

# EMPIRE

## Notice of 2007 Annual General Meeting of Shareholders and Management Information Circular

### **EMPIRE COMPANY LIMITED**

Our Annual General Meeting of Shareholders  
will be held at 11:00 a.m. Atlantic Daylight Time (ADT)  
on Wednesday, September 12, 2007 at Empire Studio 7 Cinemas,  
610 East River Road, New Glasgow, Nova Scotia.

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## Invitation to Shareholders

July 26, 2007

Dear Shareholder:

We are pleased to invite you to join our Board of Directors and senior management team at our 2007 Annual General Meeting of Shareholders. The meeting will be held on:

September 12, 2007  
11:00 a.m. (Atlantic Daylight Time)  
Empire Studio 7 Cinemas  
610 East River Road  
New Glasgow, Nova Scotia

The items of business to be considered and voted upon at this meeting are set out in the attached Notice of Annual General Meeting and Management Information Circular. In addition, this meeting provides you with the opportunity to meet, listen to and ask questions of the people who are responsible for the performance of the Company.

Empire Company Limited is committed to keeping you, our investors, informed about your investment in the Company. We are also committed to respecting your wishes when you elect not to receive copies of the Annual Report or Quarterly Reports. We want you to know that you have a choice as to whether you would like to receive the Empire Company Limited Annual Report and/or Quarterly Reports next year. Please read and make your choice accordingly on the enclosed document being used for that purpose.

We do want you to know, however, that if you are interested in the 2007 Annual Report and/or 2007 Quarterly Reports, copies are available on our website [www.empireco.ca](http://www.empireco.ca) or at [www.sedar.com](http://www.sedar.com) or you can write to the following address and request a copy:

Investor Relations  
Empire Company Limited  
115 King Street  
Stellarton, Nova Scotia  
B0K 1S0

E-mail: [Investor.relations@empireco.ca](mailto:Investor.relations@empireco.ca)

We will also webcast the meeting at [www.empireco.ca](http://www.empireco.ca). We encourage you to visit our website at any time before the meeting as it provides useful information about our Company.

We look forward to seeing you on September 12, 2007.

Sincerely,



Robert P. Dexter  
Chair



Paul D. Sobey  
President & CEO

## **Notice of Annual General Meeting of Shareholders**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Empire Company Limited will be held on:

September 12, 2007  
11:00 a.m. (Atlantic Daylight Time)  
Empire Studio 7 Cinemas  
610 East River Road  
New Glasgow, Nova Scotia

for the following purposes:

1. To receive and consider the Annual Report, including the audited financial statements of the Company for the fiscal year ended May 5, 2007, together with the report of the Auditors thereon;
2. To elect directors for the ensuing year and to permit an increase in the maximum size of the Board to 18 directors;
3. To approve the remuneration of directors for the ensuing year;
4. To appoint auditors for the ensuing year;
5. To authorize the directors to fix the remuneration of the auditors;
6. To consider and, if deemed advisable, to pass a resolution approving amendments to Empire's Long Term Incentive Plan; and
7. To transact such other business as may properly come before the meeting.

Your attendance at this meeting is welcomed.

Class B common shareholders who are unable to be present in person at the meeting are requested to complete, sign, date and return the enclosed form of Class B common shareholder proxy, in the envelope provided for that purpose, to the Secretary of the Company, 115 King Street, Stellarton, Nova Scotia, B0K 1S0.

Non-Voting Class A shareholders who are unable to be present in person at the meeting may appoint a proxy to attend and speak on their behalf by completing the enclosed form of Non-Voting Class A shareholder proxy and returning it in the envelope provided for that purpose to the Secretary of the Company, c/o Postlinx, Attn: Proxy Department, 1170 Birchmont Road, Scarborough, ON, M1P 5E3.

Dated at Stellarton, Nova Scotia, this 26<sup>th</sup> day of July, 2007.

**BY ORDER OF THE BOARD**



Paul V. Beesley  
Executive Vice President, Chief Financial Officer  
and Secretary

# Management Information Circular

## Voting at the Annual General Meeting

### Solicitation of Proxies

This Management Information Circular (“**Circular**”) is furnished in connection with the solicitation of Class B common shareholders' proxies (hereinafter referred to as the “**Proxy**” or “**Proxies**”) by and on behalf of the management of Empire Company Limited (“**Empire**” or the “**Company**”) for use at the Annual General Meeting of Shareholders of the Company (the “**Meeting**”) to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual General Meeting. It is expected that the solicitation will be primarily by mail, but Proxies may also be solicited personally by the officers and directors of the Company. The cost of such solicitation will be borne by the Company.

### Appointment and Revocation of Proxies

The persons named in the enclosed form of Proxy are directors of the Company. **A shareholder has the right to appoint a person to represent such shareholder at the meeting other than the persons named in the enclosed form of Proxy.** Such right may be exercised by striking out the name of the persons designated and by inserting such other person's name in the blank space provided in the form of Proxy. Failing any designation, one of the persons already named on the Proxy form shall be deemed to have been appointed as the nominee of such shareholder for the purposes set out in the accompanying Notice of Annual General Meeting.

If the accompanying separate form of Proxy is executed and returned, the Proxy may nevertheless be revoked by an instrument in writing revoking the Proxy and executed by the shareholder, or by the attorney of the shareholder authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof, duly authorized and deposited with the Secretary of the Company prior to the commencement of the Meeting on the date of the Meeting or any adjournment thereof.

### Voting of Shares Represented by Proxies

Shares represented by Proxy will be voted in accordance with instructions specified by the shareholder on the form of Proxy. If no instructions are given by the shareholder, the Proxy confers discretionary authority upon the Proxy nominee with respect to the matters set out in the Notice of Annual General Meeting and other matters that may properly come before the Meeting or any adjournment thereof, but shall not confer authority to vote for the election of any person as a director of the Company, unless a bona fide proposed nominee for such election is named in this Circular, or to vote at any meeting other than the Meeting specified in the Notice of Annual General Meeting, or any adjournment thereof. **Unless otherwise instructed, where either Robert P. Dexter or Paul D. Sobey has been appointed to vote on behalf of another shareholder, he will vote:**

- (a) **in favour of the election of those persons listed in this Circular as the proposed directors of the Company for the ensuing year and to permit the increase in the maximum size of the Board to 18 directors;**
- (b) **in favour of the approval of directors' remuneration as set out in this Circular;**
- (c) **in favour of the appointment of Grant Thornton LLP as auditor for the ensuing year;**
- (d) **in favour of the authorization of the directors to fix the remuneration of the auditor; and**
- (e) **in favour of the amendments to Empire's Long Term Incentive Plan.**

Management has no present knowledge that any business other than that referred to in the accompanying Notice of Annual General Meeting will be presented to the Meeting. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the Proxies to vote the Proxies in accordance with what they consider to be in the best interest of the Company.

## **Notice to Beneficial Shareholders of Empire Company Limited**

The information set forth in this section is of significant importance to many shareholders as a substantial number of the shareholders do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only Proxies deposited by shareholders whose names appear on the records of the Company as the registered holders of the shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder’s name on the records of the Company. Such shares will more likely be registered under the name of the shareholders’ broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) or otherwise represented upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting or otherwise representing shares for their clients. The Company does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted or otherwise represented at the Meeting. Often, the form of Proxy supplied to a Beneficial Shareholder by its broker is identical to the form of Proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of or otherwise represent the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc (“**Broadridge**”). Broadridge typically applies a special sticker to the Proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the Proxy forms to Broadridge. Broadridge then tabulates the results of all instructions respecting the shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Proxy with a Broadridge sticker on it cannot use that Proxy to vote or otherwise represent shares in person at the Meeting as the Proxy must be returned as directed by Broadridge well in advance of the Meeting in order to have the shares voted or otherwise represented. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed Proxies as directed by Broadridge well in advance of the Meeting.**

### **Business of the Meeting**

#### **1. Receive Annual Report and Financial Statements**

The audited consolidated financial statements of Empire for the year ended May 5, 2007, and the report of the auditor thereon, will be tabled at the Meeting. These audited consolidated financial statements form part of the fiscal 2007 Annual Report of the Company, which was mailed to shareholders with this Notice of Annual General Meeting and Circular. Additional copies of the fiscal 2007 Annual Report may be obtained from the Secretary of the Company upon request and will be available at the Meeting. The Annual Report has been posted to the SEDAR website at [www.sedar.com](http://www.sedar.com) and to the Company’s corporate website at [www.empireco.ca](http://www.empireco.ca).

#### **2. Election of the Board of Directors**

There are to be 18 directors elected at the Meeting, each to hold office until the next annual general meeting or until his or her successor is elected or appointed. Unless authority to vote on the election of directors is withheld, **it is the intention of persons named in the enclosed form of Proxy to vote the shares represented thereby in favour of the 18 nominees of management listed in the section titled “Nominees for Election to the Board of Directors” and the increase in the maximum size of the Board to 18 directors.**

The Corporate Governance and Nominating Committee of the Board has reviewed the qualifications of persons proposed for election to the Board and recommended their nomination. The persons proposed for nominations are, in the opinion of the Board, well qualified to act as directors for the ensuing year. Each director has established his or her eligibility and willingness to serve.

### 3. Approval of Directors' Fees

The persons named in the enclosed Proxy form intend to vote the shares represented thereby for the approval of external directors' fees for the twelve-month period beginning September 12, 2007, as follows:

Annual Directors' Retainer	\$50,000
Chair of the Board's Retainer	\$200,000
Meeting Fee:	
• Board	\$2,000
• Committee	\$2,000
• Telephone (Board or Committee)	\$1,250
Committee Chairs' Retainer:	
• Audit	\$15,000
• Human Resources	\$15,000
• Other Committees	\$10,000
Committee Members' Retainer:	
• Audit	\$5,000
• Other Committees	\$3,000

Directors will also be reimbursed for out-of-pocket expenses. The Chair does not receive meeting fees. Directors who live outside of Canada will be paid their fees in U.S. dollars. Directors who are also employees of the Company or its subsidiaries do not receive any fees for their services as director. Directors may elect to receive all or part of their fees as Deferred Stock Units ("DSUs") as described in the section titled "Directors' Stock Unit Plan".

A summary of the fees paid during the fiscal year ended May 5, 2007, is set forth under the heading "Board of Directors' Compensation".

### 4. Appointment of Auditors

The Audit Committee has reviewed the independence and performance of Grant Thornton LLP as external auditor of the Company. Based on this review, it has recommended to the Board of Directors that they be reappointed, subject to shareholder approval.

**Based on the Board's recommendation, the persons named in the enclosed Proxy form intend to vote the shares represented thereby for the appointment of Grant Thornton LLP as auditors of the Company, to hold office until the next annual general meeting of the shareholders.**

Grant Thornton LLP and its predecessors have served as auditor of Empire for more than 50 years. During fiscal 2007 and 2006, fees charged by Grant Thornton LLP to the Company and its subsidiaries were as follows:

Fees	Year ended May 5, 2007	Year ended May 6, 2006
Audit	\$2,971,347	\$2,440,290
Audit-Related	429,456	388,798
Tax	376,865	529,307
Other	34,250	899,862
Total Fees	\$3,811,918	\$4,258,257

Audit fees include fees for the audit of the annual consolidated financial statements, audits of other required financial statements, reviews of quarterly interim financial statements and assistance with CEO/CFO certification.

Audit related fees are for services including review of the Company's incentive plans, consultations on accounting and disclosure matters and French translation.

Tax fees include tax planning and project based assignments related to regulatory compliance. Included in the year ended May 6, 2006 were tax fees related to the creation of Crombie REIT.

Other fees for the year ended May 6, 2006 included services related to the creation of Crombie REIT and financings.

The Audit Committee has considered whether the nature and extent of these non-audit services is compatible with maintaining the independence of the external auditor and has concluded that the independence of Grant Thornton LLP is not compromised by the non-audit services provided. In addition, the Audit Committee's mandate requires that the Committee pre-approve the nature and extent of all non-audit engagements with the external auditor.

## **5. Approval of Auditors' Fees**

The persons named in the enclosed Proxy form intend to vote the shares represented to authorize the Board of Directors to fix the remuneration of the auditors as the Board of Directors deems appropriate.

## **6. Approval of Amendments to Long Term Incentive Plan**

The Board of Directors believes that certain amendments to the Long Term Incentive Plan ("LTIP") which reflect recent regulatory changes are in the best interests of the Company and its shareholders.

The TSX Company Manual requires that unless an equity compensation plan provides for an amending procedure, including specific disclosure as to whether shareholder approval is required for amendments, shareholder approval will be required for every amendment to the LTIP. While this requirement was effective January 1, 2005, the TSX permitted issuers to make certain types of amendments until June 30, 2007 where its equity compensation plan contains a general amendment provision. After June 30, 2007, unless a specific amendment procedure has been approved by the TSX and the shareholders, all amendments will require shareholder approval, even for minor housekeeping matters.

The Board of Directors believes that in light of these regulatory changes, it is in the best interests of the Company to adopt certain amendments to the LTIP.

The proposed amendments to the LTIP, which have been approved by the Board, are as follows:

- 1) increasing the maximum number of Non-Voting Class A shares issuable under the LTIP by 2,285,473, such that the maximum number of Non-Voting Class A shares available for issuance under the LTIP on or after September 12, 2007 shall not exceed 3,200,000, the effect of which would be to increase the number of Non-Voting Class A shares reserved for issuance under the LTIP from 914,527 to 3,200,000, being approximately 4.9 percent of the Non-Voting Class A shares and the Class B common shares outstanding at July 13, 2007;
- 2) removing from the LTIP the requirement that (i) the number of Non-Voting Class A shares reserved for issuance to any one person pursuant to options be no greater than five percent of the outstanding issue, and (ii) the number of Non-Voting Class A shares which may be issued to any one insider and the associates of such insider, within a one year period, be no greater than five percent of the outstanding issuer;
- 3) adding a clause to the LTIP which states that if an option would otherwise expire during or within 10 business days following the end of a period in which trading of the shares is restricted by policies of the Company (a "Blackout Period"), then the option shall be extended for 10 business days after the Blackout Period expires;
- 4) adding a cashless exercise feature to the LTIP which permits participants to elect to receive, without the payment by the participant of any additional consideration, Non-Voting Class A shares equal to the value of an option (or the portion thereof being cancelled) by surrender of the option at the registered office of the Company, together with written notice reflecting such "cashless" exercise, in which event the Company shall issue to the participant a number of Non-Voting Class A shares computed using the following formula:

$$X = \frac{Y(A-B)}{A}$$

- Where:
- X = The number of Non-Voting Class A shares to be issued to the holder pursuant to the cashless exercise;
  - Y = The number of Non-Voting Class A shares in respect of which the cashless exercise election is made;
  - A = The Market Price (as defined in the LTIP) of one Non-Voting Class A share on the exercise date; and
  - B = The Option Price (as defined in the LTIP).

Upon a cashless exercise in accordance with this section, the number of Non-Voting Class A shares which may be issued under the LTIP shall be reduced by the number of Non-Voting Class A shares referred to above as “X” and not the number referred to as “Y”.

- 5) implementing an amendment procedure specifying the types of amendments to the LTIP which require shareholder approval and the types of amendments that do not require shareholder approval. Said amendment procedure is set out in section 6.2 of the LTIP as follows:

#### 6.2 Amendment and Termination of Plan

- (a) From time to time, subject to necessary regulatory approval from administrative bodies with jurisdiction over the LTIP, the Board of Directors of the Company may, without shareholder approval, amend any of the provisions of the LTIP but no amendment of the provisions of the LTIP or any termination of the LTIP pursuant to subparagraph (c) hereof, shall (i) divest any participant of options granted to him, (ii) divest any participant of his entitlement to the participant's pledged shares and stock dividend shares as provided herein or of any rights a participant may have in respect of the participant's pledged shares and the stock dividend shares, or (iii) have the effect of altering the terms of repayment of any loan made to a participant, without the prior written consent of the participant. Without limiting the generality of the foregoing, the Board of Directors of the Company or the LTIP Committee may make the following types of amendments to the provisions of the LTIP without shareholder approval:
- i. reduce the number of Non-Voting Class A shares issuable under the LTIP;
  - ii. increase or decrease the maximum number of Non-Voting Class A shares any single participant is entitled to receive under the LTIP;
  - iii. any amendment pertaining to the vesting provisions of each option;
  - iv. any amendment to the terms of the LTIP relating to the effect of termination, cessation or death of a participant on the right to exercise options;
  - v. any amendment pertaining to the assignability of grants required for estate planning purposes;
  - vi. increase the exercise price or purchase price;
  - vii. amend the process by which a participant can exercise his or her option;
  - viii. add and/or amend any form of financial assistance provision to the LTIP;
  - ix. amend the eligibility requirement for participants in the LTIP;
  - x. allocate and reallocate among the ESPP, the Stock Option Plan and the Medium Term Performance Plan the number of Non-Voting Class A shares issuable to participants pursuant to the LTIP;
  - xi. any amendment as may be necessary or desirable to bring the LTIP into compliance with securities, corporate or tax laws and the rules and policies of any stock exchange upon which the Non-Voting Class A shares are from time to time listed;
  - xii. any amendment to add covenants of the Company for the protection of participants, provided that the LTIP Committee and/or the Board of Directors of the Company shall be of the good faith opinion that such additions will not be prejudicial to the rights or interest of the participants;

- xiii. any amendment not inconsistent with the LTIP as may be necessary or desirable with respect to matters or questions, which in the good faith opinion of the LTIP Committee and/or the Board of Directors of the Company, having in mind the best interests of the participants, it may be expedient to make, provided that the LTIP Committee and/or the Board of Directors of the Company shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the participants; and
  - xiv. any such changes or corrections which, in the advice of counsel to the Company, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the LTIP Committee and/or the Board of Directors of the Company shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interest of the participants.
- (b) Notwithstanding any other provision of this LTIP, none of the following amendments shall be made to this LTIP without approval of the shareholders:
- i. a reduction in the option price or award price, or cancellation and re-issue of options;
  - ii. any amendment that extends the term of an award beyond its original expiry date, except as permitted by the LTIP in the event of a Blackout Period;
  - iii. any amendment to increase the maximum limit of the number of Non-Voting Class A shares that may be
    - (A) issued to insiders within any one year period, or
    - (B) issuable to insiders, at any time;under the LTIP, or when combined with all share compensation arrangement, which could exceed 10 percent of the Company's issued and outstanding Non-Voting Class A shares and Class B common shares;
  - iv. an increase to the maximum number of Non-Voting Class A shares issuable under the LTIP;
  - v. any amendment adding participants to the LTIP that may permit the introduction or re-introduction of non-employee directors on a discretionary basis; and
  - vi. any amendment to the amending provisions of the LTIP.
- (c) Subject to subparagraph (a) hereof, the Board of Directors may terminate the LTIP, provided that such termination shall not affect the rights of a participant holding options at the time of such termination without his consent.

The Company has received approval for the amendments to the LTIP from the TSX, subject to the condition that the amendments be approved by a majority of votes cast at a meeting of shareholders.

As a consequence, a vote will be held on the following resolution for approval of a majority of votes cast at the meeting:


“THAT the amendments to the Company's Long Term Incentive Plan, as more fully set out in the Company's Management Information Circular under the heading “Approval of Amendments to Long Term Incentive Plan” are approved.”


**The persons named in the enclosed Proxy form intend to vote the shares represented to authorize the amendments to Empire's Long Term Incentive Plan.**


## Nominees for Election to the Board of Directors


The nominees for election as directors of Empire are listed below. References to “Sobeys” are to Empire’s subsidiary, Sobeys Inc.

On June 15, 2007, Empire acquired all of the outstanding common shares of Sobeys that it did not then own. Following this transaction it is intended that the Boards of both Empire and Sobeys consist of the same directors. Of the 18 nominees put forth for election to the Board of Directors for Empire, eight are newly proposed directors for Empire. Each of these eight nominees has served as a member of Sobeys’ Board of Directors since prior to Empire acquiring 100 percent of Sobeys’ common shares.

 <b>John L. Bragg</b> Age 67 Nova Scotia, Canada Director Since: 1999 <b>Independent</b>	John L. Bragg is Chairman, President and Co-Chief Executive Officer of Oxford Frozen Foods Limited. He is Chairman of Bragg Communications, which operates under the brand name of Eastlink. He is a director of the Toronto-Dominion Bank and Canada Bread Limited. He is also Chancellor of Mount Allison University. Mr. Bragg has served as a director of Sobeys Inc. since 1998. Mr. Bragg did not serve as a director of any other reporting issuers during the period from 2002 to 2007.					
	Committee Membership <sup>(1)</sup>			Membership on Other Reporting Issuer Boards (Exchange: Symbol)		
	Human Resources Corporate Governance and Nominating (Chair)			TD Bank (TSX: TD) Canada Bread Limited (TSX: CBY) Sobeys Inc.		
	Securities Held					
	Year	NV Class A Shares <sup>(3)</sup>	Class B Shares <sup>(4)</sup>	DSUs <sup>(5)</sup>	Total of Shares and DSUs	Share Ownership Status <sup>(6)</sup>
July 2007 <sup>(2)</sup>	11,840	1	10,781	22,622	Meets Share Ownership Guidelines	
July 2006 <sup>(2)</sup>	11,840	1	8,934	20,775		

 <b>Marcel Côté</b> Age 64 Québec, Canada Proposed Director <b>Independent</b>	Marcel Côté is Senior Partner of Secor Inc., a Montreal-based consulting firm. He is a former economic advisor to the Premier of Québec (1986-88), and was Director of Strategic Planning and Communication for the Office of the Prime Minister (1989-90). He is a director of ING Canada and Nurun Inc. He is also a director of the Montreal Symphony Orchestra, the YMCA Foundation and Imagine Canada. Mr. Côté has served as a director of Sobeys Inc. since 1998. Mr. Côté served as Chairman of Engenuity Technologies Inc. and as a director of Alphinat Inc. Mr. Côté did not serve as a director of any other reporting issuers during the period from 2002 to 2007.					
	Committee Membership			Membership on Other Reporting Issuer Boards (Exchange: Symbol)		
				ING Canada (TSX: IIC) Nurun Inc.(TSX: NUR) Sobeys Inc.		
	Securities Held					
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	0	0	0	0	Has until 2012 to meet Share Ownership Guidelines	
July 2006	0	0	0	0		

 <p><b>Christine Cross</b> Age 56 Hertfordshire, U.K. Proposed Director <b>Independent</b></p>	<p>Christine Cross is President of Christine Cross Ltd., an independent advisor in retail management. From April 2002 to June 2003, Ms. Cross was Group Business Development Director for TESCO PLC, based in Hertfordshire, England. Ms. Cross held other positions with TESCO, including World Non-Food Buying Director for TESCO from 1998 to 2002. Ms. Cross is also a director of Next PLC. Ms. Cross is Retail Advisor to Apax Partners U.K., PriceWaterhouseCoopers Retail Transactions Services and advisor to the Logistics Institute of Hull University. Ms. Cross has served as a director of Sobeys Inc. since 2003. Ms. Cross served as a director of Fairmont Hotels &amp; Resorts Inc. and George Wimpey PLC. Ms. Cross did not serve as a director of any other reporting issuers during the period from 2002 to 2007.</p>					
	Committee Membership			Membership on Other Reporting Issuer Boards (Exchange: Symbol)		
				Next PLC (LN: NXT) Sobeys Inc.		
	Securities Held					
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
	July 2007	0	0	0	0	Has until 2012 to meet Share Ownership Guidelines
July 2006	0	0	0	0		

 <p><b>Robert P. Dexter</b> Age 55 Nova Scotia, Canada Director Since: 1987 <b>Independent</b></p>	<p>Robert P. Dexter is Chair of Empire Company Limited. He is Chair and Chief Executive Officer of Maritime Travel Inc. He is a partner of the law firm of Stewart McKelvey, a trustee of Wajax Income Fund, and a director of Bell Aliant Regional Communications LP and High Liner Foods Inc. Mr. Dexter has served as a director of Sobeys Inc. since 1998. In addition, within the last five years, Mr. Dexter served as a director of Aliant Inc. and Maritime Life Assurance Company. Mr. Dexter did not serve as a director of any other reporting issuers during the period from 2002 to 2007.</p>					
	Committee Membership			Memberships on Other Reporting Issuer Boards (Exchange: Symbol)		
				Bell Aliant Regional Communications LP (TSX: BA.UN) High Liner Foods Inc. (TSX: HLF) Sobeys Inc. Wajax Income Fund (TSX: WJX.UN)		
	Securities Held					
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
	July 2007	39,000	1	12,077	51,078	Meets Share Ownership Guidelines
July 2006	39,000	1	10,206	49,207		



**David S. Ferguson**  
Age 62  
Georgia, U.S.  
Proposed Director  
Independent

David S. Ferguson is the principal of D.S. Ferguson Enterprises, LLC. He was the President and Chief Executive Officer of Wal-Mart Europe from September 2000 to July 2003. Prior to that, he was President and Chief Executive Officer of Wal-Mart Canada. He is a director of Exide Technologies and is on the Advisory Board of Miller-Zell. He is a member of the Dean's Advisory Board for the Business School of Morehouse College. He is Vice Chairman of N.S.B Retail Systems PLC. Mr. Ferguson has served as a director of Sobeys Inc. since 2006. Mr. Ferguson has been a Member of the Advisory Board of Ryerson University's School of Retail Management and has also been a member of the Board of Directors of the Retail Council of Canada. Mr. Ferguson did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
				Exide Technologies (NASDAQ: XIDE) Sobeys Inc.	
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	0	0	0	0	Has until 2012 to meet Share Ownership Guidelines
July 2006	0	0	0	0	



**Edward C. Harsant**  
Age 62  
Ontario, Canada  
Director Since: 2003  
Independent

Edward C. Harsant is the President of Stonehedge Partners. Previously, he was President, North American stores for Staples, Inc. from 2000 to 2002. Prior to that he was President of The Business Depot Ltd. He is the Chair of the Advisory Board of Lawtons, a member of the Board of Directors for Sobeys Inc. since 2007, a member of the Advisory Board of Bargain Shops Holdings Inc., a member of the Advisory Board of South Shore Industries Ltd., a former director of the Canadian Special Olympics, and former Chair of the Retail Council of Canada. Mr. Harsant did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
				Sobeys Inc.	
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	0	1	7,520	7,521	Meets Share Ownership Guidelines
July 2006	0	1	5,629	5,630	



David A. Leslie  
Age 63  
Ontario, Canada  
Proposed Director  
Independent

David A. Leslie, a Fellow of the Institute of Chartered Accountants of Ontario, retired in 2004 after 37 years of service with Ernst & Young LLP, where he was Chairman and Chief Executive Officer from 1999 to 2004. While at Ernst & Young, he was seconded for a period to the federal Department of Finance as Senior Tax Advisor on Tax Policy and Legislation. He is a director of Enbridge Inc., Enbridge Gas Distribution Inc. and CanWest Global Communications Inc. and Chair of Sunnybrook Health Sciences Centre. Mr. Leslie has served as a director of Sobeys Inc. since 2005. Mr. Leslie did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
				CanWest Global Communications Inc. (TSX: CGS) Enbridge Inc. (TSX: ENB) Sobeys Inc.	
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	0	0	0	0	Has until 2012 to meet Share Ownership Guidelines
July 2006	0	0	0	0	



Bill M'Ewan  
Age 50  
Nova Scotia, Canada  
Proposed Director  
Non-Independent

Bill M'Ewan is the President and Chief Executive Officer of Sobeys Inc. He is Vice Chair, Member Services, of the Food Marketing Institute, a member of the Board of Directors of CIES-The Food Business Forum and of the Board of Trustees of the Kids Help Foundation. He is past Chairman of the Grocery Industry Foundation Together (G.I.F.T.). Mr. M'Ewan has served as a director of Sobeys Inc. since 2000. Mr. M'Ewan did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
				Sobeys Inc.	
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	0	0	0	0	Has until 2012 to meet Share Ownership Guidelines
July 2006	0	0	0	0	



**Malen Ng**  
Age 55  
Ontario, Canada  
Proposed Director  
**Independent**

Malen Ng is Chief Financial Officer of the Workplace Safety and Insurance Board of Ontario. She was formerly President and Chief Executive Officer of Hydro One Networks Inc., a wholly-owned subsidiary of Hydro One Inc. Before that she was Executive Vice President of Wires Operations, and Executive Vice President & Chief Financial Officer of Hydro One Inc., and prior to that was Vice President of Corporate Finance with Ontario Hydro. Ms. Ng has served as a director of Sobeys Inc. since 2001. Ms. Ng is a director of Assisted Living Concepts and Jacques Whitford. Ms. Ng served as a director of Extencicare Inc. Ms. Ng did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
				Assisted Living Concepts (NYSE: ALC) Sobeys Inc.	
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	0	0	0	0	Has until 2012 to meet Share Ownership Guidelines
July 2006	0	0	0	0	



**Mel Rhineland**  
Age 57  
Ontario, Canada  
Proposed Director  
**Independent**

Mel Rhineland is Vice Chairman of Extencicare REIT and Assisted Living Concepts, Inc. Mr. Rhineland was President and Chief Executive Officer of Extencicare Inc. from August 2000 to November, 2006. He served in increasingly senior roles at Extencicare since 1977. Mr. Rhineland is also a Certified Human Resources Professional (CHRP). Mr. Rhineland has served as a director of Sobeys Inc. since 2004. Mr. Rhineland did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
				Assisted Living Concepts (NYSE: ALC) Extencicare REIT (TSX: EXE.UN) Sobeys Inc.	
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	0	0	0	0	Has until 2012 to meet Share Ownership Guidelines
July 2006	0	0	0	0	



**Stephen J. Savidant**  
Age 58  
Alberta, Canada  
Director Since: 2004  
**Independent**

Stephen J. Savidant is Chairman and a director of ProspEx Resources Ltd. He is also a director of Toromont Industries Limited and Sobeys Inc. since 2007. From 2002 until his retirement in May 2006, Mr. Savidant was the President, Chief Executive Officer and member of the Board of Trustees of Esprit Energy Trust. Previously, he was the President and Chief Executive Officer and a member of the Board of Directors of Canadian Hunter Exploration Ltd. He is also the Vice-Chairman of Mount Royal College Board of Governors. Mr. Savidant did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership		Membership on Other Reporting Issuer Boards (Exchange: Symbol)			
Audit		ProspEx Resources Ltd. (TSX: PSX) Sobeys Inc. Toromont Industries Ltd. (TSX: TIH)			
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	2,000	1	5,247	7,248	Meets Share Ownership Guidelines
July 2006	2,000	1	3,388	5,389	



**David F. Sobey C.M.**  
Age 76  
Nova Scotia, Canada  
Director Since: 1963  
**Non-Independent**

David F. Sobey is Chair Emeritus of Sobeys. He was Chief Executive Officer of Sobeys from 1986 until 1995. He was Chair of Sobeys until his appointment as Chair Emeritus in 2001. He is Chairman of The Sobey Foundation and The Frank H. Sobey Fund for Excellence in Business Studies, a director of the Atlantic Salmon Federation and a member of the Advisory Board for the Sobey School of Business at Saint Mary's University. Mr. Sobey has served as a director of Sobeys Inc. since 1998. Mr. Sobey did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership		Membership on Other Reporting Issuer Boards (Exchange: Symbol)			
		Sobeys Inc.			
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	1,477,466	7,635,874 <sup>(5)</sup>	8,602	9,121,942	Meets Share Ownership Guidelines
July 2006	1,477,466	7,635,874 <sup>(5)</sup>	7,050	9,120,390	



**Donald R. Sobey**  
Age 72  
Nova Scotia, Canada  
Director Since: 1963  
**Non-Independent**

Donald R. Sobey is Chair Emeritus of Empire. He was President of the Company from 1969 until his appointment as Chair in 1985. He was Chair of the Company until his appointment as Chair Emeritus in 2004. He is also Chairperson of the Board of Trustees of the National Gallery of Canada and a director of Alliance Atlantis Communications Inc. and the World Wildlife Fund. Mr. Sobey has served as a director of Sobeys Inc. since 1998. He is a member of the Queen's University Advisory Council and the Canadian Group, Trilateral Commission. In addition, within the last five years, Mr. Sobey served as a director of the following publicly traded companies: Toronto-Dominion Bank, High Liner Foods Limited, Stora Enso Port Hawkesbury and Trader Classified Media NV. Mr. Sobey did not serve as a director of any other reporting issuers during the period from 2002 to 2007.


Committee Membership		Membership on Other Reporting Issuer Boards (Exchange: Symbol)			
		Alliance Atlantis Communications Inc. (TSX: AAC.A) Sobeys Inc.			
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	1,793,610	9,602,992 <sup>(8)</sup>	3,529	11,400,131	Meets Share Ownership Guidelines
July 2006	1,793,610	9,602,992 <sup>(8)</sup>	2,049	11,398,651	





**Frank C. Sobey**  
Age 54  
Nova Scotia, Canada  
Proposed Director  
**Non-Independent**


Frank C. Sobey is Vice-President, Real Estate of Empire Company Limited. Mr. Sobey is also Chairman of Crombie REIT and the Dalhousie Medical Research Foundation. He is a trustee of Wajax Income Fund and a member of the Advisory Board for the Fred C. Manning School of Business Administration at Acadia University and the National Arts Centre Foundation. Mr. Sobey has served as a director of Sobeys Inc. since 2001. Mr. Sobey did not serve as a director of any other reporting issuers during the period from 2002 to 2007.

Committee Membership		Membership on Other Reporting Issuer Boards (Exchange: Symbol)			
		Crombie REIT (TSX: CRR.UN) Sobeys Inc. Wajax Income Fund (TSX: WJX.UN)			
Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
July 2007	452,534	2,908,754 <sup>(9)</sup>	0	3,361,288	Meets Share Ownership Guidelines
July 2006	466,609	2,908,754 <sup>(9)</sup>	0	3,375,383	

 <p><b>John R. Sobey</b> Age 58 Nova Scotia, Canada Director Since: 1979 <b>Independent</b></p>	<p>John R. Sobey was President and Chief Operating Officer of Sobeys until his retirement in 2001 after 34 years of service. He is a director of Medavie Inc. Mr. Sobey has served as a director of Sobeys Inc. since 1998. Mr. Sobey did not serve as a director of any other reporting issuers during the period from 2002 to 2007.</p>					
	Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
	Audit				Sobeys Inc.	
	Securities Held					
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
	July 2007	47,503	19,079	0	66,331	Meets Share Ownership Guidelines
July 2006	47,252	19,079	0	66,331		

 <p><b>Karl R. Sobey</b> Age 52 Nova Scotia, Canada Director Since: 2001 <b>Non-Independent</b></p>	<p>Karl R. Sobey is President of Caribou River Investments Limited and Jafa Investments Limited. He is a director of Sobeys Inc. since 2007. He was President of the Atlantic Division of Sobeys until his retirement in 2001 after 27 years of service. Mr. Sobey did not serve as a director of any other reporting issuers during the period from 2002 to 2007.</p>					
	Committee Membership				Membership on Other Reporting Issuer Boards (Exchange: Symbol)	
	Human Resources				Sobeys Inc.	
	Securities Held					
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status
	July 2007	193,760	2,566,070 <sup>(10)</sup>	0	2,759,830	Meets Share Ownership Guidelines
July 2006	193,760	2,566,070 <sup>(10)</sup>	0	2,759,830		

 <p><b>Paul D. Sobey</b> Age 50 Nova Scotia, Canada Director Since: 1993 <b>Non-Independent</b></p>	<p>Paul D. Sobey is President and Chief Executive Officer of Empire Company Limited, a position he has held since 1998. He has been with the Company since 1982. He is a director of the Bank of Nova Scotia, Emera Inc., a trustee of Crombie REIT and a member of the Board of Governors of Saint Mary's University. Mr. Sobey was the Chairman of Wajax Limited. Mr. Sobey has served as a director for Sobeys Inc. since 1998. Mr. Sobey did not serve as a director of any other reporting issuers during the period from 2002 to 2007.</p>					
	Committee Membership			Membership on Other Reporting Issuer Boards (Exchange: Symbol)		
				Bank of Nova Scotia (TSX: BNS) Crombie REIT (TSX: CRR.UN) Emera Inc. (TSX: EMA) Sobeys Inc.		
	Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status	
July 2007	204,065	993,166 <sup>(1)</sup>	0	1,190,242	Meets Share Ownership Guidelines	
July 2006	197,076	993,166 <sup>(1)</sup>	0	1,190,242		

 <p><b>Rob G.C. Sobey</b> Age 40 Nova Scotia, Canada Director Since: 1998 <b>Non-Independent</b></p>	<p>Rob G. C. Sobey is President and Chief Executive Officer, Lawton's Drug Stores Limited, a position he has held since February 2006. He has been with Sobeys since 1989. He is Chairman of the Nova Scotia Community College and past Chairman of the Art Gallery of Nova Scotia. He is a member of the Board of Trustees of Queen's University and a member of the Board of Directors for Sobeys Inc. since 2007. Mr. Sobey did not serve as a director of any other reporting issuers during the period from 2002 to 2007.</p>					
	Committee Membership			Membership on Other Reporting Issuer Boards (Exchange: Symbol)		
				Sobeys Inc.		
	Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Share Ownership Status	
July 2007	183,906	993,166	0	1,177,072	Meets Share Ownership Guidelines	
July 2006	183,906	993,166	0	1,177,072		

**Notes:**

- (1) Committee Membership refers to those Committees on which an Empire director currently sits. In addition to the Committee members outlined in the table of nominees, William Brock was a member of both the Corporate Governance and Nominating Committee and the Human Resource Committee, James Gogan was Chair of the Audit Committee, Courtney Pratt was a member of the Corporate Governance and Nominating Committee and the Chair of the Human Resource Committee, and Anna Porter was a member of the Audit Committee.
- (2) Securities held are reported as at July 13, 2007 for the current year and July 14, 2006 for the previous year.
- (3) "NV Class A shares" refers to the number of Non-Voting Class A shares owned, directly or indirectly, or over which control or direction is exercised by the director.
- (4) "Class B shares" refers to the number of Class B common shares owned, directly or indirectly, or over which control or direction is exercised by the director.
- (5) The directors' DSU plan is described in this Circular under the heading "Board of Directors' Compensation".
- (6) See section titled "Directors' Share Ownership Requirements".
- (7) Includes 7,623,030 shares held by DFS Investments Limited over which David F. Sobey exercises direction and control pursuant to an agreement among the shareholders of DFS Investments Limited. David F. Sobey also owns 12,844 Class B common shares other than through DFS Investments Limited.

- (8) Of such shares, 7,629,652 are owned of record by Sumac Corporation Limited, 986,670 Class B common shares are owned of record by Irene S. Investments Limited, and 986,670 Class B common shares are owned of record by Kent S. Investments Limited.
- (9) Includes 2,904,332 shares held by Dunvegan Holdings Limited over which Frank C. Sobey has control and direction pursuant to an agreement among the shareholders.
- (10) Includes 2,562,176 shares held by Dunvegan Holdings Limited over which Karl R. Sobey has control and direction pursuant to an agreement among the shareholders.
- (11) Paul D. Sobey exercises direction and control over 993,166 of the shares held by DFS Investments Limited pursuant to an agreement among its shareholders.

In addition to the directors who are standing for nomination, four directors will not be standing for re-election. At the date of this Circular, the following three retiring directors were serving on outside public boards while serving as a director of Empire.

- William T. Brock is presently a director of SMTC Manufacturing Corporation.
- James W. Gogan is presently a director of Black Bull Resources.
- E. Courtney Pratt is presently a director of Stelco, Inc.

### Shareholdings of Board Members

	July 13, 2007	July 14, 2006
• Total number of Non-Voting Class A shares held by all current and nominated directors:	5,176,960	5,183,795
• Total number of Class B common shares held by all current and nominated directors:	24,719,109	24,719,109
• Total number of Empire DSUs held by all current and nominated directors:	66,435	51,157
• Total value of Non-Voting Class A shares held by all current and nominated directors:	\$257,657,299	\$212,898,461
• Total value of Class B common shares held by all current and nominated directors:	\$1,230,270,055	\$1,015,213,807
• Total value of Empire DSUs held by all current and nominated directors:	\$3,306,470	\$2,101,018
• Total value of Non-Voting Class A shares, Class B common shares, and DSUs held by all current and nominated directors	\$1,491,233,822	\$1,230,213,285

Note: All values are based on the closing price of the Non-Voting Class A shares on the TSX as at July 13, 2007, of \$49.77 (July 14, 2006 - \$41.07) per share.

### Committee Membership and Record of Attendance

The following table summarizes the meetings of the Board and its Committees held for the fiscal year ended May 5, 2007, and the attendance of the individual directors of the Company at such meetings.

Director	Board Meeting Attendance <sup>(1)</sup>		Committee Membership	Committee Meetings Attendance	
		%			%
John L. Bragg	8/9	89%	Human Resources	2/2	100%
			Corporate Governance and Nominating (Chair)	2/2	100%
William T. Brock	8/9	89%	Human Resources	2/2	100%
			Corporate Governance and Nominating	2/2	100%
Sir Graham Day <sup>(2)</sup>	2/2	100%	Human Resources	1/1	100%
			Corporate Governance and Nominating	1/1	100%
Robert P. Dexter <sup>(3)</sup>	9/9	100%			
James W. Gogan	9/9	100%	Audit (Chair)	4/4	100%

Director	Board Meeting Attendance <sup>(1)</sup>	%	Committee Membership	Committee Meetings Attendance	%
Edward C. Harsant	8/9	89%	Audit	4/4	100%
Anna Porter	9/9	100%	Audit	4/4	100%
E. Courtney Pratt	7/9	78%	Human Resources (Chair)	2/2	100%
			Corporate Governance and Nominating	2/2	100%
Stephen J. Savidant	8/9	89%	Audit	4/4	100%
David F. Sobey <sup>(4)</sup>	9/9	100%	Human Resources	1/1	100%
Donald R. Sobey <sup>(4)</sup>	9/9	100%	Human Resources	1/1	100%
John R. Sobey	8/9	89%	Audit	4/4	100%
Karl R. Sobey	9/9	100%	Human Resources	2/2	100%
Paul D. Sobey <sup>(5)</sup>	9/9	100%			
Rob G.C. Sobey	9/9	100%			

**Notes:**

- (1) A total of nine Board meetings were held during the year, four of which were regular quarterly meetings. The remaining five meetings were special meetings of the Board.
- (2) Sir Graham Day retired after the September 2006 Board meeting. He attended all meetings that occurred during the year prior to his retirement.
- (3) Mr. Robert P. Dexter, as Chair of the Board, is not a member of any of the Committees; however, he attends Committee meetings in a non-voting capacity.
- (4) Mr. Donald R. Sobey and Mr. David F. Sobey were members of the Human Resources Committee up to and including the June 2006 meeting, at which time they tendered their resignations from the Committee.
- (5) Mr. Paul D. Sobey is not a member of any of the Committees; however, as President and Chief Executive Officer he attends Committee meetings in a non-voting capacity, at the discretion of the Committee Chair.

The following table summarizes the meetings of the Sobey's Board and its Committees held for the fiscal year ended May 5, 2007, and the attendance of those individual directors of Sobey's who are nominees for election to Empire's Board of Directors.

Director	Board Meeting Attendance <sup>(1)</sup>	%	Committee Membership	Committee Meetings Attendance	%
John L. Bragg	7/8	88%	Corporate Governance (Chair)	4/4	100%
			Human Resources	6/6	100%
			Nominating (Chair)	4/4	100%
Marcel Côté	7/8	88%	Corporate Governance	3/4	75%
			Human Resources	4/6	67%
			Nominating	2/4	50%
Christine Cross	7/8	88%	Audit	4/4	100%
			Oversight	6/7	86%
Robert P. Dexter	8/8	100%	Corporate Governance	4/4	100%
			Human Resources	6/6	100%
			Nominating	4/4	100%
David S. Ferguson <sup>(2)</sup>	8/8	100%	Audit	3/3	100%
David A. Leslie	8/8	100%	Audit	4/4	100%
			Oversight	7/7	100%
Bill M'Ewan <sup>(3)</sup>	8/8	100%			

Director	Board Meeting Attendance <sup>(1)</sup>	%	Committee Membership	Committee Meetings Attendance	%
Malen Ng	8/8	100%	Audit (Chair)	4/4	100%
			Oversight	7/7	100%
Mel Rhineland	7/8	88%	Human Resources (Chair)	6/6	100%
David F. Sobey	8/8	100%			
Donald R. Sobey	7/8	88%			
Frank C. Sobey	8/8	100%	Oversight (Chair)	7/7	100%
John R. Sobey	8/8	100%	Audit	4/4	100%
			Corporate Governance	4/4	100%
			Nominating	4/4	100%
Paul D. Sobey	8/8	100%	Corporate Governance	3/4	75%
			Human Resources	6/6	100%

**Notes:**

- (1) A total of eight Board meetings were held during the year, four of which were regular quarterly meetings. The remaining four meetings were special meetings of the Board.
- (2) Mr. David Ferguson joined the Audit Committee in September 2006.
- (3) Mr. Bill M<sup>c</sup>Ewan is not a member of any of the Committees; however, as President and Chief Executive Officer of Sobeys Inc. he attends Committee meetings in a non-voting capacity, at the discretion of the Committee Chair.

### Director Independence and Other Relationships

For a director to be considered independent, the Board must determine that the director does not have any material relationship with the Company, either directly or indirectly.

The Board is responsible for applying the definition of “Independent Director” to the circumstances of each individual director, and for disclosing annually whether the Board has a majority of Independent Directors and an analysis of the application of the principles supporting this conclusion. The following table illustrates the Board’s view on the independence of each director.

**Table of Current Directors’ Relationships to the Company**

Director	Independent	Non-Independent	Reason for Non-Independent Status
John L. Bragg	✓		
William T. Brock	✓		
Robert P. Dexter	✓		
James W. Gogan	✓		
Edward C. Harsant	✓		
Anna Porter	✓		
E. Courtney Pratt	✓		
Stephen J. Savidant	✓		
David F. Sobey		✓	Paul D. Sobey's father
Donald R. Sobey		✓	Rob G. C. Sobey's father
John R. Sobey	✓		
Karl R. Sobey		✓	Brother of Frank C. Sobey, VP, Real Estate of Empire

**Table of Current Directors' Relationships to the Company**

Director	Independent	Non-Independent	Reason for Non-Independent Status
Paul D. Sobey		✓	President and CEO, Empire
Rob G.C. Sobey		✓	President and CEO, Lawton's Drug Stores Limited, a subsidiary of Sobeys

In addition to the above table, the following table illustrates the Board's view on the following nominees who have not previously been a member of Empire's Board of Directors.

**Table of Proposed Directors' Relationships to the Company**

Director	Independent	Non-Independent	Reason for Non-Independent Status
Marcel Côté	✓		
Christine Cross	✓		
David S. Ferguson	✓		
David A. Leslie	✓		
Bill M <sup>c</sup> Ewan		✓	President and CEO, Sobeys
Malen Ng	✓		
Mel Rhineland	✓		
Frank C. Sobey		✓	VP, Real Estate of Empire

Mr. Robert P. Dexter's primary occupation is Chair and CEO of Maritime Travel Inc. He is also a non-active partner in a law firm that provides legal services to Empire and its subsidiaries, however, he is not involved in the provision of legal services to Empire or any of its subsidiaries and receives a fixed remuneration, unrelated to services provided to the Company, from the law firm. The Board considers Mr. Dexter to be independent.

**Interlocking Directorships**

The following table outlines those Empire directors who are considered by the Board to have interlocking directorships as of July 26, 2007.

**Interlocking Public Board Directorships<sup>(1)</sup>**

Director	Assisted Living Concepts Inc.	Crombie REIT	Wajax Income Fund
Robert P. Dexter <sup>(2)</sup>			✓
Malen Ng <sup>(3)</sup>	✓		
Mel Rhineland <sup>(3)</sup>	✓		
Frank C. Sobey <sup>(3)</sup>		✓	✓
Paul D. Sobey <sup>(2)</sup>		✓	

**Notes:**

- (1) All of Empire's current directors that are nominated for reelection are presently members of Sobeys' Board of Directors.
- (2) Directors who served as a member of both Empire and Sobeys' Boards of Directors for the previous year and are nominated for election to Empire's Board of Directors.
- (3) Directors who served as a member of Sobeys' Board of Directors who are nominated for election to Empire's Board of Directors

## Voting and Share Information

### Class B Common Shares

The Board of Directors has fixed July 31, 2007 as the record date for the purpose of determining which shareholders are entitled to receive the Notice of Annual General Meeting.

On July 13, 2007, the Company had 34,560,763 outstanding Class B common shares without par value, each carrying the right to one vote per share at the Meeting. Any registered Class B common shareholder of record at the time of the Meeting will be entitled to attend and vote at the Meeting either in person or by Proxy.

As at July 13, 2007, the only shareholders of the Company owning of record, or known to own beneficially, either directly, or exercise control or direction over more than 10 percent of the Class B common shares of the Company were as follows:

Shareholder	Approximate Number of Shares	Percentage of Class B
DFS Investments Limited <sup>(1)</sup>	9,609,354	27.78%
Donald R. Sobey <sup>(2)</sup>	9,602,992	27.77%
Dunvegan Holdings Limited <sup>(3)</sup>	9,978,852	28.85%

**Notes:**

- (1) Of the 9,609,354 Class B common shares owned of record by DFS Investments Limited, 7,623,030 are controlled by David F. Sobey with the balance controlled by the children of David F. Sobey pursuant to a shareholders' agreement among all the shareholders of DFS Investments Limited. David F. Sobey also owns 12,844 Class B common shares other than through DFS Investments Limited.
- (2) Of such shares, 7,629,652 are owned of record by Sumac Corporation Limited, 986,670 Class B common shares are owned of record by Irene S. Investments Limited, and 986,670 Class B common shares are owned of record by Kent S. Investments Limited.
- (3) Dunvegan Holdings Limited is jointly controlled by the children of William Sobey (deceased).

### Non-Voting Class A Shares

On July 13, 2007, the Company had 31,184,498 outstanding Non-Voting Class A shares without par value. Any registered Non-Voting Class A shareholder of record at the time of the Meeting will be entitled to attend and speak at the Meeting either in person or by Proxy but shall not be entitled to vote at the Meeting.

If a formal take-over bid (other than a "Family Share Transaction" described below) is made for Class B common shares, then the conditions attaching to the Class B common shares and Non-Voting Class A shares generally provide that Canadian holders of Non-Voting Class A shares shall also be entitled to receive an offer to purchase their Non-Voting Class A shares on terms and conditions at least as favourable, including the price offered. If an offeror acquires Class B common shares pursuant to a formal take-over bid and does not make the same offer for Non-Voting Class A shares within 60 days, then the Class B common shares acquired pursuant to the offer, as well as other Class B common shares held by the offeror and any others acting jointly or in concert with the offeror, shall convert to Non-Voting Class A shares.

A "Family Share Transaction" means any transfer of any kind of an interest in Class B common shares to one or more of the descendants of J.W. Sobey, now deceased and formerly a businessman of Stellarton, Nova Scotia. For this purpose, descendants include: spouses, companies controlled by any such descendants or their affiliates and trusts for bona fide estate planning purposes primarily for the benefit any such descendants.

## Board of Directors' Compensation

### Board of Directors' Compensation Paid in Fiscal 2007

During fiscal 2007, directors of the Company who were not employees of the Company or its affiliates received compensation for participating as a member of the Board and its Committees:

Annual Directors' Retainer	\$45,000
Chair of the Board's Retainer <sup>(1)</sup>	\$180,000
Meeting Fee:	
• Board	\$1,750
• Audit Committee	\$2,500
• Other Committees	\$1,750
• Telephone (Board or Committee)	\$1,250
• Travel Allowance <sup>(2)</sup>	\$750
Committee Chairs' Retainer:	
• Audit	\$15,000
• Other Committees	\$5,000
Committee Members' Retainer:	
• Audit	\$5,000
• Other Committees	\$3,000

**Notes:**

1) The Chair of the Board did not receive meeting fees.

2) A travel allowance of \$750 was paid to directors for any meeting attended outside their province of residence.

The following table details the remuneration earned by Empire's directors during the fiscal year ended May 5, 2007.

#### Remuneration of Empire Directors<sup>(1)</sup> For the Fiscal Year Ended May 5, 2007

Director	Board Retainer	Committee Retainer	Board Meeting Fees	Committee Meeting Fees	Total
John L. Bragg <sup>(2)</sup>	\$ 42,500	\$ 8,000	\$ 14,250	\$ 7,000	\$ 71,750
William T. Brock	42,500	6,000	15,000	7,000	70,500
Sir Graham Day <sup>(3)</sup>	20,000	–	3,500	3,500	27,000
Robert P. Dexter <sup>(2)</sup>	180,000	–	–	–	180,000
James W. Gogan <sup>(4)</sup>	42,500	15,000	15,500	10,000	83,000
Edward C. Harsant <sup>(5)</sup>	42,500	5,000	18,000	10,000	75,500
Anna Porter	42,500	5,000	19,250	10,000	76,750
E. Courtney Pratt	42,500	8,000	13,750	7,000	71,250
Stephen J. Savidant	42,500	5,000	18,000	10,000	75,500
David F. Sobey <sup>(2)</sup>	42,500	3,000	15,500	1,750	62,750
Donald R. Sobey <sup>(2)</sup>	42,500	3,000	15,500	1,750	62,750
John R. Sobey <sup>(2)</sup>	42,500	5,000	14,250	10,000	71,750

**Remuneration of Empire Directors<sup>(1)</sup>**  
**For the Fiscal Year Ended May 5, 2007**

Director	Board Retainer	Committee Retainer	Board Meeting Fees	Committee Meeting Fees	Total
Karl R. Sobey	42,500	3,000	13,250	3,500	62,250
Paul D. Sobey <sup>(6)</sup>	–	–	–	–	–
Rob G.C. Sobey <sup>(6)</sup>	–	–	–	–	–

**Notes:**

- (1) Remuneration refers to the compensation earned by the directors during the fiscal year ended May 5, 2007.  
(2) Member of Sobeys' Board of Directors. See table titled "Remuneration of Certain Sobeys Directors" for the compensation received for services as a Sobeys' Board Member.  
(3) Sir Graham Day retired after the September 2006 Board meeting.  
(4) James W. Gogan also served on the Sobeys Pension Investment Committee during the year and received \$4,000 for his services to the Committee.  
(5) Edward C. Harsant is Chair of the Advisory Board of Lawtons (a subsidiary of Sobeys) and received annual compensation during fiscal 2007 of \$22,500.  
(6) Paul D. Sobey is an employee of Empire Company Limited and Rob C.G. Sobey is an employee of Sobeys. In accordance with Empire policy, they are not entitled to receive compensation for being directors of Empire Company Limited.

The table below lists the remuneration earned by directors of Sobeys during the fiscal year ended May 5, 2007 for those persons who are either directors or proposed directors of Empire.

**Remuneration of Certain Sobeys Directors<sup>(1)</sup>**  
**For the Fiscal Year Ended May 5, 2007**

Director	Board Retainer	Committee Retainer	Board Meeting Fees	Committee Meeting Fees	Total
John L. Bragg <sup>(2)</sup>	\$ 42,500	\$ 8,000	\$ 12,000	\$ 17,750	\$ 80,250
Marcel Côté <sup>(3)</sup>	42,500	6,000	13,750	12,500	74,750
Christine Cross <sup>(3)</sup>	42,500	8,000	15,000	19,500	85,000
Robert P. Dexter <sup>(2)</sup>	42,500	6,000	13,250	17,750	79,500
David S. Ferguson <sup>(3)</sup>	42,500	5,000	15,000	6,250	68,750
David A. Leslie <sup>(3)</sup>	42,500	8,000	15,500	20,750	86,750
Bill M <sup>c</sup> Ewan <sup>(4)</sup>	–	–	–	–	–
Malen Ng <sup>(3)</sup>	42,500	18,000	15,500	20,750	96,750
Mel Rhineland <sup>(3)</sup>	42,500	5,000	14,250	10,000	71,750
David F. Sobey <sup>(2)</sup>	42,500	–	13,250	–	55,750
Donald R. Sobey <sup>(2)</sup>	42,500	–	10,750	–	53,250
Frank C. Sobey <sup>(4)</sup>	–	–	–	–	–
John R. Sobey <sup>(2)</sup>	42,500	8,000	13,250	17,000	80,750
Paul D. Sobey <sup>(4)</sup>	–	–	–	–	–

**Notes:**

- (1) Remuneration refers to the compensation earned by the directors during the fiscal year ended May 5, 2007, paid in either cash or DSUs.  
(2) Member of both Sobeys' and Empire's Boards.  
(3) Proposed director who was formerly a member of Sobeys' Board of Directors.  
(4) Employees of Empire Company or its subsidiaries, in accordance with Empire policy, are not entitled to receive compensation for being directors of Sobeys.

## Directors' Share Ownership Requirements

The Board has determined that share ownership (any combination of Non-Voting Class A shares, Class B common shares, and DSUs) of at least four times the annual retainer is appropriate for directors of the Company. A director has five years from the date of joining the Board to reach the required ownership level.

## Directors' Stock Unit Plan

Directors may elect to receive all or any portion of their fees in deferred stock units under the directors' Deferred Stock Unit Plan ("DSUP") in lieu of cash. A DSU is a bookkeeping entry equivalent in value to a Non-Voting Class A share. The number of DSUs received is determined by the market value of an Empire Non-Voting Class A share on the directors' fee payment date. Additional DSUs are received as dividend equivalents. DSUs cannot be redeemed for cash until the holder is no longer a director of the Company. The redemption value of a DSU equals the market value of a share at the time of redemption, in accordance with the DSUP. On a quarterly basis, the Company values the DSU obligation at the current market value of a share and records any increase in the DSU obligation as an operating expense.

The following table presents a breakdown of share ownership by each director. As at July 13, 2007, the following nominees do not own any securities issued by Empire and therefore do not meet the Empire share ownership requirements: Marcel Côté, Christine Cross, David Ferguson, David Leslie, Bill M'Ewan, Malen Ng, and Mel Rhinelander. Each of these nominees has five years from the date of joining the board or until 2012 to achieve share ownership of at least four times the annual Board retainer.

Name	Fiscal Year	Number of Non-Voting Class A Shareholdings:	Number of Class B Common Shareholdings:	Number of Empire DSUs:
John L. Bragg	2007	11,840	1	10,781
	2006	11,840	1	8,934
William T. Brock <sup>(1)</sup>	2007	–	1	2,964
	2006	–	1	1,261
Robert P. Dexter	2007	39,000	1	12,077
	2006	39,000	1	10,206
James W. Gogan <sup>(1)</sup>	2007	769,412	1	–
	2006	769,412	1	–
Edward C. Harsant	2007	–	1	7,520
	2006	–	1	5,629
Anna Porter <sup>(1)</sup>	2007	–	1	5,295
	2006	–	1	3,406
E. Courtney Pratt <sup>(1)</sup>	2007	1,864	1	10,420
	2006	1,864	1	9,234
Stephen J. Savidant	2007	2,000	1	5,247
	2006	2,000	1	3,388
David F. Sobey	2007	1,477,466	7,635,874	8,602
	2006	1,477,466	7,635,874	7,050
Donald R. Sobey	2007	1,793,610	9,602,992	3,529
	2006	1,793,610	9,602,992	2,049
Frank C. Sobey <sup>(2)</sup>	2007	452,534	2,908,754	–
	2006	466,609	2,908,754	–

Name	Fiscal Year	Number of Non-Voting Class A Shareholdings:	Number of Class B Common Shareholdings:	Number of Empire DSUs:
John R. Sobey	2007	47,503	19,079	—
	2006	47,252	19,079	—
Karl R. Sobey	2007	193,760	2,566,070	—
	2006	193,760	2,566,070	—
Paul D. Sobey	2007	204,065	993,166	—
	2006	197,076	993,166	—
Rob C.G. Sobey	2007	183,906	993,166	—
	2006	183,906	993,166	—

**Note:**

- 1) Empire director who will not be standing for re-election to the Board.
- 2) Proposed director who was a member of Sobeys' Board of Directors since prior to Empire acquiring 100 percent ownership.

### **Directors' and Officers' Insurance**

Directors' and officers' liability insurance is provided for the benefit of the directors and officers of the Company through participation in a directors' and officers' insurance policy. The total policy limit is \$50 million annually for the Company and the other subsidiaries of Empire, collectively. Where a non-indemnifiable claim is advanced against a director or officer, no policy deductible applies. Where the Company grants indemnification for a claim advanced against a director or officer, the Company is responsible to cover the first \$100,000 of such claim, or \$250,000 in the case of a securities claim. The annual premium for this coverage of \$235,150 was paid by the Company in fiscal 2007.

## Executive Compensation

### Composition of the Human Resources Committee

During the fiscal year, the Human Resources Committee was composed of the following four directors: E. Courtney Pratt (Chair), John L. Bragg, William T. Brock and Karl R. Sobey.

### Report on Executive Compensation

The Human Resources Committee's mandate includes the establishment of executive compensation programs that reinforce the achievement of Board objectives, monitor succession plans, determine salary levels, determine Annual Management Incentive Plan ("AMIP") awards, determine Long Term Incentive Plan ("LTIP") awards including Executive Share Purchase Plan ("ESPP") entitlements, review management training and development programs and occupational health and safety matters.

The Human Resources Committee has determined that the principles to compensate executive management should be identical to those applicable to all senior management, except that:

1. executives should have a greater portion of their compensation at risk than any other employees;
2. executives' compensation should consider longer-term results of the Company;
3. a meaningful portion of executives' compensation should be based on the results of the entire organization; and
4. a significant portion of executives' compensation should mirror the experience of the Company's shareholders.

Executive compensation is composed of the following elements:

**Base Salary** – Base salary remunerates management for discharging job requirements. It is reviewed annually by the Human Resources Committee to ensure that it continues to reflect individual performance and market conditions.

**Annual Management Incentive Plan** – The AMIP provides executives and other senior management with the opportunity to earn annual cash awards based on the attainment of pre-established, Board-approved profitability targets (in respect of operational earnings per share and, for some executives, investment portfolio performance) and individual objectives.

Targets for corporate level executives reflect:

- (a) the financial performance of the entire Company for the current fiscal year and are based on the Board-approved budget;
- (b) portfolio investment total return performance versus median manager investment return; and
- (c) attainment of individual objectives.

Sobeys' executives participate in Sobeys' AMIP, which is similar to the Empire AMIP, except that awards are based on the attainment of pre-established, Board approved annual sales and profitability targets and business initiative milestones and/or objectives. Of the 50 percent base salary AMIP target incentive for executives with national responsibilities (other than the President and Chief Executive Officer), 70 percent is based on the completion of specific business initiatives that have been established with the Human Resources Committee with the remainder of the award based on the achievement of sales and profitability targets for the entire Company. Of the 50 percent base salary AMIP target incentive for executives responsible for regional business unit operations, 50 percent is based on the completion of specific business initiatives that have been established with the Human Resources Committee with the remainder of the award based on the achievement of sales and profitability targets for their specific business unit. The maximum payout of both incentive plans is 100 percent.

**Long Term Incentive Plan** – The LTIP provides executives with the opportunity to earn annual awards based on the attainment of targets established three fiscal years in advance of the payments.

These cash awards are based on a formula based on Return on Capital Employed and Economic Value Added ("EVA"). Sobeys' executives participated in a Sobeys' LTIP, which provided executives with the opportunity to earn annual cash awards based on Sobeys progress to date in attaining three-year performance targets for EVA improvement. Annual cash awards earned under the plan were subject to a banking mechanism that ensured that the long-term EVA improvement targets were achieved over the full three-year term of the plan. The EVA based cash

awards program ended in fiscal 2007 and was replaced with an Enterprise Value based plan that provides for cash awards with targets based on a percentage of salary.

**Share Ownership** – The LTIP also provides for the share purchase entitlements under the ESPP. Shares purchased under the ESPP allow executives to experience the financial rewards and risks experienced by the Company's shareholders. Awards made under the ESPP allow Empire executives to purchase Non-Voting Class A shares of the Company from treasury at a price approximating the market price on the date of the award determined by the Human Resources Committee pursuant to the terms of the LTIP that was approved by the TSX. Executives are provided interest-free loans for the purpose of acquiring these shares from treasury, and the shares purchased are held as collateral for the loan. The loan is repaid through the application of two-thirds of the amount of all dividend payments received on the shares, as well as the after-tax portion of any LTIP cash awards received, as payments on principal. The maximum amount of the loan to which an executive is entitled is a function of position and base salary. Maximum permitted loans currently range from one to three times base salary. Loans made to Paul D. Sobey may from time to time exceed the applicable cap as a result of loans made under a predecessor share purchase plan. While the LTIP also provides for the issuance of stock options, the Company ceased issuing options in 1996. The Committee believes that share ownership, rather than options, better aligns the interests of management more closely with those of shareholders. The increase in value of shares acquired through the ESPP by executives, including the President and Chief Executive Officer ("CEO"), is not included in the earnings reported in this Circular but is considered to be a significant factor in the overall compensation.

Sobeys' executives participated in a Sobeys' ESPP, which was the same in all material respects to the Empire plan, except that the share purchase entitlements were for Sobeys common shares issued from treasury or acquired by Sobeys in the open market. Subsequent to the acquisition by Empire of all outstanding shares of Sobeys that were not already owned by it, this plan has been terminated. Sobeys replaced this plan with an Enterprise Value based plan. Under this plan Phantom Performance options will be granted to certain senior management employees and gains will be realized through any increases in the Enterprise Value.

**Deferred Profit Sharing Plan ("DPSP")** – Executives are eligible to participate in Empire's and Sobeys' registered Deferred Profit Sharing Plan. The DPSP does not form a material part of executive compensation and is described more fully under the heading "Employee Plans".

### **Compensation of the President and Chief Executive Officer**

In determining the appropriate total compensation for the Company's President and CEO, the Human Resources Committee carefully assesses the performance of Mr. Paul D. Sobey, the President and CEO, considering both financial and non-financial components of his performance. Empire's compensation structure for the President and CEO contains significant pay at risk components, with a major portion of the total compensation delivered through performance to operating budget as well as performance to longer term financial objectives which were established three years previously.

The Human Resources Committee considers that the President and CEO's current compensation provides appropriate motivation for the attainment of Company objectives as established by the Board. Assuming the Company meets, but does not exceed, its performance targets established by the Board in any fiscal year, the total compensation for the President and CEO would be comprised of base salary, an AMIP award of 50 percent of base salary, and a LTIP award of 50 percent of base salary. If the Company exceeds its performance targets, the weights attributed to the AMIP and LTIP cash bonuses are increased, such that at the maximum bonus payouts the compensation of the President and CEO would be comprised of base salary, an AMIP award of 100 percent of base salary, and a LTIP award of 100 percent of base salary. Actual performance for fiscal 2007 resulted in the President and CEO's compensation consisting of a base salary, an AMIP award of 78.6 percent of base salary, and a LTIP award of 74.6 percent of base salary.

The base salary of the President and CEO, as with all executives, is reviewed by the Human Resources Committee annually with the goal of ensuring that each executive is paid fairly taking into consideration the requirements of the position, the executive's performance, skills, knowledge and experience, and equity with other executives within the Company and compared to executives in similar roles in comparable companies. The Company considers comparable

companies to include retail and other diversified companies operating in Canada that are similar in size in terms of annual revenues, assets, number of employees, and market capitalization. However, the Company does not have a policy in respect of the level at which base salary or total compensation must fall in relation to any Company or group of companies. On occasion, independent professional compensation consultants assist the Human Resources Committee with the assessment of base salary and total compensation for all executives.

The President and CEO's AMIP award is based on: (i) the attainment of pre-established profitability targets as approved by the Board of Directors in respect of the fiscal year's actual earnings before capital gains and other items compared to planned performance ("**operational component**"); (ii) assessment of Empire's investment portfolio total return performance compared to median manager total return performance ("**investment component**"); and (iii) achievement of individual performance objectives as approved by the Human Resources Committee and the Board of Directors ("**individual component**"). The weighting attributed to each of these three components are as follows: 60 percent weight to the operational component; 20 percent to the investment component and 20 percent to the individual component. The President and CEO earned an AMIP award of \$458,358 in fiscal 2007, equivalent to 78.6 percent of base salary. This award level reflects Empire's operating earnings performance level surpassing planned performance; investment total return being in excess of median manager performance and the achievement of individual objectives as established by the Board of Directors. Specific to objective attainment, the CEO of the Company was instrumental, along with other senior management, in the completion of a comprehensive strategic review which resulted in the privatization of Sobeys by Empire subsequent to year-end on June 15, 2007, clearly focusing the Company on the food retail and related real estate businesses and the continued reorganization of the real estate development business resulting in the hiring of Donald Clow as President, ECL Developments Limited.

The LTIP award is based on a formula driven off the achievement of Return on Capital Employed and EVA. The President and CEO's LTIP award of 74.6 percent of base salary in fiscal 2007 reflects cumulative return on capital employed and EVA performance over the trailing three-year period surpassing the three-year cumulative target set for Return on Capital Employed and EVA as established by the Human Resources Committee and the Board of Directors three years ago.

The Human Resources Committee believes that the total compensation received by the President and CEO in fiscal 2007 was appropriate given the contribution by Mr. Sobey to Empire's overall success, its strong financial position, investment return performance and the achievement of performance targets and individual objectives. This report on executive compensation is presented by the Human Resources Committee, consisting of the following directors:

E. Courtney Pratt (Chair of Human Resource Committee)

John L. Bragg

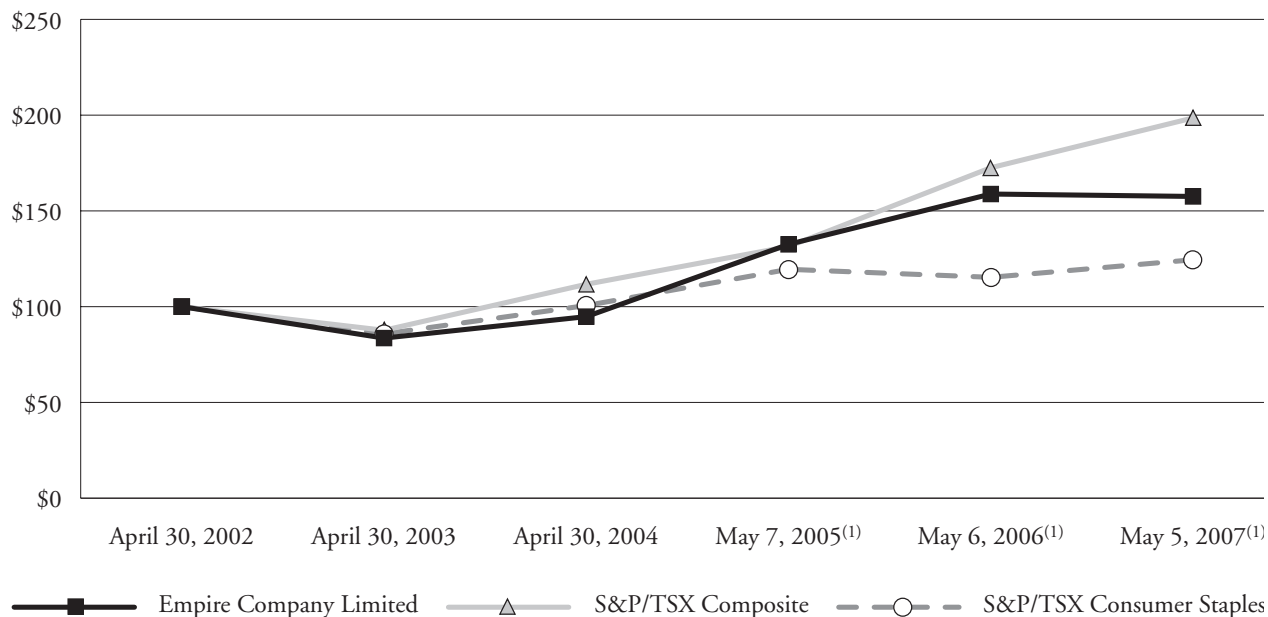
William T. Brock

Karl R. Sobey

## Performance Graph

The following chart compares Empire's five-year cumulative total shareholder return from a \$100 investment in Non-Voting Class A shares on April 30, 2002 to the S&P/TSX Composite Index and to the S&P/TSX Consumer Staples Index. It has been assumed that all dividends have been reinvested.

**Comparison of 5-Year Cumulative Total Return\***  
Among Empire Company Limited, the S&P/TSX Composite Index  
and the S&P/TSX Consumer Staples Index



\* \$100 invested on 4/30/02 in stock or index-including reinvestment of dividends.

	April 30, 2002	April 30, 2003	April 30, 2004	May 7, 2005 <sup>(1)</sup>	May 6, 2006 <sup>(1)</sup>	May 5, 2007 <sup>(1)</sup>	Compound Annual Growth
Empire Company Limited	\$100.00	\$83.60	\$94.80	\$132.53	\$158.81	\$157.55	9.5%
S&P/TSX Composite	\$100.00	\$87.67	\$111.69	\$131.40	\$172.54	\$198.54	14.7%
S&P/TSX Consumer Staples	\$100.00	\$85.77	\$100.60	\$119.50	\$115.33	\$124.49	4.5%

**Note:**

(1) For fiscal years after 2004, Empire changed its year-end from April 30<sup>th</sup> to the first Saturday in May to correspond with that of Sobeys.

## Statement of Executive Compensation

The following table sets forth information concerning the annual and long-term compensation earned for services rendered during each of the last three fiscal years in respect of the individuals who were Chief Executive Officer and Chief Financial Officer during the current fiscal year and the other three most highly compensated executive officers of the Company and its subsidiaries, for the current fiscal year (the “Named Executive Officers”):

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation	All Other Compensation <sup>(3)</sup>
		Salary <sup>(1)</sup>	Bonus	Other Annual Compensation <sup>(2)</sup>	LTIP Payout	
Paul D. Sobey President and Chief Executive Officer of Empire	2007	\$582,994	\$458,358	\$72,579	\$435,150	\$18,058
	2006	\$567,040	\$516,947	\$53,230	\$450,204	\$17,058
	2005	\$560,645	\$409,733	\$50,211	\$382,454	\$15,558
Paul V. Beesley Executive Vice-President, Chief Financial Officer and Secretary of Empire	2007	\$296,372	\$202,722	\$33,325	\$199,181	\$17,632
	2006	\$286,445	\$255,849	\$21,596	\$204,682	\$16,649
	2005	\$282,982	\$176,640	\$22,110	\$173,880	\$15,204
Bill M <sup>c</sup> Ewan President and Chief Executive Officer of Sobeys	2007	\$960,563	\$569,418	\$129,552	\$534,946	\$18,126
	2006	\$926,084	\$599,217	\$84,163	\$981,789	\$17,108
	2005	\$912,155	\$486,327	\$71,449	\$828,558	\$15,558
Marc Poulin President Operations of Sobeys Quebec	2007	\$412,836	\$513,822	\$36,186	\$91,964	\$17,632
	2006	\$396,652	\$378,000	\$23,973	\$168,800	\$16,749
	2005	\$370,879	\$351,633	\$19,563	\$134,596	\$15,150
J. Gary Kerr President Operations of Sobeys West	2007	\$328,411	\$326,700	\$28,976	\$73,128	\$17,661
	2006	\$318,466	\$258,016	\$19,003	\$135,040	\$16,690
	2005	\$312,219	\$65,534	\$16,085	\$114,080	\$15,132

**Notes:**

- (1) Salary includes nominal amounts paid in respect of employee holiday bonuses.
- (2) Other Annual Compensation represents the aggregate of imputed interest on interest-free loans provided by the Company to the Named Executive Officers in connection with the purchase of Common Shares under the Company’s and Sobeys’ ESPP. In no case did the aggregate amount of annual compensation paid to any of the Named Executive Officers in the form of perquisites and/or other personal benefits, securities or property exceed the lesser of \$50,000 or 10 percent of the total annual salary and bonus paid to the Named Executive Officer.
- (3) Other Compensation represents premiums paid in respect of the life insurance and accidental death and dismemberment insurance of the Named Executive Officers and contributions by the Company on behalf of the Named Executive Officers to the Company’s defined contribution pension plan(s).

The following table outlines the beneficial share ownership by the Named Executive Officers as of July 13, 2007.

Name	Number of Shares Held <sup>(1)</sup>		Share Value <sup>(2)</sup>	
	NV Class A	Class B	NV Class A	Class B
Paul D. Sobey	204,065	993,166	\$10,156,315	\$49,429,872
Paul V. Beesley	55,800	–	\$2,777,166	–

**Notes:**

- (1) Securities held are reported as at July 13, 2007.
- (2) Share value calculated based on the closing share price of the TSX on July 13, 2007 of \$49.77 per share.

## Employee Plans

### Pension Plans

Eligible employees of the Company, including the Named Executive Officers, participate in a defined contribution pension plan (the “**Basic Plan**”) that is registered under the Nova Scotia *Pension Benefits Act* and *Income Tax Act*. Under the Basic Plan, members are currently required to contribute 2.5 percent of earnings to a maximum of \$1,875 annually and such contributions are matched by the Company. In addition, members may make additional unmatched contributions of as much as ten percent of earnings, subject to the maximum money purchase contribution limit permitted under the Income Tax Act. Upon retirement, the employee’s credits in the plans may be used to, among other things, purchase an annuity that provides pension income payable during the lifetime of the retiree and continues to a surviving spouse.

If elected by the retiree, the pension income may have certain guaranteed payment periods. Certain senior management also contribute to an additional defined contribution plan (the “**Senior Management Plan**”). Each member is required to contribute to the Senior Management Plan such an amount as is required for the member's total annual contribution to the Senior Management Plan and the Basic Plan to equal \$2,500. The Company contributes an amount equal to six percent of the each member's salary, less any contributions by the Company to the Basic Plan or the DPSP for the member. All contributions are capped by the maximum permitted by Canada Revenue Agency (“**CRA**”).

A third defined contribution plan exists for executive officers and certain senior management of the Company, including the Named Executive Officers (the “**Executive Plan**”). Currently, each member is required to contribute to the Executive Plan such an amount as is required for the member’s total annual contribution to the Executive Plan and the Basic Plan to equal \$3,500. The Company contributes an amount equal to 12 percent of each member’s salary, less any contributions by the Company to the Basic Plan or the DPSP for the member. All contributions are capped by the maximum permitted by CRA.

The defined benefit pension plans formerly maintained by The Oshawa Group Limited (“**Oshawa**”), which was acquired by Sobeys in 1998, have been amended to become contributory with contribution levels matching those under the Basic Plan, the Senior Management Plan, and the Executive Plan, except for pension plans relating to employees of certain union groups who have remained in the legacy Oshawa programs. Employees who were participants of the Oshawa pension plans have become subject to the Basic Plan, the Senior Management Plan, and the Executive Plan (as applicable), except where the employee was over 50 years of age, had a minimum of 10 years of service, and elected to remain under the Oshawa pension plans.

### Retirement Contracts

The Named Executive Officers, as well as certain other executive officers, have retirement contracts with the Company which provide that supplementary payments will be made to such officers upon retirement if the level of payments to them under the Basic Plan and the Executive Plan together do not reach certain target levels (the contracts collectively constitute the Supplementary Executive Retirement Plan or “**SERP**”). For employees of the Company and its subsidiaries, these target levels are determined as an annual accrual of two percent per credited year of service to a maximum of 60 percent of the average of the officer’s last five years’ base salary. These benefits vest with the individuals after completion of five years of service with the Company.

The following table sets forth the estimated annual retirement income at various levels of remuneration and service. No additional credit is given for years of service over 30.

Remuneration <sup>(1)</sup>	Years of Service			
	15	20	25	30
\$125,000	\$37,500	\$50,000	\$62,500	\$75,000
\$150,000	\$45,000	\$60,000	\$75,000	\$90,000
\$175,000	\$52,500	\$70,000	\$87,500	\$105,000
\$200,000	\$60,000	\$80,000	\$100,000	\$120,000
\$250,000	\$75,000	\$100,000	\$125,000	\$150,000
\$300,000	\$90,000	\$120,000	\$150,000	\$180,000
\$400,000	\$120,000	\$160,000	\$200,000	\$240,000
\$500,000	\$150,000	\$200,000	\$250,000	\$300,000
\$600,000	\$180,000	\$240,000	\$300,000	\$360,000
\$700,000	\$210,000	\$280,000	\$350,000	\$420,000
\$800,000	\$240,000	\$320,000	\$400,000	\$480,000
\$900,000	\$270,000	\$360,000	\$450,000	\$540,000
\$1,000,000	\$300,000	\$400,000	\$500,000	\$600,000
\$1,100,000	\$330,000	\$440,000	\$550,000	\$660,000

**Note:**

(1) Average of employee's base salary over the last five years.

In some cases, employment contracts may specify minimum pension targets under the SERP in excess of the table.

The projected credited years of service at normal retirement (age 65) for each of Paul D. Sobey, Paul V. Beesley, Bill McEwan, Marc Poulin, and J. Gary Kerr is 40, 23, 21, 29 and 17, respectively.

Empire and Sobey's accrue a liability in respect of amounts owing in respect of these retirement contracts on an annual basis, however these benefits are unsecured and unfunded. The Oshawa Group Limited Supplementary Executive Retirement Plan for former executive officers of Oshawa is secured by a letter of credit in favour of the trustee under the plan.

### Deferred Profit Sharing Plan

Eligible employees of the Company participate in a DPSP that is registered with CRA. The DPSP is a discretionary benefit, the provision of which is subject to review by the Company on an annual basis. Each year, active DPSP members are credited with one DPSP point for every \$100 of earnings, up to a maximum of 450 points, and two points for every complete year of continuous service. The Company makes a determination as to the total contribution that is available for allocation in a particular year. This amount is then divided by the total of all member points for such year to determine the DPSP award point value. The point value is then multiplied by each member's total points credited for the year to arrive at the individual member's DPSP award. Each year, a member may elect to receive 50 percent of the current DPSP award in cash. All amounts vested in a member's account become payable when the member ceases to be an employee of the Company.

## Long Term Incentive Plan

The LTIP of the Company provides for share purchase allocations, share option awards, and cash incentive awards, which consider the level of responsibility of the executive, as well as their impact and/or contribution on the long-term operating performance of the Company. Participants in the LTIP must be key executives (as determined by a Committee appointed by the Board, the “**LTIP Committee**”) of the Company or its affiliates. Awards under the LTIP are considered annually by Empire’s Board of Directors.

Loans are granted to executives as a multiple of base salary according to position. Loans range from one to two and a half times base salary in the case of President and CEO.

Pursuant to the ESPP included in the LTIP, up to 2,100,000 Non-Voting Class A shares of the Company may be issued to participants at a subscription price equal to the market price, being on a particular date the average of the daily high and low board lot trading prices per share of the Non-Voting Class A shares on the TSX for the five trading days next preceding the particular date on which the Non-Voting Class A shares traded. The Company provides the participants with interest-free loans to purchase such shares, which mature, unless demand is made for repayment, on the tenth anniversary of such loans, except in the case of voluntary or involuntary termination or death, in which case the loan repayment is accelerated. The loans are secured by a pledge of the shares purchased under the LTIP and any two-thirds of the proceeds of dividends received on such shares and the after-tax proceeds of any LTIP cash awards that must be used to reduce the related loan. As the loan is repaid, shares are released from the pledge. The Company may assign all of its right, title and interest in any loan to a company affiliated with the Company, and vice versa, and each participant by participating in the LTIP irrevocably consents to any such assignment. Annual share purchase/loan awards are discretionary and are determined by the Human Resources Committee.

In addition, the LTIP provides for the issuance of stock options (“**Stock Option Plan**”) exercisable at not lower than market price, with a term of up to 10 years. Options may be granted to officers or full-time employees of the Company or its affiliates as approved by the LTIP Committee. The options vest over a five year period at a rate of 20 percent per year. Options are not assignable by participants. If, before the expiry of an option, the employment of a participant is terminated for any reason whatsoever other than termination with or without cause (but including termination by reason of the death, disability or retirement of the participant), subject to the terms of the LTIP, such option may only be exercised, if the participant is deceased, by the legal personal representative(s) of the estate of the participant during the first six months following the death of the participant, or if he is alive, by the participant, at any time within six months of the date of termination of the employment of the participant (but in either case prior to the expiry of the option in accordance with the terms of the LTIP), but only to the extent that the participant was entitled to exercise such option at the date of the termination of his employment. If, before the expiry of an option, the employment of a participant is terminated without cause, subject to the terms of the LTIP, such option may only be exercised by the participant at any time during the 14-day period immediately following the date of termination of employment, but only to the extent that the participant is otherwise entitled to exercise such option during such period. If, before the expiry of an option, the employment of a participant is terminated for cause, such option shall expire and terminate simultaneously with the act or event which causes the termination. Any options which are not exercised prior to completion of a take-over bid shall immediately expire and terminate on completion of a take-over bid.

No options or Non-Voting Class A shares shall be issued pursuant to the LTIP where such grants, together with all of the Company’s other share compensation arrangements, could result at any time in:

- (a) the number of Non-Voting Class A shares reserved for issuance pursuant to share compensation arrangements granted to insiders exceeding ten percent of those outstanding;
- (b) the issuance to insiders, within a one-year period, of a number of Non-Voting Class A shares exceeding 10 percent of the those outstanding;
- (c) the issuance to any one insider and such insider's associates, within a one-year period, of a number of Non-Voting Class A shares exceeding five percent of those outstanding; or
- (d) the number of Non-Voting Class A shares reserved for issue to any one person pursuant to options exceeding five percent of Non-Voting Class A shares outstanding.

As at July 13, 2007 there were no options outstanding under the LTIP.

The following table sets out the shares issued and issuable under the LTIP:

LTIP Program	Total Shares Authorized		Total Shares Issued		Total Shares Available	
	Number	Percentage of Capital <sup>(1)</sup>	Number	Percentage of Capital <sup>(1)</sup>	Number	Percentage of Capital <sup>(1)</sup>
Employee Share Purchase Plan	2,100,000	3.20	1,295,934	2.00	804,066	1.20
Employee Share Option Plan	100,000	0.15	0	0.00	100,000	0.15
Total	2,200,000	3.35	1,295,934	2.00	904,066	1.39

**Notes:**

(1) Percentage of currently issued Non-Voting Class A shares and Class B common shares combined as at July 13, 2007.

Finally, the LTIP incorporates a medium-term incentive program (“Medium Term Performance Plan”) that provides for the issuance of performance awards consisting of cash payment, Non-Voting Class A shares, or both. Awards are determined annually by the Board. Awards are expressed as a percentage of the participants’ annual salary and are based on achieving specific operating performance targets. After-tax proceeds of the amounts received under this plan, including dividends received on shares purchased under the LTIP, must be applied against outstanding loans relating to the purchase of Non-Voting Class A shares of the Company. To date, no share awards have been made under this program and there are no Non-Voting Class A shares reserved for issuance under this program.

From time to time the Board may, subject to necessary regulatory approval from administrative bodies with jurisdiction over the LTIP, as well as any required shareholder approval, amend any of the provisions of the LTIP or terminate the LTIP, but no amendment of the provisions of the LTIP or any termination of the LTIP shall (i) divest any participant of options granted to him or her, (ii) divest any participant of his or her entitlement to the participant's pledged shares and stock dividend shares as provided therein or of any rights a participant may have in respect of the participant's pledged shares and the stock dividend shares, or (iii) have the effect of altering the terms of repayment of any loan made to a participant, without the prior written consent of the participant.

The Board approved the following amendments to the LTIP:

1. amendments to the definition “Market Price” in the LTIP by removing references to the daily high and low board lot trading prices, and replacing therefore the concept of a volume weighted average trading price;
2. amendments to the definition of “Repurchase Price” in the LTIP by removing references to the simple average closing price, and replacing therefore the concept of a volume weighted average trading price;
3. amendments to section 1.6 of the LTIP to allow the LTIP Committee to allocate from time to time between the ESPP, the Stock Option Plan and the Medium Term Performance Plan, the maximum number of Non-Voting Class A shares issuable under the LTIP;
4. amendments to section 1.7(a)(i) and 1.7(a)(ii) of the LTIP to clarify that the maximum Non-Voting Class A shares issuable to insiders at any time and issued to insiders within a one year period shall not exceed ten percent of the issued and outstanding Non-Voting Class A shares and Class B common shares;
5. removing the definition of “outstanding issue” under the LTIP;
6. amendments to section 3.1(b) of the LTIP so that the subscription price at which Non-Voting Class A shares may be issued to participants pursuant to the ESPP under the LTIP shall be a price determined by the LTIP Committee, provided that such price shall not be less than the market price at the date of allotment under the LTIP, rather than the market price;
7. adding to the LTIP section 3.3(e), to permit the granting of a security interest in favour of the Company in a participant’s pledged shares where the pledged shares are held in uncertificated book-entry form and not in certificated form;

8. adding to section 3.6(c) of the LTIP a clause which permits the Company to repurchase remaining shares held by a participant who ceases to be employed by the Company or its affiliates for any reason other than death, in the event that the market value of the remaining shares is less than the payment required on the participant's loan, at a repurchase price determined by the Company which does not exceed the volume weighted average trading price of the Non-Voting Class A shares on the TSX for the five trading days immediately preceding the repurchase date, with the repurchase price being paid by the forgiveness of amounts payable on the loan. To the extent that the outstanding loan amount exceeds the repurchase price of the remaining shares, the Company may cancel the remaining portion of the loan in part or in full. Such cancellation of a loan is an additional (taxable) benefit to the participant;
9. revising section 3.6(f) of the LTIP so that the repurchase price payable by the Company to senior executives who are, pursuant to section 3.6(f) of the LTIP, entitled to sell to the Company his or her remaining shares on the later of the maturity date and the expiry of five years following the last issuance, shall be a repurchase price determined by the Company which does not exceed the volume weighted average trading price of the Non-Voting Class A shares on the TSX for the five trading days immediately preceding the repurchase date, rather than a repurchase price equal to the principal amount outstanding under the loan. And further revising section 3.6(f) of the LTIP by adding a clause which allows the Company to cancel the remaining portion of a loan in part or in full to the extent that the outstanding loan amount exceeds the repurchase price of the remaining shares. Such cancellation of a loan is an additional (taxable) benefit to the participant;
10. removing the transitional provisions in the LTIP relating to the stock purchase plan of the Company in effect immediately prior to the establishment of the LTIP;
11. adding a provision to clarify that in the event options granted under the LTIP are surrendered, terminate or expire without being exercised in whole or in part, new options may be granted covering the Non-Voting Class A shares not purchased under such lapsed options;
12. adding a provision to clarify that participation in the LTIP is voluntary and does not confer upon a participant any rights to employment with the Company or any affiliate of the Company, nor interfere in any way with the right of the Company or any affiliate to terminate employment at any time;
13. adding a provision to clarify that in the event the Company amalgamates, consolidates with, or merges into another corporation, including a sale of all or substantially all of the assets of the Company for a consideration (apart from the assumption of obligations) a substantial portion of which consists of securities, each participant will thereafter receive, upon the exercise of such participant's options, the securities or property to which a holder of the number of Non-Voting Class A shares then deliverable upon the exercise of such options would have been entitled to upon such amalgamation, consolidation, or merger; and
14. adding a provision to clarify that the obligations of the Company to sell and deliver Non-Voting Class A shares under options is subject to the approval of any government or regulatory authority which may be required in connection with the authorization, issuance or sale of such Non-Voting Class A shares.

These changes do not require shareholder approval. The Board has approved further amendments to the LTIP, as discussed on page 8 of this Circular under the heading "Approval of Amendments to Long Term Incentive Plan", that require shareholder approval.

Sobeys has an LTIP for its executives, which is essentially the same as the Empire LTIP except that the Sobeys' LTIP does not permit share option awards or, after June 15, 2007, share purchase awards.

The following table describes the LTIP cash awards paid in fiscal year 2007. For executives of Empire, the target performance level is established by the Board three fiscal years in advance of payment and is based on Return on Capital Employed and EVA achieved over the same three-year period. For executives of Sobeys, the target performance level is established by the Sobeys' Board of Directors, and each year, eligible employees receive bonuses based on the attainment of these objectives for the preceding three fiscal years. Each eligible employee is entitled to receive a bonus equal to a specified percentage of salary for at-target performance, and a maximum bonus equal to a specified percentage of salary for performance exceeding target, for both the Empire and Sobeys plans, no bonuses are paid for performance below specified levels over the applicable three-year period.

### LTIP Awards in Most Recently Completed Year

Name	Securities Units or Other Rights <sup>(1)</sup>	Performance or Other Period until Maturation or Payout	Threshold <sup>(2)</sup>	Target <sup>(3)</sup> (% of Base Salary)	Maximum <sup>(4)</sup> (% of Base Salary)
Paul D. Sobey President and Chief Executive Officer of Empire	\$435,150	Bonuses paid annually; continued participation in LTIP may result in future bonuses in accordance with the LTIP	\$0	50%	100%
Paul V. Beesley Executive Vice-President, Chief Financial Officer and Secretary of Empire	\$199,181	Bonuses paid annually; continued participation in LTIP may result in future bonuses in accordance with the LTIP	\$0	45%	90%
Bill McEwan President and Chief Executive Officer of Sobeyes	\$534,946	Bonuses paid annually; continued participation in LTIP may result in future bonuses in accordance with the LTIP	\$0	100%	175%
Marc Poulin President Operations of Sobeyes Quebec	\$91,964	Bonuses paid annually; continued participation in LTIP may result in future bonuses in accordance with the LTIP	\$0	40%	80%
J. Gary Kerr President Operations of Sobeyes West	\$73,128	Bonuses paid annually; continued participation in LTIP may result in future bonuses in accordance with the LTIP	\$0	40%	80%

**Notes:**

- (1) The amounts in this column represent cash awards made under the LTIP for fiscal year 2007. The after-tax proceeds of these awards are applied to loans outstanding under the ESPP.
- (2) "Threshold" means the minimum amount payable for a certain level of performance under the LTIP.
- (3) "Target" means the amount payable if the specific performance targets are reached ("at plan levels").
- (4) "Maximum" means the maximum payout possible under the LTIP for a given fiscal year.

The following table sets out aggregate information relating to all compensation plans of the Company.

Plan Category	Number of Securities to be issued upon exercise of outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in Column (A)) (C)
Equity Compensation Plans Approved by Securityholders	NIL	NIL	904,066
Equity Compensation Plans Not Approved by Securityholders	NIL	NIL	NIL
Total	NIL	NIL	904,066

### Employment Agreements

There were no formal employment contracts in place as of the date of this document.

## Indebtedness of Directors, Officers and Employees

The following table sets out the aggregate indebtedness at July 26, 2007 to the Company and its subsidiaries of all executive officers, directors, employees and former executive officers, directors and employees of the Company or its subsidiaries.

Purpose	Aggregate Indebtedness to the Company or its Subsidiaries	Aggregate Indebtedness to Another Entity Guaranteed or Supported by the Company or its Subsidiaries
Share purchases	\$3,548,247	NIL
Other	NIL	NIL

The following tables set out information for each individual who is, or at any time during the most recently completed financial year was, a director, executive officer or senior officer of the Company, each proposed nominee for election as a director of the Company, and each associate of any such director, senior officer, executive officer or proposed nominee who is, or at any time since the beginning of the most recently completed financial year of the Company has been, indebted to the Company or any of its subsidiaries. No such persons have indebtedness to another entity which is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries. Routine indebtedness is excluded from the tables. There was no debt forgiven during fiscal 2007 for the directors, senior officer and executive officers listed in the tables below.

**Table of Indebtedness of Directors and Executive Officers – Empire LTIP**

Name and Principal Position	Involvement of Company	Largest Amount Outstanding During Fiscal 2007	Amount Outstanding as at July 26, 2007	Financially Assisted Securities Purchased During Fiscal 2007 (Number of Class A Shares)	Security for Indebtedness as at July 26, 2007 (Number of Class A Shares)
Paul D. Sobey President and Chief Executive Officer	Loan <sup>(1)</sup>	\$1,781,026	\$1,206,616	6,989	38,796
Paul V. Beesley Executive Vice-President, Chief Financial Officer and Secretary	Loan <sup>(1)</sup>	737,715	623,380	3,409	20,368
Carol A. Campbell Vice-President, Risk Management	Loan <sup>(1)</sup>	146,474	115,425	707	3,744
Donald E. Clow President, ECL Developments Limited	Loan <sup>(1)</sup>	–	450,022	–	10,461
Stuart G. Fraser President and Chief Executive Officer of Empire Theatres Limited	Loan <sup>(1)</sup>	655,988	599,448	3,247	20,810
Kevin J. MacLeod Executive Vice-President of Empire Theatres Limited	Loan <sup>(1)</sup>	164,821	153,671	1,279	5,021
Stewart H. Mahoney Vice-President, Treasury and Investor Relations	Loan <sup>(1)</sup>	178,175	124,288	1,185	3,654

### Table of Indebtedness of Directors and Executive Officers – Empire LTIP

Name and Principal Position	Involvement of Company	Largest Amount Outstanding During Fiscal 2007	Amount Outstanding as at July 26, 2007	Financially Assisted Securities Purchased During Fiscal 2007 (Number of Class A Shares)	Security for Indebtedness as at July 26, 2007 (Number of Class A Shares)
John G. Morrow Vice-President and Comptroller	Loan <sup>(1)</sup>	164,617	136,759	790	4,691
Frank C. Sobey President, ECL Properties Limited and Vice-President, Real Estate	Loan <sup>(1)</sup>	411,218	138,638	767	4,426

**Notes:**

(1) Current loans are without interest and are to be repaid out of part of the dividends paid on the shares charged as security for the indebtedness plus a portion of the employees long-term incentive award, with the balance, if not paid earlier, to be paid 10 years after the date of the loan.

### Corporate Governance

The Board of Directors and management of Empire believe that the highest standards of corporate governance are essential in the effective management of the Company as well as our ability to build sustainable worth for our customers, business partners, employees and investors.

In accordance with National Instrument (“NI”) 58-101, the Company annually discloses information related to its system of corporate governance. The discussion provides information relating to the Company’s governance practices as required or recommended by National Policy (“NP”) 58-201 – Corporate Governance Guidelines, NI 58-101 – Disclosure of Corporate Governance Practices and Multilateral Instrument 52-110 pertaining to Audit Committees. The Company’s disclosure addressing each of these guidelines and instruments is set out in Schedule “A” to this Circular.

Pursuant to its mandate, the Board oversees the management of the business affairs of the corporation, discharging its responsibilities either directly or through its Committees, with the goal of building sustainable worth for all of the Company’s stakeholders. The Board and Committee mandates are included in Schedule “B” of this Circular.

### Additional Information

#### Annual Information Form

Financial information is provided in the Company's comparative financial statements and Management’s Discussion and Analysis contained in its Annual Report for its most recently completed financial year.

The Company has filed with certain securities regulatory authorities an Annual Information Form, thereby permitting the Company to use the prompt offering qualification system for the distribution of securities.

A copy of the Company’s Annual Report containing the Company’s audited annual financial statements and Management’s Discussion and Analysis, as well as the Company’s Annual Information Form together with a copy of the other documents incorporated by reference therein, may be obtained, without charge, from the SEDAR website ([www.sedar.com](http://www.sedar.com)) or by contacting the Secretary of the Company at 115 King Street, Stellarton, Nova Scotia, B0K 1S0.

### **Related Party Transactions**

The Company rents premises from Crombie REIT. In addition, Crombie REIT provides administrative and management services to the Company. The rental payments are at fair value and the charges incurred for administrative and management services are on a cost recovery basis. The Company has non-interest bearing notes payable to Crombie REIT in the amount of \$33.1 million.

On October 2, 2006, the Company sold two commercial properties to Crombie REIT for cash proceeds of \$32.4 million, which was fair market value. Since the sale was to an equity accounted investment, no gain was recorded on the sale.

### **Normal Course Issuer Bid**

The Board of Directors and senior management of Empire are of the opinion that from time to time the purchase of Non-Voting Class A shares at the prevailing market prices is a worthwhile use of funds and in the best interests of Empire and its shareholders. Empire acquired 46,047 Non-Voting Class A shares over the past fiscal year at an average price of \$41.85 per share under a normal course issuer bid. A copy of the notice filed with the TSX may be obtained without charge by contacting the Secretary of the Company.

### **Directors' Approval**

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



Paul V. Beesley  
Secretary  
Stellarton, Nova Scotia  
July 26, 2007

## Schedule A

### Statement of Corporate Governance Practices

The Board, through its Corporate Governance and Nominating Committee, is focused on adhering to the regulatory standards as well as best practices that go beyond the requirements mandated by regulation.

Many regulatory changes have come into effect over the past year. The corporation has adapted its governance practices in response to the changes in regulations and best practices and will continue to respond to future corporate governance developments as appropriate. On June 30, 2005, NI 58-101 “Disclosure of Corporate Governance Practices” and NP 58-201 “Corporate Governance Guidelines” came into force in Canada. The Company’s disclosure of corporate governance practices are substantially in alignment with NP 58-201. In addition, the following table discloses the Company’s current corporate governance practices in accordance with the requirements of NI 58-101.

DISCLOSURE REQUIREMENT UNDER FORM 58-101F1	COMPLIANCE	GOVERNANCE PROCEDURES FOR EMPIRE COMPANY LIMITED
<i>1. Board of Directors</i>		
(a) Disclose the identity of directors who are independent.	Yes	The Board has determined that all of the present directors of the Company with the exception of Mr. Paul D. Sobey, Mr. Rob G.C. Sobey, Mr. Donald R. Sobey, Mr. David F. Sobey and Mr. Karl R. Sobey are independent. See “Director Independence and Other Relationships” section of this Circular. In addition, the Board has determined that all of the nominees for director with the exception of those listed above as well as Mr. Bill M <sup>c</sup> Ewan and Mr. Frank C. Sobey are independent.
(b) Disclose the identity of directors who are not independent and describe the basis for that determination.	Yes	See “Director Independence and Other Relationships” section of this Circular.
(c) Disclose whether or not a majority of directors are independent.	Yes	Currently, 9 out of 14 directors are considered to be independent. Of the 18 proposed directors, 11 are considered to be independent.
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Yes	All of the directorships of the existing and nominee directors with other public entities are disclosed on pages 11 through 19 of this Circular in the “Nominees for Election to the Board of Directors” section.

DISCLOSURE REQUIREMENT  
UNDER FORM 58-101F1

COMPLIANCE

GOVERNANCE PROCEDURES  
FOR EMPIRE COMPANY LIMITED

<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.</p>	<p>Yes</p>	<p>The directors meet without management present at every in person meeting of the Board and its Committees. The independent directors also meet without non-independent directors present at every quarterly meeting of the Board and its Committees. Private sessions during other meetings are held when circumstances warrant. During fiscal 2007, the Board and Committees held the following meetings of solely independent directors:</p> <p style="padding-left: 40px;">Board 4 Audit 5 Human Resources 2 Corporate Governance and Nominating 2</p>
<p>(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities.</p>	<p>Yes</p>	<p>Mr. Dexter, the Chair of the Board, is an independent director. He is the Chair and CEO of Maritime Travel Inc. He has served as Board Chair since 2005.</p> <p>Amongst other things the Chair is expected to:</p> <ul style="list-style-type: none"> <li>• Provide leadership to ensure effective functioning of the Board;</li> <li>• Lead in the assessment of Board and Committee performance;</li> <li>• Assist the Human Resources Committee in monitoring and evaluating the performance of the Chief Executive Officer and Senior Officers of the Company;</li> <li>• Lead the Board and Committees in ensuring succession plans are in place at the senior management level; and</li> <li>• Act as an effective liaison among the Board and management</li> </ul>
<p>(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>Yes</p>	<p>The attendance record of each director for Board and Committee meetings during fiscal 2007 is disclosed in the table in the Committee Membership and Record of Attendance section of this Circular.</p>

DISCLOSURE REQUIREMENT UNDER FORM 58-101F1	COMPLIANCE	GOVERNANCE PROCEDURES FOR EMPIRE COMPANY LIMITED
<b>2. Board Mandate</b>		
Disclose the text of the board's written mandate. The mandate should explicitly acknowledge responsibility for the stewardship of the issuer.	Yes	The written Board Mandate is disclosed in Schedule "B" to this Circular which confirms the Board's explicit responsibility.
<b>3. Position Descriptions</b>		
(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	Yes	The Board has developed a written position description for the Chair of the Board. There are written mandates for each Committee which delineate the responsibilities of each Committee with which the Chair thereof is responsible to comply. The mandates of each Committee are discussed in Schedule "B" to this Circular. Each Committee and the Board must review and approve the mandates annually.
(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. The Board should also approve the corporate goals and objectives that the CEO is responsible for meeting. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	Yes	<p>The Board has developed a written position description for the CEO. The description is reviewed regularly against both best practices and the requirements of the Company. Approving the corporate goals and objectives is a part of the mandate of the Board.</p> <p>Amongst other items, the CEO is expected to:</p> <ul style="list-style-type: none"> <li>• Develop and recommend to the Board a long-term strategy and vision for the Company that leads to creation of Shareholder value;</li> <li>• Develop and recommend to the Board annual business plans and budgets that support the Company's long-term strategy; and</li> <li>• Consistently strive to achieve the Company's financial and operating goals and objectives.</li> </ul>
<b>4. Orientation and Continuing Education</b>		
(a) Briefly describe what measures the Board takes to orient new directors regarding:	Yes	The Company provides a detailed orientation to new directors which include meetings with senior management of Empire and its subsidiaries for orientation information on Board operation and policies, as well as current and historical data pertaining to the operation of the Company and an assessment of current strategic opportunities and issues facing the
(i) the role of the Board, its companies and its directors, and		

DISCLOSURE REQUIREMENT  
UNDER FORM 58-101F1

COMPLIANCE

GOVERNANCE PROCEDURES  
FOR EMPIRE COMPANY LIMITED

(continued)

(ii) the nature and operation of the issuer's business.		Company. New directors are also given property and store tours and a review of Board and Committee Mandates, the Code of Conduct for Directors and the Code of Business Conduct for employees, policies and other relevant information.
The Board should provide continuing education opportunities for all directors.	Yes	The directors are provided with written and oral presentations which continue to educate them on the Company's operations. The Company encourages participation of directors in continuing director education programs offered at university and supports them by reimbursing tuition and out-of-pocket expenses.
<b>5. Ethical Business Conduct</b>		
(a) Disclose whether or not the Board has adopted a written code of business conduct and ethics for the directors, officers and employees. If the Board has adopted a written code:	Yes	The Board has adopted a written Code of Business Conduct for all employees and a Code of Conduct for Directors of Empire Company, both of which cover all of the elements recommended by NP 58-201.
(i) disclose how a person or Company may obtain a copy of the Code;	Yes	The codes are available on the Company's website, <a href="http://www.empireco.ca">www.empireco.ca</a> .
(ii) describe how the Board monitors compliance with its code or, if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and	Yes	The Board, through the Audit Committee, receives reports of unethical behaviour received through the Ethics Hotline and otherwise.
(iii) provide a cross reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	Yes	The Board has not granted any waiver of the code in favour of a director or executive officer during the past 12 months and for all of fiscal 2007. Accordingly, no material change report has been required to be filed.

DISCLOSURE REQUIREMENT UNDER FORM 58-101F1	COMPLIANCE	GOVERNANCE PROCEDURES FOR EMPIRE COMPANY LIMITED
(b) Describe any steps the Board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.	Yes	The Board does not nominate for election any candidate who has a material interest in any business conducted with the Company, or its subsidiaries, and requires directors to disclose any potential conflict of interest which may develop. Directors do not undertake any consulting activities for, or receive any remuneration from, the Company other than compensation for serving as a director.
(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	Yes	The Board encourages a culture of ethical conduct by appointing officers of high integrity and monitoring their performance so as to set an example for all employees.
<b>6. <i>Nomination of Directors</i></b>		
(a) Describe the process by which the Board identifies new candidates for Board nomination.	Yes	The Corporate Governance and Nominating Committee is responsible for identifying new candidates for the Board. It annually identifies director skill and experience needs, having regard to projected retirements, and oversees a director recruitment search and nomination process leading to recommendations to the Board for consideration and recommendation for election by the shareholders.
(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors.	Yes	The Corporate Governance and Nominating Committee is composed entirely of independent directors.
(c) The Nominating Committee should have a written charter that clearly establishes its purpose, responsibilities, member qualifications, member appointment and removal, structure and operations, manner of reporting to the Board, etc. In addition, the Nominating Committee should be given authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.	Yes	The Corporate Governance and Nominating Committee mandate encompasses these responsibilities and provides for the effective functioning of the Committee. The mandate of the Committee is found in Schedule “B” of this Circular.

DISCLOSURE REQUIREMENT UNDER FORM 58-101F1	COMPLIANCE	GOVERNANCE PROCEDURES FOR EMPIRE COMPANY LIMITED
(d) Prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps: competency/skill assessment of what is required, what exists, gaps, etc. The Board should also consider the appropriate size of the Board.	Yes	The Corporate Governance and Nominating Committee monitors the composition of the Board and identifies the needs and any gaps that may exist. The Committee also considers the appropriate size of the Board.
(e) The Nominating Committee should be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the annual meeting of shareholders.	Yes	The Corporate Governance and Nominating Committee undertakes, on an ongoing basis, the responsibility of identifying prospective Board members. It recommends new nominees to the Board through the Corporate Governance and Nominating Committee.
(f) In making its recommendations, the Nominating Committee should consider: Competencies and skills necessary, current assessment of competencies and skills and those of director nominees.	Yes	In fulfilling its responsibilities, the Corporate Governance and Nominating Committee seeks to ensure there is an appropriate mix of competencies and skills on the Board.
<b>7. Compensation</b>		
(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.	Yes	The Corporate Governance and Nominating Committee annually reviews the compensation of directors in relation to published surveys and private polls comparable to Empire in either size or activities, and recommends adjustments thereto for adoption by the Board. The Human Resources Committee annually makes recommendations to the Board in respect of compensation of officers. When it is deemed necessary and appropriate, the Committee has retained Towers Perrin and/or Aon Consulting to provide their expertise and access to their compensation information. The targets are approved and set by the Board in advance of the fiscal year. The LTIP targets are developed by the Board for three fiscal years ended with the current fiscal year and evaluated by the Committee.

DISCLOSURE REQUIREMENT  
UNDER FORM 58-101F1

COMPLIANCE

GOVERNANCE PROCEDURES  
FOR EMPIRE COMPANY LIMITED

(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.

Yes

The Human Resources Committee acts as a compensation committee in respect of executive compensation. The Human Resource Committee is comprised of three independent directors, one of whom chairs the Committee, and one non-independent director. The Committee makes its recommendations to the Board following its objective review of compensation having regard to the advice and recommendations of consultants where appropriate to ensure an independent and objective assessment of executive compensation. In addition, non-independent members are excused from the meeting when the Committee is deciding agenda items for which they are not independent. Finally, there is an in-camera session, without management and non-independent directors, at each Committee meeting.

(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

Yes

The Human Resources Committee is responsible for monitoring the compensation practices and policies of the Company and making recommendations to the Board with respect thereto. Administration and management of the ESPP is the responsibility of the Committee.

The Committee is responsible for:

- reviewing and approving corporate goals and objectives regarding CEO compensation;
- evaluating CEO performance;
- assessing CEO compensation based on evaluation;
- making recommendations with respect to non-CEO officer compensation;
- incentive compensation and equity-based plans; and
- reviewing executive compensation disclosure before the issuer publicly discloses this information.

The mandate of the Committee is disclosed in Schedule “B” of this Circular.

DISCLOSURE REQUIREMENT UNDER FORM 58-101F1	COMPLIANCE	GOVERNANCE PROCEDURES FOR EMPIRE COMPANY LIMITED
(d) If a compensation consultant or advisor has been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.	Yes	No specific consultant or advisor has been retained to assist in determining compensation for directors. As mentioned in 7(a), when deemed necessary, the Human Resources Committee has retained Towers Perrin and/or Aon Consulting to provide reviews on compensation matters.
<b>8. Other Board Committees</b>		
If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.	Yes	The three standing Committees of the Board are: Audit, Corporate Governance and Nominating, and Human Resources.
<b>9. Assessments</b>		
Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees and its individual directors are performing effectively.	Yes	The Corporate Governance and Nominating Committee is responsible for regular assessment of the effectiveness and contribution of the Board, its Committees and individual directors. It carries out this responsibility through an annual confidential survey of each director regarding his or her views on the effectiveness of the Board and its Committees aggregate results of the survey is are summarized and compared to the previous survey and reviewed in detail with the Corporate Governance and Nominating Committee and the Board. An action plan is developed and implemented to address any issues raised by directors. Individual director performance is reviewed through annual meetings between each director and the Chair of the Board and the Chair of the Corporate Governance and Nominating Committee.

## **Schedule B**

### **Mandate of the Board of Directors**

By virtue of the Articles of Association of the Company, the management of the Company is vested in the Board of Directors, subject to the provisions of applicable statutes and the Memorandum and Articles of Association of the Company.

The Board of Directors (“Board”) of the Company shall have explicit responsibility for the stewardship of the Company including the strategic planning process, approval of the strategic plan, the identification of principal risks and implementation of systems to manage these risks, succession planning, communications and the integrity of the Company’s internal control and management information systems.

The following points outline the key principles or guidelines governing how the Board will operate to carry out its overall stewardship responsibility:

#### **Independent Chair**

The Board has adopted a policy of having an independent, non-management Chair.

#### **Board Meetings**

The Board shall hold regular meetings at least once in each fiscal quarter, with additional meetings held as and when necessary. The Board shall function with a non-management chair and at every meeting shall meet without management present to ensure that the Board functions independently of management. At each Board meeting, an in-camera meeting of independent directors will take place. The Board shall maintain a policy which permits individual directors to engage outside advisors at the cost of the Company, provided that approval is first obtained from the Corporate Governance and Nominating Committee.

The Board appreciates having certain members of senior management attend each Board meeting to provide information and opinion to assist the directors in their deliberations. Management attendees will be excused for any agenda items which are reserved for discussion among directors only.

#### **Board Contacts with Senior Management**

All of the directors shall have open access to the Company’s senior management. It is expected that directors will exercise judgment to ensure that such contact does not distract management from the Company’s business operations. Written communications from directors to members of management will be copied to the CEO.

#### **Board Meeting Agendas and Information**

The Chair and the CEO, in consultation with the Executive Vice-President, Chief Financial Officer and Secretary, will develop the agenda for each Board meeting. Agendas will be distributed to the directors before each meeting, and all Board members shall be free to suggest additions to the agenda in advance of the meeting.

Whenever practicable, information and reports pertaining to Board meeting agenda items will be circulated to the directors in advance of the meeting. Reports may be presented during the meeting by members of the Board, management and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it will not be prudent or appropriate to distribute written materials in advance.

#### **Committees**

The Board of Directors delegates certain responsibilities to the standing Committees of the Board to allow an in-depth review of issues. The standing Committees of the Board are the Audit Committee, the Human Resources Committee and the Corporate Governance and Nominating Committee. Other Committees may be struck as the Board determines is appropriate. All of the members of the standing Committees shall be outside directors and independent, except for the Human Resources Committee which will be composed of outside directors, the majority of whom shall be independent. Each Committee has a written mandate that is reviewed and approved annually.

### **Committee Meetings**

No inside director shall be a voting member of a Committee but may attend the meeting as a non-voting, non-quorum member. The schedule and agenda for the meetings of each Committee will be determined by the Committee Chair in consultation with management, staff and Committee members. Each Committee will report to the Board on the results of each Committee meeting. The Chair of the Board shall be a non-voting, non-quorum member of each Committee.

There shall be an in-camera session at each Committee meeting without management. In addition, at each meeting of the Human Resources Committee there shall be a meeting with only independent directors present.

### **Size of the Board**

The ideal size of the Board will provide a diversity of expertise and opinion, as well as efficient operation and decision-making. The Corporate Governance and Nominating Committee will review the size of the Board annually and make recommendations to the Board when it believes a change would be in the best interests of the Company.

### **Review of Independence of Outside Directors**

The Corporate Governance and Nominating Committee will review on an annual basis any relationships between outside directors and the Company which might be construed in any way to compromise the designation of any director as being independent or unrelated to the Company. The objective of such review will be to determine the existence of any relationships, to ensure that the composition of the Board remains such that the majority of the directors are independent and unrelated and that where any relationship exists, the director is acting appropriately.

### **Directors Who Change Their Present Job Responsibility**

The Board shall maintain a policy which requires that a director who makes a change in principal occupation to offer a resignation to the Board for consideration. The Board will take the opportunity to review, through the Corporate Governance and Nominating Committee, the continued appropriateness of Board membership under such circumstances.

### **Retirement Age**

In the normal course, a member of the Board who has reached the age of 70 years will not stand for re-election at the next following Annual General Meeting of the shareholders, unless the member is a lineal descendent of John William Sobey. On an exceptional basis, the Corporate Governance and Nominating Committee of the Board may propose to the Board that a person who would normally not stand for re-election by reason of age be nominated to stand for election as a director for a further year. Such exception shall be applied on a year by year basis.

The Company shall make full and complete disclosure of its system of corporate governance on an annual basis in its annual report or information circular. The Board, through the Corporate Governance and Nominating Committee, shall have responsibility for developing the Company's approach to corporate governance issues.

### **Board Assessment**

The Board is responsible for assessing and developing its effectiveness.

The Board, through the Corporate Governance and Nominating Committee, shall establish and conduct orientation and education programs for new recruits to the Board, through which the performance expectations for Board members shall be communicated.

The Corporate Governance and Nominating Committee shall implement a process for assessing the effectiveness of the Board as a whole, the Committees and the contributions of individual directors. The Board shall assess directors on an ongoing basis, including periodic formal surveys of directors and ongoing assessments by the Chair of the Board and the Chair of the Corporate Governance and Nominating Committee.

The Corporate Governance and Nominating Committee shall also be responsible for recommending proposals to the Board concerning the compensation of directors, including the adequacy and form of compensation.

The Corporate Governance and Nominating Committee shall have responsibility for the nominating function of the Company by recommending suitable candidates for nominees for election or appointment as directors. This process shall include a determination of the competencies, skills and personal qualities required of new directors in light of opportunities and risks facing the Company.

### **Strategic Planning**

Management is responsible for the development of individual business unit and corporate strategic plans which take into account, among other things, the opportunities and risks of the business, and for the implementation of strategic plans. The Board shall be responsible for setting the long term goals and objectives for the Company, the adoption of a strategic planning process and the approval of the strategic plans developed by management. The Board shall monitor senior management's implementation of the plans and shall assess the achievement of the Company's goals and objectives on an ongoing basis.

### **Managing Risk**

The Board shall have overall responsibility for assessing the principal risks facing the Company, ensuring the implementation of the appropriate strategies and systems to manage such risks, and reviewing any material legal matters relating to the Company as a whole or its investment in any major operating company.

The Audit Committee shall review and approve risk management policies as recommended by management, shall receive reports from management on the risk profile of the Company, risk mitigation activities and accepted risk thresholds and shall provide direction with respect to improvements to risk mitigation or changes to risk threshold. The Audit Committee shall report its recommendations on such matters to the full Board on a regular basis.

### **Succession Planning**

The Board shall have responsibility for the appointment and evaluation of the performance of senior management, including approving the appointment of senior executives of the Company, reviewing their performance against the objective of maximizing shareholder value, measuring their contribution to that objective, and overseeing compensation policies.

The Human Resources Committee shall have responsibility for recommending proposals to the full Board concerning the compensation of executive management, including incentive programs and awards made pursuant thereto. This Committee shall also monitor, review and provide guidance in respect of executive management training, development and succession planning.

### **Communications Policy**

The Board shall have the responsibility for reviewing and approving the Company's policies and practices with respect to the disclosure of financial and other information including insider reporting and trading. This includes the review and approval of the content of the Company's major communications to shareholders and the investing public, encompassing the Annual Report, Management Information Circular, the Annual Information Form and any prospectuses which may be issued. The Audit Committee shall review and recommend to the Board the approval of the quarterly and annual financial statements (including the Management Discussion & Analysis) and press releases relating to financial matters. The Board also has responsibility for monitoring all of the Company's external communications. However, the Board believes that it is the function of management to speak for the Company in its communications with the investment community, the media, customers, suppliers, employees, governments and the general public.

The Board shall have the responsibility for reviewing and approving the Company's policies and practices with respect to disclosure of financial and other information, including insider reporting and trading. The Board shall approve and monitor the disclosure policies designed to assist the Company in meeting its objective of providing timely, consistent and credible dissemination of information, consistent with disclosure requirements under applicable securities law. The Board shall review the Company's policies relating to communication and disclosure on an annual basis.

Generally, communications from shareholders and the investment community will be directed to the Vice-President, Treasury and Investor Relations, who will coordinate an appropriate response depending on the nature of the communication. It is expected that if communications from stakeholders are made to the Chair or to other individual directors, management will be informed and consulted to determine any appropriate response.

#### **Internal Control and Management Information Systems**

The Board has responsibility for the integrity of the Company's internal control and management information systems.

The Audit Committee has responsibility for ensuring internal controls are appropriately designed, implemented and monitored and for ensuring that management and financial reporting is complete and accurate, even though management may be charged with developing and implementing the necessary procedures. The Board reviews and approves the annual financial statements as well as the quarterly financial statements.

#### **Governance, Integrity and Corporate Conduct**

The Board oversees the ethical, legal and social conduct of the Company. The Board oversees the development of the Company's corporate governance policies, principles and guidelines. The Board develops and monitors compliance with the Company's Code of Conduct and Ethics for directors, officers and employees. On an annual basis a review of the performance of the Board, each of its Committees and its members is completed.

#### **Management and Human Resources**

The Board selects, appoints and evaluates the performance of the CEO, and establishes the appropriate compensation for the CEO. In consultation with the CEO, the Board appoints all officers of the Company and determines the terms of employment, training, development and succession of senior management.

#### **Material Transactions**

The Board is responsible for reviewing and approving material investments and transactions including acquisitions, divestitures, dividends, capital allocations and other transactions which exceed threshold amounts as set by the Board in the Grants of Operating Authority. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company's business.

## **Position Description for the Chair of the Board of Directors**

### **Scope**

The Chair is accountable for the overall effectiveness and efficiency of the Board's processes and governance. The Chair is responsible for leading the Board in the performance of its duties including the discharge of all fiduciary and legal obligations.

The Board has adopted a policy of having an independent, non-management Chair. The Chair shall not be a member of corporate or operating management and, therefore, shall not share in the accountabilities, authorities and responsibilities delegated to management by the shareholders through the Board of Directors. However, the Chair shall provide advice and counsel to the President and Chief Executive Officer (CEO) respecting matters within the purview of the Board.

### **Board Leadership Responsibilities**

The Chair shall:

- Preside at all Board and shareholder meetings and provide leadership and direction to the Board and its processes;
- Establish and monitor procedures and structure to govern the Board's and Committees' activities and responsibilities in concert with the Corporate Governance and Nominating Committee;
- Ensure that the Board discharges its stewardship duties in exerting major influence on the manner in which the Company's business is conducted, and in preserving and creating shareholder value;
- Work with the CEO and other directors to prioritize and organize the agendas for Board and Committee meetings;
- Schedule meetings and work with other directors and Committee Chairs to ensure effective discussion occurs at both the Board and Committee levels;
- With the assistance of the Secretary, ensure proper flow of information and review adequacy and timing of documentation for meetings of the Board and Committees;
- Work with the CEO and appropriate Board Committees in respect of nominations for all corporate officers;
- Identify corporate and Board governance issues for consideration and ensure, in working with the Corporate Governance and Nominating Committee, that each director and the Board overall is adding significant value;
- Work with Corporate Governance and Nominating Committee to ensure proper Board Membership, Committee structure and continuity. Particularly, the Chair shall ensure that adequate succession plans are in place in respect of Board and Committee Membership; and
- Participate as a non-voting, non-quorum Committee member of all standing Committees of the Board.

### **Overview Role**

In conjunction with other directors, through the Board and its various Committees, the Chair monitors management's performance, succession, financial, strategic and operating decisions, as well as all aspects of Corporate Governance and reputation.

### **Other Duties and Responsibilities**

The Chair shall:

- Act as liaison among the Board, CEO, management and, to the extent necessary, the Company's shareholders;
- Work with the CEO, as appropriate, to represent the Company to shareholders and other stakeholders;
- Counsel and advise the CEO, as appropriate, and follow up on the implementation by management of all Board resolutions; and
- Perform other appropriate tasks and duties, as may from time to time be requested by the CEO, to advance the corporate strategy and operating objectives.

## Mandate of the Audit Committee

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) has the responsibilities and duties as outlined below:

### Mandate

- To perform such duties as may be required by:
  - The Nova Scotia Companies Act; and
  - Other applicable legislation and regulations including those of the Nova Scotia Securities Commission, Ontario Securities Commission and the Toronto Stock Exchange.
- To assist the Board of Directors in fulfilling its oversight responsibilities for:
  - The integrity and objectivity of the Company’s financial statements;
  - The Company’s compliance in order to ensure financial reporting and disclosure of required information is complete, accurate and timely as required by applicable legislation and regulation;
  - The external auditors’ independence, performance and fees;
  - Identification and monitoring of principal risks that could impact the financial reporting of the Company;
  - The system of internal control for financial reporting to ensure the internal controls are appropriately designed, implemented and monitored including reviewing and discussing any significant deficiencies in the design or operation on internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting; and
  - To perform such other duties as may from time to time be assigned to the Audit Committee by regulation or delegated by the Board.

### Audit Committee Composition

The Audit Committee shall be composed of three or more independent directors, appointed by the Board on the recommendation of the Corporate Governance and Nominating Committee. Applicable laws and regulations will be followed in evaluating a member’s independence.

All members of the Audit Committee shall be financially literate (as defined by applicable legislation). Financially literate shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. A member of the Board of Directors who is not financially literate may be appointed to the Audit Committee provided that the member becomes financially literate within four months following his or her appointment, subject to the Company’s Board of Directors determining that this appointment will not materially adversely affect the ability of the Audit Committee to act independently and to satisfy the other requirements of this mandate.

If an Audit Committee member ceases to be independent for reasons outside the member’s reasonable control, the member shall tender their resignation to the Chair of the Corporate Governance and Nominating Committee, within three months of the occurrence of the event which caused the member to not be independent.

Members are reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Shareholders. Members shall hold office until the earlier of the time which their successors are appointed or they cease to be directors of Empire. Vacancies of members of the Audit Committee may be filled for the remainder of the current term of appointment by the Board, upon recommendation of the Corporate Governance and Nominating Committee within the four month time frame.

The Board shall appoint from the Audit Committee membership a Chair for the Audit Committee to preside at its meetings. The Chair must be independent. If the Chair of the Audit Committee loses their independent status, that person shall cease to be Chair immediately and be replaced as Chair by an existing member of the Committee with the Corporate Governance and Nominating Committee being asked to replace this member within the four month time frame. In the absence of the Chair, one of the other members of the Audit Committee present shall be chosen by the Audit Committee to preside at the meeting.

## **Authority**

The Audit Committee has the authority to:

1. Conduct or authorize an investigation into any matters within its scope of its mandate or responsibility;
2. At the Company's expense, as determined by the Committee, retain independent legal, accounting or financial advisors and such others as it deems necessary to advise the Audit Committee or assist in carrying out its duties or to assist in the conduct of an investigation;
3. Communicate and meet without Management involvement, the internal auditors, external auditors or outside counsel as necessary; and
4. Call a meeting of the Board to consider any matter of concern to the Audit Committee. The Committee shall have direct access to all books, records, facilities and personnel of the Company including to the external and/or internal auditor as it determines this to be advisable. All employees are to cooperate as requested by Committee members.

## **Meetings**

The Audit Committee shall meet quarterly or more frequently as circumstances dictate. Meetings of the Audit Committee may be called by:

- The Chair;
- Any member of the Audit Committee; or
- The external auditors.

The external auditors shall be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Audit Committee without the presence of Management at each meeting. The Audit Committee will meet in-camera with the external auditors at each meeting.

There shall be an in-camera session at each Committee meeting without management. The Secretary of the Company shall act as Secretary of the Audit Committee and minutes of the Audit Committee shall be recorded and maintained by the Secretary.

## **Responsibilities**

1. As required by the Board, the external auditor reports directly to the Audit Committee.
2. The Audit Committee must recommend to the Board of Directors:
  - a) the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for Empire; and
  - b) the compensation of the external auditor.
3. The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other audit, review or attest services for Empire, including the resolution of disagreements between management and the external auditor regarding financial reporting.
4. The Audit Committee must pre-approve all non-audit services to be provided to Empire or its subsidiary entities by Empire's external auditor. The Audit Committee has established a policy for certain pre-approvals and has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Audit Committee at the next scheduled Audit Committee meeting following such pre-approval.

De minimis non-audit services satisfy the pre-approval requirement provided:

- a) the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than 5 percent of the total audit fees paid by Empire and its subsidiaries to Empire's external auditor during the fiscal year in which the services are provided;
- b) Empire or subsidiaries of Empire, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c) the services are promptly brought to the attention of the Audit Committee of Empire and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.

The Audit Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.

5. The Audit Committee reviews and recommends to the Board approval of Empire's interim and annual financial statements, Annual Information Form, MD&A and quarterly financial and material press releases prior to public disclosure of this information. It also ensures that adequate procedures are in place for the review of financial information extracted or derived from Empire's financial statements, contained in Empire's other financial disclosures and must periodically assesses the adequacy of those procedures.
6. The Audit Committee must establish procedures for:
  - a) the receipt, retention and treatment of complaints received by Empire regarding accounting, internal accounting controls, or auditing matters; and
  - b) the confidential, anonymous submission by employees of Empire of concerns regarding questionable accounting or auditing matters.
7. The Audit Committee must review and approve Empire's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of Empire.
8. The Audit Committee shall undertake a process to identify the principal risks of the business and ensuring appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed as well as opinions from Internal Audit regarding the degree of integrity of the risk mitigation strategies.

## Reporting

The reporting obligations of the Committee will include:

- The Audit Committee shall report to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee's recommendations at the next regularly scheduled Board meeting. All supporting schedules and data received by the Audit Committee are to be available for examination by any Board member upon request to the secretary of the Audit Committee.
- The Audit Committee shall review the Form 52-110F1, disclosure required in the company's Annual Information Form.

## **Mandate of the Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee (the “Committee”) shall assist the Board of Directors (the “Board”) in fulfilling its responsibilities as they relate to:

- a) Approval of the “Statement of Corporate Governance Practices” contained in the Company’s Information Circular;
- b) Proposing to the full Board new nominees for the Board;
- c) Establishing a process for assessing the performance of the Board on an ongoing basis; and
- d) Establishing a process for assessing the effectiveness of the Board as a whole, the Committees of the Board and contribution of individual directors.

### **Composition and meetings**

The Corporate Governance and Nominating Committee shall be appointed by the Board of Directors and composed of a minimum of four directors, comprised exclusively of independent directors.

The members of the Committee shall be appointed or reappointed at the meeting of the Board immediately following each Annual Meeting of the Shareholders of the Company. Each member of the Committee shall continue to be a member thereof until his/her successor is appointed, unless he/she shall resign or be removed by the Board, or shall cease to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than the minimum membership.

The Board of Directors shall appoint a Chair from among the members of the Committee. If the Chair of the Committee is not present at any meeting of the Committee, the Chair of the meeting shall be chosen by the Committee from among their members present. The Chair presiding at any meeting of the Committee shall have a casting vote in case of deadlock. The Committee shall appoint a secretary who need not be a director. The Chair of the Committee shall report the business of the meeting to the next regularly scheduled Board of Directors meeting.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

- a) A quorum of meeting shall be the majority of the members, present in person or by telephone or other telecommunication device, that permits all persons participating in the meeting to speak and hear each other;
- b) The Committee shall meet at least semi-annually; and
- c) Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time for such meeting, provided however, that a member may in any matter waive a notice of meeting. Attendance by member of a meeting is a waiver of notice of a meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

The Committee may in its discretion, and shall at the request of three outside (i.e., non-management) directors, call a meeting of all outside directors of the Company. This procedure is designed to ensure the independence from Management of the Board of Directors. The procedures for calling any such meeting shall be the same as those for calling a meeting of the Committee, with such modifications as may be necessary.

There shall be an in-camera session at each Committee meeting without management.

### **Primary Responsibilities**

The Committee shall be advisory to the Board and, in such capacity, shall be responsible for:

- a) Proposing to the full Board new nominees to the Board of Directors;
- b) Implementing a process to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of individual directors;

- c) Establishing and conducting an orientation and education program for new recruits to the Board;
- d) Examining the size of the Board and undertaking, where appropriate, a program to establish a Board size which facilitates effective decision-making;
- e) Reviewing the adequacy and form of compensation of directors and ensuring the compensation realistically reflects the responsibilities and the risks involved in being a director;
- f) Developing the corporation's approach to governance issues;
- g) The corporate governance functions of the Company and for the Company's response to the corporate governance guidelines of the applicable regulatory bodies including reviewing and approving the "Statement of Corporate Governance Practices" contained in the Company's Information Circular and any other disclosure concerning corporate governance; and
- h) Annual review and approval of the position description of the Chair, CEO, Committee Chairs and the mandates of the Board of Directors, Corporate Governance and Nominating Committee, Human Resources Committee and Audit Committee.

In instances where members of the Committee believe that in order to properly discharge their fiduciary obligations to the Company it is necessary to obtain the advice of outside experts, the Chair shall, at the request of the Committee, engage the necessary experts' findings through the Committee's regular reports to the Board.

## **Mandate of the Human Resources Committee**

The Human Resources Committee (the “Committee”) shall assist the Board of Directors (the “Board”) in its oversight role with respect to (i) the Company’s human resources strategy, policies and programs; and (ii) strategic matters relating to proper utilization of human resources within the Company, with special focus on management succession, development and compensation.

The Human Resources Committee shall be appointed by the Board on recommendation from the Corporate Governance and Nominating Committee. The majority of the Human Resources Committee is to be independent.

Members are reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Shareholders. Members shall hold office until their successors are appointed, unless they resign or are removed by the Board or (shall) cease to be directors of Empire. The Board, upon recommendation of the Corporate Governance and Nominating Committee, may fill vacancies of members of the Committee for the remainder of the current term of appointment.

The Board shall appoint a Chair from the independent members of the Human Resources Committee to preside at meetings. In the absence of the Chair, one of the other independent members of the Committee present shall be chosen by the Human Resources Committee to preside at the meeting. The Chair presiding at any meeting of the Committee shall have a casting vote in case of deadlock.

### **Meetings**

The Human Resources Committee shall meet at least annually or more frequently as circumstances dictate. The Human Resources Committee may call a meeting of the Board to consider any matter of concern to the Human Resources Committee.

The Chair of the Committee shall report the business of the meeting at the next regularly scheduled Board of Directors meeting. The minutes of the Human Resources Committee shall be recorded and maintained by the Secretary of the meeting. The Committee shall appoint a secretary who need not be a director.

There shall be an in-camera session at each Committee meeting without management and directors who are not independent. Non-independent members will be excused from the meeting when the Committee is deciding agenda items for which they are not independent. In addition, there shall be an in-camera session at each Committee meeting without management.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

- a) a quorum of meetings shall be a majority of the members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other; and
- b) notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting is a waiver of notice of that meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

## Authority

The Human Resources Committee has authority to:

- Conduct or authorize research or investigation into any matter within the scope of its mandate or responsibility;
- At the Company's expense, retain independent consultants or others to advise the Human Resources Committee.

The mandate and administrative responsibility of this Committee shall be to:

1. Review and approve overall Company policies in respect of Senior and Executive Management's compensation of Empire Company Limited. Such activities shall be primarily focused upon:
  - Base Annual Salaries;
  - Annual Management Incentive Programs;
  - Long-term Management Incentive Programs;
  - Executive Share Purchase Plan;
  - Executive Management Pension Plan Arrangements, (i.e., Senior Management Pension Plan and Executive Memorandum of Understanding);
  - Executive Management Health and Life Insurance Benefits;
  - Senior and Executive Management Prerequisites; and
  - Diversity in the Organization.
2. Monitoring, reviewing and providing guidance in respect of the Company's people development initiatives, and the development of the organizational culture. Key activities shall be focused on:
  - Talent management and development programs, processes and execution;
  - Succession management process, tools and execution;
  - Employment diversity;
  - Performance management process, tools and execution; and
  - Policies related to people matters.
3. Provide advice to the Executive Management of the Company in relation to the terms and conditions of employment for Senior and Executive Management which are designed to achieve the growth and profitability objectives of the Company and secure such key employees long-term organizational commitment.
4. Conducting the annual performance review for the CEO and establishing annual and longer term objectives for the CEO, and recommending to the Board the CEO's annual compensation having regard to these considerations and other relevant factors.
5. Developing and maintaining a CEO succession plan that addresses both planned and unforeseen succession circumstances.
6. Monitor and review reports on Executive Management training and development and succession planning, and provide advice as appropriate.
7. Review recommendations of Management related to annual salary increases and incentive payments and ensure these are consistent with approved corporate policies and programs.
8. Review at least annually the investment performance, regulatory compliance, communication provided to employees and plan administration of the pension plans.
9. Overseeing the design and operation of the Company's group benefit plans
10. Overseeing the Company's participation in Sobeys or other registered and non-registered pension plans and deferred profit sharing.

11. Review and approve occupational safety and health policies and monitor management and organizational initiatives, activities and reports to ensure the Company has integrated the promotion of a safe and healthy work environment into its ongoing business planning and operations.
12. Review and approve appointment of Empire's officers.
13. Review and approve compensation disclosure contained in the Company's Information Circular, including the Report on Executive Compensation, the Statement of Officers' Compensation, Employment Agreements, Stock Option Plans, Pension Plans and Executive and Senior Officers' Indebtedness.
14. Annually review the mandate of this Committee.
15. Assume other assignments as delegated by the Board of Directors.

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