COVERAGE

The Company carries liability insurance in an amount limited to \$25 million with respect to its directors and officers as a group. For fiscal 2002, the total annual premium in respect of such insurance was approximately \$95,000, all of which was paid by the Company and charged to income.

INDEBTEDNESS OF EXECUTIVE OFFICERS

None of the directors and other executive officers of the Company, nor any of their associates, are indebted towards the Company in respect of loans, advances or guarantees of indebtedness.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

General

The Toronto Stock Exchange (the “TSX”) has adopted a requirement that each listed company incorporated in Canada disclose its corporate governance practices with reference to a series of guidelines (the “Guidelines”). These guidelines (which are not mandatory) address the constitution of boards and committees, their functions, their independence from Management and other means of ensuring sound corporate governance.

In November 2001, a final report on Corporate Governance was submitted to the TSX by a committee created to review the Guidelines. The recommendations contained in this final report propose to improve the corporate governance practices in Canada. While the TSX has not adopted these recommendations yet, on April 26, 2002 it announced proposed changes to the Guidelines, which will become effective upon approval by the Ontario Securities Commission following public notice and comment. The Corporate Governance Committee has already begun reviewing the final report and the proposed changes to the Guidelines and in fiscal 2003, will re-evaluate the corporate governance practices of the Company in light of the revised Guidelines which may be adopted by the TSX.

The Corporate Governance Committee has the responsibility of reviewing the Guidelines and reporting to the Board of Directors as to specific measures to be taken by the Company with respect thereto. On the date hereof, a meeting of the Board of Directors was held to discuss the corporate governance practices of the Company and adopt the necessary resolutions.

The following is a summary of the corporate governance practices of the Company as well as the plans of the Board of Directors to assure a greater degree of compliance with the Guidelines during the current and future fiscal years.

Mandate of the Board

The mandate of the Board of Directors is to supervise the management of the business and affairs of the Company. In order to better fulfil its mandate, the Board of Directors has formally acknowledged its responsibility for, among other matters,

- (i) reviewing, at least once a year, the Company’s strategic orientation and the plans established with respect thereto;

- (ii) identifying, with Management, the principal risks of the Company's business and the systems put in place to manage these risks;
- (iii) ensuring proper management succession planning, including appointing, training and monitoring senior management;
- (iv) maintaining a proper communication policy with shareholders, institutional investors and participants in the financial market; and
- (v) monitoring the efficiency of internal control and management information systems.

The Board has taken, when necessary, specific measures in this respect. Some of these duties were delegated to the Corporate Governance Committee and to the Audit Committee. See "Corporate Governance and Human Resources Committee - Mandate of the Committee" and "Statement of Corporate Governance Practices - Audit Committee".

Composition of the Board and of its Committees

The Guidelines recommend that a board of directors be constituted with a majority of individuals who qualify as "unrelated directors". If a company has a significant shareholder, the board should include, in addition to a majority of unrelated directors, a number of directors who do not have interests in or relationships with either the company or the significant shareholder and which fairly reflects the investment in the company by shareholders other than the significant shareholder. The Guidelines define an "unrelated director" as a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding. The Guidelines also recommend that a board of directors should examine its size to ensure an appropriate number of directors in light of the circumstances.

The Board presently consists of a majority of directors who are related to the Company and to the Saputo family, the significant shareholder (see "Voting Shares and Principal Holders of Voting Shares"). There are three unrelated directors, being Messrs. Pierre Bourgie, Claude Blanchet and Louis A. Tanguay, whose presence adequately reflects the investment of minority shareholders in the Company. Ms. Caterina Monticciolo and Ms. Patricia Saputo are considered related as they are members of the Saputo family and Mr. André Bérard is considered related due to his position as Chairman of a Canadian chartered bank which acts as lender and co-agent for the banking syndicate under some of the Company's credit facilities. In fiscal 1999, the Corporation recognized that in order to comply with the Guideline, changes would have to be made to the composition of the Board of Directors of the Company.

The Board therefore approved the recommendations made by the Corporate Governance Committee to the effect that any changes to the composition of the Board should be made over a period of time which would permit the methodical integration of the new directors without disturbing the normal course of business. The Company indicated, in fiscal 1999, its intention to add two unrelated directors to the Board over the course of the next four years. In fiscal 2001, Mr. Claude Blanchet was elected to the Board of Directors and in fiscal 2003, Management intends to add an additional unrelated director. Further to the appointment of the additional unrelated director, the Board will be composed almost equally of related and unrelated directors. In fiscal 2001, the Company's Articles and By-Laws were amended to authorize the directors to appoint additional directors between shareholders' meetings. This should enable the Company to increase its level of compliance with the

Guidelines. After reviewing its size, the Board determined that a board of seven to nine directors is appropriate for decision-making purposes.

A further Guideline recommends that board committees be generally comprised of outside directors, a majority of whom should be unrelated directors. A Guideline also states that the Audit Committee should be composed of outside directors only.

The Company currently has two committees: the Audit Committee and the Corporate Governance Committee. The Audit Committee is presently composed exclusively of outside directors and equally of related and unrelated directors. The Corporate Governance Committee is composed of a majority of outside and related directors. It is currently the intention of the Company to modify the composition of its committees in parallel with that of the Board of Directors in order to increase the level of compliance with the Guidelines.

Set out below is a description of the committees of the Board and their mandate.

Audit Committee

The mandate of the Audit Committee is to review (i) the annual and quarterly financial statements of the Company and certain other public disclosure documents required by regulatory authorities, (ii) the nature and scope of the annual audit as proposed by the auditors and Management, and (iii) with the auditors and Management, the adequacy of the internal control and management information systems of the Company, and present quarterly reports to the Board of Directors with respect thereto. The Audit Committee is presently composed of Claude Blanchet, Caterina Monticciolo, CA, Patricia Saputo, CA, FP, and Louis A. Tanguay.

Corporate Governance and Human Resources Committee

The composition and mandate of the Corporate Governance Committee are outlined above under “Corporate Governance and Human Resources Committee”.

Independence from Management and Evaluation of the Board and Directors

The Guidelines provide that to ensure independence of a board, the chairman of the board should not be a member of management. Mr. Emanuele (Lino) Saputo is acting as Chairman of the Board and Chief Executive Officer of the Company. The Board concluded, after discussions, that Mr. Saputo should continue to act as Chairman of the Board. The Board of Directors approved the recommendation of the Corporate Governance Committee and delegated to the Chairman of this committee the responsibility of ensuring that the independence of the Board of Directors be maintained at all times. The Board is presently composed of eight directors, only two of whom are members of Management.

The Corporate Governance Committee is responsible for implementing a process to assess the effectiveness of each director, of the Board of Directors as a whole, and of the various committees of the Board of Directors.

Other

The Board of Directors considers that orienting and educating new directors is an important element of ensuring responsible corporate governance. By ensuring that Board members are properly informed of the business of the Company, the Board considers that it complies with the Guidelines.

In certain circumstances, it may be appropriate for an individual director to engage an outside advisor

at the expense of the Company. The Corporate Governance Committee will determine if the circumstances warrant the engagement of an outside advisor.

Furthermore, reference is made to the definition of the mandate of the Corporate Governance Committee for particulars of other measures taken to assure a greater degree of compliance with the Guidelines and increase the effectiveness of the Board of Directors.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company may from time to time provide services to, or receive services from, other companies controlled by the Saputo Shareholders in consideration for a fee equal to the fair market value of such services.

Mr. André Bérard is the Chairman of a Canadian chartered bank which acts as lender and co-agent for the banking syndicate under some of the Company's credit facilities.

APPOINTMENT OF AUDITORS

Deloitte & Touche, chartered accountants, have been the auditors of the Company since 1992.

Except where the authority to vote in favour of the appointment of Deloitte & Touche is withheld, the persons whose names are printed on the form of proxy intend to vote FOR the appointment of Deloitte & Touche, chartered accountants, as auditors of the Company and to vote FOR authorizing the Board of Directors to determine their remuneration. The auditors will hold office until the next Annual Meeting or until their successors are appointed.

AMENDMENT TO THE GENERAL BY-LAWS OF THE COMPANY

This Meeting has been called in part as a special meeting of the Company to consider and, if deemed appropriate, to approve amendments to the General By-Law no. 1 of the Company. The amendments are proposed so as to harmonize the Company's General By-Law no. 1 with the amendments to the *Canada Business Corporations Act* that came into force on November 24, 2001. The Board of Directors has approved the amendments, which are in the form set forth in Schedule I to this Management Proxy Circular (the "Amendments").

The following resolution will be submitted to the Shareholders at the Meeting and requires the approval of a majority of the total votes cast in respect thereof.

"IT IS RESOLVED that the Amendments to General By-Law no. 1 of the Company be and they are hereby approved."

Except where the form of proxy indicates the intention of the holder to vote against the resolution adopting the amendments to General By-Law no. 1, the persons whose names are printed on the form of proxy intend to vote FOR the resolution adopting the amendments to General By-Law no. 1 of the Company.

GENERAL

Except as otherwise specifically indicated, the information contained herein is given as at June 1, 2002. The Management of the Company presently knows of no matters to come before the Meeting other than matters identified in the Notice of Meeting. If any matters which are not known should properly come before the Meeting, the persons named in the form of proxy will vote on such matters according to their best judgment.

APPROVAL OF THE DIRECTORS

The directors of the Company have approved the content and the sending of this Circular.

Saint-Léonard, Québec, June 4, 2002.

(signed) Emanuele (Lino) Saputo,
Chairman of the Board

Schedule I

Resolutions of the Board of Directors

AMENDMENTS TO BY-LAW NO.1

WHEREAS the *Canada Business Corporations Act* (the "CBCA") was amended on November 24, 2001; and

WHEREAS it is deemed necessary or appropriate to (i) amend a number of sections of By-Law No. 1 of the Corporation and (ii) add new sections to By-Law No. 1 of the Corporation as a result of the CBCA amendments.

THEREFORE, BE IT RESOLVED:

THAT the following sections of By-Law No. 1 of the Corporation be and the same are hereby deleted and replaced by the following:

Current provisions

11. TELEPHONE PARTICIPATION. A director may, if all the directors of the Corporation consent thereto (either before, during or after the meeting), participate in a meeting of directors by means of such telephone or other communications facilities as permit all persons participating in the meeting to hear each other, and a director participating in such a meeting by such means shall be deemed to be present at that meeting.

13. QUORUM AND VOTING. Subject to the articles, a majority of the number of directors in office at the time shall constitute a quorum for the transaction of business. Subject to subsection 117(1) of the Act, no business shall be transacted by the directors except at a meeting of directors at which a quorum of the board is present. Questions arising at any meeting of the board of directors shall be decided by a majority of votes cast. In case of an equality of votes, the chairman of the meeting, in addition to his original vote shall not have a second or casting vote. Where the Corporation has only one director, that director may constitute the meeting.

Proposed provisions

11. MEETING BY COMMUNICATIONS FACILITIES. If all the directors of the Corporation consent, a director may participate in a meeting of the board or of a committee of the board by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other, and a director participating in such manner is deemed to be present at the meeting. Any such consent shall be effective whether given before, during or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

13. QUORUM AND VOTING. Subject to the articles, a majority of the number of directors in office at the time shall constitute a quorum for the transaction of business. Subject to the Act, no business shall be transacted by the directors except at a meeting of directors at which a quorum of the board is present. Questions arising at any meeting of the board of directors shall be decided by a majority of votes cast. In case of an equality of votes, the chairman of the meeting, in addition to his original vote shall not have a second or casting vote. Where the Corporation has only one director, that director may constitute the meeting.

17. INDEMNITIES TO DIRECTORS AND OTHERS. Except in respect of an action by or on behalf of the Corporation or another body corporate (as hereinafter defined) to procure a judgment in its favour, the Corporation shall indemnify each director and officer of the Corporation and each former director and officer of the Corporation and each person who acts or acted at the Corporation's request as a director or officer of another body corporate, and his heirs and legal representatives, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal, or administrative action or proceeding to which he may be a party by reason of being or having been a director or officer of the Corporation or another body corporate, as the case may be, if (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful. "Another body corporate" as used herein means a body corporate of which the Corporation is or was a shareholder or creditor.

28. COMMITTEES. The board of directors may from time to time appoint from their number one or more committees consisting of one or more individuals and delegate to such committee or committees any of the powers of the directors except as provided in subsection 115 (3) of the Act. Except in the case of a holding corporation referred to in subsection 105 (4) of the Act, a majority of the members of any such committee must be resident Canadians. Unless otherwise ordered by the board, a committee of directors shall have power to fix its quorum, to elect its chairman and to regulate its proceedings.

17. INDEMNITIES TO DIRECTORS AND OTHERS. Subject to the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation, or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity. The Corporation shall advance the necessary moneys to a director, officer or other individual for the costs, charges, and expenses of a proceeding referred to above. The individual shall repay such moneys if the individual does not fulfill the following conditions: (a) he acted honestly and in good faith with a view to the best interests of the Corporation, or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation's request; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful. The Corporation shall also indemnify such person in such other circumstances as the Act permits or requires. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law.

28. COMMITTEES. The board of directors may from time to time appoint from their number one or more committees consisting of one or more individuals and delegate to such committee or committees any of the powers of the directors except as provided in subsection 115 (3) of the Act. Unless otherwise ordered by the board, a committee of directors shall have power to fix its quorum, to elect its chairman, and to regulate its proceedings.

32. NOTICE. A printed, written or type-written notice stating the day, hour and place of meeting and, subject to subsection 135 (6) of the Act, the general nature of the business to be transacted shall be served to each person who is entitled to vote at such meeting, each director of the Corporation and the auditor of the Corporation, either personally or by sending such notice by prepaid mail not less than twenty-one (21) days or more than fifty (50) days before the meeting. If such notice is served by mail it shall be directed to the latest address as shown in the records of the Corporation, of the intended recipient. Notice of any meeting of shareholders or any irregularity of any such meeting or in the notice thereof may be waived by any shareholder, the duly appointed proxy of any shareholder, any directors or the auditor of the Corporation in writing, by telegram, cable or telex addressed to the Corporation or by any other manner, and any such waiver may be validly given either before or after the meeting to which such waiver relates.

34. RECORD DATE. The board of directors may by resolution fix in advance a date and time as the record date for the determination of the shareholders entitled to receive notice of a meeting of the shareholders, but such record date shall not precede by more than fifty (50) days or by less than twenty-one (21) days the date on which the meeting is to be held. If the directors fail to fix in advance a date and time as the record date in respect of all or any of the matters described above for any meeting of the shareholders of the Corporation, the following provisions shall apply, as the case may be: (a) the record date for the determination of the shareholders entitled to receive notice of a meeting of shareholders shall be at the close of business on the day immediately preceding the day on which notice is given or sent; (b) the record date for the determination of the shareholders entitled to vote at a meeting of shareholders shall be the day on which the meeting is held; and (c) the record date for the determination of the shareholders entitled to receive the financial statements of the Corporation shall be the close of business on the day on which the directors pass the resolution relating thereto.

32. NOTICE. A printed, written or type-written notice stating that the day, hour, and place of meeting and, subject to subsection 135 (6) of the Act, the general nature of the business to be transacted shall be served to each person who is entitled to vote at such meeting, each director of the Corporation and the auditor of the Corporation, either personally or by sending such notice by prepaid mail not less than twenty-one (21) days or more than sixty (60) days (or such other minimum or maximum periods prescribed pursuant to the Act) before the meeting. If such notice is served by mail, it shall be directed to the latest address as shown in the records of the Corporation, of the intended recipient. Notice of any meeting of shareholders or any irregularity of any such meeting or in the notice thereof may be waived by any shareholder, the duly appointed proxy of any shareholder, any directors or the auditor of the Corporation in writing, by fax, telegram or cable addressed to the Corporation or by any other manner, and any such waiver may be validly given either before or after the meeting to which such waiver relates.

34. RECORD DATE. The board of directors may by resolution within the period prescribed in the Act fix in advance a date and time as the record dates for the determination of the shareholders entitled to (i) receive notice of a meeting of the shareholders and/or (ii) vote at a meeting of shareholders and notice of any such record date shall be given in the manner provided in the Act. If the directors fail to fix in advance a date and time as the record date in respect of all or any of the matters described above for any meeting of the shareholders of the Corporation, the following provisions shall apply, as the case may be: (a) the record date for the determination of the shareholders entitled to receive notice of a meeting of shareholders shall be at the close of business on the day immediately preceding the day on which notice is given or sent; (b) the record date for the determination of the shareholders entitled to vote at a meeting of shareholders shall be the day on which the meeting is held; and (c) the record date for the determination of the shareholders entitled to receive the financial statements of the Corporation shall be the close of business on the day on which the directors pass the resolution relating thereto.

FURTHER RESOLVED:

1^o THAT (i) the following new section, numbered 8, be added to By-Law No.1 of the Corporation:

"8. CONSENT TO BE ELECTED OR APPOINTED DIRECTOR.

An individual who is elected or appointed to hold office as a director is not a director and is deemed not to have been elected or appointed to hold office as a director unless:

- (a) the said individual was present at the meeting when the election or appointment took place and the said individual did not refuse to hold office as a director; or
- (b) the said individual was not present at the meeting when the election or appointment took place and the said individual consented to hold office as a director in writing before the election or appointment or within ten days thereafter, or the said individual has acted as a director pursuant to the election or appointment."

and that (ii) sections 8 to 34 be renumbered as sections 9 to 35 respectively.

2^o THAT (i) the following new section, numbered 36, be added to By-Law No. 1 of the Corporation:

"36. PARTICIPATION BY COMMUNICATIONS FACILITIES.

A shareholder or any other person entitled to attend a meeting of shareholders may participate in the meeting in accordance with the regulations under the Act, if any, by means of a telephonic, electronic or any other communication facility that permits all participants to communicate adequately with each other during the meeting if the Corporation makes available such a communication facility. A person participating in a meeting by such means is deemed to be present at that meeting. A meeting of shareholders may be held entirely by telephonic, electronic or other communications facility if the requirements listed above are met."

and that (ii) section 35 be renumbered as section 37.

3^o THAT (i) the following new section, numbered 38 be added to By-law No.1 of the Corporation:

"38. VOTING BY ELECTRONIC FACILITIES.

Any vote may be held, in accordance with the regulations under the Act, if any, entirely by means of a telephonic, electronic or other communications facility, if the Corporation makes available such a communication facility.

Any duly authorized person participating in a meeting of shareholders and entitled to vote at that meeting may vote, in accordance with the regulations under the Act, if any, by means of a telephonic, electronic or other communications facility, that the Corporation has made available for that purpose."

and that (ii) sections 36 to 55 be renumbered as sections 39 to 58.