

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 Meeting (the “Meeting”) of the holders of common shares of the Company (the “Common Shares”) to be held on August 4, 2004, 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 reimburse brokers and other persons holding shares for others for 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 by depositing such written notice with the Chairman of the Meeting.

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, 2004, the Company had 103,970,432 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 25, 2004 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 (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. On June 1, 2004, the 34,939,962 shares held by Gestion Jolina Inc. combined with the common shares held by the other Saputo Shareholders represented 60,345,126 Common Shares or 58.04 % 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, 2004, 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	34,939,962 ⁽¹⁾	33.61 %
Montréal, Québec	proxy	25,405,164	24.43 %
	Total:	60,345,126	58.04 %

(1) Includes 1,511,628 Common Shares held by Jolina Capital Inc., the sole shareholder of Gestion Jolina Inc.

ELECTION OF DIRECTORS

For fiscal 2005, Management proposes that the Board of Directors be composed of eleven 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 eleven nominees whose names are set forth in the following table.** The vote for each director will be conducted on an individual basis. 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, the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction was exercised by each nominee and the number of options owned by each of the nominee, the whole as at June 1, 2004. Reference is made to Schedule A hereto for a brief biography of the nominees as well as a summary of their attendance to board and committee meetings for fiscal 2004.

Name and municipality of residence	Director since	Principal occupation	Common Shares beneficially owned or over which control or direction was exercised	Options owned ⁽¹⁾
EMANUELE (LINO) SAPUTO ⁽³⁾ Senneville, Québec	1992	Chairman of the Board of the Company	60,345,126 ⁽²⁾	--
LINO A. SAPUTO, JR. Westmount, Québec	2001	President and Chief Executive Officer of the Company	33,589	125,746
ANDRÉ BÉRARD ⁽⁴⁾⁽⁶⁾ Verdun, Québec	1997	Corporate Director	8,125	12,000
CLAUDE BLANCHET ⁽⁵⁾ Ile-Bizard, Québec	2000	Corporate Director	2,000	6,000
LUCIEN BOUCHARD Outremont, Québec	2004	Senior Partner, Davies Ward Phillips & Vineberg LLP	--	--
PIERRE BOURGIE ⁽⁴⁾⁽⁵⁾ Outremont, Québec	1997	President and Chief Executive Officer of Société Financière Bourgie Inc. (a holding company)	465,000	12,000
FRANK A. DOTTORI Témiscaming, Québec	2003	President and Chief Executive Officer of Tembec Inc. (a forest products company)	--	1,000
JEAN GAULIN ⁽⁴⁾ San Antonio, Texas, USA	2003	Corporate Director	6,200	1,000
CATERINA MONTICCIOLO, CA Laval, Québec	1997	President of Julvest Capital Inc. (a holding company)	119,000	12,000
PATRICIA SAPUTO, CA, FP Laval, Québec	1999	President of Pasa Holdings Inc. (a holding company)	1,800	8,000
LOUIS A. TANGUAY ⁽⁵⁾ Laval, Québec	1997	Corporate Director	4,000	12,000

(1) Effective in fiscal 2005, the options granted to the outside directors of the Company will be replaced by deferred share units.

- (2) 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, 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".
- (3) Mr. Emanuele (Lino) Saputo is a director of Uniforêt Inc. which filed for protection under the Company's Creditors Arrangement Act on April 17, 2001. In May 2003, Uniforêt Inc. entered into a plan of arrangement with its creditors. In February 2004, the Company completed the implementation of this plan.
- (4) Members of the Corporate Governance and Human Resources Committee.
- (5) Members of the Audit Committee.
- (6) Lead Director.

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 forest products company); Mr. André Bérard who, until March 10, 2004, was Chairman of the Board of a Canadian Chartered Bank; Mr. Claude Blanchet who, until May 2003, was Chairman of the Board, President and Chief Executive Officer of Société générale de financement du Québec; Mr. Lucien Bouchard who, from January 1996 to March 2001, was the Prime Minister of the Province of Québec and since April 2001, is a senior partner at Davies Ward Phillips and Vineberg LLP; and Mr. Jean Gaulin who, from January 1, 1999 to December 31, 2001, was President and Chief Executive Officer of Ultramar Diamond Shamrock, and from January 1, 2000 to December 31, 2001, was also Chairman of the Board for the same company, and since January 1, 2002, is a Corporate Director.

Information as to shares and options beneficially owned by each nominee, or over which each exercised control or direction, as at June 1, 2004, has been furnished by the nominees individually.

EXECUTIVE COMPENSATION

The following table provides a summary of compensation earned during the fiscal years ended March 31, 2004, 2003 and 2002, as salary, bonus or otherwise, by the former CEO, CEO, CFO and the three 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.

		Annual compensation			Long-term compensation	
					Awards	
Name and principal occupation	Year	Salary ⁽¹⁾ (\$)	Bonus ⁽¹⁾ (\$)	Other annual compensation ⁽²⁾ (\$)	Number of Common Shares under options granted ⁽³⁾	All other compensation (\$)
Emanuele (Lino) Saputo Chairman of the Board ⁽⁴⁾	2004 C\$	600,000	360,000	-	-	-
	2003 C\$	600,000	330,000	-	-	-
	2002 C\$	600,000	300,000	-	-	-
Lino A. Saputo, Jr. President and Chief Executive Officer ⁽⁵⁾	2004 US\$	262,500	157,500	-	26,250	-
	2004 C\$	131,250	78,750	-	8,750	-
	2003 US\$	335,000	184,250	-	33,114	-
	2002 C\$	48,000	14,000	-	23,053	-
	2002 US\$	286,000	141,000	-	34,579	-
Louis-Philippe Carrière Executive Vice-President Finance and Administration and Secretary	2004 C\$	380,000	190,000	-	25,334	-
	2004 US\$	63,000	31,500	-	6,333	-
	2003 C\$	380,000	152,000	-	25,041	-
	2003 US\$	63,000	25,200	-	6,260	-
	2002 C\$	146,000	61,000	-	23,053	-
2002 US\$	219,000	84,000	-	34,579	-	
Pierre Leroux Executive Vice-President Human Resources and Corporate Affairs	2004 C\$	380,000	171,000	-	25,334	-
	2004 US\$	63,000	28,350	-	6,333	-
	2003 C\$	380,000	152,000	-	25,041	-
	2003 US\$	63,000	25,200	-	6,260	-
	2002 C\$	146,000	61,000	-	23,053	-
2002 US\$	219,000	84,000	-	34,579	-	
Dino Dello Sbarba President and Chief Operating Officer Cheese Division (USA)	2004 C\$	356,250	213,750	-	22,284	-
	2004 US\$	100,000	60,000	-	9,383	-
	2003 C\$	475,000	261,250	-	31,301	-
	2002 C\$	365,500	197,000	-	23,053	-
	2002 US\$	73,000	21,000	-	34,579	-
Randy Williamson President and Chief Operating Officer Dairy Products division (Canada)	2004 C\$	425,000	255,000	-	26,667	-
	2003 C\$	370,000	203,500	-	24,382	-
	2002 C\$	350,000	175,000	-	52,106	-

(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.

(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. Emanuele (Lino) Saputo was President and Chief Executive Officer of the Company until March 30, 2004.

(5) Mr. Lino A. Saputo, Jr. was appointed President and Chief Executive Officer of the Company on March 30, 2004.

Options granted during the most recently completed fiscal year

The following table presents the options granted under the Equity Compensation Plan (as defined in the section “Securities authorized for Issuance under Equity Compensation Plans” of this Circular), to the Named Executive Officers during the fiscal year ended March 31, 2004.

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.	35,000	2.62	22.50	22.50	04/01/2013
Louis-Philippe Carrière	31,667	2.37	22.50	22.50	04/01/2013
Pierre Leroux	31,667	2.37	22.50	22.50	04/01/2013
Dino Dello Sbarba	31,667	2.37	22.50	22.50	04/01/2013
Randy Williamson	26,667	1.99	22.50	22.50	04/ 01/2013

(1) Corresponds to the closing price of the Common Shares on the Toronto Stock Exchange (the “TSX”) on March 31, 2003, which is the business day immediately preceding April 1, 2003 being the grant date.

Aggregate options exercised during the most recently completed fiscal year and year-end values

The following table presents, for each of the Named Executive Officers, the options exercised during the fiscal year ended March 31, 2004, as well as the unexercised options and the value of the unexercised in-the-money options as at March 31, 2004 under the Equity Compensation 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 03/31/04		Value of unexercised in-the-money options as at 03/31/04 ⁽²⁾	
			Exercisable	Unexercisable	Exercisable (\$)	Unexercisable (\$)
Emanuele (Lino) Saputo	-	-	-	-	-	-
Lino A. Saputo, Jr.	-	-	29,674	96,072	341,760	926,627
Louis-Philippe Carrière	-	-	96,086	130,776	1,522,214	1,607,606
Pierre Leroux	-	-	119,771	130,015	1,857,350	1,597,446
Dino Dello Sbarba	11,694	251,421	133,910	130,776	2,057,643	1,607,606
Randy Williamson	-	-	25,718	77,437	305,995	773,262

(1) The aggregate value realized on exercise is equal to the difference between the closing price of the Common Shares on the TSX 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 TSX on March 31, 2004, being \$33.05 per share, and the exercise price of the option.

Defined Benefit

The following table presents the estimated annual benefits payable at normal retirement age (“NRA”) for Mr. Randy Williamson, who is the only Named Executive Officer currently participating in a defined benefit pension plan as a result of his role as Chief Operating Officer of a subsidiary of the Company before its acquisition in February 2001.

Pension Plan Table

Remuneration	Mr. Williamson’s projected Years of Service at NRA
--------------	---

\$(000’s)	12.5
-----------	------

125 and above	25,000
---------------	--------

Mr. Williamson is entitled to retirement benefits equal to 2% of his final three years average earnings multiplied by his years of credited service as a member of the pension plan.

Furthermore, the total annual pension payable from the plan at retirement is limited by the Canada Customs and Revenue Agency. Based on 2005 limits, the maximum annual retirement benefit is equal to \$2,000 multiplied by Mr. Williamson’s credited service. This limit is indexed annually after 2005. As at January 1st, 2004, Mr. Williamson was credited with 1.00 year of service.

The plan’s normal retirement age is 65. However, a member can retire as early as age 55 and start receiving a reduced pension. The pension is reduced by 3% per year that retirement age precedes age 65.

If Mr. Williamson has a spouse at time of retirement, the benefit payable to his spouse will be on the basis of a joint and surviving spouse annuity reducing to 60% upon his death. Otherwise, the normal form of payment will be a lifetime pension guaranteed for ten years.

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, Messrs. André Bérard, Pierre Bourgie and Jean Gaulin, all of whom are outside, unrelated and independent directors. Mr. Gaulin was appointed to the Corporate Governance Committee on April 25, 2003, in replacement of Mr. Emanuele (Lino) Saputo in order for this committee to be exclusively composed of unrelated and independent directors. See “Statements of Corporate Governance Practices – Section 3 of Schedule B” attached hereto.

Mandate of the Committee

The Committee 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 implementation of a process to assess, on an annual basis, the performance of the President and Chief Executive Officer, to establish with the CEO annual and longer term performance targets and expectations and to establish a formal review process of his performance;
- (vi) the review of the compensation of the directors in their capacity as directors and making recommendations to the Board of Directors with respect thereto;
- (vii) 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;
- (viii) the orientation and the continuing education of Board members;
- (ix) the implementation of a process to assess, on an annual basis, the effectiveness of the Board of Directors, its various committees and the individual performance of Board members.

Report on Executive Compensation

General Principles of Executive Compensation

During the year ended March 31, 2004, the Company revised its compensation policy following a review conducted by a compensation consulting firm. During such review, the compensation policies of several Canadian and American 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"). The Comparative Group consisted of a representative number of companies which provided a reliable source of comparative information.

For fiscal 2004, the 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 2004 was determined based on the review of market practices as well as an analysis of the performance of the organizations forming part of the Comparative Group. 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 2004. 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 2004, base salary was re-evaluated based on the principles established following the review of the Comparative Group, as well as on more subjective criteria such as internal equity and performance of each senior executive. Base salary is competitive with the third quartile of the base salaries offered by the Canadian corporations included in the Comparative Group and with the median of the base salaries offered by American corporations. A portion of the base salary for certain of the Named Executive Officers for fiscal 2004 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 and the role of such Named Executive Officers.

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 year 2004, 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. A bonus is paid only on the basis of financial performance targets.

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 is only paid if the Company reached or exceeded the target levels set at the beginning of the fiscal year. This plan is competitive with the median of bonus plans offered by the corporations included in the Comparative Group.

For fiscal 2004, the amount of bonus paid to each senior executive, other than the Chief Executive Officer, represented between 45% and 60% of his base salary. The bonus paid to each senior executive was fully paid based on the achievement of the financial performance targets originally determined. As with the base salary, considering the importance of the Company's American operations, a portion of the bonuses for certain of the Named Executive Officers 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 Equity Compensation Plan in order to sustain a commitment to long-term profitability and maximize shareholder value.

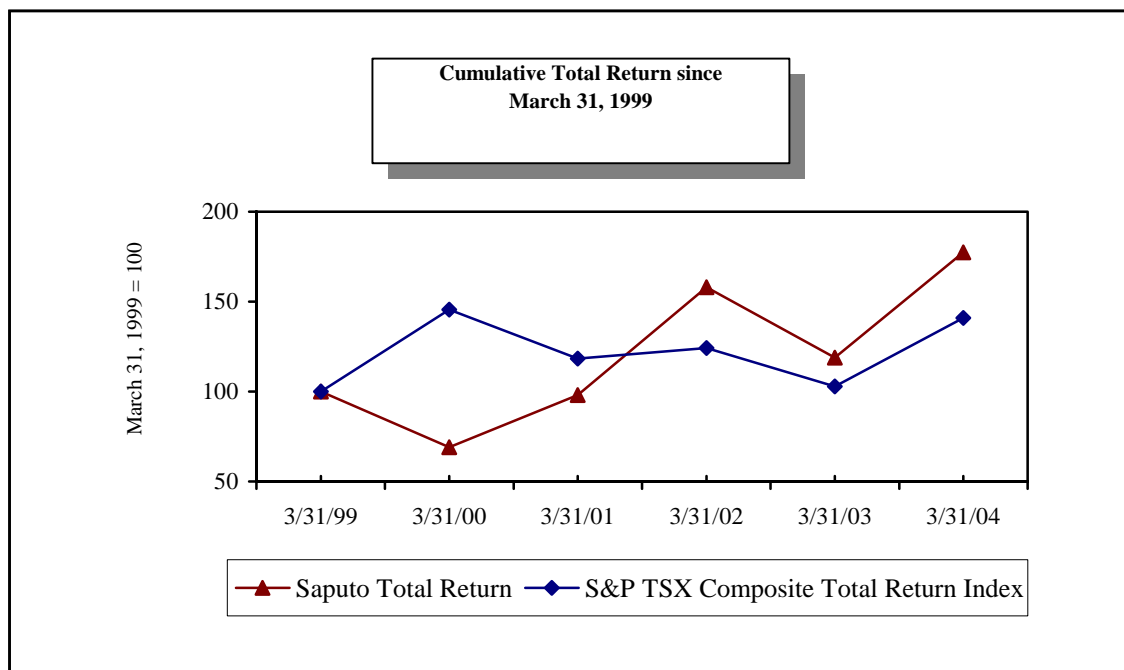
On April 1, 2003, the Corporate Governance Committee granted options to senior executives for the fiscal year ended March 31, 2004. The number of options granted depended on the position held by each senior executive and represented a percentage of base salary, without taking into account the number of options already held by such senior executive. Refer to the section entitled “Securities Authorized for Issuance under Equity Compensation Plan” for a discussion of the terms and conditions relating to the options, including vesting periods.

Chief Executive Officer

For fiscal 2004, 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. Base salary and bonus of the Chief Executive Officer are competitive with the median of the base salaries offered by the Canadian corporations included in the Comparative Group and with the lower quartile range offered by American corporations. During fiscal 2004, no options were granted to the Chief Executive Officer, as his interest as principal shareholder constitutes a sufficient long-term incentive. The foregoing analysis applies to Mr. Emanuele (Lino) Saputo who acted as Chief Executive Officer until March 30, 2004.

PERFORMANCE GRAPH

The following graph compares, on a yearly basis, the total cumulative shareholder return of \$100 invested in the Common Shares with the S&P/TSX Composite Index of the TSX during the five fiscal years ending March 31, 2004.



	03/31/99	03/31/00	03/31/01	03/31/02	03/31/03	03/31/04
SAPUTO TOTAL RETURN	100	69	98	158	119	177
S&P TSX COMPOSITE TOTAL RETURN INDEX	100	145	118	124	103	141

COMPENSATION OF DIRECTORS

Each director who is not a salaried officer or employee of the Company is paid an annual fee of \$25,000 and a further attendance fee of \$1,250 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 \$5,000. For fiscal 2004, each director who was not a salaried officer or employee of the Company was granted 1,000 options on April 1, 2003 pursuant to the Company's Equity compensation Plan in consideration for his or her services as director of the Company. See "Securities Authorized for Issuance under Equity Compensation Plans".

The following table shows the compensation paid to each director for his or her services in fiscal 2004.

Fees paid and options granted to Directors in fiscal 2004

Director	Retainer Fee (\$)	Committee Chair Retainer Fee (\$)	Board Attendance Fee (\$)	Committee Attendance Fee (\$)	Total Fees paid (\$)	Options granted
Emanuele (Lino) Saputo	--	--	--	--	--	--
Lino A. Saputo, Jr.	--	--	--	--	--	--
André Bérard ⁽¹⁾	25,000	5,000	10,000	12,500	52,500	1,000
Claude Blanchet	25,000	n/a	10,000	7,500	42,500	1,000
Lucien Bouchard ⁽²⁾	4,166	n/a	1,250	n/a	5,416	--
Pierre Bourgie ⁽¹⁾	25,000	n/a	10,000	20,000	55,000	1,000
Frank A. Dottori ⁽³⁾	20,835	n/a	7,500	n/a	28,335	1,000
Jean Gaulin	25,000	n/a	8,750	3,750	37,500	1,000
Caterina Monticciolo	25,000	n/a	8,750	n/a	33,750	1,000
Patricia Saputo	25,000	n/a	8,750	n/a	33,750	1,000
Louis A. Tanguay ⁽¹⁾	25,000	5,000	8,750	10,000	48,750	1,000

(1) These directors were members of the *ad hoc* committee for the succession of the CEO. This committee was implemented for a temporary period and completed its specific mandate in August 2003. The remuneration paid to its members is included in the table above.

(2) Mr. Lucien Bouchard was nominated as director on February 5, 2004.

(3) Mr. Frank A. Dottori was nominated as director on June 10, 2003.

On April 22, 2004, further to the recommendations of the Corporate Governance Committee, the Board of Directors adopted a new compensation policy pursuant to which all directors of the Company shall, at all times while a director, own a number of shares and/or deferred share units having a total market value of at least \$150,000, calculated on April 1st of each year. Each director must comply with this new policy within the next three (3) years. Pursuant to the deferred share unit plan (the “Deferred Share Unit Plan”) adopted by the Board of Directors on the same date, each director who does not meet the minimum value of \$150,000 will receive his entire compensation in deferred share units. Moreover, starting with the current fiscal year, the options granted to each director who is not an officer or an employee of the Company will be replaced by deferred share units pursuant to the terms and conditions of the Deferred Share Unit Plan.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out the only equity compensation plan (the “Equity Compensation Plan”) previously approved by security holders as of March 31, 2004 under which equity securities of the Company are authorized for issuance.

Equity Compensation Plan Information

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 the Equity Compensation Plan (excluding securities reflected in column (a)) (c)
Equity Compensation Plan approved by security holders	4,745,580	20.96	7,670,710

The following text presents a summary of the main characteristics of the Equity Compensation Plan.

On October 15, 1997, prior to the closing of its Initial Public Offering, the Company established the Equity Compensation Plan for full-time employees, officers and directors of the Company. The purpose of the Equity Compensation Plan is to attract and retain experienced and competent employees, officers and directors and to encourage share ownership by such persons. Effective fiscal 2005, with the adoption of the new compensation policy, the options granted to directors of the Company will be replaced by deferred share units (see “Compensation of Directors”).

The total number of Common Shares which may be issued pursuant to the Equity Compensation Plan was initially set at 6,000,000¹ Common Shares. At the Annual and Special Meeting of Shareholders held on August 1, 2001, this number was increased by 8,000,000¹ Common Shares, bringing the total number of Common Shares that may be issued under the Equity Compensation Plan to 14,000,000¹.

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 Equity Compensation Plan provides that the exercise price may not be less than the closing price of the Common Shares on the TSX on the business day immediately preceding the date of grant. Options granted under the Equity Compensation 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.

¹ This information has been restated to reflect the 100% stock dividend declared on November 23, 2001, on the Common Shares of Saputo, which had the same effect as a two-for-one split.

As at March 31, 2004, 4,745,580 options were outstanding. As of April 1, 2004, the Corporate Governance and Human Resources Committee granted an aggregate of 984,055 options to participants under the Equity Compensation Plan at an exercise price of \$33.05 per share. Of the 5,494,605 options outstanding as at June 1, 2004, 2,327,566 options were exercisable and 3,167,039 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, 2004, 6,727,983 Common Shares remained available out of the basket of 14,000,000 Common Shares.

DIRECTORS AND OFFICERS INSURANCE COVERAGE

The Company carries liability insurance in an amount limited to \$35 million with respect to its directors and officers as a group subject to a \$500,000 deductible. For fiscal 2004, the total annual premium in respect of such insurance was \$187,700, all of which was paid by the Company and charged to earnings.

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.

AUDIT COMMITTEE INFORMATION

Reference is hereby made to pages 27 to 29 of the Annual Information Form of the Company for the year ended March 31, 2004 for a disclosure of information relating to the Audit Committee required under Form 52-110F1. Copy of this document can be found in SEDAR at www.sedar.com or by contacting the Secretary of the Company at its head office, 6869 Métropolitain Boulevard East, Saint-Léonard, Québec H1P 1X8, telephone: (514) 328-6662.

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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors believes that good corporate governance practices are important and has delegated to the Corporate Governance Committee the responsibility of reviewing the Company's corporate governance practices and making recommendations to the Board of Directors with respect thereto.

In 1995, the TSX adopted a requirement that each listed company incorporated in Canada disclose its corporate governance practices with reference to a series of guidelines (the "Guidelines"). In 2002, the TSX proposed certain changes to the Guidelines (the "Proposed Guidelines"), which were submitted for approval to the Ontario Securities Commission. In January 2004, the Canadian securities regulators published in draft form for public comment corporate governance disclosure guidelines (the "Proposals"). The Proposals have not been adopted as of the date of this Circular.

The Company's significant shareholder is its founder who holds in the aggregate, directly or indirectly, or exercises control or direction over shares representing 58.04% of all of the outstanding Common Shares, as disclosed previously in this Circular. The Guidelines recognize that a number of corporations have significant shareholders. The Board of Directors believes that the value of the significant shareholder's equity stake in the Company ensures that his interests are aligned with those of the other shareholders of the Company. The Board of Directors believes that the Company's existing corporate governance practices and the implementation of certain measures as disclosed hereinafter, are appropriate to its circumstances and effective and that there are in place appropriate structures, procedures and practices to ensure board efficiency, board independence from management and fair representation of the investment of minority shareholders of the Company.

Schedule B to this Circular discloses the Company's corporate governance practices by addressing each of the Guidelines. Although the Proposed Guidelines and the Proposals are still pending for comments, the Company has already implemented certain measures to improve its corporate governance practices. More particularly, the Company has taken the following actions:

- (i) one unrelated and independent director was added to the Board of Directors so that the Board of Directors is composed of a majority of unrelated and independent directors;
- (ii) the composition of the Corporate Governance Committee was amended and this Committee, like the Audit Committee, is composed exclusively of unrelated and independent directors;
- (iii) the Board of Directors appointed a Lead Director who is unrelated, independent and separate from the Chairman of the Board and the Chief Executive Officer of the Company;
- (iv) the Board of Directors implemented a formal evaluation process of the performance of the Board, its committees and its directors, individually;
- (v) the Board of Directors adopted a compensation policy which requires director share ownership and adopted a Deferred Share Unit Plan;
- (vi) the Board of Directors stopped equity option grants in favour of directors and replaced it with a Deferred Share Unit Plan; and
- (vii) the Board of Directors has adopted a Code of Ethics applicable to directors, officers, managers and employees.

Upon the coming into force of new corporate governance legislation, the Committee and the Board will pursue their review of Saputo's corporate governance practices and, if appropriate, will implement changes to improve them.

INTEREST OF MANAGEMENT AND OTHERS IN TRANSACTIONS

In the normal course of business, the Company receives and provides goods and services from and to companies subject to significant influence by its principal shareholder. These goods and services of an immaterial amount are compensated by a counterpart equal to the fair market value.

ADDITIONAL INFORMATION

The Company's financial information is included in the Consolidated Financial Statements of the Company and notes thereto and in the accompanying Management Report for the fiscal year ended March 31, 2004. Copies of these documents and additional information concerning the Company can be found in SEDAR at www.sedar.com and may also be obtained upon request to the Secretary of the Company at its head office, 6869 Métropolitain Boulevard East, Saint-Léonard, Québec H1P 1X8, Telephone: (514) 328-6662.

GENERAL

Except as otherwise specifically indicated, the information contained herein is given as at June 1, 2004. 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 8, 2004.

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

SCHEDULE “ A “

DISCLOSURE OF DIRECTOR EXPERIENCE

The following are brief biographies of the Company’s nominees:

Emanuele (Lino) Saputo, Chairman of the Board of the Company, Director. Emanuele (Lino) Saputo founded the Company with his parents in 1954. He became Chairman of the Board and President of the Company in 1969. In 1997, following the initial public offering of the Company, he was named Chairman of the Board and Chief Executive Officer of the Company and remained in this position until March 2004, following which he remained Chairman of the Board. Mr. Saputo is also a director of a forest products company.

Lino A. Saputo, Jr., President and Chief Executive Officer of the Company, Director. Lino A. Saputo, Jr., joined the Company in 1988 as Administrative Assistant. In 1993, he became Vice-President, Operations and, in 1998, Executive Vice-President, Operations. From July 2001 to January 1, 2004, he was President and Chief Operating Officer of the Company’s Cheese Division (USA). In March 2004, he was appointed to the position of President and Chief Executive Officer of the Company, in replacement of Mr. Emanuele (Lino) Saputo.

André Bérard, Director. André Bérard was Chairman of the Board of a Canadian Chartered Bank from March 2002 to 2004. Over the past 40 years, he held various positions within this Canadian Chartered Bank, including that of Chairman of the Board and Chief Executive Officer from 1990 to March 2002. Mr. Bérard serves on the board of directors of various companies.

Claude Blanchet, Director. Claude Blanchet was Chairman of the Board and President and Chief Executive Officer of the Société Générale de Financement du Québec from 1997 to 2003. He serves on the board of directors of various companies.

Lucien Bouchard, Director. Lucien Bouchard was Prime Minister of the Province of Québec from January 1996 to March 2001. Since April 1, 2001, he is a senior partner with Davies Ward Phillips & Vineberg LLP. Mr. Bouchard serves on the board of directors of various companies.

Pierre Bourgie, Director. Pierre Bourgie is, since 1996, President and Chief Executive Officer of Société Financière Bourgie Inc., a diversified investment company, President of Partenaires de Montréal, a merchant bank specialized in business financing and President of Ipsos Facto, a real estate investment fund. Mr. Bourgie also serves on the board of directors of various companies.

Frank A. Dottori, Director. Frank A. Dottori is, since 1973, President and Chief Executive Officer of Tembec Inc., a forest products company which he co-founded. He is Chair of the Pulp and Paper Research Institute of Canada and Chair of the Free Trade Lumber Council. He has also served as Governor of the Montreal Stock Exchange. Mr. Dottori served on the board of directors of several companies and is currently a director of Bell Nordiq and Tembec Inc.

Jean Gaulin, Director. Jean Gaulin was Chairman of the Board of Ultramar Diamond Shamrock Corporation from January 1, 2000 to January 1, 2002. He was also President and Chief Executive Officer of this corporation from January 1, 1999 to January 1, 2002. In 1996, following the merger of Ultramar Corporation and Diamond Shamrock Inc., he was named Vice-Chairman of the Board, President and Chief Operating Officer of Ultramar Diamond Shamrock. Mr. Gaulin serves on the board of directors of various companies.

Caterina Monticciolo, Director. Caterina Monticciolo is a chartered accountant and President of Julvest Capital Inc., a holding company. She is also director and controller for Les Placements Vigica Inc., a diversified investment company. From January 1995 to October 1996, she served as Manager for Administrative Services for Saputo Inc. From 1990 to 1994, she served as an auditor and tax consultant for Samson, Bélair, Deloitte & Touche LLP.

Patricia Saputo, Director. Patricia Saputo is a chartered accountant who worked in accounting and tax from 1991 to 1998 with Samson, Bélair, Deloitte & Touche LLP. Since 1998, she has been employed by Placements Italcan Inc., a diversified investment company and, as of 2002, she became the Chief Financial Officer. Mrs. Saputo is also the President of Pasa Holdings Inc., an investment holding company.

Louis A. Tanguay, Director. Louis A. Tanguay held a number of executive positions during a long career within the BCE organization, including President of Bell Québec from 1992 to 1998 and President of Bell Canada International from 1998 to 2001. He serves on the board of directors of various companies.

BOARD OF DIRECTORS MEETINGS HELD AND ATTENDANCE OF DIRECTORS

The information presented below reflects Board and Committee meetings held and attendance of Directors for the year ended March 31, 2004.

Summary of Board and Committee meetings held

Board of Directors:	8
Corporate Governance and Human Resources Committee:	8
Audit Committee:	6

Summary of Attendance of Directors

Director	Board Meetings Attended	Audit Committee Meetings Attended	Corporate Governance Committee Meetings Attended
EMANUELE (LINO) SAPUTO (Chairman of the Board)	8 of 8	N/A	5 of 5 ⁽¹⁾
LINO A. SAPUTO, JR.	8 of 8	N/A	N/A
ANDRÉ BÉRARD	8 of 8	N/A	8 of 8
CLAUDE BLANCHET	8 of 8	6 of 6	N/A
LUCIEN BOUCHARD	1 of 1 ⁽²⁾	N/A	N/A
PIERRE BOURGIE	5 of 8	6 of 6	8 of 8
FRANK A. DOTTORI	6 of 7 ⁽³⁾	N/A	N/A
JEAN GAULIN	6 of 7 ⁽⁴⁾	N/A	3 of 3 ⁽¹⁾
CATERINA MONTICCIOLO	7 of 8	N/A	N/A
PATRICIA SAPUTO	7 of 8	N/A	N/A
LOUIS A. TANGUAY	7 of 8	6 of 6	N/A

(1) Mr. Emanuele (Lino) Saputo ceased to be a member of the Corporate Governance and Human Resources Committee on November 6, 2003. He was replaced on the same day by Mr. Jean Gaulin.

(2) Mr. Lucien Bouchard was nominated to the Board of Directors on February 5, 2004.

(3) Mr. Frank A. Dottori was nominated to the Board of Directors on June 10, 2003.

(4) Mr. Jean Gaulin was nominated to the Board of Directors on April 25, 2003.

SCHEDULE "B"

SAPUTO INC. STATEMENT OF CORPORATE GOVERNANCE PRACTICES AS AT JUNE 8, 2004

Corporate Governance Guidelines	Comments
1. The Board should explicitly assume the responsibility for stewardship of the Corporation, and specifically for the following:	<p>The Board of Directors is legally responsible for overseeing the stewardship of the Company's affairs to ensure that its resources are managed so as to increase share value and create economic wealth.</p>
a) Adoption of a strategic planning process	<p>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) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer of the Company and other senior officers and to create a culture of integrity throughout the Company; (iv) ensuring proper management succession planning, including appointing, training and monitoring senior management; (v) maintaining a proper communication policy with shareholders, institutional investors and participants in the financial market; (vi) monitoring the efficiency of internal control and management information systems; and (vii) developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines specifically applicable to the Company. The Board of Directors has taken, when necessary, specific measures in this respect. Some of these duties were delegated to the Corporate Governance and Human Resources Committee (the "Corporate Governance Committee") and to the Audit Committee.</p> <p>The Board of Directors meets with Management at least at the beginning of every fiscal year in order to discuss the strategic plan prepared by the Management. The Board also reviews the fiscal year then ended, the budgets, including capital expenditures required for the upcoming fiscal year in order to achieve the growth and objectives set by Management, and reviews the competitive and regulatory environment in which the Company evolves in order to identify the risks and opportunities. The Board of Directors then reviews, on a quarterly basis, the Company's results and accomplishments against the objectives set in the strategic plan.</p>

The Chief Executive Officer has the responsibility to keep the Board of Directors informed of all important developments that may impact the Company or its industry.

b) Identification of principal risks and implementation of risk management systems

Through its Audit Committee, the Board of Directors identifies the principal risks relating to the Company's business, ensures the implementation of appropriate systems to manage these risks and receives regular reports from management on these matters. Please refer to page 20 of the Annual Information Form under the heading "Risks and Uncertainties" and to page 38 of the Annual Report under the heading "Risk and Uncertainties" for a list of the principal risks relating to the Company's business.

c) Succession planning, including appointing, forming and monitoring senior management

The Corporate Governance Committee is responsible, among other things, for ensuring proper management succession planning for the Company and making recommendations to the Board of Directors with respect thereto. In 2003, an *ad hoc* committee entirely composed of unrelated and independent directors was created in connection with the succession plan for the position of Chief Executive Officer. This Committee held several meetings and made recommendations to the Board of Directors in this regard. In August 2003, Mr. Lino A. Saputo, Jr. was identified as Mr. Emanuele (Lino) Saputo's successor and became President and Chief Executive Officer of the Company on March 30, 2004, following a transition period.

d) Communications policy

The Audit Committee is responsible for the review of the annual and quarterly financial statements of the Company and all other continuous disclosure documents required by regulatory authorities, and such documents are approved by the Board of Directors before mailing. The Board of Directors has the responsibility of maintaining a proper communication policy with shareholders, institutional investors and participants in the financial market. In order to maintain high standards regarding disclosure issues, the Board of Directors adopted a disclosure policy which confirmed the Company's practices. The purpose of the disclosure policy is to ensure that communications to the investing public are timely, factual and accurate, and that the information is disseminated in accordance with all applicable legal and regulatory requirements of the TSX and various securities commissions.

e) Integrity of internal control and management information systems

The Audit Committee, which reports to the Board of Directors, is responsible for ensuring the adequacy of the internal control and management information systems of the Company. The Audit Committee regularly meets with the Executive Vice-President, Finance and Administration and the external auditors in order to examine issues pertaining to the presentation of financial information, accounting practices, upcoming accounting norms, internal accounting systems as well as financial controls and procedures, auditing procedures and programs. In the exercise of its mandate, the Audit Committee has access to the internal audit department of the Company. See also 1 b) and d) above for the

role of the Audit Committee.

2. a) The majority of directors should be unrelated (independent of management and without any conflicts of interest) to the Company and its significant shareholder, if any;

Eleven (11) individuals are currently nominated as directors of the Company, nine (9) of whom are outside directors and seven (7) of whom are unrelated and independent directors. The Board of Directors is composed of a majority of unrelated and independent directors.

In determining unrelated and independent directors, the Corporate Governance Committee has referred to the following definitions. The Committee has identified as unrelated the directors who are not officers of the Company or any of its subsidiaries and who have no relationship that could reasonably be perceived to materially conflict with their ability to act in the best interest of the Company. As for the independent directors, it has identified those who have no direct or indirect relationship with the Company or any of its subsidiaries that could, in the view of the Committee, reasonably conflict with the exercise of a director's independent judgment. These qualifications of the directors are reviewed and approved by the Board of Directors.

The Company indicated in fiscal 2003, its intention to add one (1) unrelated director to the Board over the course of the next two (2) years. In fiscal 2004, an unrelated and independent director was nominated to the Board of Directors.

if the Company has a significant shareholder, in addition to a majority of unrelated shareholders, the board should include a number of directors which reflects the investment in the Company by shareholders other than the significant shareholder;

The Company is of the opinion that the presence of the seven (7) unrelated and independent directors more than adequately reflects the investment of minority shareholders in the Company.

- b) Although the Company has a significant shareholder, the Board of Directors must include a certain number of directors who are unrelated to the significant shareholder and who are not engaged in a business relationship with him.

The Board of Directors is made up of seven (7) directors out of eleven (11) having no participation, relationship or business ties with the significant shareholder.

3. Disclose whether each director is "related" and how that conclusion was reached

- As Chairman of the Board of the Company, Mr. Emanuele (Lino) Saputo is a related director.
- As President and Chief Executive Officer of the Company, Mr. Lino A. Saputo, Jr. is a related director.
- Mr. André Bérard is an unrelated and independent director.
- Mr. Claude Blanchet is an unrelated and independent director.
- Mr. Lucien Bouchard is an unrelated and independent director.
- Mr. Pierre Bourgie is an unrelated and independent director.
- Mr. Frank A. Dottori is an unrelated and independent director.
- Mr. Jean Gaulin is an unrelated and independent director.
- As a member of the Saputo control block shareholder,

Mrs. Caterina Monticciolo is a related director.

- As a member of the Saputo control block shareholder, Mrs. Patricia Saputo is a related director.
- Mr. Louis A. Tanguay is an unrelated and independent director.

Reference is made to schedule “A” for additional information on each director.

4. a) Appoint a committee of directors responsible for proposing new nominees to the Board and for evaluating directors on a regular basis

The Corporate Governance Committee is responsible for (i) 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 (ii) the implementation of a process to assess, on an annual basis, the effectiveness of the Board of Directors, its various committees and the individual performance of each Board member. During fiscal 2004, the Corporate Governance Committee met eight (8) times.

For the selection of nominees for election to the Board of Directors of the Company, the Corporate Governance Committee takes into consideration (i) what competencies and skills the Board of Directors, as a whole, should possess; (ii) what competencies and skills each existing directors possesses; and (iii) what competencies and skills the Board of Directors, as a whole, possesses. Based on this analysis, the Corporate Governance recommends to the Board changes to the Board composition.

A formal annual evaluation process of directors was adopted on April 22, 2004 and implemented. Pursuant to this evaluation process, Board members will complete once a year an effectiveness survey as to the performance of the Board of Directors, its committees and the individual performance of each Board member. These surveys will be submitted on a confidential basis and will be reviewed by the Chairman of the Corporate Governance Committee. Once a year, the Chairman of the Corporate Governance Committee will meet each Board member individually in order to discuss the surveys. A global evaluation of the performance of the Board of Directors, its committees and Board members will be presented annually to the Board of Directors by the President of the Corporate Governance Committee. During the year, Board members are free to discuss among themselves the performance of a fellow director, or submit such a matter to the Chairman of the Corporate Governance Committee who will ensure the implementation of appropriate measures to deal with any concern regarding the effectiveness of the Board of Directors and its various committees. As Board members are elected annually, the Corporate Governance Committee takes into account each director’s performance when recommending nominees for election of Board members at the next annual general meeting of

shareholders and when recommending the composition of the committees as well as their chairman for approval by the Board of Directors.

b) Composed exclusively of outside (non management) directors, the majority of whom are unrelated

The Committee is composed of three (3) members, all of whom are outside, unrelated and independent directors.

5. Implement a process for assessing the effectiveness of the Board, its committees and individual directors

The Corporate Governance Committee is responsible for the implementation of a process to assess, on an annual basis, the effectiveness of the Board of Directors and its various committees. A formal evaluation process is currently in place (see 4 a) above).

6. Provide orientation and education programs for new directors

The Board of Directors considers that orienting and educating new directors is an important element of ensuring responsible corporate governance. By ensuring that the Board members are properly informed of the business of the Company, the Board considers that it complies with this Guideline. Newly appointed directors are provided with the Company's continuous disclosure documents, copies of the mandate of the Board and its committees, minutes of previous meetings of the Board of Directors and copies of the policies and procedures adopted by the Board of Directors and its committees. Directors also meet with members of Management to discuss the affairs of the Company, the continuous disclosure documents, sector of activities of the Company, its competitive and regulated environment as well as its business and operational strategies. Moreover, the Directors are invited to attend the Company's meeting of shareholders and visit certain Company facilities. Board members also hold a strategic planning meeting annually with Management. See 1 a) above. Finally, each Board member is invited to address to the Corporate Governance Committee any request he may have regarding additional information or education. The Corporate Committee reviews such requests and takes the measures it deems appropriate.

7. The Board should consider reducing its size and review the composition of its members with a view to improving effectiveness

After reviewing its size, the Board of Directors determined that a board of nine (9) to eleven (11) is appropriate for decision-making purposes. The Board of Directors is composed of eleven (11) members.

8. The Board should review the adequacy and form of the director compensation in light of risks and responsibilities

The Corporate Governance Committee evaluates annually the compensation of the directors in their capacity as directors in light of the practices of the market, as well as the risks and responsibilities involved in being a director. On April 22, 2004, the Board adopted a new compensation policy pursuant to which all directors of the Company shall, at all times while a director, own a number of shares and/or deferred share units having a total market value of at least \$150,000, calculated on April 1st of each year. Each director must comply with this new policy within the next three (3) years. Pursuant to the deferred share unit plan (the

“Deferred Share Unit Plan”) adopted by the Board of Directors on the same date, each director who does not meet the minimum value of \$150,000 will receive his entire compensation in deferred share units. Moreover, starting with the current fiscal year, the options granted to each director who is not an officer or an employee of the Company will be replaced by deferred share units pursuant to the terms and conditions of the Deferred Share Unit Plan.

9. Committees of the Board should generally be composed of outside (non management) directors, a majority of whom should be unrelated directors

The Company currently has two (2) committees: the Audit Committee and the Corporate Governance Committee.

The Audit and Corporate Governance Committees are composed exclusively of outside unrelated and independent directors.

10. The Board should expressly assume responsibility for corporate governance issues or assign general responsibility therefore to a committee

The Board of Directors has delegated to the Corporate Governance Committee the responsibility to review the Company’s corporate governance practices and making recommendations to the Board of Directors with respect thereto.

11. a) Define limits to management’s responsibilities by formulating mandates for the following:

The Board of Directors has defined its mandate thereby imposing certain limits on the powers of Management. The Board believes that it is responsible for overseeing the affairs of the Company and that the Chief Executive Officer is responsible for implementing the Company’s strategic plan and business objectives as prepared by Management and submitted to the Board annually (see 1 a) above). In 2003, the Company has elaborated a formal mandate for the Chief Executive Officer which was appointed on March 30, 2004. With this appointment and following a transition period, it is the intention of the Corporate Governance Committee to implement a formal annual review process of the Chief Executive Officer’s performance.

- (i) the Board
- (ii) Chief Executive Officer

b) The Board should approve the CEO’s corporate objectives

12. Establish procedures to enable the Board to function independently of management

The significant shareholder of the Company as defined in the Guidelines and its founder, Mr. Emanuele (Lino) Saputo, holds the position of Chairman of the Board. The experience and expertise of Mr. Emanuele (Lino) Saputo in those sectors in which the Company is engaged benefit all members of the Company’s Management team and the Board of Directors.

With the appointment of Lino A. Sapuro, Jr. as Chief Executive Officer of the Company, the positions of Chairman of the Board and CEO are split. However, as the position of Chairman of the Board is held by a related member, the Board appointed the Chairman of the Corporate Governance Committee as Lead Director. The responsibilities of the Lead Director are to set board agendas with the Chairman of the Board, be responsible for the quality of the information sent to directors, call and chair quarterly meetings of independent directors without management and without the Chairman of the Board and to review any comments or requests made by an independent director. The Lead Director is elected annually by a vote of the directors who qualify as independent directors.

13. a) Establish an Audit Committee with a specifically defined mandate

The Audit Committee has the mandate 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, (iii) with the auditors and management, the adequacy of the internal control and management information systems of the Company, and (iv) present quarterly reports to the Board of Directors with respect thereto. The Audit Committee is also responsible for implementing the Company's policy on services which may be provided by the Company's external auditors and by other accounting firms which was adopted in 2003 and revised in April 2004. This policy provides that the Company's auditors are prohibited from providing certain services to the Company and also establishes limits pursuant to which certain mandates require the prior approval of the Audit Committee. In 2004, the Audit Committee also established specific policies and procedures regarding complaints of an auditing or a financial nature and the hiring of employees and former employees of the external auditors of the Company. The Audit Committee's charter is published in the Annual Information Form of the Company under Appendix A. During fiscal 2004, the Audit Committee met six (6) times.

b) All members should be non management directors

The Audit Committee is presently composed exclusively of outside unrelated directors. All members of the Audit Committee are financially literate and independent as defined under applicable regulations.

14. Implement a system to enable individual directors to engage outside advisors, at the Corporation's expense

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 has the mandate to determine if the circumstances warrant the engagement of an outside advisor. In addition, both Committees have the right to engage outside advisors in order to assist them in fulfilling their mandate.