

Defining values

What we value in our businesses and in people really reflects our corporate values statement: 'Empire will be a good corporate citizen, upholding the highest standards of integrity and ethical conduct'. We believe living by these values is fundamental to long-term value creation in any enterprise.

At Empire, we don't spend a lot of time talking about our values of good corporate citizenship – we just try and live by them. Over the past few years, the newspapers and media have been full of headlines chronicling corporate misbehaviour, fraud, accounting scandals and the fall of many a mighty enterprise. This has increased concerns about governance, accountability and transparency – and the conduct of management, directors and major shareholders. It has also underscored the importance of acting in a socially responsible manner, as good corporate citizens – in the interests of all stakeholders.

We believe Empire's legacy of steady growth and value creation over the long term is clear evidence of our values in action.

The value of family control

For the better part of a century, the Sobey family created value in our communities by building strong and growing businesses. Since Empire was launched as a public company twenty-two years ago, our family has maintained its role as controlling shareholder and we have been actively involved in building on the legacy of this company. We have every intention of maintaining control and participating over the long term.

With concern about governance issues in recent years, there has been considerable discussion about the pros and cons of different ownership and governance models. From our perspective, we believe family-ownership models tend to benefit from long-term ownership and commitment – providing stability to businesses through economic cycles and structural change. Long-term shareholders with a stake in the enterprise tend to be less concerned with quarter-over-quarter earnings fluctuations or with sharp, short-term, market driven changes in share value and more concerned with steady performance over time; this reduces pressure on management to sacrifice long-term viability for short-term wins.

When families are major long-term shareholders, they tend to stay with an enterprise for a combination of growth potential and sustainable income and dividend potential. We believe Empire has achieved a good balance throughout our history. We have redistributed substantial income to all shareholders while fuelling the growth and viability of our core businesses. Over the past few years, each of our operating businesses has established new, national platforms for growth beyond our core traditional markets in Atlantic Canada – enhancing future prospects.



ABOVE: DONALD SOBEY, Chairman, Empire Company Limited

The value of good governance and independent, outside directors

As mentioned in the CEO's Letter to Shareholders, we value good management in our operating businesses and in the companies in which we invest – and we don't micromanage the businesses. As a holding company, Empire plays a stewardship role. Critical to that role and to ensuring effective governance is the role of the Board.

Family shareholders and independent shareholders alike are well served by the outside directors on the Board of Empire and on the Boards of our core operations. We have great outside directors – business leaders representing diverse industry experience and bringing fresh and thoughtful perspectives and advice to the table. They ask good and probing questions, holding management to account and ensuring that Empire meets all our obligations as corporate citizens.

An indication of the value we place on Board participation and advice can be seen in the very existence of our Board for Crombie Properties. Crombie is a wholly-owned subsidiary of Empire and there is no requirement for it to have its own board. Clearly, we believe shareholders and all stakeholders of Empire are well served by the stewardship role and Board governance model.

We are very grateful for the efforts of all of our Board members, and this year we pay special tribute to Mary Mogford and Peter Godsoe, who will not be standing for re-election to the Empire Board of Directors. Mary and Peter have each provided exemplary service and wise counsel to the Empire Board and we thank them for their outstanding contributions. We are pleased that Peter has agreed to join the Sobey's Board of Directors and will therefore continue to be a major contributor to the governance of the Company.



“On behalf of the Board of Directors, we extend our sincere appreciation to all stakeholders in every community we serve – and to the tens of thousands of employees and associates of Empire and our businesses for the value we have built together and for your ongoing support, contributions and commitment to a proud legacy.”

Delivering value to all stakeholders

In our annual reports and discussions of results, we tend to focus on performance from a shareholder's perspective. We could not deliver such a strong performance over the long term if we didn't make progress with and for all stakeholders. Delivering value to and meeting the interests of employees, customers, suppliers and people in all the communities we serve is the essence of good corporate citizenship. It is also good business.

To achieve success – past and future – we are very fortunate to have the support, commitment and efforts of our employees – more than 34,000 people across Canada. We strive to ensure that all employees throughout our enterprise are treated well and fairly, and that they have the opportunity to benefit from the success and growth of the enterprise through good employment policies and benefits, and rewarding career opportunities. We are proud of our pension program, which we believe is second to none in Canada.

Our success also rests on earning and maintaining the trust and loyalty of customers, and we need to help maintain the prosperity of communities where we do business. We contribute in part by delivering on good programs of community support and corporate philanthropy.

It is also vital to ensure that we have sound environmental policies in place, good programs for workplace health and safety, and, in our food distribution business, a clear focus on food safety in the interest of our customers. We hold ourselves accountable and monitor performance in these critical areas, which are also subject to regular review by the Board. This is essential to both good corporate citizenship and risk management; failure to deliver on such responsibilities carries a significant business risk and could entail serious costs down the road. Cutting corners in any of these areas to meet short-term performance targets makes no sense. Serving stakeholder interests is in our own self interest. It's also the right thing to do. That's why we do more than give lip service to our corporate values; we live by them and strive to make them part of our culture.

By living our values, Empire has created considerable value over time, not just for shareholders but for all stakeholders. That's a legacy we are very proud of – and it is a legacy we aim to build upon.

A handwritten signature in dark ink that reads "Donald R. Sobey". The signature is written in a cursive style and is positioned above a horizontal dashed line.

DONALD R. SOBEY
CHAIRMAN
JULY 19, 2004