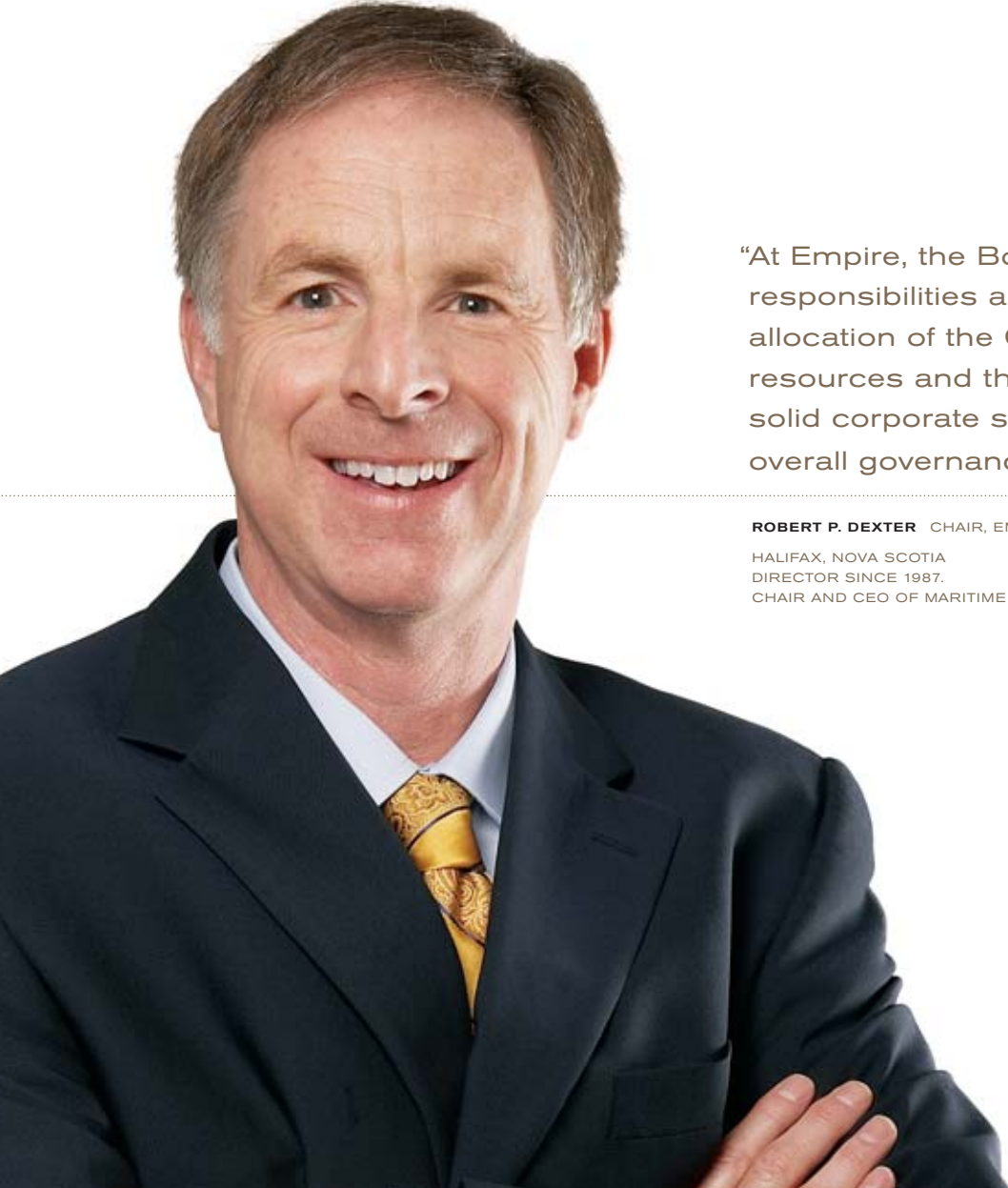


# Excellence in Governance



“At Empire, the Board’s primary responsibilities are the prudent allocation of the Company’s capital resources and the provision of solid corporate stewardship and overall governance.”

**ROBERT P. DEXTER** CHAIR, EMPIRE COMPANY LIMITED  
HALIFAX, NOVA SCOTIA  
DIRECTOR SINCE 1987.  
CHAIR AND CEO OF MARITIME TRAVEL INC.



**JOHN L. BRAGG (3,6)**  
COLLINGWOOD, NS  
DIRECTOR SINCE 1999.  
CHAIRMAN, PRESIDENT  
AND CO-CHIEF EXECUTIVE  
OFFICER OF OXFORD  
FROZEN FOODS LTD.



**WILLIAM T. BROCK (3,5)**  
TORONTO, ON  
DIRECTOR SINCE 2005.  
CORPORATE DIRECTOR



**JAMES W. GOGAN (2)**  
NEW GLASGOW, NS  
DIRECTOR SINCE 1972.  
CORPORATE DIRECTOR



**EDWARD C. HARSANT (1)**  
WOODBIDGE, ON  
DIRECTOR SINCE 2003.  
CORPORATE DIRECTOR

**D**uring the past year, the Empire Board of Directors was actively involved in examining the Company's growth opportunities and developing a long-term strategic direction. At this point in Empire's evolution, we had two options: further diversification or placing a stronger focus on our core businesses. Ultimately, we chose to concentrate on the businesses we know best – food and related real estate. Our capabilities within these businesses have enabled Empire to post a compound average annual total return to shareholders of 19.8 percent during the past 10 years and we believe food and related real estate will continue to be the foundation of our future success.

The privatization of Sobeys has meant that eight members of the former Sobeys' Board will be nominated for election to the Empire Board at the upcoming Annual General Meeting on September 12, 2007. While these new directors will provide fresh views and strong food retailing experience, I would first like to acknowledge the contributions of the directors who will be retiring this year.

James Gogan has served on the Empire Board since 1972, seeing the Company through a vast number of changes. His breadth of knowledge and wisdom will be sincerely missed. I would also like to thank Courtney Pratt, who joined the Board in 1995; Anna Porter, who has served since 2004; and William Brock who has served since 2005. These individuals brought a wealth of business expertise, insight and thoughtfulness to their responsibilities. Their contributions have served to strengthen Empire's focus on its core businesses and for that we are grateful.

I would also like to thank two Sobeys' directors that are retiring and not standing for election to the Empire Board. Peter Godsoe was Chair of Sobeys since 2004 and a director of Empire from 1993 until 2004. His wise counsel will be greatly missed. Robert Dutton joined the Sobeys Board in 2006 and we appreciated the benefit of his experience.

#### **A REVITALIZED BOARD**

We look forward to welcoming eight new directors to the Empire Board: Marcel Côté, Christine Cross, David Ferguson, David Leslie, Bill M<sup>c</sup>Ewan, Malen Ng, Mel Rhineland, and Frank Sobey. These individuals bring decades of experience as corporate directors to our Board, as well as a healthy mix of backgrounds. I am looking forward to working with our new Board as we guide Empire towards continued long-term growth.

This revitalized Board will continue to examine Empire's opportunities for growth with an eye on maximizing the Company's long-term performance. We are fortunate to have many veteran business leaders, from diverse business backgrounds and with a wide range of skill sets serving as board members. While the majority of our directors are independent, the Sobey family will continue

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- 1 AUDIT COMMITTEE MEMBER
  - 2 AUDIT COMMITTEE CHAIR
  - 3 HUMAN RESOURCES COMMITTEE MEMBER
  - 4 HUMAN RESOURCES COMMITTEE CHAIR
  - 5 CORPORATE GOVERNANCE AND NOMINATING COMMITTEE MEMBER
  - 6 CORPORATE GOVERNANCE AND NOMINATING COMMITTEE CHAIR



**ANNA PORTER (1)**  
TORONTO, ON  
DIRECTOR SINCE 2004.  
CORPORATE DIRECTOR



**E. COURTNEY PRATT (4,5)**  
TORONTO, ON  
DIRECTOR SINCE 1995.  
CORPORATE DIRECTOR



**STEPHEN J. SAVIDANT (1)**  
CALGARY, AB  
DIRECTOR SINCE 2004.  
CHAIRMAN,  
PROSPEX RESOURCES  
LIMITED AND  
CORPORATE DIRECTOR



**DAVID F. SOBEY**  
NEW GLASGOW, NS  
DIRECTOR SINCE 1963.  
CHAIR EMERITUS,  
SOBEYS INC.



**DONALD R. SOBEY**  
PICTOU COUNTY, NS  
DIRECTOR SINCE 1963.  
CHAIR EMERITUS,  
EMPIRE COMPANY LIMITED

**Empire directors have a wide range of skills acquired from diverse business backgrounds.**

to be well represented on the Board. These long-term stakeholders bring a proprietor’s perspective to the decision-making process – one that has served to keep Empire focused on long-term value creation and patient investment in our core businesses of food and related real estate.

At Empire, the Board’s primary responsibilities are the prudent allocation of the Company’s capital resources and the provision of solid corporate stewardship and overall governance. As part of this process, we remain attuned to the accomplishments within each of Empire’s business lines. Sobeys has continued to perform well in a highly competitive environment and its privatization is more than just a smart investment; it underscores our confidence in Sobeys’ strategic plan and in the strategic priorities of their management team.

I would also like to acknowledge the management of Empire and its operating companies for another year of solid leadership that collectively supports our long-term success. It was also a good year for our investments in Genstar and Wajax with their excellent management teams creating significant value for Empire and our shareholders.

Despite the changes that have taken place this year, Empire’s commitment to corporate citizenship remains consistent. The Sobey family has a long tradition of philanthropy and community involvement, particularly in the Company’s home region of Atlantic Canada. In fact, this year, Donald and David Sobey were inducted into the Junior Achievement Canadian Business Hall of Fame. I know their father, Frank H. Sobey, who was inducted in 1984, would have been proud to see his sons so justifiably honoured, particularly on the 100<sup>th</sup> anniversary of Sobeys. On behalf of the Board, I would like to congratulate them for this historic achievement.

In closing, I would like to thank the management and employees at Empire and in our operating companies for helping Empire post solid results in fiscal 2007. I would also like to express our appreciation for the continued support of our shareholders. As we look ahead, the Board remains confident that Empire’s renewed focus on its core strengths in food retailing and related real estate has positioned the Company for enduring success.



Robert P. Dexter  
Chair,  
Empire Company Limited  
June 28, 2007



**JOHN R. SOBEY (1)**  
PICTOU COUNTY,  
NOVA SCOTIA  
DIRECTOR SINCE 1979.  
CORPORATE DIRECTOR



**KARL R. SOBEY (3)**  
HALIFAX, NOVA SCOTIA  
DIRECTOR SINCE 2001.  
CORPORATE DIRECTOR



**PAUL D. SOBEY**  
PICTOU COUNTY,  
NOVA SCOTIA  
DIRECTOR SINCE 1993.  
PRESIDENT AND CEO,  
EMPIRE COMPANY LIMITED



**ROB G. C. SOBEY**  
STELLARTON, NOVA SCOTIA  
DIRECTOR SINCE 1998.  
PRESIDENT AND CEO,  
LAWTON’S DRUG STORES LIMITED

