

## CORPORATE GOVERNANCE

The Empire Board of Directors oversees the management of the business affairs of the corporation, discharging its responsibilities either directly or through its committees. Among its numerous duties and responsibilities, Empire's Board:

- Oversees the strategic planning process, including approval of the strategic plan and corporate performance objectives;
- Selects, monitors the performance, and sets appropriate compensation for the CEO;
- Oversees the ethical, legal, and social conduct of the Company;
- Identifies principal risks and oversees the implementation of the systems required to manage them;
- Ensures succession planning for senior management is addressed; and
- Ensures integrity of internal control and management information systems.

The quality, composition, and effectiveness of the Board, both collectively and of its individual directors, are of fundamental importance. The Corporate Governance and Nominating Committee is charged with responsibility of assessing the effectiveness and performance of the committees of the Board and the Board as a whole. All new directors receive an extensive orientation upon joining the Board, including site tours, meetings with various levels of management, and review of educational materials, mandates, codes of conduct, policies and other relevant information.

The composition of the Board is such that management, significant shareholders, and independent shareholders (represented by unrelated directors) are all represented on Empire's Board. This ensures that the Board functions with a view to the best interests of the Company as a whole and appropriately balances the different interests in the Company. The Chairman of Empire's Board of Directors is not part of the management team, but rather functions independently from management. In addition, the Board meets at least quarterly without management or directors who are direct lineal descendants of J.W. Sobey, in sessions chaired by the Chair of the Corporate Governance and Nominating Committee.

All committees of the Board of Directors review the information required to perform committee work effectively. In certain cases, this will include the retention of independent consultants and advisors. In addition, the Board has adopted a policy that permits individual directors to engage outside advisors at the cost of the Company, provided the approval of the Corporate Governance and Nominating Committee is first obtained.

Empire's management and Board of Directors have established sound corporate governance practices. A detailed discussion of Empire's Corporate Governance Practices is contained in the Company's Management Proxy Circular issued in connection with the 2003 Annual General Meeting, to be held on September 10, 2003.

### COMMITTEES OF THE BOARD

Empire's Board of Directors has established three committees: the Corporate Governance and Nominating Committee, the Human Resources Committee, and the Audit Committee.

Members of the standing committees are non-management, the majority of whom the Board has determined to be unrelated as defined by the Toronto Stock Exchange's Corporate Governance Guidelines. Each committee operates according to a written mandate approved by the Board.

## THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

### Key Responsibilities:

- Developing the Company's approach to corporate governance issues, including responsibility for disclosure;
- Assessing the performance and effectiveness of the Board, its committees and individual directors;
- Recommending compensation of directors;
- Reviewing and approving the position description for the Chief Executive Officer and the mandates of the Chairman, Board of Directors and committees; and
- Recommending suitable candidates for election or appointment as directors.

Members: Robert P. Dexter (Chair), John L. Bragg, Sir Graham Day, E. Courtney Pratt, and J. William Sinclair

## THE HUMAN RESOURCES COMMITTEE

### Key Responsibilities:

- Reviewing the Company's management training and development programs;
- Monitoring succession planning;
- Ensuring compliance with occupational health and safety standards; and
- Recommending compensation for executive management.

Members: E. Courtney Pratt (Chair), John L. Bragg, Robert P. Dexter, James L. Moody, David F. Sobey, Donald R. Sobey, and Karl R. Sobey

## THE AUDIT COMMITTEE

- Consists of only unrelated directors.
- All members are financially literate and at least one member has accounting or related financial expertise.

### Key Responsibilities:

- Reviewing and assessing the Company's financial reporting practices and procedures;
- Reviewing the adequacy and reporting of its internal accounting controls and the independence of external auditors from management;
- Assessing risk management of the Company's assets;
- Reviewing and approving consolidated quarterly and annual financial statements, Management Discussion and Analysis, and related communications prior to submission to the Board;
- Communicating directly with internal and external auditors to discuss and review specific issues as appropriate; and
- Recommending to the Board external auditors to be proposed for appointment by the shareholders.

Members: James W. Gogan (Chair), Sir Graham Day, Peter C. Godsoe, Mary Mogford, and John R. Sobey