

focused on

# governance

As we look ahead, the Board remains confident that Empire's continued focus on its core strengths in food retailing and related real estate has positioned the Company for enduring success. Thanks to the hard work of management and employees at Empire and in our operating companies, Empire posted record operating earnings in fiscal 2008.

Although food and related real estate have been the foundation of Empire's ability to create long-term wealth for many decades, the decision to privatize Sobeys and increase our focus on food and related real estate was taken only after very careful study of our options and the possible ramifications. A year after the fact, Sobeys has achieved solid results despite the most competitive environment that we've seen in many years.

We believe that a significant portion of Empire's fiscal 2008 results were driven by management's commitment to achieving a single Board mandate: Make Sobeys the best food retailer in the Canadian market. With the support of Empire's Board of Directors, Sobeys' management team is able to take a long-term perspective, achieving progress along a continuum with a strategy that has proven effective historically and we feel will sustain our growth in the future. This long-term perspective is a



Robert P. Dexter, Chair, Empire Company Limited  
Halifax, Nova Scotia – Director since 1987,  
Chair and CEO of Maritime Travel Inc.

distinguishing competitive advantage that we believe will ensure Sobeys' ability to sustain its performance for another 100+ years.

A second major accomplishment of the year was the completion of the transformation of our commercial real estate division, from an owner and manager of commercial real estate into a business focused on food-anchored shopping plaza development. During the year Empire sold 61 properties to Crombie REIT – a sale that was made easier with the privatization of Sobeys. All remaining property owned and managed by Sobeys Leased Properties

has been folded into Sobeys. At the same time, our real estate development division completed its first full year of operations by establishing teams of experienced real estate developers in British Columbia and Québec. The Board is watching the development of this business with keen interest.



Foreground, from left to right

**Robert P. Dexter**  
Halifax, Nova Scotia  
Director since 1987.  
Chair and Chief Executive Officer,  
Maritime Travel Inc.,  
Chair, Empire Company Limited

**Mel Rhinelander**<sup>(4) (5) (7)</sup>  
Toronto, Ontario  
Director since 2007.  
Vice Chairman,  
Extencicare REIT

**Marcel Côté**<sup>(3) (5) (7)</sup>  
Montreal, Québec  
Director since 2007.  
Senior Partner, Secor Inc.

**Christine Cross**<sup>(3) (9)</sup>  
Thundridge, Hertfordshire,  
United Kingdom  
Director since 2007.  
President, Christine Cross Ltd.

**Paul D. Sobey**  
Pictou County, Nova Scotia  
Director since 1993.  
President and  
Chief Executive Officer,  
Empire Company Limited

Background, from left to right

**David Leslie**<sup>(1) (4)</sup>  
Toronto, Ontario  
Director since 2007.  
Former Chairman and  
Chief Executive Officer,  
Ernst & Young LLP

**Edward C. Harsant**<sup>(1) (5) (7)</sup>  
Woodbridge, Ontario  
Director since 2003.  
Corporate Director

**John L. Bragg**<sup>(3) (6) (8)</sup>  
Collingwood, Nova Scotia  
Director since 1999.  
Chairman, President and  
Co-Chief Executive Officer,  
Oxford Frozen Foods Ltd.

**Bill M<sup>c</sup>Ewan**  
New Glasgow, Nova Scotia  
Director since 2007.  
President and  
Chief Executive Officer,  
Sobeys Inc.

**Malen Ng**<sup>(2) (9)</sup>  
Toronto, Ontario  
Director since 2007.  
Chief Financial Officer,  
Workplace Safety and  
Insurance Board of Ontario

**Stephen J. Savidant**<sup>(1) (5) (7)</sup>  
Calgary, Alberta  
Director since 2004.  
Corporate Director  
Chairman,  
ProspEx Resources Inc.

**Frank C. Sobey**<sup>(10)</sup>  
Stellarton, Nova Scotia  
Director since 2007.  
Chairman, Crombie REIT

**David F. Sobey**  
New Glasgow, Nova Scotia  
Director since 1963.  
Chair Emeritus, Sobeys Inc.

**Donald R. Sobey**  
Pictou County, Nova Scotia  
Director since 1963.  
Chair Emeritus,  
Empire Company Limited

**John R. Sobey**<sup>(1)</sup>  
Pictou County, Nova Scotia  
Director since 1979.  
Corporate Director

**Karl R. Sobey**<sup>(5)</sup>  
Halifax, Nova Scotia  
Director since 2001.  
Corporate Director

**David S. Ferguson**<sup>(3) (9)</sup>  
Atlanta, Georgia  
Director since 2007.  
Principal, D.S. Ferguson  
Enterprises, LLC.

**Robert G. C. Sobey**<sup>(9)</sup>  
Stellarton, Nova Scotia  
Director since 1998.  
President and  
Chief Executive Officer,  
Lawtons Drug Stores Limited

- 1 Audit Committee Member
- 2 Audit Committee Chair
- 3 Human Resources Committee Member
- 4 Human Resources Committee Chair
- 5 Corporate Governance Committee Member
- 6 Corporate Governance Committee Chair
- 7 Nominating Committee Member
- 8 Nominating Committee Chair
- 9 Oversight Committee Member
- 10 Oversight Committee Chair



## Focused on experience

John L. Bragg, Chair of Empire's Corporate Governance Committee, was recognized by the Institute of Corporate Directors with the ICD Fellowship Award for his efforts to foster excellence in governance in Canada. Mr. Bragg is Chairman, President and co-Chief Executive Officer of Oxford Frozen Foods Limited, a food manufacturer, and an officer of several associated and affiliated companies. In addition to his role at Empire, he serves as director for many leading Canadian companies including TD Bank Financial Group and Canada Bread Limited. In recognition of his leadership and innovative thinking, Mr. Bragg was appointed an Officer of the Order of Canada in 1996.

### Effective stewardship

Intense scrutiny of Empire's corporate strategies and their execution is key to effective governance and Empire has a Board comprised of individuals particularly capable of providing this oversight. Although several members of the Empire Board retired at the end of fiscal 2007, with the privatization of Sobeys, the Empire Board expanded to welcome eight new directors: Marcel Côté, Christine Cross, David Ferguson, David Leslie, Bill McEwan, Malen Ng, Mel Rhineland and Frank Sobey.

Our Board truly reflects a diversity of experience among its directors. Some have had many years of experience serving Empire, and the new additions bring new insights to the Board. Together they represent a mix of talents and experiences in diverse companies and countries. This Board became very cohesive very quickly, a testament to their individual capabilities and resolve. We have also continued to ensure the Board's ability to act independently through measures that recognize the size of the Board, the structure of the Company and our shareholder structure.

### Acknowledgements

As Chair, I would like to thank the management and employees of Empire and its operating companies for their commitment and for their hard work. I would also like to thank my fellow directors for their consistent dedication to their role as stewards of shareholder interests. We firmly believe good corporate governance is critical to our long-term success in the marketplace, and that this Company can sustain the performance it has so adeptly achieved for more than 100 years.

A handwritten signature in black ink that reads "Bob Dexter". The signature is fluid and cursive.

**Robert P. Dexter**  
Chair  
Empire Company Limited  
June 26, 2008