

NOTICE OF 2012
ANNUAL GENERAL
MEETING OF
SHAREHOLDERS
AND MANAGEMENT
INFORMATION
CIRCULAR

Our Annual General Meeting of Shareholders will be held at 11:00 a.m. Atlantic Daylight Time (ADT) on Thursday, September 13, 2012 at Empire Studio 7 Cinemas, 610 East River Road, New Glasgow, Nova Scotia.

EMPIRE
COMPANY LIMITED

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INVITATION TO SHAREHOLDERS

July 20, 2012

Dear Shareholder:

We are pleased to invite you to join our Board of Directors and senior management team at our 2012 Annual General Meeting of Shareholders. The meeting will be held on:

September 13, 2012
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 our 2012 Annual Report and/or our Quarterly Reports, copies are also available on our website www.empireco.ca or at 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

We will also audiocast the Annual General Meeting at 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 13, 2012.

Sincerely,



Robert P. Dexter
Chair



Paul D. Sobey
President and 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 13, 2012
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 the audited consolidated financial statements of the Company for the fiscal year ended May 5, 2012, together with the report of the auditors thereon;
2. To elect directors for the ensuing year and fix the maximum number of directors at 18;
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 an advisory resolution on executive compensation; 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 are eligible to vote on the advisory resolution on executive compensation. 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 and vote on the advisory resolution on executive compensation by completing the enclosed form of Non-Voting Class A shareholder proxy and returning it in the envelope provided for that purpose to:

Attention: Proxy Department
Canada Stock Transfer Company Inc.
PO Box 721, Stn Agincourt
Toronto, ON
M1S 9Z9

Dated at Stellarton, Nova Scotia, this 20th day of July, 2012.

BY ORDER OF THE BOARD



Karin McCaskill
Secretary

MANAGEMENT INFORMATION CIRCULAR

SUMMARY

This summary highlights information contained elsewhere in this Management Information Circular ("**Circular**") for Empire Company Limited ("**Empire**" or "**the Company**"). This summary does not contain all of the information that you should consider, and you should read this entire Circular carefully before voting.

ANNUAL MEETING OF SHAREHOLDERS

Date: September 13, 2012

Time: 11:00 a.m. (Atlantic Daylight Time)

Place: Empire Studio 7 Cinemas
610 East River Road
New Glasgow, Nova Scotia

Record date: July 23, 2012

Voting: Any registered Class B common shareholder of record at the time of the Annual General Meeting of Shareholders of the Company ("**the Meeting**") will be entitled to attend and vote at the Meeting either in person or by Proxy. 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, except on the non-binding advisory vote relating to executive compensation.

Meeting Agenda

1. Receive the audited consolidated financial statements;
2. Election of 17 directors and fixing the maximum number of directors at 18;
3. Approval of directors' fees;
4. Appointment of Grant Thornton as auditors for fiscal 2013;
5. Authorize the directors to fix the remuneration of the auditors; and
6. Advisory vote on approach to executive compensation.

Voting Matters

Motions	Board Vote Recommendation
Election of the Board of Directors	FOR EACH DIRECTOR NOMINEE
Fixing the maximum number of directors at 18	For
Approval of directors' fees	For
Appointment of Grant Thornton as auditors for fiscal 2013	For
Authorize directors to set auditors' fees	For
Advisory vote on approach to executive compensation	For

As recommended by the Board, the persons named in the enclosed Proxy intend to vote the shares represented in favour of the motions as noted above.

BUSINESS OF THE MEETING

1. Audited Consolidated Financial Statements

The audited consolidated financial statements of Empire for the year ended May 5, 2012, and the report of the auditors thereon, will be tabled at the Meeting. These audited consolidated financial statements and the report of the auditors thereon were mailed to registered shareholders and beneficial shareholders who have requested a copy along with this Notice of Annual General Meeting of Shareholders and Circular. Additional copies of these documents may be obtained from the Investor Relations department of the Company upon request and will be available at the Meeting. These documents are available at www.sedar.com or www.empireco.ca.

2. Election of the Board of Directors

There are 17 directors to be elected at the Meeting, each to hold office until the next Annual General Meeting or until his or her successor is appointed. Further information about current and proposed directors can be found on pages 9 to 17 of this Circular.

Board Nominees

The following tables provide summary information about each director nominee.

BOARD NOMINEES – CURRENT DIRECTORS STANDING FOR RE-ELECTION											
Name	Age	Director Since	Occupation	Independent	Current Committee Memberships ⁽¹⁾					Other Reporting Issuer Boards	Total Attendance
					AC	CGC	HRC	NC	OC		
Marcel Côté	69	2007	Founding Partner, Secor Inc.	✓		✓	✓	✓		Intact Financial Corporation, Osisko Mining Corporation, Sobeys Inc.	100%
Robert P. Dexter	60	1987	Chair and CEO, Maritime Travel Inc.	✓						Bell Aliant Inc., Highliner Foods Inc., Sobeys Inc., Wajax Corporation	100%
David S. Ferguson	67	2007	Principal, D.S. Ferguson Enterprises, LLC.	✓			✓		✓	Exide Technologies, Sobeys Inc.	100%
Edward C. Harsant	67	2003	Corporate Director	✓	✓	✓			✓	Sobeys Inc.	96%
David A. Leslie	68	2007	Corporate Director	✓	✓				✓	Crombie REIT, Enbridge Inc., Imris Inc., Enbridge Gas Distribution Inc., Sobeys Inc.	81%
Marc Poulin ⁽²⁾	50	2012	President and CEO, Sobeys Inc.							Sobeys Inc.	n/a
Mel Rhinelander	62	2007	Chairman, Extencare REIT and Vice Chairman Assisted Living Concepts Inc.	✓		✓	✓	✓		Assisted Living Concepts, Inc., Extencare REIT, Sobeys Inc.	100%
Stephen J. Savidant	63	2004	Chair, Enerflex Ltd.	✓		✓	✓	✓		Enerflex Ltd., Sobeys Inc.	100%
David F. Sobey	81	1963	Chair Emeritus, Sobeys Inc.							Sobeys Inc.	100%
Donald R. Sobey	77	1963	Chair Emeritus, Empire Company Limited							Sobeys Inc.	100%
Frank C. Sobey	59	2007	Vice President, Real Estate, Empire Company Limited						✓	Crombie REIT, Sobeys Inc.	91%
John R. Sobey	63	1979	Corporate Director	✓	✓					Sobeys Inc.	100%
Karl R. Sobey	57	2001	Corporate Director			✓				Sobeys Inc.	100%
Paul D. Sobey	55	1993	President and CEO, Empire Company Limited							Bank of Nova Scotia, Crombie REIT, Sobeys Inc.	100%
Rob G.C. Sobey	45	1998	President and CEO, Lawton's Drug Stores Limited						✓	DHX Media Ltd., Sobeys Inc.	100%

Notes:

(1) Audit Committee – AC; Corporate Governance Committee – CGC; Human Resources Committee – HRC; Nominating Committee – NC; and Oversight Committee – OC.

(2) Marc Poulin was appointed to the Board effective June 29, 2012.

BOARD NOMINEES – NEW PROPOSED BOARD NOMINEES			
Name	Age	Occupation	Other Reporting Issuer Boards
Bonnie Brooks	59	President and CEO, Hudson's Bay Company	none
Martine Turcotte	51	Vice Chair, Québec of BCE Inc. and Bell Canada	Bell Aliant Inc.

Majority Voting

The Board of Directors of Empire believes that each of its members should carry the confidence and support of the shareholders. To this end, the directors have unanimously adopted a majority voting policy. This policy requires any nominee for election to the Board of Directors for which the number of shares withheld was greater than the number of shares voted in favour of the nominee to submit his or her resignation promptly after the meeting to the Corporate Governance Committee for its consideration. The Committee will make a recommendation to the Board after reviewing the matter and the Board's decision to accept or reject the resignation will be publicly disclosed. The nominee will not participate in any Committee or Board deliberations in considering the resignation. This policy does not apply in circumstances involving contested director elections. Future nominees for election to the Board will be asked to subscribe to this statement before their names are put forward.

3. Director Fees

The Board recommends that shareholders ratify the directors' fees for the 12-month period beginning September 13, 2012. Further information about director compensation may be found on pages 25 to 27 of this Circular.

PROPOSED DIRECTORS' FEES	
Directors' Retainer	\$ 80,000
Chair of the Board's Retainer	\$ 275,000
Meeting Fee	
• Board	\$ 2,000
• Committee	\$ 2,000
• Telephone (Board or Committee)	\$ 1,250
Committee Chairs' Retainer	
• Audit	\$ 25,000
• Human Resources	\$ 25,000
• Other Committees	\$ 10,000
Committee Members' Retainer	
• Audit	\$ 5,000
• Other Committees	\$ 3,000

The Board has determined that share ownership (any combination of Non-Voting Class A shares, Class B common shares and Deferred Stock Units ("DSUs")) of at least four times the annual retainer is appropriate for the directors of the Company. As of July 20, 2012, the share ownership guidelines require minimum holdings of \$280,000 in any combination of Non-Voting Class A shares, Class B common shares and DSUs. Directors must take a minimum of 50 percent of their total fees in DSUs until this minimum threshold is achieved and at any time their ownership declines below this threshold.

4. Appointment of Auditors

The Audit Committee has reviewed the independence and performance of Grant Thornton LLP as external auditors of the Company. Based on this review it has recommended to the Board of Directors that they be reappointed. The Board recommends that shareholders ratify the appointment of Grant Thornton as our independent auditors for 2013. Further information concerning this recommendation can be found in the Audit Committee report found on page 29 of this Circular.

5. Authorize Directors to Fix Auditors' Fees

The Board recommends that shareholders authorize the Board to fix the remuneration of the auditors. Set forth below is summary information with respect to Grant Thornton's fees for services provided in fiscal 2012 and 2011. Further information about the auditors' fees can be found in the Audit Committee report found on page 29 of this Circular.

AUDITORS' FEES FOR EMPIRE COMPANY LIMITED AND ITS SUBSIDIARIES			
		Fiscal Year Ended	
		May 5, 2012	May 7, 2011
Audit Fees	\$	2,202,055	\$ 2,428,775
Audit Related Fees		512,664	739,778
Tax Fees		357,720	317,050
Other Fees		31,444	57,219
Total Fees	\$	3,103,883	\$ 3,542,822

6. Executive Compensation Advisory Vote

The Board of Directors, on the recommendation of the Corporate Governance Committee, has determined that it is appropriate to again hold a non-binding advisory vote relating to executive compensation. This will be the third annual advisory vote on executive compensation. As a Non-Voting Class A shareholder or a Class B common shareholder, you have the opportunity to vote "For" or "Against" Empire's approach to executive compensation through the following resolution:

Resolved, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the Non-Voting Class A shareholders and the Class B common shareholders accept the approach to executive compensation disclosed in this Management Information Circular of the fiscal 2012 Annual General Meeting of Shareholders.

Since the vote is advisory, it will not be binding on the Board. However, the Board and, in particular, the Human Resources Committee ("**HR Committee**"), will consider the outcome of the vote as part of its ongoing review of executive compensation.

Set out below are summary tables describing the elements of executive compensation and the fiscal 2012 compensation summary for the Named Executive Officers ("**NEOs**"). Further information on executive compensation can be found on pages 34 to 54 of this Circular.

EXECUTIVE COMPENSATION ELEMENTS				
Element	Form		Time Period	Objectives
Base Salary	Cash		Annual	<ul style="list-style-type: none"> Reflects each executive's scope of responsibility, performance and contribution
Variable Compensation	AMIP	Cash	Annual	<ul style="list-style-type: none"> Rewards executives for achieving or exceeding annual performance goals
	MTIP	Empire Performance Share Units	Multi-year	<ul style="list-style-type: none"> Rewards executives for achieving or exceeding three-year performance goals
	LTIP	Empire Stock Options	Multi-year	<ul style="list-style-type: none"> Motivates executive team to create long-term shareholder value Retains key talent by offering competitive pay opportunities
		Sobeys Phantom Performance Options	Multi-year	<ul style="list-style-type: none"> Motivates Sobeys' executive team to create long-term equity value in the business Retains key talent by offering competitive pay opportunities

Other Elements of Compensation

Pension and Benefits	The purpose of the Company's pension plans is to provide periodic payments to the members of the plans during retirement and until death in respect of their service as employees. NEOs participate in a defined contribution plan and in the Supplemental Executive Retirement Plan. NEOs participate in the Company's benefit plan which offers medical, drug and dental insurance, critical illness insurance, group life and accidental death and dismemberment, short-term disability and employee-paid long-term disability insurance.
Perquisites	Limited perquisites are provided, which include a company leased vehicle, annual medical examination, executive financial planning allowance and club membership allowance.

FISCAL 2012 COMPENSATION SUMMARY

Name & Principal Position	Salary (\$)	Share- Based Awards (Empire) (\$)	Option- Based Awards (Empire) (\$)	Non-Equity Incentive Plan Compensation		Pension Value (\$)	All Other Compen- sation (\$)	Total Compen- sation (\$)
				LTIP Payout (Sobeys PPOP) (\$)	AMIP (\$)			
Paul D. Sobey, President and CEO, Empire	\$ 644,103	\$ 322,500	\$ 322,500	n/a	\$ 645,000	\$ 33,000	\$ 13,303	\$1,980,406
Paul V. Beesley, EVP and CFO, Empire	390,993	146,813	146,813	n/a	352,350	55,000	7,500	1,099,469
Bill McEwan, President and CEO, Sobeys ⁽¹⁾	1,050,077	393,782	393,782	\$ 1,258,238	1,575,128	125,000	2,241	4,798,248
Marc Poulin, President, Sobeys IGA Operations ⁽¹⁾	599,999	n/a	n/a	345,552	900,000	64,000	1,823	1,911,374
Jason Potter, President, Sobeys Multi-Format Operations	484,288	n/a	n/a	260,392	704,890	368,000	1,730	1,819,300

Note:

(1) Bill McEwan stepped down as President and CEO, Sobeys Inc. effective June 28, 2012. Marc Poulin was appointed President and CEO, Sobeys Inc. effective June 29, 2012.

The Summary Compensation Table can be found on page 49 of this Circular.

VOTING AT THE ANNUAL GENERAL MEETING

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of Class B common shareholders' proxies and Non-Voting Class A shareholders' proxies (collectively referred to as the "Proxy" or "Proxies") by and on behalf of the management of Empire for use at 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 nominees 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 fixing the maximum number of directors at 18;**
- (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 auditors for the ensuing year;**
- (d) in favour of the authorization of the directors to fix the remuneration of the auditors; and**
- (e) in favour of the advisory resolution on executive compensation.**

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.

Class B Common Shares

On July 9, 2012, the Company had 34,260,763 outstanding Class B common shares 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 9, 2012, the only shareholders of the Company owning of record, or known to own beneficially, either directly or indirectly, or exercise control or direction over more than 10 percent of the Class B common shares of the Company were as follows:

Shareholder	Number of Shares	Percentage Of Total Class B Common Shares Issued and Outstanding
DFS Investments Limited ⁽¹⁾	9,609,354	28.05%
Dunvegan Holdings Limited ⁽²⁾	9,978,852	29.13%
Sumac Holdings Limited ⁽³⁾	10,596,158	30.93%

Notes:

(1) David F. Sobey has voting control over DFS Investments Limited. 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. The children of David F. Sobey exercise direction and control over the balance of 1,986,324 Class B common shares pursuant to an agreement among the shareholders of DFS Investments Limited. David F. Sobey also owns 6,026 Class B common shares and beneficially owns another 6,818 Class B common shares other than through DFS Investments Limited.

(2) Dunvegan Holdings Limited is jointly controlled by the children of William Sobey (deceased).

(3) Donald R. Sobey has voting control over Sumac Holdings Limited. Of the 10,596,158 Class B common shares owned of record by Sumac Holdings Limited, 7,629,652 are controlled by Donald R. Sobey. The children of Donald R. Sobey exercise direction and control over the balance of 2,966,506 Class B common shares pursuant to an agreement among the shareholders of Sumac Holdings Limited.

Non-Voting Class A Shares

On July 9, 2012, the Company had 33,687,747 outstanding Non-Voting Class A shares. 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, except on the non-binding advisory vote relating to executive compensation.

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 of any such descendants.

NOTICE TO BENEFICIAL SHAREHOLDERS

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 shareholder’s 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 brokers/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.**


ABOUT THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS


BOARD NOMINEES


There are 17 directors to be elected at the Meeting, each to hold office until the next Annual General Meeting or until his or her successor is appointed. Each director has established his or her eligibility and willingness to serve for the next year. All of the director nominees have previously been elected as directors of the Company, except for the new proposed independent directors, Bonnie Brooks and Martine Turcotte, and Marc Poulin, who was appointed to the Board effective June 29, 2012, upon becoming President and CEO of Sobeys Inc.


The nominees for election as directors of Empire are listed below.


 <p>Bonnie Brooks Age 59 Ontario, Canada Proposed Director Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Financial/Accounting Marketing Retail</p>	<p>Current Activities: Bonnie Brooks is the President of the Hudson's Bay Company which includes Hudson's Bay department stores in Canada and the Lord and Taylor department stores in the United States. She is a Trustee of the Royal Ontario Museum, and a member of the Ontario Premier's Jobs and Prosperity Council. Past Activities: Ms. Brooks was based in Hong Kong from 1997–2008. From 2002–2008 she was President of the Lane Crawford Joyce Group, comprised of five separate retail and distribution/franchise companies in 9 countries in Asia. Prior to that, Ms. Brooks was the Group General Manager, Merchandising (Global) for Dickson Concepts (International) Ltd. Hong Kong, including Harvey Nichols in the UK. Ms. Brooks spent over a decade at Holt Renfrew, Canada, where her roles included Executive Vice President and General Merchandise Manager, and Senior Vice President, Marketing. Previous roles have included President of Kert Advertising, Canada and President of Town and Country Stores, Canada. Education: Ms. Brooks holds a Masters of Business Administration from the Richard Ivey School of Business, University of Western Ontario.</p>						
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
	n/a		n/a		Indigo Books & Music Inc. (TSX: IDG)		2009–2011
	Securities Held						
	Year	NV Class A Shares ⁽³⁾	Class B Shares ⁽⁴⁾⁽⁵⁾	DSUs ⁽⁶⁾	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status ⁽⁷⁾
	July 2012 ⁽²⁾	n/a	n/a	n/a	0	\$ 0	n/a
	July 2011 ⁽²⁾	n/a	n/a	n/a	n/a	n/a	
 <p>Marcel Côté Age 69 Québec, Canada Director Since: 2007 Independent</p> <p>Key Areas of Expertise Human Resources Financial/Accounting Governance Investments</p>	<p>Current Activities: Marcel Côté is Founding Partner of Secor Inc., a Montréal-based consulting firm. He is a director of Intact Financial Corporation and of Osisko Mining Corporation. He is also a director of the Montréal Symphony Orchestra, the YMCA Foundation, NeuroScience Canada and Compagnie de danse Marie Chouinard. Mr. Côté has served as a director of Sobeys Inc. since 1998. Past Activities: Mr. Côté is a former economic advisor to the Premier of Québec from 1986 to 1988, and was Director of Strategic Planning and Communication for the Office of the Prime Minister from 1989 to 1990. Education: Mr. Côté holds a Masters of Science degree in Economics from Carnegie Mellon University and he is also a Fellow of the Center for International Affairs, Harvard University.</p>						
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
	Board	10 of 10		100%		Intact Financial Corporation (TSX: IFC) 1998 – present	
	Corporate Governance	4 of 4		100%		Osisko Mining Corporation (TSX: OSK) 2009 – present	
	Human Resources	9 of 9		100%		Sobeys Inc. 1998 – present	
	Nominating	5 of 5		100%			
	Securities Held						
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status	
July 2012	–	1	9,131	9,132	\$ 510,844	Meets Share Ownership Guidelines	
July 2011	4,000	1	7,043	11,044	609,408		


 <p>Robert P. Dexter Age 60 Nova Scotia, Canada Director Since: 1987 Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Governance Human Resources Investments</p>	<p>Current Activities: Robert P. Dexter is Chair of Empire Company Limited. He is Chair and Chief Executive Officer of Maritime Travel Inc. He is a director of Bell Aliant Inc., Wajax Corporation and High Liner Foods Inc. and counsel to the law firm of Stewart McKelvey. Mr. Dexter has served as a director of Sobeys Inc. since 1998. Past Activities: Mr. Dexter previously served as a director of Aliant Inc. and Maritime Life Assurance Company. Education: Mr. Dexter holds both a Bachelor's degree in Commerce and a Bachelor's degree in Law from Dalhousie University and was appointed Queen's Counsel in 1995 and inducted into the Nova Scotia Business Hall of Fame in 2006.</p>					
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	Board	10 of 10	100%	Bell Aliant Inc. (TSX: BA)	2006 – present	
				High Liner Foods Inc. (TSX: HLF)	1992 – present	
				Sobeys Inc.	1998 – present	
			Wajax Corporation (TSX: WJX)	1988 – present		
Securities Held						
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	39,000	1	23,656	62,657	\$3,505,033	Meets Share Ownership Guidelines
July 2011	39,000	1	21,411	60,412	3,333,534	


 <p>David S. Ferguson Age 67 Georgia, U.S. Director Since: 2007 Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Food/Retail Human Resources Marketing</p>	<p>Current Activities: David S. Ferguson is the principal of D.S. Ferguson Enterprises, LLC. He is a director of Exide Technologies. Mr. Ferguson has served as a director of Sobeys Inc. since 2006. Past Activities: He was the President and Chief Executive Officer of Walmart Europe from September 2000 to July 2003. Prior to that, he was President and Chief Executive Officer of Walmart Canada. Until recently, Mr. Ferguson served as a member of the Dean's Advisory Board for the Business School of Morehouse College. He also previously served as a member of the Advisory Board of Ryerson University's School of Retail Management, the Board of Directors of the Retail Council of Canada, NSB Retail Systems PLC and the Advisory Board of Miller-Zell. Education: Mr. Ferguson holds a Bachelor of Arts from Youngstown State University.</p>					
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	Board	10 of 10	100%	Exide Technologies (NASDAQ: XIDE)	2005 – present	
	Human Resources	9 of 9	100%	Sobeys Inc.	2006 – present	
	Oversight	1 of 1	100%			
Securities Held						
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	–	1	3,998	3,999	\$ 223,704	Meets 50% DSU requirement, share ownership threshold not yet achieved.
July 2011	–	1	3,024	3,025	166,920	


 <p>Edward C. Harsant Age 67 Ontario, Canada Director Since: 2003 Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Financial/Accounting Food/Retail Marketing</p>	<p>Current Activities: Edward C. Harsant has served as a director of Sobeys Inc. since 2007 and he is the Chair of the Advisory Board of Lawton's Drug Stores Limited. Past Activities: Mr. Harsant was the President of Stonehedge Partners. 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 previously served as a director of the Canadian Special Olympics and was Chair of the Retail Council of Canada.</p>						
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
	Board	9 of 10	90%	Sobeys Inc.	2007 – present		
	Audit	5 of 5	100%				
	Corporate Governance	4 of 4	100%				
	Nominating	5 of 5	100%				
	Securities Held						
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
	July 2012	–	1	13,340	13,341	\$ 746,296	Meets Share Ownership Guidelines
	July 2011	–	1	12,185	12,186	672,423	


 <p>David A. Leslie Age 68 Ontario, Canada Director Since: 2007 Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Financial/Accounting Governance Real Estate</p>	<p>Current Activities: David A. Leslie is a Fellow of the Institute of Chartered Accountants of Ontario. He is a director of Enbridge Inc., Enbridge Gas Distribution Inc., Imris Inc. and a trustee of Crombie REIT. Mr. Leslie has served as a director of Sobeys Inc. since 2005. Past Activities: Mr. Leslie retired in 2004 after 37 years of service with Ernst & Young LLP, where he was Chairman and Chief Executive Officer from 1999 to 2004. He previously served as a director of CanWest Global Communications Inc. and Chair of Sunnybrook Health Sciences Centre. Education: Mr. Leslie holds a Bachelor of Arts from the University of Toronto and he earned his CA designation from the Institute of Chartered Accountants of Ontario.</p>						
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
	Board	9 of 10	90%	Crombie REIT (TSX: CRR.UN)	2007 – present		
	Audit	4 of 5	80%	CanWest Global Communications Inc.	2007 – 2009		
	Oversight	0 of 1	0%	Enbridge Gas Distribution Inc.	2009 – present		
				Enbridge Inc. (TSX: ENB)	2005 – present		
				Imris Inc. (TSX: IM)	2009 – present		
				Sobeys Inc.	2005 – present		
	Securities Held						
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	750	1	8,411	9,162	\$ 512,522	Meets Share Ownership Guidelines	
July 2011	750	1	6,577	7,328	404,359		


 <p>Marc Poulin Age 50 Québec, Canada Director Since: 2012 Non-Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Food/Retail Marketing Real Estate</p>	<p>Current Activities: Marc Poulin is the President and Chief Executive Officer of Sobeys Inc. He is a director of the Montréal Heart Institute Foundation. Past Activities: Mr. Poulin previously was President, Sobeys IGA Operations. Prior to that, Mr. Poulin was President of Operations, Sobeys Québec since 2001 and from 1997 to 2001, he was Vice President, Grocery Merchandising for the Oshawa Group and then Sobeys. He also previously served as Vice President of Corporate Marketing for Desjardins-Laurentian Life Group and General Manager of Culinar Inc.'s Fine Bread and Soup Division. Education: Mr. Poulin holds a Bachelor of Actuarial Science from Université Laval and a Masters of Management (Marketing) degree from the J.L. Kellogg Graduate School of Management at Northwestern University.</p>						
	Board and Committee Meeting Attendance				Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	n/a		n/a		Sobeys Inc. 2012 – present		
	Securities Held						
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	1,000	1	–	1,000	\$ 55,996	n/a	
July 2011	1,000	0	–	1,000	55,180		


 <p>Mel Rhinelander Age 62 Ontario, Canada Director Since: 2007 Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Human Resources/ Labour Relations Governance Real Estate</p>	<p>Current Activities: Mel Rhinelander is Chairman of Extencicare REIT and Vice Chairman of Assisted Living Concepts, Inc. Mr. Rhinelander has served as a director of Sobeys Inc. since 2004. Past Activities: Mr. Rhinelander was President and Chief Executive Officer of Extencicare Inc. from August 2000 to November 2006. He previously served in increasingly senior roles at Extencicare Inc. since 1977. Education: Mr. Rhinelander holds a Bachelor of Arts in Economics and Bachelor of Education from the University of Western Ontario. Mr. Rhinelander is also a Certified Human Resources Professional.</p>						
	Board and Committee Meeting Attendance				Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	Board	10 of 10	100%	Assisted Living Concepts, Inc. (NYSE: ALC) 2006 – present			
	Corporate Governance	4 of 4	100%	Extencicare REIT (TSX: EXE.UN) 2000 – present			
	Human Resources (Chair)	9 of 9	100%	Sobeys Inc. 2004 – present			
Nominating	5 of 5	100%					
Securities Held							
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status	
July 2012	–	1	8,023	8,024	\$ 448,863	Meets Share Ownership Guidelines	
July 2011	–	1	7,899	7,900	435,922		


 <p>Stephen J. Savidant Age 63 Alberta, Canada Director Since: 2004 Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Financial/Accounting Governance Human Resources</p>	<p>Current Activities: Stephen J. Savidant is a director and Chair of the Board of Enerflex Ltd. and he has been a director of Sobeys Inc. since 2007. Past Activities: Mr. Savidant was previously the Chairman of ProspEx Resources Ltd. and a director of Toromont Industries Limited. 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 also the President and Chief Executive Officer and a member of the Board of Directors of Canadian Hunter Exploration Ltd. Education: Mr. Savidant holds a Bachelor of Mechanical Engineering degree and a Masters of Business Administration from McGill University.</p>						
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
	Board	10 of 10	100%	Enerflex Ltd. (TSX: EFX)	2011 – present		
	Audit	3 of 3	100%	ProspEx Resources Ltd.	2004 – 2011		
	Corporate Governance (Chair)	4 of 4	100%	Sobeys Inc.	2007 – present		
	Human Resources	6 of 6	100%	Toromont Industries Limited	2007–2011		
	Nominating (Chair)	5 of 5	100%				
	Securities Held						
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
	July 2012	2,000	1	15,720	17,721	\$ 991,313	Meets Share Ownership Guidelines
July 2011	2,000	1	13,380	15,381	848,724		

 <p>David F. Sobey Age 81 Nova Scotia, Canada Director Since: 1963 Non-Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Food/ Retail Marketing Real Estate</p>	<p>Current Activities: David F. Sobey is Chair Emeritus of Sobeys Inc. He is a member of the Advisory Board for the Sobey School of Business at Saint Mary's University, and an honorary director of the Atlantic Salmon Federation and the Royal Nova Scotia International Tattoo. Mr. Sobey has been a director of Sobeys Inc. since 1998 and of earlier Sobeys companies beginning in 1958. Mr. Sobey was appointed a member of the Order of Canada in November 1995. Past Activities: Mr. Sobey was Chief Executive Officer of Sobeys from 1982 until 1995. He became Chair of the Board in 1996 until his appointment as Chair Emeritus in 2001. He is former Chancellor of Saint Mary's University.</p>						
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
	Board	10 of 10	100%	Sobeys Inc.	1998 – present		
	Securities Held						
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
	July 2012	1,477,466	7,635,874 ^(B)	16,424	9,129,764	\$ 510,718,998	Meets Share Ownership Guidelines
	July 2011	1,477,466	7,635,874 ^(B)	14,741	9,128,081	503,687,510	

 <p>Donald R. Sobey Age 77 Nova Scotia, Canada Director Since: 1963 Non-Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Financial/Accounting Real Estate Investments</p>	<p>Current Activities: Donald R. Sobey is Chair Emeritus of Empire Company Limited. He is the founder of the D&R Sobey Scholarship Fund at Queen's University and currently a member of the Trilateral Commission. Mr. Sobey has been a director of Sobeys Inc. since 1998 and of earlier Sobeys companies beginning in 1993. Past Activities: Mr. Sobey 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 past Chairman of the National Gallery of Canada, past Chairman of Maritime Tel & Tel and past director of the World Wildlife Fund. Mr. Sobey previously served as a director of the following publicly traded companies: Toronto-Dominion Bank, Alliance Atlantis Communications Inc., High Liner Foods Limited and Trader Classified Media NV.</p>						
	Board and Committee Meeting Attendance				Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	Board	10 of 10	100%		Sobeys Inc.	1998 – present	
	Securities Held						
	Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
	July 2012	1,476,790 ⁽⁹⁾	7,629,652 ⁽⁹⁾	10,825	9,117,267	\$ 510,019,916	Meets Share Ownership Guidelines
July 2011	1,476,790 ⁽⁹⁾	7,629,652 ⁽⁹⁾	9,228	9,115,670	503,002,671		

 <p>Frank C. Sobey Age 59 Nova Scotia, Canada Director Since: 2007 Non-Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Governance Human Resources Real Estate</p>	<p>Current Activities: 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 as well as a Board member of the Canadian-US Fulbright Program. Mr. Sobey has served as a director of Sobeys Inc. since 2001. Past Activities: Mr. Sobey was previously a director of Wajax Limited. Education: Mr. Sobey holds an honorary degree from Dalhousie University and graduated from Harvard University Business School's Advanced Management Program.</p>						
	Board and Committee Meeting Attendance				Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	Board	9 of 10	90%		Crombie REIT (TSX: CRR.UN)	2006 – present	
	Oversight (Chair)	1 of 1	100%		Sobeys Inc.	2001 – present	
					Wajax Income Fund	1993 – 2010	
	Securities Held						
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status	
July 2012	452,534 ⁽¹⁰⁾	2,906,930 ⁽¹¹⁾	–	3,359,464	\$ 187,928,416	Meets Share Ownership Guidelines	
July 2011	452,534	2,906,930 ⁽¹¹⁾	–	3,359,464	185,375,224		

 <p>John R. Sobey Age 63 Nova Scotia, Canada Director Since: 1979 Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Financial/Accounting Food/Retail Marketing</p>	<p>Current Activities: John R. Sobey is a director of Medavie Inc. Mr. Sobey has served as a director of Sobeys Inc. since 1998. Past Activities: John R. Sobey was President and Chief Operating Officer of Sobeys Inc. until his retirement in 2001 after 34 years of service. Education: Mr. Sobey graduated from Harvard University Business School's Advanced Management Program.</p>					
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	Board	10 of 10	100%	Sobeys Inc. 1998 – present		
	Audit	5 of 5	100%			
	Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	47,503	19,078	–	66,581	\$ 3,724,541	Meets Share Ownership Guidelines
July 2011	47,503	19,078	–	66,581	3,673,940	

 <p>Karl R. Sobey Age 57 Nova Scotia, Canada Director Since: 2001 Non-Independent</p> <p>Key Areas of Expertise CEO/Senior Executive Food/Retail Governance Marketing</p>	<p>Current Activities: Karl R. Sobey is President of Caribou River Investments Limited and Jafa Investments Limited. He has served as a director of Sobeys Inc. since 2007. Past Activities: Mr. Sobey was President of the Atlantic Division of Sobeys Inc. until his retirement in 2001 after 27 years of service. Education: Mr. Sobey graduated from the Management Program at the Richard Ivey School of Business, University of Western Ontario.</p>					
	Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
	Board	10 of 10	100%	Sobeys Inc. 2007 – present		
	Corporate Governance	4 of 4	100%			
	Securities Held					
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	–	2,564,468 ⁽¹²⁾	–	2,564,468	\$ 143,456,340	Meets Share Ownership Guidelines
July 2011	–	2,564,468 ⁽¹²⁾	–	2,564,468	141,507,344	



Paul D. Sobey

Age 55
Nova Scotia,
Canada
Director Since:
1993

Non-Independent

**Key Areas
of Expertise**

CEO/Senior Executive
Financial/Accounting
Food/Retail
Investments

Current Activities: Paul D. Sobey has been President and Chief Executive Officer of Empire Company Limited since 1998. He has been with the Company since 1982. He is a director of the Bank of Nova Scotia, a trustee of Crombie REIT and a director of Sobeys Inc. since 1998. **Past Activities:** Mr. Sobey previously served as the Chairman of Wajax Limited, a director of Emera Inc. and a member of the Board of Governors of Saint Mary's University. **Education:** Mr. Sobey received a Bachelor of Commerce from Dalhousie University and graduated from Harvard University Business School's Advanced Management Program. Mr Sobey also received a Doctorate of Commerce from Saint Mary's University. Mr. Sobey is also a Fellow Chartered Accountant of Nova Scotia.

Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
Board	10 of 10	100%	Bank of Nova Scotia (TSX: BNS)	1999 – present		
			Emera (TSX: EMA)	2007–2011		
			Crombie REIT (TSX: CRR.UN)	2006 – present		
			Sobeys Inc.	1998 – present		
Securities Held						
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	204,065 ⁽¹⁰⁾	993,166 ⁽¹³⁾	–	1,197,231	\$ 66,973,102	Meets Share Ownership Guidelines
July 2011	204,065	993,166 ⁽¹³⁾	–	1,197,231	66,063,207	



Rob G.C. Sobey

Age 45
Nova Scotia,
Canada
Director Since:
1998

Non-Independent

**Key Areas
of Expertise**

CEO/Senior Executive
Food/Retail
Governance
Marketing

Current Activities: Rob G.C. Sobey has been President and Chief Executive Officer, Lawton's Drug Stores Limited since 2006. He has been with Sobeys since 1989. He is a director of DHX Media Ltd. and has served as a director of Sobeys Inc. since 2007. Mr. Sobey sits on the Queen's School of Business Advisory Board and the North American Acquisitions Committee of the Tate (UK) and is Honourary Colonel of the 1st Field Artillery Regiment RCA. **Past Activities:** Mr. Sobey previously served as Chairman of the Nova Scotia Community College, Chairman of the Art Gallery of Nova Scotia, Vice Chairman of the Nova Scotia College of Art and Design, and was a member of the Board of Trustees of Queen's University. **Education:** Mr. Sobey holds a Bachelor of Arts (Honours) from Queens University and an MBA from Babson Graduate School. Mr. Sobey earned the ICD.D designation in 2009.

Board and Committee Meeting Attendance			Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)			
Board	10 of 10	100%	DHX Media Ltd. (TSX: DHX)	2011 – present		
Oversight	1 of 1	100%	Sobeys Inc.	2007 – present		
Securities Held						
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	183,906 ⁽¹⁴⁾	993,166 ⁽¹⁴⁾	–	1,177,072	\$ 65,845,408	Meets Share Ownership Guidelines
July 2011	183,906 ⁽¹⁴⁾	993,166 ⁽¹⁴⁾	–	1,177,072	64,950,833	



Martine Turcotte
Age 51
Québec, Canada
Proposed Director
Independent

Key Areas of Expertise
CEO/Senior Executive
Financial/Accounting
Governance
Human Resources

Current Activities: Martine Turcotte is Vice Chair, Québec of BCE Inc. and Bell Canada. She is a director of Bell Aliant Inc. She also is on the Board of Trade of Metropolitan Montréal and the board of Sir Mortimer B. Davis – Jewish General Hospital. She is also a member of the Board of Governors of McGill University and the Chair of the Board of Théâtre Espace Go Inc. **Past Activities:** Ms. Turcotte previously was Executive Vice-President and Chief Legal & Regulatory Officer of BCE and Bell Canada. She first joined BCE in August 1988 as legal counsel and has held numerous positions in the BCE group with Bell Canada International Inc., BCE Media and Bell Canada. **Education:** Ms. Turcotte holds a Masters of Business Administration from the London Business School and Bachelors of Civil Law and Common Law from McGill University.

Board and Committee Meeting Attendance				Membership on Other Reporting Issuer Boards During the Last Five Years (Exchange: Symbol)		
n/a		n/a		Bell Aliant Inc. (TSX: BA)		2011 – present
Securities Held						
Year	NV Class A Shares	Class B Shares	DSUs	Total of Shares and DSUs	Total Value of Shares and DSUs (\$)	Share Ownership Status
July 2012	1,800	n/a	n/a	1,800	\$ 100,692	n/a
July 2011	n/a	n/a	n/a	n/a	n/a	

Notes:

- (1) Empire Committee Membership refers to those Committees on which an Empire director currently sits.
- (2) Securities held are reported as at July 9, 2012 for the current year and July 8, 2011 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 a 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 a director.
- (5) These shares are held of record by a director as a director's qualifying share under a Declaration of Trust for the benefit of Sumac Holdings Limited and are included in the total number of shares controlled by Sumac Holdings Limited as disclosed in note (9) below.
- (6) The Deferred Stock Unit Plan ("DSUP") is described in this Circular under the section entitled "Board of Directors' Compensation".
- (7) See section entitled "Directors' Share Ownership Requirements".
- (8) David F. Sobey has voting control over DFS Investments Limited. Of the 9,609,354 Class B common shares and 1,345,242 Non-Voting Class A shares owned of record by DFS Investments Limited, 7,623,030 Class B Common Shares and 1,345,242 Non-Voting Class A shares are controlled by David F. Sobey. The children of David F. Sobey exercise direction and control over the balance of 1,986,324 Class B common shares pursuant to an agreement among the shareholders of DFS Investments Limited. David F. Sobey also owns 6,026 Class B common shares and beneficially owns another 6,818 Class B common shares, other than through DFS Investments Limited. David F. Sobey also owns 30,024 Non-Voting Class A shares and beneficially owns another 102,200 Non-Voting Class A shares, other than through DFS Investments.
- (9) Donald R. Sobey has voting control over Sumac Holdings Limited. Of the 10,596,158 Class B common shares and 2,025,116 Non-Voting Class A shares owned of record by Sumac Holdings Limited, 7,629,652 Class B common shares and 1,474,390 Non-Voting Class A shares are controlled by Donald R. Sobey. The children of Donald R. Sobey exercise direction and control over 2,966,506 Class B common shares and 550,726 Non-Voting Class A shares pursuant to an agreement among the shareholders of Sumac Holdings Limited. Donald R. Sobey also owns 2,400 Non-Voting Class A shares other than through Sumac Holdings Limited.
- (10) In addition to their shareholdings, as at May 5, 2012, Frank C. Sobey owns 23,044 options, Paul D. Sobey owns 238,053 options and Bill McEwan owns 233,415 options, all of which were issued under Empire's LTIP. See the "Executive Compensation" section for more information regarding the options.
- (11) Includes 2,904,332 Class B common shares held by Dunvegan Holdings Limited over which Frank C. Sobey has control and direction pursuant to an agreement among the shareholders of Dunvegan Holdings Limited.
- (12) Includes 2,562,176 Class B common shares held by Dunvegan Holdings Limited over which Karl R. Sobey has control and direction pursuant to an agreement among the shareholders of Dunvegan Holdings Limited.
- (13) Paul D. Sobey exercises direction and control over 993,166 Class B common shares held by DFS Investments Limited pursuant to an agreement among the shareholders of DFS Investments Limited.
- (14) Rob G.C. Sobey exercises some direction and control over 993,166 Class B common shares and 183,906 Non-Voting Class A shares held by Sumac Holdings Limited pursuant to an agreement among the shareholders of Sumac Holdings Limited.

OTHER INFORMATION

David Leslie was a director of Canwest Global Communications Corp. up to January 14, 2009. On October 6, 2009, Canwest Global Communications Corp. sought and obtained an order commencing proceedings under Companies' Creditors Arrangement Act (Canada).

SHAREHOLDINGS OF CURRENT AND NOMINATED DIRECTORS

Of the current shares outstanding, directors own 11.5 percent of the Non-Voting Class A shares and 64.4 percent of the Class B shares.

SHAREHOLDINGS OF CURRENT AND NOMINATED DIRECTORS				
Shareholdings	July 9, 2012		July 8, 2011	
	Total (#)	Total Value ⁽¹⁾ (\$)	Total (#)	Total Value ⁽¹⁾ (\$)
Non-Voting Class A shares	3,886,814	\$ 217,428,375	3,916,629	\$ 216,119,588
Class B common shares	22,742,334	1,272,206,164	22,742,334	1,254,921,990
DSUs	120,092	6,717,946	113,473	6,261,440
Total value of Non-Voting Class A shares, Class B common shares and DSUs		\$ 1,496,352,485		\$ 1,477,303,018

Note:

(1) All values are based on the closing price of the Non-Voting Class A shares on the Toronto Stock Exchange (“TSX”) as at July 9, 2012 of \$55.94 (July 8, 2011 – \$55.18).

DIRECTOR INDEPENDENCE AND OTHER RELATIONSHIPS

The Board has a policy of having an independent, non-management Chair. At every Board meeting, the directors meet without management present and the independent directors meet in camera.

The Board is comprised of a majority of independent directors and will continue to be comprised of a majority of independent directors if all of the proposed nominees for election are elected at the Meeting. 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 determining the independence status of each director and proposed director, and for disclosing annually whether the Board has a majority of independent directors. The Board has adopted independence standards to assist with the independence determination. The independence standards fall within the meaning of the guidelines adopted by Canadian securities regulators in National Instrument 58-101, “Disclosure of Corporate Governance Practices” and Multilateral Instrument 52-110, “Audit Committees”.

Current directors and proposed directors must fully disclose their relationships with the Company and provide other pertinent information on an annual basis. The Board reviews such relationships to identify any impact on director independence having regard to the criteria in the independence standards and whether any relationships between a director and the Company could reasonably be expected to interfere with the exercise of the director’s independent judgment.

The Board has determined that Paul D. Sobey, Marc Poulin, Frank C. Sobey, Rob G.C. Sobey, David F. Sobey, Donald R. Sobey and Karl R. Sobey are not independent. Paul D. Sobey is the President and CEO of Empire Company Limited, Marc Poulin is the President and CEO of Empire’s wholly-owned subsidiary, Sobeys Inc. (“Sobeys”), Frank C. Sobey is Vice President, Real Estate for Empire and Rob G.C. Sobey is President and CEO of Lawton’s Drug Stores Limited (an operating division of Sobeys) and as such are considered not to be independent. David F. Sobey is the Chair Emeritus of Sobeys and the father of Paul D. Sobey. Donald R. Sobey is the Chair Emeritus of the Company and the father of Rob G.C. Sobey. Karl R. Sobey is the brother of Frank C. Sobey. They are also considered not to be independent.

The Board has determined that David S. Ferguson, David A. Leslie, Malen Ng, Mel Rhineland, Stephen J. Savidant and proposed new directors Bonnie Brooks and Martine Turcotte have no relationships with the Company (other than as directors) and are therefore considered to be independent.

Edward C. Harsant, in his capacity as a director of Empire, serves as Chair of the Advisory Board of Lawton's Drug Stores Limited (an operating division of Sobeys) and received in fiscal 2012, compensation of \$33,000 in this regard. Mr. Harsant was appointed to this position because he is an independent director and the Board considers him to retain his independence notwithstanding this appointment.

Marcel Côté is a founding partner of Secor Inc., which provides consulting services to Sobeys and to some of its retail affiliates. Mr. Côté is not involved in the business relationship between Secor and Sobeys or in the provision of the consulting services. His remuneration from Secor is not connected in any way with the Sobeys relationship and the services provided to Sobeys are not material to Secor. The Board considers Mr. Côté to be independent.

John R. Sobey is not an immediate family member to any member of the Board or senior management (he is a first cousin to David F. Sobey and Donald R. Sobey and consequently a first cousin once removed to Paul D. Sobey, Frank C. Sobey and Rob G.C. Sobey) and retired from his management position at Sobeys in 2001. The Board considers Mr. Sobey to be independent.

Robert P. Dexter's primary occupation is Chair and CEO of Maritime Travel Inc. He is also counsel to a law firm that provides legal services to Empire and its subsidiaries; however, he does not practice law nor is he involved in the provision of legal services to Empire or any of its subsidiaries. He receives an honorarium, unrelated to services provided to the Company, from the law firm. The Board considers Mr. Dexter to be independent.

The following table illustrates the Board's view on the independence of each current and proposed director.

TABLE OF CURRENT AND PROPOSED DIRECTORS' RELATIONSHIPS TO THE COMPANY			
Director	Independent	Non-Independent	Reason for Non-Independent Status
Bonnie Brooks ⁽¹⁾	✓		
Marcel Côté	✓		
Robert P. Dexter	✓		
David S. Ferguson	✓		
Edward C. Harsant	✓		
David A. Leslie	✓		
Marc Poulin ⁽²⁾		✓	President and CEO, Sobeys
Malen Ng ⁽³⁾	✓		
Mel Rhineland	✓		
Stephen J. Savidant	✓		
David F. Sobey		✓	Paul D. Sobey's father and Chair Emeritus of Sobeys
Donald R. Sobey		✓	Rob G.C. Sobey's father and Chair Emeritus of Empire
Frank C. Sobey		✓	VP Real Estate of Empire
John R. Sobey	✓		
Karl R. Sobey		✓	Frank C. Sobey's brother
Paul D. Sobey		✓	President and CEO, Empire
Rob G.C. Sobey		✓	President and CEO, Lawton's Drug Stores Limited
Martine Turcotte ⁽¹⁾	✓		

Notes:

(1) Proposed director.

(2) Marc Poulin was appointed President and CEO, Sobeys Inc. effective June 29, 2012.

(3) Malen Ng will retire from the Board at the September 13, 2012 Annual General Meeting.

INTERLOCKING DIRECTORSHIPS

The Board is of the view that none of the interlocking public board directorships summarized in the following tables adversely impact the effectiveness of the directors.

INTERLOCKING PUBLIC BOARD DIRECTORSHIPS		
Company	Director	Board Committee Role
Assisted Living Concepts, Inc.	Malen Ng	Audit Committee (Chair)
	Mel Rhineland	Executive Committee
Bell Aliant Inc.	Robert P. Dexter	Audit Committee, Governance Committee (Chair), Management Resources and Compensation Committee
	Martine Turcotte	Pension Committee

The Board is of the view that it is prudent to have representation on the boards of Empire's equity accounted investments in order to provide counsel to management. The following directors serve as Trustees of Crombie REIT which is the only publicly traded equity accounted investment of the Company.

Company	Director	Trustee Role
Crombie REIT (Empire owns a 44.3% interest)	David A. Leslie	Audit Committee (Chair) and Investment Committee
	Frank C. Sobey	Chairman
	Paul D. Sobey	Human Resources Committee

BOARD AND COMMITTEE ENGAGEMENT

COMMITTEE MEMBERSHIP

The following table summarizes the Committee membership of the Board as of the fiscal year end May 5, 2012.

COMMITTEE MEMBERSHIP					
Director	Audit Committee	Corporate Governance Committee	Human Resources Committee	Nominating Committee	Oversight Committee
Marcel Côté		✓	✓	✓	
Robert P. Dexter ⁽¹⁾					
David S. Ferguson			✓		✓
Edward C. Harsant	✓	✓		✓	
David A. Leslie	✓				✓
Bill McEwan ⁽²⁾					
Malen Ng	Chair				✓
Mel Rhineland		✓	Chair	✓	
Stephen J. Savidant		Chair	✓	Chair	
David F. Sobey					
Donald R. Sobey					
Frank C. Sobey ⁽⁴⁾	Informal				Chair
John R. Sobey	✓				
Karl R. Sobey ⁽⁴⁾		✓	Informal		
Paul D. Sobey ⁽³⁾					
Rob C.G. Sobey ⁽⁴⁾		Informal		Informal	✓

Notes:

- (1) Robert P. Dexter, as Chair of the Board, is not a member of any of the committees; however, he attended committee meetings in a non-voting capacity.
- (2) Bill McEwan is not a member of any of the committees; however, as President and CEO of Sobeys, he attended committee meetings in a non-voting capacity, at the invitation of the committee chairs.
- (3) Paul D. Sobey is not a member of any of the committees; however, as President and CEO, he attended committee meetings in a non-voting capacity, at the invitation of the committee chairs.
- (4) The Board believes it is important for the controlling shareholders to have involvement in all Board committees and therefore has designated Frank C. Sobey, Karl R. Sobey and Rob C.G. Sobey as informal members of committees as noted in the table above. Informal members are provided with all committee material and invited to attend and participate actively in all meetings of the committee to which they are assigned, but do not have a vote.

SUMMARY OF BOARD AND COMMITTEE MEETINGS HELD

A total of ten Board meetings were held during the year: four regular quarterly meetings, a two-day strategy session (treated as two meetings), a budget meeting and three additional meetings concerning the Sobeys CEO transition. The independent directors who are not members of the HR Committee also met separately with the Chair of the HR Committee and Chair of the Board concerning the CEO transition. The committees met in association with each regular quarterly Board meeting and held additional meetings during the year as needed.

BOARD AND COMMITTEE MEETING SUMMARY			
	Regular	Special	Total
Board	7	3	10
Audit Committee	4	1	5
Corporate Governance Committee	4	0	4
Human Resources Committee	4	5	9
Nominating Committee	4	1	5
Oversight Committee	1	0	1

RECORD OF ATTENDANCE

The following table summarizes the meetings of the Board and its committees held for the fiscal year ended May 5, 2012, and the attendance at such meetings of each director.

RECORD OF ATTENDANCE												
	Board		Audit Committee ⁽¹⁾		Corporate Governance Committee		Human Resources Committee		Nominating Committee		Oversight Committee	Total
Marcel Côté	10 of 10	100%			4 of 4	100%	9 of 9	100%	5 of 5	100%		100%
Christine Cross ⁽²⁾	2 of 3	67%					1 of 3	33%				50%
Robert P. Dexter ⁽³⁾	10 of 10	100%										100%
David S. Ferguson	10 of 10	100%					9 of 9	100%			1 of 1	100%
Edward C. Harsant	9 of 10	90%	5 of 5	100%	4 of 4	100%			5 of 5	100%		96%
David A. Leslie	9 of 10	90%	4 of 5	80%							0 of 1	0%
Bill McEwan ⁽⁴⁾	10 of 10	100%										100%
Malen Ng ⁽⁵⁾	10 of 10	100%	5 of 5	100%							1 of 1	100%
Mel Rhinelander	10 of 10	100%			4 of 4	100%	9 of 9	100%	5 of 5	100%		100%
Stephen J. Savidant ⁽⁶⁾	10 of 10	100%	3 of 3	100%	4 of 4	100%	6 of 6	100%	5 of 5	100%		100%
David F. Sobey	10 of 10	100%										100%
Donald R. Sobey	10 of 10	100%										100%
Frank C. Sobey	9 of 10	90%									1 of 1	100%
John R. Sobey	10 of 10	100%	5 of 5	100%								100%
Karl R. Sobey	10 of 10	100%			4 of 4	100%						100%
Paul D. Sobey ⁽⁷⁾	10 of 10	100%										100%
Rob G.C. Sobey	10 of 10	100%									1 of 1	100%

Notes:

- (1) For additional information related to the Company's Audit Committee, as required to be disclosed pursuant to National Instrument 52-110, "Audit Committees", see the Company's Annual Information Form for the year ended May 5, 2012, under the heading "Audit Committee Information".
- (2) Christine Cross retired from the Board at the September 14, 2011, Annual General Meeting.
- (3) Robert P. Dexter, as Chair of the Board, is not a member of any of the committees; however, he attended committee meetings in a non-voting capacity.
- (4) Bill McEwan is not a member of any of the committees; however, as President and CEO of Sobey's, he attended committee meetings in a non-voting capacity, at the invitation of the committee chairs.
- (5) Malen Ng will retire from the Board at the September 13, 2012, Annual General Meeting.
- (6) Stephen J. Savidant was a member of the Audit Committee until the annual review of committee membership in September, 2011, when he agreed to move from the Audit Committee to the Human Resources Committee.
- (7) Paul D. Sobey is not a member of any of the committees; however, as President and CEO, he attended committee meetings in a non-voting capacity, at the invitation of the committee chairs.

BOARD OF DIRECTORS' ASSESSMENT

The Corporate Governance Committee is responsible for regular assessment of the effectiveness and contribution of the Board, its Committees and individual directors. The following table summarizes the elements of evaluation.

ELEMENTS OF BOARD EVALUATION		
Evaluation	Purpose	Reported to
Board of Directors' Survey	<ul style="list-style-type: none"> • Assess the Board of Directors' effectiveness • Audit Committee self-assessment • All directors assess all committees • Directors also assess the committee members for the committees on which they sat • Management performance assessment including CEOs 	Corporate Governance Committee and the Board of Directors
Director one-on-one interviews with the Board Chair and/or Chair of the Corporate Governance Committee with pre-set questions.	<ul style="list-style-type: none"> • Board review • Director peer review • Committee Chair review • Self-evaluation • Management performance assessment including CEOs 	Corporate Governance Committee and the Board of Directors, as well as the CEO of Empire and Sobeys, as appropriate
Chair of the Corporate Governance Committee interviews each director on the performance of the Board Chair.	<ul style="list-style-type: none"> • Chair performance assessment 	Corporate Governance Committee and the Board of Directors

Each director completes a detailed confidential Board of Directors survey regarding his or her views on the effectiveness of the Board and its committees. The survey provides for quantitative responses in key areas as well as the option to provide subjective comments. The survey also provides the opportunity for directors to comment on the quality and completeness of information provided by management. An outside consultant is engaged to administer the survey and compile the results into a report to ensure confidentiality. Once the final report is completed, it is reviewed in detail by the Corporate Governance Committee and an action plan is developed to address issues disclosed in the report. The Board is provided with an executive report summarizing the aggregate results of the survey, including a comparison to the survey results from previous years.

To get a clear understanding of the feedback obtained through the Board of Directors survey, the Chair of the Board and the Chair of the Corporate Governance Committee conduct one-on-one interviews with each director using a jointly developed set of interview questions. These interviews afford each director the opportunity to comment on the performance of the Board, the other directors and the committees and committee chairs, his or her own performance, and the performance of management. The Chair of the Corporate Governance Committee also canvasses each director concerning the performance of the Board Chair.

The results are reviewed by the Corporate Governance Committee and reported to the Board. Any issues identified during the process are addressed by the Board Chair and/or the Chair of the Corporate Governance Committee. The Board Chair and the Chair of the Corporate Governance Committee provide the CEOs of Empire and Sobeys with relevant feedback and discuss any comments the CEOs may have.

Overall Results of the Board Survey and Assessment Process

After reviewing the results of the fiscal 2012 Board survey and assessment process, the directors have concluded that the Board continues to function effectively and efficiently, with appropriate oversight for risk management and strategic planning. The results of the Board of Directors survey indicated satisfaction with the overall performance of the Board, the information distributed to directors, the structure, mandate and performance of committees, the meetings themselves and the level of commitment and engagement of directors. The leadership of the Board Chair and the Chair of the Audit Committee were particularly valued by the directors.

RISK MANAGEMENT

The Board of Directors has 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 reviews and approves risk management policies as recommended by management, receives reports from management on the risk profile of the Company, risk mitigation activities and accepted risk thresholds and provides direction with respect to improvements to risk mitigation or changes to risk threshold. The Audit Committee reports its conclusions and recommendations to the Board on a regular basis.

The Enterprise Risk Management (“**ERM**”) program has been firmly established within the Company; ERM continues to be a key pillar of our governance, risk and control foundation and culture. The primary purpose of ERM is to enable intelligent and systematic risk management across the companies in order to achieve and sustain superior business performance. To that end, ERM is and will continue to be a dynamic, iterative and ongoing process in alignment with, and in support of, our strategic priorities and objectives.

Enterprise-wide risks generally fall into three broad categories:

- (1) Regulatory, Legal and Compliance Risks;
- (2) Operational Risks; and
- (3) Business and Strategic Risks.

Regulatory, Legal and Compliance Risks

A robust process is in place to systematically address the management, reporting, oversight and governance with respect to these types of risks, which include:

- CEO/CFO certification of internal controls over financial reporting;
- Environmental and litigation;
- Food safety; and
- Occupational health & safety.

Operational Risks

These risks arise from the day-to-day execution of the strategy and from decisions that management has to make on a regular basis to ensure that they can deliver their financial performance targets; such risks are managed, on an ongoing basis, by business operations and functional management. Senior management oversees and monitors these operational risks through a systematic internal governance process that includes:

- Quarterly operational reviews of our business units;
- Network destination processes;
- The annual business and capital plan;
- Forecasting processes; and
- The monitoring of key performance indicators.

As part of effective governance, senior management reviews and discusses operational performance and risks with the Audit Committee and the Board at the quarterly Audit Committee and Board meetings. The Board continues to provide ongoing oversight, directly and through its committees, over large investments and initiatives.

Business and Strategic Risks

These risks are closely linked with company strategy and the external marketplace, as well as the political, economic and social environment, and can have a significant impact on business performance. Examples of such risks include:

- Access to capital;
- Competitive landscape;
- Reputation; and
- Human capital.

Since launching the ERM process, the Company has increased the discipline and rigour in identifying, assessing, managing and reporting on the business and strategic risks through the ongoing ERM process. Inherently, the key business and strategic risks have been, and continue to be, embedded in the business and strategy discussions at the Board and/or Board committee meetings. To fully leverage the benefits of the ERM process, both companies continue to develop a clear and systematic link between the risks and the business strategy. To this end, the senior leadership of both Empire and Sobeys conducts, annually, a comprehensive assessment of the companies' effectiveness in managing existing/known business and strategic risks, and also an identification and discussion of emerging risks.

ETHICAL BUSINESS CONDUCT

The Board has adopted a written Code of Business Conduct and Ethics covering all employees and directors of Empire Company Limited; it is available on the Company's website, www.empireco.ca. Sobeys Inc. has adopted a similar Code, which is available on its website, www.sobeyscorporate.com.

Both companies have established confidential, anonymous reporting mechanisms described in the Codes referred to above, including telephone, online and mail avenues of communication to an independent third party. These mechanisms are publicized through posters in workplaces across the country. All reports received by the third party are automatically transmitted to senior executives in the internal audit and (in the case of Sobeys) legal functions for confidential investigation and any necessary action. A quarterly report of all such reports and investigations is provided to the Audit Committee but any matters of a serious nature would be reported more frequently.

BOARD OF DIRECTORS' COMPENSATION

Directors' Fees

During fiscal 2012, 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:

DIRECTORS' FEES PAID ⁽¹⁾		
	2012	2011
Directors' Retainer	\$ 70,000	\$ 55,000
Chair of the Board's Retainer ⁽²⁾	\$ 220,000	\$ 220,000
Meeting Fee		
• Board	\$ 2,000	\$ 2,000
• Committee ⁽³⁾	\$ 2,000	\$ 2,000
• Telephone (Board or Committee)	\$ 1,250	\$ 1,250
Committee Chairs' Retainer		
• Audit	\$ 25,000	\$ 15,000
• Human Resources	\$ 25,000	\$ 15,000
• Other Committees ⁽³⁾	\$ 10,000	\$ 10,000
Committee Members' Retainer		
• Audit	\$ 5,000	\$ 5,000
• Other Committees ⁽³⁾	\$ 3,000	\$ 3,000

Notes:

(1) The 2012 fees were approved at the Annual General Meeting in September 2011, and are applicable as of the September 2011 Board meeting. Any meetings occurring after May 7, 2011 (Empire's fiscal year-end) but prior to the September 2011 Board meeting were paid using the 2011 approved fees as listed above. Directors who live outside Canada were paid their fees in U.S. dollars.

(2) The Chair of the Board does not receive meeting fees.

(3) Committee members who serve on both the Corporate Governance and Nominating Committees are paid one retainer covering both committees. One meeting fee is paid for the regular quarterly meetings of the committees, and separate meeting fees are paid for any additional meetings of either committee.

Director Compensation Review

The Board of Directors' compensation is designed to attract and retain committed and qualified directors to serve on the Board. The director compensation package consists of an annual retainer and meeting fees payable in cash and/or equity-based awards in the form of DSUs.

The Corporate Governance Committee annually reviews the current director compensation and recommends adjustments to the Board, which in turn recommends director compensation to shareholders for approval at the Annual General Meeting.

The Corporate Governance Committee's 2012 review gave primary consideration to director compensation paid by companies in the comparator group of Canadian publicly traded retail companies identified below and secondary consideration to published survey data on director compensation paid by other Canadian public companies.

COMPARATOR GROUP	
Alimentation Couche-Tard Inc.	RONA Inc.
Canadian Tire Corporation Limited	Sears Canada
George Weston Limited	Shoppers Drug Mart Corporation
Loblaw Companies Limited	The Jean Coutu Group (PJC) Inc.
Metro Inc.	Tim Hortons
North West Company	

Based on its review, the Corporate Governance Committee recommended to the Board an increase to each of the Board Chair retainer and the director retainer in order to remain competitive with the Company's peers. Subject to approval at the Annual General Meeting, the annual retainer for the Board Chair will increase from \$220,000 to \$275,000 and the annual director retainer will increase from \$70,000 to \$80,000. The committee chair and committee member retainers will remain unchanged, as will the meeting fees.

Directors' Deferred Stock Unit Plan

Since fiscal 2001, the Company has maintained a DSUP for its directors resident in Canada. Directors in the United States were added in March 2008 and effective January 1, 2011, the Company had a DSUP available to all directors regardless of place of residence. Under the DSUP, directors may elect to receive all or any portion of their fees in deferred stock units 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 a 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 its DSU obligation at the current market value of a share and records any increase in the DSU obligation as an operating expense.

Directors' Share Ownership Requirements

In order to align the interest of directors with those of the Company's shareholders, 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 the directors of the Company. Effective January 1, 2011, the Board established a requirement that all directors must take a minimum of 50 percent of their total fees in DSUs until this threshold is achieved and at any time their ownership declines below the threshold.

As of July 20, 2012, based on the current annual director retainer of \$70,000, the share ownership guidelines require minimum holdings of \$280,000 in any combination of Non-Voting Class A shares, Class B common shares and DSUs.

Compensation Paid in Fiscal 2012

The following table details the remuneration paid to the directors during the fiscal year ended May 5, 2012.

REMUNERATION OF EMPIRE DIRECTORS ⁽¹⁾							
Director	Board Retainer	Committee Retainer	Board Meeting Fees	Committee Meeting Fees	Total	% of Total Fees Allocated to DSUs	
Marcel Côté	\$ 66,250	\$ 6,000	\$ 17,750	\$ 24,250	\$ 114,250	100%	
Christine Cross ⁽²⁾	31,250	3,000	3,250	2,000	39,500	50%	
Robert P. Dexter	220,000				220,000	50%	
David S. Ferguson	66,250	6,000	17,750	17,000	107,000	50%	
Edward C. Harsant ⁽³⁾	66,250	8,000	17,750	19,250	111,250	50%	
David A. Leslie	66,250	8,000	17,750	8,000	100,000	100%	
Bill McEwan ⁽⁴⁾					-		
Malen Ng	66,250	25,500	19,000	12,000	122,750	100%	
Mel Rhinelander	66,250	25,500	19,000	24,250	135,000	0%	
Stephen J. Savidant	66,250	14,000	17,750	25,000	123,000	100%	
David F. Sobey	66,250		17,750		84,000	100%	
Donald R. Sobey	66,250		17,750		84,000	100%	
Frank C. Sobey ⁽⁴⁾					-		
John R. Sobey	66,250	5,000	17,750	10,000	99,000	0%	
Karl R. Sobey	66,250	3,000	16,500	8,000	93,750	0%	
Paul D. Sobey ⁽⁴⁾					-		
Rob G.C. Sobey ⁽⁴⁾					-		
Total Remuneration Paid	\$ 980,000	\$ 104,000	\$ 199,750	\$ 149,750	\$ 1,433,500		

Notes:

- (1) Remuneration refers to the compensation paid to the directors during the fiscal year ended May 5, 2012, paid either in cash or DSUs. Directors who live outside of Canada were paid their fees in U.S. dollars.
- (2) Effective January 1, 2011, as a result of amendments to the DSUP, Christine Cross began to take 50 percent of her fees in DSUs. Christine Cross retired from the Board in September 2011 and has redeemed all her DSUs.
- (3) Edward C. Harsant is Chair of the Advisory Board of Lawton's Drug Stores Limited (an operating division of Sobeys) and received additional cash compensation during fiscal 2012 of \$33,000.
- (4) In accordance with Empire policy, employees of Empire and Sobeys who serve as directors are not entitled to receive compensation for so doing. Compensation paid to Paul D. Sobey and Bill McEwan in an executive capacity is disclosed on page 49 in the Summary Compensation Table for Named Executive Officers. Compensation paid to Frank C. Sobey and Rob G.C. Sobey in an executive capacity during fiscal 2012 is disclosed in the following table.

Name & Principal Position	Fiscal Year	Salary (\$)	Share-Based Awards (Empire) ⁽¹⁾ (\$)	Option-Based Awards (Empire) ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation			All Other Compensation ⁽⁵⁾ (\$)	Total Compensation (\$)
					LTIP Payout ⁽³⁾ (\$)	Annual Incentive Plan (\$)	Pension Value ⁽⁴⁾ (\$)		
Frank C. Sobey	2012	\$ 214,317	\$ 32,190	\$ 32,190	n/a	\$ 144,855	\$ 19,000	\$ 2,549	\$ 445,101
VP Real Estate, Empire	2011	214,451	n/a	62,469	n/a	134,385	21,000	2,531	434,836
	2010	202,064	n/a	59,100	n/a	135,675	11,000	2,987	410,826
Rob G.C. Sobey	2012	\$ 270,244	n/a	n/a	\$ -	\$ 157,259	\$ 19,764	\$ 468	\$ 447,735
President & CEO,	2011	270,274	n/a	n/a	358,688	148,496	23,770	446	801,674
Lawton's Drug Stores Limited	2010	264,445	n/a	n/a	-	123,039	18,365	464	406,313

Notes:

- (1) Frank C. Sobey participates in the MTIP, which is more fully described on page 39 of this Circular. The numbers in this column represent the compensation value of the PSUs granted under the MTIP. In fiscal 2012, Mr. Sobey was awarded 592 PSUs at an award price of \$54.40, further described in the tables below.
- (2) Frank C. Sobey participates in the Stock Option Plan, which is more fully described on page 41 of this Circular. The numbers in this column represent the compensation value of stock options granted under the Stock Option Plan, further described in the tables below. For accounting purposes, using the Black-Scholes Option Pricing Model, the awards to Mr. Sobey were valued as follows: In fiscal 2012 – \$23,102, in fiscal 2011 – \$48,252, in fiscal 2010 – \$49,378, in fiscal 2009 – \$54,645 and in fiscal 2008 – \$31,675.
- (3) Beginning in fiscal 2009, Rob G.C. Sobey participated in a cash-only Long Term Incentive Plan based on certain operating performance measures of Lawton's Drug Stores Limited. This plan did not contemplate any payout until the end of the third year. The award in this column for fiscal 2011 is the award at the end of the third year based on the achievement of targets. Effective in fiscal 2012, Mr. Sobey began to participate in the Sobey's Phantom Performance Option Plan. Per the terms of his initial grant, there is no cash payout for fiscal 2012.
- (4) For Frank C. Sobey, who participates in the Company's Supplemental Executive Retirement Plan which is described on page 45 of this Circular, the Pension Value is the compensatory change for the applicable fiscal year which includes the annual employer service cost, which represents the value of the projected pension benefit earned during the year, and the impact related to the difference between actual and expected salary increases during the applicable fiscal year. For Rob G.C. Sobey, the Pension Value is the amount of the Sobey's contribution to the defined contribution plans.
- (5) All Other Compensation represents premiums paid in respect of the group life and accidental death and dismemberment insurance of the employee. For Frank C. Sobey, All Other Compensation also includes the aggregate of imputed interest on interest-free loans provided by the Company to him in connection with the purchase of Non-Voting Class A Shares under the Employee Share Purchase Plan. The value of perquisites did not exceed \$50,000 in aggregate or 10 percent or more of Mr. Sobey's annual salary, and is therefore not included in this column.

Name	Fiscal Year of Grant	Option-Based Awards			Share-Based Awards			
		Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised in-the-money Options as of July 9, 2012 (\$) ⁽¹⁾	Number of Units of Shares that have Not Vested (#)	Market or Payout Value of Share-Based Awards that have Not Vested ⁽²⁾	Market or Payout Value of Vested Share-Based Awards Not Paid out or Distributed (\$)
Frank C. Sobey	2012	2,367	\$ 54.40	June 2019	\$ 3,645	592	\$ 33,116	\$ -
	2011	4,806	51.99	June 2018	15,331	n/a	n/a	n/a
	2010	5,135	46.04	June 2017	50,837	n/a	n/a	n/a
	2009	5,604	40.26	June 2016	87,871	n/a	n/a	n/a
	2008	5,132	43.96	June 2015	61,481	n/a	n/a	n/a

Notes:

- (1) Based on the closing Non-Voting Class A share price on July 9, 2012 of \$55.94.
- (2) The number in this column represents the calculation assuming 100% of target performance measures will be achieved. Actual payout ranges from 0% to 200%.

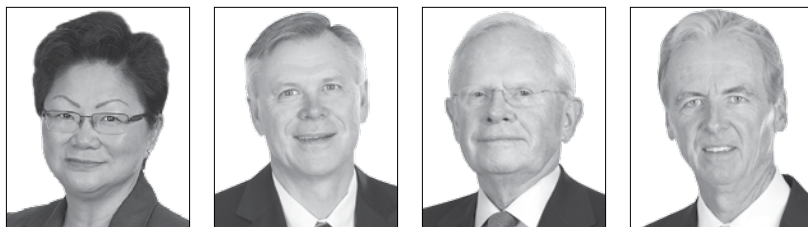
Name	Option-Based Awards – Value Vested During the Year ⁽¹⁾ (\$)	Share-Based Awards – Value Vested During the Year ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ⁽³⁾ (\$)
Frank C. Sobey	\$ 39,421	\$ -	\$ 144,855

Notes:

- (1) Based on the closing Non-Voting Class A share price on July 9, 2012 of \$55.94. The number in this column represents the dollar value associated with the percentage of each of the fiscal 2009, 2010, 2011 and 2012 option grants that vested during fiscal 2012.
- (2) Represents the value of PSUs granted through the MTIP. PSUs will only vest at the end of the three-year period.
- (3) Represents the AMIP payment.

AUDIT COMMITTEE REPORT

Current Members:



Malen Ng (Chair)

Edward C. Harsant

David A. Leslie

John R. Sobey

The Audit Committee mandate is available on the Company's website at www.empireco.ca in the Governance section. All members of the Committee are financially literate and independent. Additional information about the Audit Committee can be found in the Empire Annual Information Form for the fiscal year ending May 5, 2012. The Audit Committee met five times during fiscal 2012 (four regular meetings and one special International Financial Reporting Standards ("IFRS") meeting).

The Audit Committee is responsible to the Board for the policies and practices relating to the integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information and compliance with policies and laws. The Committee is also responsible for ensuring that principal risks of the business are identified and appropriate risk management techniques are in place.

In fiscal 2012 the Audit Committee, in accordance with its mandate, undertook the following:

Financial Management and Reporting:

- Reviewed and recommended to the Board approval of the Company's interim and annual financial statements, MD&A, dividend payments and quarterly financial and material press releases.
- Reviewed the financially related disclosures contained in the Annual Report and Annual Information Form.
- Monitored the disclosure controls and procedures and the design of internal controls on financial reporting.
- Reviewed the Corporate Disclosure Policy, the Disclosure Committee mandate and the minutes of the quarterly Disclosure Committee meetings.
- Ensured the effective operation of a system for the appropriate receipt and review of any complaints regarding accounting, internal accounting controls, or auditing matters, including the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Reviewed the status and adequacy of the Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible way, and recommended to the Board, for approval, policy changes and program initiatives considered advisable.

External Auditors:

- Ensured that the external auditors is in good standing with the Canadian Public Accountability Board and that the lead partner and other partners fulfil the rotation requirements.
- Reviewed and confirmed that the relationship between the external auditors and Company management is independent.
- Reviewed the annual audit plan from the external auditors.
- Recommended to the Board the appointment of the external auditors.
- Recommended to the Board the compensation of the external auditors.
- Pre-approved all non-audit services by the Company's external auditors where appropriate.
- Reviewed, with the external auditors and management, all major accounting policies and practices adopted or proposed, significant risks and uncertainties, and key estimates and judgements.
- Reviewed and monitored the impact of the IFRS implementation process, including any significant changes as a result of the transition to IFRS.
- Reviewed the quarterly and annual audit reports with the external auditors.

Grant Thornton LLP and its predecessors have served as Empire's auditors for more than 50 years. The table below shows the fees charged by Grant Thornton LLP to the Company and its subsidiaries for the fiscal years ended May 5, 2012 and May 7, 2011, respectively:

	AUDITORS' FEES FOR EMPIRE COMPANY LIMITED AND ITS SUBSIDIARIES	
	Fiscal Year Ended	
	May 5, 2012	May 7, 2011
Audit Fees	\$ 2,202,055	\$ 2,428,775
Audit Related Fees	512,664	739,778
Tax Fees	357,720	317,050
Other Fees	31,444	57,219
Total Fees	\$ 3,103,883	\$ 3,542,822

Audit fees include fees for the audit of the annual consolidated financial statements, audits of other required financial statements, and reviews of quarterly interim financial statements.

Audit related fees are for services including consultations on accounting and disclosure matters, conversion to IFRS, internal control certification, French translation and assistance with CEO/CFO certification.

Tax fees include tax planning and project based assignments related to regulatory compliance.

Other fees for the year ended May 5, 2012 include Canadian Public Accountability Board fees as well as other services provided by Grant Thornton LLP for project based assignments that are not audit or audit related.

The Audit Committee monitors and reviews the independence of the auditors on an ongoing basis. A policy that requires the pre-approval of engagements for services of the external auditors has been implemented and, during the pre-approval process, it is considered whether the nature and extent of these services is compatible with maintaining the independence of the external auditors. It has been concluded that the independence of Grant Thornton LLP has not been not compromised by the services provided.

Internal Audit:

- Reviewed and approved the Internal Audit Charter and Annual Plan.
- Reviewed quarterly reports from, and met in camera with, the Chief Auditor.
- Ensured that the Internal Audit function is independent of management and has sufficient resources to carry out its mandate.

Risk Management:

- Reviewed the adequacy and quality of the insurance coverage maintained by the Company.
- Reviewed quarterly Enterprise Risk Management reports as a part of monitoring the principal risks of the business to ensure appropriate risk management techniques are in place. For more information on risk management please see page 24 of this Circular.
- Reviewed the quarterly Environmental Report, the Litigation Report and the Hedge Report.
- Received quarterly food safety reports.
- Reviewed the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith, and received reports from management, legal counsel and other third parties as determined by the Committee on such matters, as well as major legislative and regulatory developments which could impact the Company's contingent liabilities and risks.

Administration:

- Reviewed its mandate and recommended any changes to the Corporate Governance Committee.
- Completed a self-assessment survey and reviewed the Committee's financial literacy and independence.

This report is submitted by the members of the Audit Committee: Malen Ng (Chair), Edward C. Harsant, David A. Leslie and John R. Sobey.

CORPORATE GOVERNANCE COMMITTEE REPORT

Current Members:



Stephen J. Savidant
(Chair)



Marcel Côté



Edward C. Harsant



Mel Rhinelander



Karl Sobey

The Corporate Governance Committee mandate is available on the Company's website at www.empireco.ca in the Governance section. The Corporate Governance Committee is responsible for overseeing and advising the Board on all matters relating to corporate governance.

In fiscal 2012 the Corporate Governance Committee, in accordance with its mandate, undertook the following:

- Following a review of data from other companies, recommended to the Board of Directors the compensation for directors including Board and committee chair compensation.
- Reviewed and advised the Board on the independence status of all directors.
- Reviewed and recommended the Management Information Circular to the Board for approval.
- Reviewed and approved the expenses of the CEOs of the Company and Sobey's incurred during the fiscal year.
- Conducted its annual review of corporate aircraft usage and related costs.
- Recommended to the Board the structure and composition of the Board's committees.
- Developed a model for the informal participation of representatives of the controlling shareholders on all Board committees.
- Reviewed, and as necessary recommended revisions to, the mandate of the Board and committees, and the position descriptions for the Board Chair and committee chairs.
- Approved the Board survey, reviewed the resulting report and addressed issues disclosed by the report.
- Undertook, through the Board Chair and Committee Chair, individual interviews with all directors concerning Board and individual director performance.
- Reviewed and considered the evaluations of the Company's corporate governance published by various external parties.
- Reviewed and made recommendations with respect to ongoing director education.
- Received and discussed governance regulatory and best practice updates.
- Approved a hedging policy.

This report is submitted by the members of the Corporate Governance Committee: Stephen J. Savidant (Chair), Marcel Côté, Edward C. Harsant, Mel Rhinelander and Karl Sobey.

NOMINATING COMMITTEE REPORT

Current Members:



Stephen J. Savidant (Chair) Marcel Côté Edward C. Harsant Mel Rhinelander

The Nominating Committee mandate is available on the Company's website at www.empireco.ca in the Governance section. All members of the Committee are independent directors. The Nominating Committee is responsible for fulfilling the Board's responsibilities relating to the composition of the Board and recruiting new directors.

In fiscal 2012 the Nominating Committee, in accordance with its mandate, undertook the following:

- Developed a comprehensive list of the skills and experience desirable to have on the Board.
- Identified the need for additional independent directors and developed criteria for recruiting and selecting new directors.
- With the assistance of a consulting firm, engaged in (and successfully concluded in early fiscal 2013) a search for two independent directors consistent with the previously agreed criteria.

This report is submitted by the members of the Nominating Committee: Stephen J. Savidant (Chair), Marcel Côté, Edward C. Harsant and Mel Rhinelander.

OVERSIGHT COMMITTEE REPORT

Current Members:



Frank C. Sobey (Chair) David S. Ferguson David A. Leslie Malen Ng Rob C.G. Sobey

The Oversight Committee mandate is available on the Company's website at www.empireco.ca in the Governance section. The Oversight Committee is responsible for oversight of all matters related to business process optimization and information technology undertaken by the Company.

In fiscal 2012 the Oversight Committee, in accordance with its mandate, undertook the following:

- Monitored and reported to the Board on the progress and cost of significant projects such as the SAP conversion and the construction of the automated warehouse in Québec.
- Ensured that management implemented and maintained appropriate governance and risk management processes in respect of major information technology projects.
- Received reports from internal audit concerning its review and oversight of the risks associated with major projects.

This report is submitted by the members of the Oversight Committee. Frank C. Sobey (Chair), David S. Ferguson, David A. Leslie, Malen Ng and Rob C.G. Sobey.

HUMAN RESOURCES COMMITTEE REPORT

Current Members:



Mel Rhinelanders
(Chair)



Marcel Côté



David S. Ferguson



Steven J. Savidant

The Human Resource Committee mandate is available on the Company's website at www.empireco.ca in the Governance section. All members of the Committee are independent.

The Human Resources Committee assists the Board in its oversight role with respect to:

- The Company's human resources strategy, policies and programs (inclusive of occupational health and safety).
- Strategic matters relating to the proper utilization of human resources within the Company, with special focus on management succession, development and compensation (inclusive of compensation risk).

In fiscal 2012 the Human Resources Committee, in accordance with its mandate, undertook the following:

- Reviewed and recommended for Board approval overall Company policies in respect of senior and executive management's compensation of Empire Company Limited and its subsidiaries.
- Monitored, reviewed and provided guidance in respect of the Company's people development initiatives including 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 including but not limited to the Code of Business Conduct and Ethics.
- Provided 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.
- Conducted the annual performance review for the CEOs of Empire and Sobeys Inc., established annual and longer term objectives for the CEOs, and recommended to the Board, the CEOs' annual compensation having regard to these considerations and other relevant factors.
- Developed and maintained a CEO and designated senior leadership succession plan that addresses both planned and unforeseen succession circumstances and, consistent with the plan, managed the Sobeys CEO transition.
- Reviewed recommendations of management related to annual salary increases and incentive payments.
- Reviewed the investment performance, regulatory compliance, communication provided to employees and plan administration of the pension plans.
- Reviewed the design and operation of the Company's group benefit plans.
- Oversaw the Company's participation in Sobeys or other registered and non-registered pension plans and deferred profit sharing plan governance as more particularly outlined in pension and deferred profit sharing plan governance structure mandates, as approved by the Board from time to time.
- Fulfilled the Board's overall responsibility for occupational health and safety, inclusive of the responsibility of ensuring the Company has integrated the promotion of a safe and healthy work environment into its ongoing business planning and operations.
- Reviewed and recommended for Board approval the appointment of Empire and Sobeys officers.
- Reviewed and approved executive compensation disclosure contained in the Company's Information Circular or otherwise required by applicable securities laws, including the Compensation Discussion and Analysis.

This report is submitted by the members of the Human Resources Committee: Mel Rhinelanders (Chair), Marcel Côté, David S. Ferguson and Steven Savidant.

STATEMENT OF EXECUTIVE COMPENSATION

Introduction

This Statement of Executive Compensation is intended to provide Empire's shareholders with a description of the processes and decisions involved in the design, oversight, and payout of its compensation programs for the NEOs for the 2012 fiscal year. The NEOs are the individuals who were the Chief Executive Officer and Chief Financial Officer and the other three most highly compensated executive officers of the Company and its subsidiaries for the last fiscal year.

ROLE, COMPOSITION AND EXPERIENCE OF THE HUMAN RESOURCES COMMITTEE

The Board of Directors of Empire has delegated to the HR Committee responsibility for setting and implementing compensation policy for Empire and Sobeys executives. The HR Committee is composed of the following four independent directors: Mel Rhinelander (Chair), Marcel Côté, David S. Ferguson and Stephen J. Savidant.

Mel Rhinelander, a Certified Human Resources Professional, has served as a director of the Company since 2007 and of Sobeys Inc. since 2004. He has chaired the Human Resources Committee since joining the Board in 2007 and was both a member and then chair of the Sobeys Inc. Human Resources Committee prior to joining the Company's Board. Mr. Rhinelander spent many years as a human resource executive and then CEO in the Extendicare group of companies and this expertise, combined with his deep knowledge and understanding of the Company's compensation philosophy and practices, enables him to provide strong leadership to this Committee.

Marcel Côté has served as a director of the Company since 2007 and of Sobeys Inc. since 1998. He was a member of the Sobeys Human Resources Committee from 1998 to 2007 and has been a member of the Company's Human Resources Committee since 2007. He contributes a strong institutional knowledge of the Company's business together with its compensation practices and history. As a founding partner of Secor Inc., a firm specializing in international strategic management, Mr. Côté has regularly served as a strategic advisor to numerous CEOs, and brings broad business insight to the Committee.

David S. Ferguson has served as a director of the Company since 2007 and of Sobeys Inc. since 2006. He has been a member of the Human Resources Committee since 2007. Mr. Ferguson held senior executive positions in the Walmart organization including CEO of Walmart Canada and of Walmart Europe and consequently has a solid understanding of the retail business and associated compensation practices.

Stephen J. Savidant has served as a director of the Company since 2004 and has been a member of the Human Resources Committee since September, 2011. Prior to that, he served as a member of the Audit Committee for seven years, enabling him to make a particular contribution of risk-related insight to the work of the Committee. Mr. Savidant had a long career in senior executive roles in the energy industry in the course of which he became well acquainted with the development and implementation of executive compensation programs.

The HR Committee's mandate includes the establishment of executive compensation programs that reinforce the achievement of the Company's objectives, the establishment of salary levels, the determination of Annual Management Incentive Plan ("AMIP") awards, the determination of awards under the Company's Performance Share Unit Plan (also known as the medium-term incentive plan) ("MTIP"), the determination of Long-Term Incentive Plan ("LTIP") awards and the monitoring of succession plans. The HR Committee's complete mandate is available on the Empire website: www.empireco.ca. The Committee held nine meetings in fiscal 2012.

SUCCESSION PLANNING

The HR Committee is responsible for monitoring, reviewing and providing guidance in respect of succession planning for both Empire and Sobeys. It discharges this responsibility through regular review and discussion of the needs of the companies together with the strengths of the current management team. The Committee ensures that both long-term and urgent need succession plans are in place for all senior executive positions in both companies. The recent CEO transition at Sobeys is illustrative of the effectiveness of the Committee's succession planning work.

COMPENSATION PHILOSOPHY AND PROCESS

The philosophy of the executive compensation program is to provide compensation to attract, motivate and retain a highly skilled executive team and directly align their compensation to the attainment of both corporate and personal performance objectives. The Company's approach is to encourage management to make decisions and take actions that will create long-term sustainable growth and result in long-term shareholder value creation.

To accomplish continued growth and expansion of the business while discouraging excessive risk-taking, the executive compensation program has been designed, under the direction of the HR Committee, based on the following principles:

- To provide executives with compensation that is market competitive to attract and retain leadership talent required to drive results;
- To reflect a pay for performance philosophy;
- To align executives' interest with those of our shareholders;
- To reflect high standards of good governance; and
- To be easily understood by our shareholders.

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

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

The Company has an established protocol for the HR Committee to review executive compensation annually as outlined below:

At the beginning of the performance year, the HR Committee:

- Establishes base salaries for the year;
- Reconfirms the pay mix for the CEO and the executive officers;
- Finalizes incentive targets and goals for annual incentive programs; and
- Approves Empire stock options, Empire Performance Share Units ("PSUs") and Sobeys Phantom Performance Options ("PPO") grants.

At the end of the performance year, the HR Committee:

- Assesses Company performance to determine if goals were met; and
- Makes decisions with respect to the Company's AMIP, MTIP and LTIP awards.

All components of the compensation of the CEOs of Empire and Sobeys are subject to the approval of the Board.

COMPENSATION AND RISK

The HR Committee is actively involved in the risk oversight of the Company's compensation policy and practices and is satisfied that there are no inherent risks that would be likely to have a material adverse effect on the Company.

In keeping with the above-noted compensation principles, and as described in more detail on page 38 of this Circular, the Company's executive compensation program is weighted significantly towards medium and long-term compensation, thereby reducing the incentive to take undue risks and to solidify the alignment between executives and shareholders. This conservative approach has served the Company well over the long term.

The Board believes that the following policies further mitigate any risk associated with the executive compensation program:

Reimbursement of Incentive and Equity Based Compensation

In 2009, the Company adopted the following clawback policy to ensure that any incentive compensation paid as a result of material errors in financial reporting is reimbursed:

The Board of Directors may, in its sole discretion, to the full extent permitted by governing law and to the extent it determines that it is in the Company's best interest to do so, require reimbursement under certain circumstances of all or a portion of incentive compensation received by certain designated executives including the CEOs and CFOs of Empire and Sobeys. Specifically, the Board may seek reimbursement of full or partial compensation from an executive or former executive in situations where: (i) the amount of incentive compensation was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company's financial statements; and (ii) the incentive compensation payment received would have been lower had the financial results been properly reported.

Hedging Policy

In 2011, the Company adopted the following hedging policy:

All insiders, officers and others with who are routinely in possession of undisclosed material (“Restricted Person(s)”) are prohibited from entering into transactions that have the effect of hedging the economic value of any direct or indirect interests of the Restricted Person in the Class A Non-Voting Shares of the Company or any other security of the Company or its subsidiaries. This restriction on hedging prohibits: (i) short selling of any security of Empire Company or any of its subsidiaries; (ii) selling a call or buying a put on any security of Empire Company or any of its subsidiaries; or (iii) entering into a monetization transaction or other hedging procedure designed to mitigate or offset a decrease in the market value of any security of Empire Company or any of its subsidiaries.

Share Ownership

NEO share ownership aligns the interest of our executives with that of shareholders. The NEOs have built up significant share ownership through the LTIP program and other personal holdings and, in the case of the Sobey executives, participate in that alignment through Sobey's Phantom Performance Option Plan (“**PPOP**”). The HR Committee is satisfied that current NEO ownership levels are appropriate. The HR Committee will continue to monitor NEO share ownership going forward.

It is the policy of Empire that the CEO of the Company and the CEO of Sobey's must retain, until one year following resignation or retirement, all Non-Voting Class A shares acquired through Company programs or with direct Company financial assistance except to the extent, that at the time of resignation or retirement, the CEO's ownership level exceeds three-times salary. The CEO is free to dispose of any equity in excess of this threshold.

The following table sets forth the share ownership information for the NEOs as of July 9, 2012.

	SHARE OWNERSHIP ⁽¹⁾					Total Share Ownership (\$)
	Non-Voting Class A Shares		Class B Common Shares			
	(# Shares)	(\$)	(# Shares)	(\$)		
Paul D. Sobey	204,065	\$ 11,415,396	993,166	\$ 55,557,706	\$ 66,973,102	
Paul V. Beesley	55,537	3,106,740	–	–	3,106,740	
Bill M ^c Ewan ⁽²⁾	5,000	279,700	–	–	279,700	
Marc Poulin	1,000	55,940	1	56	55,996	
Jason Potter	1,000	55,940	–	–	55,940	

Note:

(1) Securities held are reported as at July 9, 2012. In addition to the shares listed above, Paul D. Sobey holds 238,053 options, Paul V. Beesley holds 89,738 options and Bill M^cEwan holds 233,415 options issued under the Stock Option Plan. Share value is calculated using the closing Non-Voting Class A share price on July 9, 2012 of \$55.94. The Class B Common share value is equal to the Non-Voting Class A share value of \$55.94 as at July 9, 2012.

(2) Bill M^cEwan held 5,000 shares of Non-Voting Class A shares as at June 28, 2012, when he stepped down as CEO of Sobey's, and ceased to be an NEO. These shares were not acquired through Company programs or with direct Company financial assistance.

ADVISOR TO THE HUMAN RESOURCES COMMITTEE

When deemed appropriate, the HR Committee may retain the services of an external human resources consultant to provide independent advice and information on:

- The Company's compensation practices and program design;
- Perspective on appropriate total compensation levels based on competitive practice and benchmark analysis;
- Updates on ongoing trends in executive compensation design and governance; and
- Any other information in support of evaluating compensation recommendations and making effective decisions pertaining to executive compensation.

In September 2011, the HR Committee retained the services of Hugesson Consulting Inc. to provide advice on the competitiveness and effectiveness of compensation programs for certain of the Company's executive officers.

In fiscal 2012, Towers Watson performed executive compensation-related work for management, and performed pension and post-retirement benefits accounting, pension and benefits consulting, total rewards strategy development and compensation and benefits benchmarking.

In fiscal 2011, the HR Committee retained the services of Towers Watson. All work performed by Towers Watson at the direction of the HR Committee was in relation to a comprehensive review of Empire's LTIP, including design recommendation and implementation. Towers Watson also provided consulting services to the Company for competitive executive benchmarking, and for pension and post-retirement benefits accounting and pension and benefits consulting.

HUMAN RESOURCES CONSULTANTS' FEES				
	Hugessen Consulting Inc.		Towers Watson	
	Fiscal 2012	Fiscal 2011	Fiscal 2012	Fiscal 2011
Executive Compensation-Related Fees	\$ 90,100	n/a	\$ 72,600	\$ 69,640
All Other Fees	–	n/a	867,800	427,400
Total Consulting Fees	\$ 90,100	n/a	\$ 940,400	\$ 497,040

COMPENSATION BENCHMARKING

From time to time, and as part of the HR Committee's deliberations in establishing Total Direct Compensation (base salary plus AMIP, plus MTIP, plus LTIP), a number of Canadian median competitive references are reviewed to provide context for setting and adjusting executive compensation. Historically, these have included retail companies, autonomous companies of similar size, diversified companies operating in Canada and real estate companies.

In reviewing executive compensation during fiscal 2012, the HR Committee considered the publicly disclosed executive compensation of the following group of Canadian public companies which are considered by the HR Committee to be industry comparators:

COMPARATOR GROUP	
Alimentation Couche-Tard Inc.	RONA Inc.
Canadian Tire Corporation Limited	Sears Canada Inc.
George Weston Limited	Shoppers Drug Mart Corporation
Loblaw Companies Limited	The Jean Coutu Group (PJC) Inc.
Metro Inc.	

The HR Committee also generally considered survey data from a broader industry sample in assessing the competitiveness of the Company's executive compensation.

Compensation Discussion and Analysis

COMPONENTS OF EXECUTIVE COMPENSATION

The key elements of Empire's compensation program for executives, including the NEOs, are base salary, AMIP, MTIP and LTIP. Benefits and perquisites are not, in aggregate, a material element of the total compensation.

These elements when combined, particularly base salary and incentives, provide a total compensation package that is designed to attract and retain highly qualified individuals while also providing strong incentive to align efforts and motivate executives to deliver company performance that creates long-term sustainable shareholder value.

The base salary portion of executive compensation is fixed while the AMIP, MTIP and LTIP portions are variable. As illustrated in the following table, the total value of the compensation package is weighted towards the variable incentive components, thereby putting a significant portion of executive pay at risk.

Name and Position	Percentage of Fiscal 2012 Target Total Direct Compensation ⁽¹⁾				
	Salary	AMIP	MTIP	LTIP	Pay at Risk ⁽²⁾
Paul D. Sobey, President and CEO, Empire	40%	20%	20%	20%	60%
Paul V. Beesley, EVP and CFO, Empire	45%	21%	17%	17%	55%
Bill McEwan, President and CEO, Sobeys	31%	23%	23%	23%	69%
Marc Poulin, President, Sobeys IGA Operations	40%	30%	n/a	30%	60%
Jason Potter, President, Sobeys Multi-Format Operations	40%	30%	n/a	30%	60%

Notes:

(1) Total direct compensation excludes benefits, pension and perquisites.

(2) Pay at risk represents the aggregate of the AMIP, MTIP and LTIP percentages.

More detail on each element and its purpose within the total executive compensation program is described in the following table and further in this report.

EXECUTIVE COMPENSATION ELEMENTS				
Element	Form		Time Period	Objectives
Base Salary	Cash		Annual	<ul style="list-style-type: none"> Reflects each executive's scope of responsibility, performance and contribution
Variable Compensation	AMIP	Cash	Annual	<ul style="list-style-type: none"> Rewards executives for achieving or exceeding annual performance goals
	MTIP	Empire Performance Share Units	Multi-year	<ul style="list-style-type: none"> Rewards executives for achieving or exceeding three-year performance goals
	LTIP	Empire Stock Options	Multi-year	<ul style="list-style-type: none"> Motivates executive team to create long-term shareholder value Retains key talent by offering competitive pay opportunities
		Sobeys Phantom Performance Options	Multi-year	<ul style="list-style-type: none"> Motivates Sobeys' executive team to create long-term equity value in the business Retains key talent by offering competitive pay opportunities

Other Elements of Compensation

Pension and Benefits	The purpose of the Company's pension plans is to provide periodic payments to the members of the plans during retirement and until death in respect of their service as employees. NEOs participate in a defined contribution plan and in the Supplemental Executive Retirement Plan. NEOs participate in the Company's benefit plan which offers medical, drug and dental insurance, critical illness insurance, group life and accidental death and dismemberment, short-term disability and employee-paid long-term disability insurance.
Perquisites	Limited perquisites are provided, which include a company leased vehicle, annual medical examination, executive financial planning allowance and club membership allowance.

Base Salary

Base salary remunerates executives for discharging their job requirements. It is reviewed annually by the HR Committee to ensure that it continues to reflect individual performance and market conditions for Empire and Sobeys executives.

Annual Management Incentive Plan

The AMIP is designed to reward executives for achieving or exceeding annual performance goals. The annual incentive awards to executives are predominately based on pre-determined performance targets for the fiscal year. Achievement of target performance results in incentive payouts at target level. If performance exceeds pre-determined performance target levels, the plan provides for enhanced payouts up to specified maximum levels.

Empire executives participate in the Empire AMIP whereby awards are based on the attainment of a Board approved budget (i.e. "target" performance) for adjusted net earnings, net of minority interest. Adjusted net earnings, net of minority interest, is calculated as net earnings excluding items which are considered not indicative of underlying business operating performance. The maximum payment is set at 2.0 times the target award; however, it is important to note that the HR Committee may exercise its discretion to increase the award beyond 2.0 times the target percentage if this is in the interest of ensuring there is an appropriate link between exceptional business performance and compensation. The CEO's annual incentive bonus is not directly affected by the performance of the Company relative to a peer group of similar companies.

Sobeys executives participate in the Sobeys AMIP whereby awards are based on the attainment of Board approved annual sales and profitability targets (i.e. "target" performance). The AMIP target incentive for executives with national responsibilities is dependent upon the achievement of sales and profitability targets for the entire company. The AMIP target incentive for executives responsible for regional and divisional business unit operations and certain other senior executives is dependent upon the achievement of sales and profitability targets specific to their business unit. The maximum payment is set at 2.0 times the target award; however, it is important to note that the HR Committee may exercise its discretion to increase the award beyond 2.0 times the target percentage if this is in the interest of ensuring there is an appropriate link between exceptional business performance and compensation.

Medium-Term Incentive Plan

The primary goal of the MTIP is to motivate the Company's executives to build value for the Company by linking a significant portion of their total compensation to the achievement of three-year financial objectives. The MTIP also serves to help attract and retain key talent. The MTIP provides executives with the opportunity to earn annual awards based on the attainment of certain targets. The CEO's medium-term incentive targets are not directly affected by the performance of the Company relative to a peer group of similar companies.

MTIP payments consider the level of responsibility of the executive, as well as their impact on and/or contribution to the operating performance of the Company. Participants in the MTIP must be key executives or management (as determined by the HR Committee) of the Company or its affiliates. MTIP awards, issued as PSUs, were first made in fiscal 2012 and will be considered annually by the HR Committee.

Empire Performance Share Unit Plan

Empire executives and the CEO of Sobeys participate in the MTIP. Each year, participants may be awarded a target number of PSUs that track Empire's underlying Non-Voting Class A share price over a three-year period. PSUs may be granted to officers or management of the Company or its affiliates as approved by the HR Committee or in the case of the CEOs, by the Board.

The number of PSUs awarded is governed by a formula as shown below where the award price equals the trailing five-day volume weighted average trading price of the Non-Voting Class A shares on the TSX for the five days immediately preceding the Company's fourth quarter results reporting date. The resulting target award of PSUs per this calculation is presented to the HR Committee for approval.

$$\text{The number of PSUs awarded} = \frac{\text{Participants' Base Salary} \times \text{Target MTIP \%}}{\text{Award Price}}$$

The number of PSUs that vest under an award is dependent on time and the achievement of performance measures, specifically return on equity and adjusted net earnings per share criteria. In setting the performance levels for both return on equity and adjusted net earnings per share as well as the respective adjustment factors, the Board of Directors has the authority to set a minimum performance level at or below which the adjustment factor will be zero and no PSUs will vest for the term. The Board also has the authority to amend or adjust the performance measures, performance levels and adjustment factors during the term of an award, as it determines appropriate.

Each award has a fixed term of not more than three years. At the end of the three fiscal year performance period, the HR Committee reviews the Company's actual performance against the performance measures and determines the performance level achieved. The target award of PSUs is adjusted upwards or downwards based on the actual performance against the specified consolidated return on equity and adjusted net earnings per share performance measures, with a payout range of 0.0 times target to 2.0 times target.

On the vesting date, each participant is entitled to receive a cash payout amount equal to the number of vested PSUs multiplied by the trailing five-day volume weighted average trading price of the Non-Voting Class A shares for the five days immediately preceding the vesting date.

PSUs GRANTED					
Fiscal Year	Date of PSU Grant	Number of PSUs Granted (#)	PSU Exercise Price (\$)	PSU Expiration Date	
2012	July 2011	18,311	\$ 54.40	July 2014	
Total Outstanding		18,311			

To the extent that a participant may otherwise be entitled to PSUs granted, but not vested under an award, the following provisions shall apply to each award except as may otherwise be determined by the Committee from time to time:

- If, before the vesting date, the employment of a participant by the employer shall be terminated by the employer without cause, subject to the terms hereof, such participant shall be entitled to a pro-rated share of the participant's unvested award determined by the HR Committee and based on length of service between the start of the term and the date of termination or such longer period of time determined by the HR Committee. The HR Committee may, in its sole discretion, permit the payout of the pro-rated, unvested award on the date of termination or delay its determination of the payout amount and the payout thereof until not later than the payment deadline date.
- If, before the vesting date, the employment of a participant by the employer shall be terminated by (i) the voluntary resignation of the participant (other than retirement), or (ii) by the employer for cause, such award shall expire and terminate simultaneously with the act or event which causes the termination and such participant shall not be entitled to any payment amount, or other compensation for the termination of such unvested award.
- If, before the vesting date, the employment of a participant by the employer shall terminate by reason of the retirement of the participant, the death or disability of the participant or for any other reason whatsoever other than in circumstances addressed in the first two points above, subject to the terms hereof, such participant or, if the participant is deceased, the legal representative(s) of the estate of the participant, shall be entitled to a pro-rated share of the participants unvested award determined by the HR Committee and based on length of service between the start of the term and the date of termination or, in the sole discretion of the HR Committee, such other amount as the HR Committee determines appropriate in the circumstances of the termination (including, where the HR Committee determines appropriate, full payment of the award). The HR Committee may, in its sole discretion, permit the payout of the unvested award on the date of termination or delay its determination of the payment amount and the payout thereof until not later than the payment deadline date.

The Board of Directors may terminate the MTIP, provided that such termination shall not affect the rights of a participant holding PSUs at the time of such termination without his or her consent.

Long-Term Incentive Plan

The primary goal of the LTIP is to motivate the Company's executives to create longer term shareholder value for the Company by linking a significant portion of their total compensation to building longer term value creation. The LTIP also serves to help attract and retain key talent. The LTIP provides executives with the opportunity to earn annual awards based on the attainment of certain targets. The CEO's long-term incentive targets are not directly affected by the performance of the Company relative to a peer group of similar companies.

LTIP payments consider the level of responsibility of the executive, as well as their impact on and/or contribution to the long-term operating performance of the Company. Participants in the LTIP must be key executives or management (as determined by the HR Committee) of the Company or its affiliates. Awards under the LTIP are considered annually by HR Committee or in the case of the CEOs, by the Board.

The Empire LTIP agreement provides for: i) share purchase entitlements under the Share Purchase Plan portion of the LTIP; ii) share option awards under the Stock Option Plan portion of the LTIP; and iii) share and/or cash incentive awards under the Medium-Term Performance Plan portion of the LTIP. The Company's current practice is to use the Stock Option Plan portion of the LTIP and all references herein to Empire's LTIP should read as referring only to this portion of the plan.

Until fiscal 2011 inclusive, Empire's LTIP design had utilized stock options, vesting 50 percent time-based over four years and 50 percent performance-based. Beginning in fiscal 2012, the time-based stock options continued to be utilized, but the performance-based stock options were replaced with PSUs under the MTIP.

The LTIP currently consists of the Empire Stock Option Plan and Sobey's PPOP.

Empire Stock Option Plan

Empire executives and the CEO of Sobey's participate in the Empire Stock Option Plan, which is designed to reward participants for performance over a long-term period. The Stock Option Plan provides for the issuance of stock options with a term of up to ten years. Empire's current practice is to grant options having a term of eight years. Stock options may be granted to officers or management of the Company or its affiliates as approved by the HR Committee or in the case of the CEOs, by the Board.

In the Stock Option Plan, the granting of options is governed by a formula as shown below where the grant price equals the trailing five-day volume weighted average trading price of Non-Voting Class A shares on the TSX for the five days immediately preceding the Company's fourth quarter results reporting date. The resulting target grant of options per this calculation is presented to the HR Committee for approval.

$$\text{The number of stock options granted} = \frac{\text{Participants' Base Salary} \times \text{Target LTIP \%}}{(\text{Grant Price}/4)}$$

The Stock Option Plan also contains a 'cashless' exercise feature whereby the participant may elect to receive the value of any option gain in the form of issued Non-Voting Class A shares instead of exercising the option for cash. The number of Non-Voting Class A shares received under the cashless exercise feature equals the option gain divided by the share price. A maximum of 3,200,000 Non-Voting Class A shares may be issued under the Stock Option Plan, which is 4.7 percent of the total outstanding Non-Voting Class A shares and Class B common shares of the Company.

A total of 638,818 stock options granted were outstanding at fiscal year ended May 5, 2012. These stock options are exercisable into Non-Voting Class A shares and represent 0.9 percent of the total outstanding Non-Voting Class A shares and Class B common shares of the Company.

The table below presents the number of stock options granted by fiscal year along with respective option exercise price, option expiry dates and the percentage of both Non-Voting Class A shares and Class B common shares outstanding.

Fiscal Year	Number of Stock Options Granted ⁽¹⁾ (#)	Option Exercise Price (\$)	Option Expiration Date	Percentage of		
				Class A NV Shares (%)	Class B Common Shares (%)	Total Shares (%)
2012	73,247	\$ 54.40	June 2019	0.2%	0.2%	0.1%
2011	150,464	51.99	June 2018	0.4%	0.4%	0.2%
2010	162,399	46.04	June 2017	0.5%	0.5%	0.2%
2009	178,044	40.26	June 2016	0.5%	0.5%	0.3%
2008	92,766	43.96	June 2015	0.3%	0.3%	0.1%
Options Exercised ⁽²⁾	(18,102)					
Total Outstanding	638,818			1.9%	1.9%	0.9%

Notes:

(1) Net of any stock options forfeited.

(2) A total of 18,102 options were exercised in January 2011.

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

- i) The number of Non-Voting Class A shares reserved for issuance pursuant to share compensation arrangements granted to insiders exceeding 10 percent of those outstanding; and
- ii) The issuance to insiders, within a one-year period, of a number of Non-Voting Class A shares exceeding 10 percent of those outstanding.

Options are not assignable by participants. Except as otherwise determined by the HR Committee from time to time:

- If, before the option expiry date, the employment of the participant by the Company is terminated by the Company without cause, the option may only be exercised by the participant within 14 days of the date on which the participant ceases to actively perform work at the workplace of the Company, but prior to the option expiry date. Unvested options as at the termination date will be forfeited.
- If, before the option expiry date, the employment of the participant by the Company is terminated by the Company with cause, the option shall expire and terminate simultaneously with the act or event which caused the termination of employment of the participant.
- If, before the expiry of an option, the employment of a participant is terminated for any other reason including by reason of death, disability or retirement, the option may only be exercised by the participant, or in the case of death by the participant's estate, within six months of the effective date of retirement, but prior to the option expiry date.

As permitted by the Stock Option Plan, the HR Committee has otherwise determined the following expiry and vesting terms when granting options, including those to NEOs: on retirement, expiry in 36 months with continued vesting for that period; on resignation, expiry in 30 days with no continued vesting; on termination without cause, expiry in 90 days with no continued vesting; on disability, options continue to vest for one year following the disability date and vested options may only be exercised within three years of the disability date; and on death, the option shall be deemed to be vested on the next vesting date following the date of the death, with expiry six months from such date.

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, terminate or amend any of the provisions of the LTIP, including amendments to:

- (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) amend the vesting provisions of each option;

- (iv) amend the terms of the LTIP relating to the effect of termination, cessation or death of a participant on the right to exercise options;
- (v) amend 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 the number of Non-Voting Class A shares issuable to participants pursuant to the LTIP;
- (xi) bring the LTIP into compliance with securities, corporate or tax laws and the rules and policies of the TSX;
- (xii) add covenants of the Company for the protection of participants; and
- (xiii) cure or correct any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error.

No amendment 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 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.

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.

The Board of Directors may terminate the Stock Option Plan portion of the LTIP, provided that such termination shall not affect the rights of a participant holding options at the time of such termination without his or her consent.

Sobeys Phantom Performance Option Plan

Sobeys' executives participate in the Sobeys PPOP which provides for the issuance of phantom performance options. The PPOs are subject to a performance period or term of five years. Sobeys PPOs may be granted to officers or senior management of Sobeys as approved by the HR Committee. Gains will be realized through any increases in Sobeys' calculated enterprise value over the performance period. The initial grant in fiscal 2008 vested over a three-year period at a rate of 33.3 percent per year, with the final 33.3 percent having vested on June 30, 2010. Subsequent grants vest over a four-year period at a rate of 25 percent per year.

In the Sobeys PPOP, the granting of PPOs is governed by a formula of base salary multiplied by target LTIP percentage topped up by 25 percent, divided by the result of the phantom option value at the date of the grant divided by three, resulting in the number of PPOs to be granted. The resulting target grant of PPOs is presented to the HR Committee for approval.

$$\text{The number of Sobeys PPOs granted} = \frac{\text{Participants' Base Salary} \times (\text{Target LTIP \%} \times 1.25\%)}{(\text{Phantom Option Value}/3)}$$

PPOs are not assignable by participants, except as otherwise determined by the HR Committee from time to time:

- In the event of an eligible employee's death during one or more performance periods, in respect of each grant relating to each such performance period, the eligible person's legal representative shall receive one final payment on the next scheduled payment date for each such grant immediately following the eligible person's date of death. Following receipt of such final payment, all PPOs in respect of such grant shall be cancelled (to the extent that they have not already been cancelled prior to such date).
- In the event of an eligible employee's retirement during one or more performance periods, payments shall continue to be made in respect of each grant relating to each such performance period up to the date that is three years following the date of the eligible employee's retirement. As soon as practicable following the date that is three years following the date of the eligible employee's retirement, the eligible employee shall receive one final payment in respect of each such grant. Following receipt of such final payment, all PPOs shall be cancelled (to the extent that they have not already been cancelled prior to such date).
- In the event an eligible employee ceases to be employed during one or more performance periods for any reason other than death or retirement, on the date to be determined by the HR Committee, the eligible employee shall receive one final payment in respect of each vested grant relating to each such performance period. Following receipt of such final payment, all PPOs shall be cancelled (to the extent that they have not already been cancelled prior to such date).
- In the event of an eligible employee's disability during one or more performance periods, the eligible employee shall receive one final payment in respect of each vested grant relating to each such performance period.

Compensation changes for Fiscal 2013

The MTIP has been amended to state that any award granted under the MTIP in fiscal 2013 and thereafter will require the participant to convert PSUs into DSUs if they do not meet a minimum equity value ownership threshold level as established by the HR Committee. The minimum equity value ownership threshold in respect of a participant means the aggregate market value of the number of Non-Voting Class A shares and DSUs beneficially owned by the participant at the particular time.

The minimum equity value ownership threshold level is established by the HR Committee who retains the discretion to waive, in whole or in part, the minimum ownership threshold by any particular participant.

The MTIP has also been amended to state that the HR Committee has the discretion to grant any PSU award in whole or in part based solely upon time vesting and has the authority to determine the vesting schedule of PSUs granted under each such award, subject to a maximum vesting period of three fiscal years.

Pension and Benefits

Eligible employees of the Company participate in a defined contribution pension plan (the "**Employee Plan**") that is registered under the Nova Scotia Pension Benefits Act and Income Tax Act ("**ITA**"). Under the Employee Plan, members are currently required to contribute 2.5 percent of their regular earnings and such contributions are matched by the Company. In addition, members may make additional unmatched voluntary contributions of as much as ten percent of their earnings, subject to the maximum annual money purchase contribution limit permitted under the ITA. Management-level members (i.e. bonus eligible members) are eligible for a Company match of the first 2.0 percent of any voluntary contributions. 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 employees contribute to an additional defined contribution plan (the "**Senior Management Plan**"). Each member is required to contribute \$2,500 annually to the Senior Management Plan. The Company contributes an amount equal to 6.0 percent of the each member's salary. In addition, members may make additional unmatched voluntary contributions of as much as ten percent of their earnings. All contributions are capped by the annual maximum permitted by the ITA.

A third defined contribution plan exists for executive officers and certain senior management employees of the Company, including the NEOs (the "**Executive Plan**"). Currently, each member is required to contribute \$3,500 annually to the Executive Plan. The Company contributes an amount equal to 12.0 percent of each member's salary. In addition, members may make additional unmatched voluntary contributions; however, all contributions are capped by the maximum permitted by the ITA.

The defined benefit pension plans formerly maintained by The Oshawa Group Limited ("**Oshawa**"), which was acquired by Sobeys in 1998, have been amended to require employee contribution levels matching those under the Employee Plan, the Senior Management Plan, and the Executive Plan, except for certain legacy arrangements. Employees who were participants of the Oshawa pension plans have become subject to the Employee Plan, the Senior Management Plan, and the Executive Plan (as applicable), except where an employee was over 50 years of age, had a minimum of ten years of service, and elected to remain under the Oshawa pension plans.

Supplementary Executive Retirement Plan

The NEOs, as well as certain other executives, participate in the Supplementary Executive Retirement Plan (“**SERP**”). Under the provisions of this plan, supplementary payments will be made to these executives upon retirement if the level of payments to them under the Executive Plan does not reach certain target levels. 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 executive's highest consecutive five complete calendar years of pensionable earnings in the ten calendar years of continuous service prior to the executive's date of retirement.

Deferred Profit Sharing Plan

Eligible employees of the Company participate in a Deferred Profit Sharing Plan (“**DPSP**”) that is registered under the *ITA*. The DPSP, branded for the purpose of employee communications as the Gain Share Plan, is a discretionary benefit, the provision of which is subject to review by the Company on an annual basis. The contribution formula is such that all full-time participants receive a uniform lump sum and all part-time participants receive a uniform lump sum. The eligibility criteria include participation in the Employee Plan and the requirement that participants must be either ineligible for other annual incentive programs or be eligible for incentive programs with target payments of less than 10 percent of base salary. 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.

FISCAL 2012 COMPENSATION DECISIONS

Year in Review

Our continued focus on food retailing and related real estate improved Empire's financial performance and financial condition in fiscal 2012. Empire achieved record financial results in fiscal 2012: consolidated sales grew by 3.0 percent to \$16.25 billion, after adjusting for the impact of the additional week of operations last year and the acquisition of 236 retail gas locations and related convenience store operations. Adjusted net earnings, net of minority interest, increased by 5.7 percent to \$320.6 million or \$4.71 per share.

This improved operational performance and free cash flow generation served to strengthen the Company's financial position. The ratio of funded debt to total capital improved to 25.0 percent at the end of fiscal 2012 from 26.7 percent at the end of the prior fiscal year. The 1.7 percentage point improvement is primarily the result of an increase in shareholders' equity over the prior year.

While annual targets are set, Empire's goal is to create long-term shareholder value as reflected in the balance between AMIP, MTIP and LTIP indicated in the “Percentage of Fiscal 2012 Target Total Direct Compensation” table on page 38 of this Circular. Specific goals are set and described in general terms in this Compensation Discussion and Analysis.

Base Salary

Base salaries for the NEOs for fiscal 2012 were set at the beginning of the year having regard to the factors set out in the discussion on page 39 of this Circular. The Board of Directors is satisfied that these base salaries were appropriate in all the circumstances.

AMIP – Awards in the Most Recently Completed Fiscal Year

In determining the AMIP awards for fiscal 2012, the HR Committee considered the established performance factors and reached the following conclusions.

In the Empire AMIP, achievement of the adjusted net earnings target accounts for 100 percent of the AMIP award. For the Empire NEOs, consolidated adjusted net earnings for fiscal 2012 were 115 percent of the budgeted target, resulting in a payout of 2.0 times the target percentage of base salary. In the case of the President and CEO, this amounts to an award equal to 100 percent of base salary and in the case of the EVP and CFO, 90 percent of base salary.

The objectives for the Sobeys NEOs varied somewhat depending on their respective areas of responsibility. For the Sobeys President and CEO, the award was based exclusively on corporate sales and profit. The corporate objectives were exceeded resulting in a maximum payout of 2.0 times the target percentage of 75 percent. For the President, Sobeys IGA Operations, the award was based exclusively on regional sales and profit. The objectives were exceeded resulting in a maximum payout of 2.0 times the target percentage of 75 percent of salary. For the President, Sobeys Multi-format Operations, the award was based on objectives that combined corporate and regional sales and profit. The objectives were equally weighted. Corporate objectives as well as regional sales and profit objectives were exceeded, resulting in a payout of 1.88 times the target. The results achieved ranged from 101.75 percent to 103.5 percent of the corporate and regional sales targets and from 108.85 percent to 117.40 percent of the corporate and regional profitability targets.

AMIP AWARDS						
Name	AMIP Target (%)	AMIP Target (\$)	Maximum AMIP Obtainable (\$)	Actual Fiscal 2012 AMIP Award (\$)		
Paul D. Sobey	50%	\$ 322,500	\$ 645,000	\$ 645,000		
Paul V. Beesley	45%	176,175	352,350	352,350		
Bill McEwan	75%	787,564	1,575,128	1,575,128		
Marc Poulin	75%	450,000	900,000	900,000		
Jason Potter	75%	375,000	750,000	704,890		

MTIP – Awards in the Most Recently Completed Fiscal Year

As described on page 40, MTIP awards are determined by a formula pursuant to which the number of PSUs to be awarded to each executive is calculated. For fiscal 2012, the following PSUs were awarded on July 15, 2011 for the NEOs below:

MTIP AWARDS							
Name	MTIP Target (%)	MTIP Target (\$)	Number of PSUs Awarded (#)	PSU Award Price (\$)	Value of Fiscal 2012 PSU Based Awards (\$)		
Paul D. Sobey	50.0%	\$ 322,500	5,928	\$ 54.40	\$ 322,500		
Paul V. Beesley	37.5%	146,813	2,699	54.40	146,813		
Bill McEwan	37.5%	393,782	7,239	54.40	393,782		

LTIP – Awards in the Most Recently Completed Fiscal Year

Empire

As described on page 41, the number of options to be granted under the Stock Option Plan is determined by a formula. For fiscal 2012, the following stock options were granted on July 15, 2011 for the NEOs below:

LTIP AWARDS						
Name	LTIP Target (%)	LTIP Target (\$)	Number of Stock Options Granted (#)	Option Exercise Price (\$)	Value of Fiscal 2012 Stock Option Based Awards (\$)	
Paul D. Sobey	50.0%	\$ 322,500	23,713	\$ 54.40	\$ 322,500	
Paul V. Beesley	37.5%	146,813	10,795	54.40	146,813	
Bill McEwan	37.5%	393,782	28,955	54.40	393,782	

Sobeys

In the Sobeys PPOP, cash payments awarded for fiscal 2012 are the result of the prescribed fifth-year cash payout from the fiscal 2008 grant, in addition to the prescribed first-year cash payout from the fiscal 2010 grant, at a fiscal 2012 year-end value of \$84.12 per PPO. The 'in the money' value of the fiscal 2008 grant is \$84.12 per PPO less \$52.89 multiplied by the number of PPOs granted multiplied by 100 percent minus any prior cash payment made in fiscal 2008, fiscal 2009, fiscal 2010 and fiscal 2011. The 'in the money' value of the fiscal 2010 grant is \$84.12 per PPO less \$65.33 multiplied by the number of PPOs granted multiplied by 33.3 percent.

In fiscal 2012, 25 percent of each of the fiscal 2009, fiscal 2010, fiscal 2011 and fiscal 2012 grants vested. The status of all grants made to date, as of July 9, 2012 is: fiscal 2008 grant – 100 percent vested, fiscal 2009 grant – 100 percent vested, fiscal 2010 grant – 75 percent vested, fiscal 2011 – 50 percent vested, fiscal 2012 – 25 percent vested. The PPOP contains a liquidity provision which allows for partial payouts of the 'in-the-money' position during the performance period.

NON-EQUITY INCENTIVE PLAN COMPENSATION							
Name	Fiscal Year of Grant	LTIP Target (%)	LTIP Target (\$)	PPOs Granted (#)	Grant Price (\$)	Compen-sation Value (\$)	LTIP Payout ⁽¹⁾ (\$)
Bill M ^c Ewan	2012	75%	\$ 787,564	36,733	\$ 80.40	\$ 984,455	\$ 1,258,238
	2011	75%	787,564	39,112	75.51	984,455	1,403,401
	2010	75%	772,500	44,342	65.33	965,625	914,209
	2009	75%	772,500	54,938	52.73	965,625	529,212
	2008	150% ⁽²⁾	1,500,000	106,353	52.89	1,875,000	0
Marc Poulin	2012	75%	450,000	20,989	80.40	562,500	345,552
	2011	75%	375,000	18,987	75.51	477,891	412,681
	2010	75%	375,000	21,525	65.33	468,750	196,555
	2009	75%	335,400	23,853	52.73	419,250	113,780
	2008	75%	322,500	22,866	52.89	403,125	0
Jason Potter	2012	75%	296,438	13,826	80.40	370,547	260,392
	2011	75%	296,438	14,722	75.51	370,547	310,431
	2010	75%	281,250	16,144	65.33	351,563	148,559
	2009	75%	251,250	17,868	52.73	314,063	85,997
	2008	75%	243,750	17,282	52.89	304,688	0

Notes:

(1) The numbers in this column for fiscal 2012 represent the prescribed fifth-year cash payout from the fiscal 2008 grant and the first year cash payout from the fiscal 2010 grant at a fiscal 2012 year-end value of \$84.12 per PPO. The numbers in this column for fiscal 2011 represent the prescribed fourth-year cash payout from the fiscal 2008 grant and the prescribed third year cash payout from the fiscal 2009 grant at a fiscal 2011 year-end value of \$80.40 per PPO. The numbers in this column for fiscal 2010 represent the prescribed third-year cash payout from the fiscal 2008 grant at a fiscal 2010 year-end value of \$75.51 per PPO. The numbers in this column for fiscal 2009 represent the prescribed second-year cash payout under the Sobeys PPOP from the fiscal 2008 grant at a fiscal 2009 year-end value of \$65.33 per PPO.

(2) In fiscal 2008, Bill M^cEwan's entire LTIP was PPO based; effective fiscal 2009 he began to participate in the Stock Option Plan in respect of 50 percent of his LTIP target.

OUTSTANDING PPOS						
Name	Fiscal Year of Grant	PPOs Not Vested ⁽¹⁾ (#)	Value of PPOs Not Vested ⁽²⁾ (\$)	PPOs Vested ⁽³⁾ (#)	Value of Vested PPOs ⁽⁴⁾ (\$)	Total Value of Not Vested and Vested PPOs (\$)
Bill M ^c Ewan	2012	27,550	\$ 2,317,485	9,183	\$ 34,162	\$ 2,351,647
	2011	19,556	1,645,051	19,556	168,377	1,813,428
	2010	11,086	932,512	33,257	347,161	1,279,673
	2009	0	0	54,938	1,218,296	1,218,296
Marc Poulin	2012	15,742	\$ 1,324,196	5,247	\$ 19,520	\$ 1,343,716
	2011	9,494	798,593	9,494	81,739	800,332
	2010	5,381	452,671	16,144	168,523	621,194
	2009	0	0	23,853	528,962	528,962
Jason Potter	2012	10,370	\$ 872,282	3,457	\$ 12,858	\$ 885,141
	2011	7,361	619,207	7,361	63,378	682,586
	2010	4,036	339,508	12,108	126,394	465,903
	2009	0	0	17,868	396,239	396,239

Notes:

- (1) The numbers in this column represent the number of PPOs from the applicable fiscal year that have not vested as of July 9, 2012.
- (2) The numbers in this column represent the current value of the PPOs that have not vested (at a value as of May 5, 2012, of \$84.12). These unvested PPOs are not exercisable or otherwise accessible by the participants under any circumstances.
- (3) The numbers in this column represent the number of PPOs from the applicable fiscal year that have vested as of July 9, 2012.
- (4) The numbers in this column represent the current value of the PPOs (at a value as at May 5, 2012 of \$84.12, net of payments made) in the event of termination of employment; under the terms of the PPOP, the PPOs are not exercisable or otherwise accessible by the participants. For Bill M^cEwan the total amount of PPO payment would be \$1,767,995, for Marc Poulin, the total amount of PPO payment would be \$798,743 and for Jason Potter the total amount of PPO payment would be \$598,870.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

The following table sets forth information concerning the compensation earned for services rendered during the last fiscal year in respect of the individuals who were the NEOs:

SUMMARY COMPENSATION TABLE									
Name & Principal Position	Fiscal Year	Salary (\$)	Share-Based Awards (Empire) ⁽¹⁾ (\$)	Option-Based Awards (Empire) ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation		Pension Value ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)	Total Compensation (\$)
					LTIP Payout (Sobeys PPOP) ⁽³⁾ (\$)	AMIP (\$)			
Paul D. Sobey President and CEO, Empire	2012	\$ 644,103	\$ 322,500	\$ 322,500	n/a	\$ 645,000	\$ 33,000	\$ 13,303	\$ 1,980,406
	2011	645,028	n/a	625,000	n/a	580,758	85,000	13,445	1,949,231
	2010	614,194	n/a	610,000	n/a	610,000	(35,000)	16,694	1,815,888
Paul V. Beesley EVP and CFO, Empire	2012	\$ 390,993	\$ 146,813	\$ 146,813	n/a	\$ 352,350	\$ 55,000	\$ 7,500	\$ 1,099,469
	2011	391,762	n/a	285,007	n/a	317,800	107,000	7,554	1,109,123
	2010	355,061	n/a	243,750	n/a	319,500	92,000	9,284	1,019,595
Bill M'Ewan President and CEO, Sobeys	2012	\$ 1,050,077	\$ 393,782	\$ 393,782	\$ 1,258,238	\$ 1,575,128	\$ 125,000	\$ 2,241	\$ 4,798,248
	2011	1,066,952	n/a	787,564	1,403,401	856,476	168,000	2,063	4,284,456
	2010	1,027,178	n/a	772,500	914,209	984,938	115,000	2,094	3,815,919
Marc Poulin President, Sobeys IGA Operations	2012	\$ 599,999	n/a	n/a	\$ 345,552	\$ 900,000	\$ 64,000	\$ 1,823	\$ 1,911,374
	2011	596,155	n/a	n/a	412,681	750,000	334,000	1,740	2,094,576
	2010	498,630	n/a	n/a	196,555	718,750	53,000	1,745	1,468,680
Jason Potter President, Sobeys Multi-Format Operations	2012	\$ 484,288	n/a	n/a	\$ 260,392	\$ 704,890	\$ 368,000	\$ 1,730	\$ 1,819,300
	2011	391,975	n/a	n/a	310,431	358,097	72,000	1,675	1,134,178
	2010	373,973	n/a	n/a	148,559	750,000	467,000	1,745	1,741,277

Notes:

- (1) The numbers in this column represent the compensation value of the PSUs granted under the MTIP. In fiscal 2012, PSUs were awarded at an award price of \$54.40.
- (2) The numbers in this column represent the compensation value of stock options granted under the Stock Option Plan as follows:
 - (a) In fiscal 2012, options were granted at a grant price of \$54.40. For this purpose, the HR Committee uses 25 percent of the grant price to estimate fair value of each option. The awards to Paul D. Sobey, Paul V. Beesley and Bill M'Ewan were valued at \$231,439, \$105,359 and \$282,601, respectively, for accounting purposes using the Black-Scholes Option Pricing Model as of May 5, 2012.
 - (b) In fiscal 2011, options were granted at a grant price of \$51.99. For this purpose, the HR Committee uses 25 percent of the grant price to estimate fair value of each option. The awards to Paul D. Sobey, Paul V. Beesley and Bill M'Ewan were valued at \$482,783, \$220,147 and \$608,354, respectively, for accounting purposes using the Black-Scholes Option Pricing Model as of May 7, 2011.
 - (c) In fiscal 2010, options were granted at a grant price of \$46.04. For this purpose, the HR Committee uses 25 percent of the grant price to estimate fair value of each option. The awards to Paul D. Sobey, Paul V. Beesley and Bill M'Ewan were valued at \$509,629, \$203,638 and \$645,387, respectively, for accounting purposes using the Black-Scholes Option Pricing Model as of May 1, 2010.
- (3) For Sobeys executives, the numbers in this column represent:
 - (a) For fiscal 2012, the prescribed fifth-year cash payout from the fiscal 2008 grant at a fiscal 2012 year-end value of \$84.12 per PPO;
 - (b) For fiscal 2011, the prescribed fourth-year cash payout from the fiscal 2008 grant and the prescribed third year cash payout from the fiscal 2009 grant at a fiscal 2011 year-end value of \$80.40 per PPO; and
 - (c) For fiscal 2010, the prescribed third-year cash payout from the fiscal 2008 grant at a fiscal 2010 year-end value of \$75.51 per PPO.
- (4) The Pension Value is the compensatory change that is described in the table on page 54 of this Circular.
- (5) All Other Compensation represents premiums paid in respect of the group life and accidental death and dismemberment insurance of the NEOs. Where applicable, All Other Compensation also includes the aggregate of imputed interest on interest-free loans provided by the Company to the NEOs in connection with the purchase of Common Shares under the Employee Share Purchase Plan. The value of perquisites for any of the NEOs did not exceed \$50,000 in aggregate or 10 percent or more of the NEO's salary, and is therefore not included in this column.

INCENTIVE PLAN AWARDS

OUTSTANDING EMPIRE STOCK OPTION-BASED AWARDS AND SHARE-BASED AWARDS								
Name	Fiscal Year of Grant	Option-Based Awards				Share-Based Awards		
		Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-money Options as of July 9, 2012 ⁽¹⁾ (\$)	Number of Units of Shares that have Not Vested (#)	Market or Payout Value of Share-Based Awards that Have Not Vested ⁽²⁾ (\$)	Market or Payout Value of Vested Share-Based Awards Not Paid out or Distributed (\$)
Paul D. Sobey	2012	23,713	\$ 54.40	June 2019	\$ 36,518	5,928	\$ 331,612	\$ 0
	2011	48,086	51.99	June 2018	189,940	n/a	n/a	n/a
	2010	52,998	46.04	June 2017	524,680	n/a	n/a	n/a
	2009	59,116	40.26	June 2016	926,939	n/a	n/a	n/a
	2008	54,140	43.96	June 2015	648,597	n/a	n/a	n/a
Paul V. Beesley	2012	10,795	\$ 54.40	June 2019	\$ 16,624	2,699	\$ 150,982	\$ 0
	2011	21,927	51.99	June 2018	86,612	n/a	n/a	n/a
	2010	21,177	46.04	June 2017	209,652	n/a	n/a	n/a
	2009	21,550	40.26	June 2016	337,904	n/a	n/a	n/a
	2008	14,289	43.96	June 2015	171,182	n/a	n/a	n/a
Bill M ^c Ewan	2012	28,955	\$ 54.40	June 2019	\$ 44,591	7,239	\$ 404,950	\$ 0
	2011	60,593	51.99	June 2018	239,342	n/a	n/a	n/a
	2010	67,116	46.04	June 2017	664,448	n/a	n/a	n/a
	2009	76,751	40.26	June 2016	1,203,456	n/a	n/a	n/a
	2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

(1) Based on the closing Non-Voting Class A share price on July 9, 2012 of \$55.94.

(2) The number in this column assumes 100% of target performance measures will be achieved; actual payout will range from 0% to 200%.

INCENTIVE PLAN AWARDS VESTED OR EARNED DURING THE FISCAL YEAR			
Name	Option-Based Awards – Value Vested During the Year ⁽¹⁾ (\$)	Share-Based Awards – Value Vested During the Year ⁽²⁾ (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year ⁽³⁾ (\$)
Paul D. Sobey	\$ 419,519	\$ 0	\$ 645,000
Paul V. Beesley	162,698	0	352,350
Bill M ^c Ewan	537,959	0	2,833,366
Marc Poulin	n/a	n/a	1,245,552
Jason Potter	n/a	n/a	965,281

Notes:

(1) Based on the closing Non-Voting Class A share price on July 9, 2012 of \$55.94. The numbers in this column represent the dollar value associated with the percentage of each of the fiscal 2009, 2010, 2011 and 2012 option grants that vested during fiscal 2012.

(2) For Empire NEOs, this represents the value of PSUs granted through the MTIP, PSUs will only vest at the end of the three-year period.

(3) For Empire NEOs, this represents their AMIP payment and for the Sobey NEOs, this represents the aggregate of their AMIP and their LTIP Payout.

Under the terms of the Stock Option Plan, at the end of fiscal 2012, 100 percent of the fiscal 2008 stock option grant was vested, 75 percent for the fiscal 2009 stock option grant was vested, 50 percent for the fiscal 2010 stock option grant was vested and 25 percent for the fiscal 2011 stock option grant was vested. As at July 15, 2012, 100 percent of the fiscal 2009 stock option grant vested, 75 percent of the fiscal 2010 stock option grant vested, 50 percent of the fiscal 2011 stock option grant vested and 25 percent of the fiscal 2012 stock option grant vested.

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

AGGREGATE NUMBER OF SECURITIES AVAILABLE FOR ISSUANCE UNDER ALL COMPENSATION PLANS OF THE COMPANY			
Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans ⁽¹⁾
Equity Compensation Plans Approved by Shareholders	638,818	\$ 46.57	2,561,182
Equity Compensation Plans Not Approved by Shareholders	NIL	NIL	NIL
Total	638,818	\$ 46.57	2,561,182

Note:

(1) A maximum of 3,200,000 Non-Voting Class A shares may be issued under the Stock Option Plan. The number in this column reflects the number of securities available for issuance excluding the number of securities to be issued upon exercise of outstanding options.

PERFORMANCE GRAPH

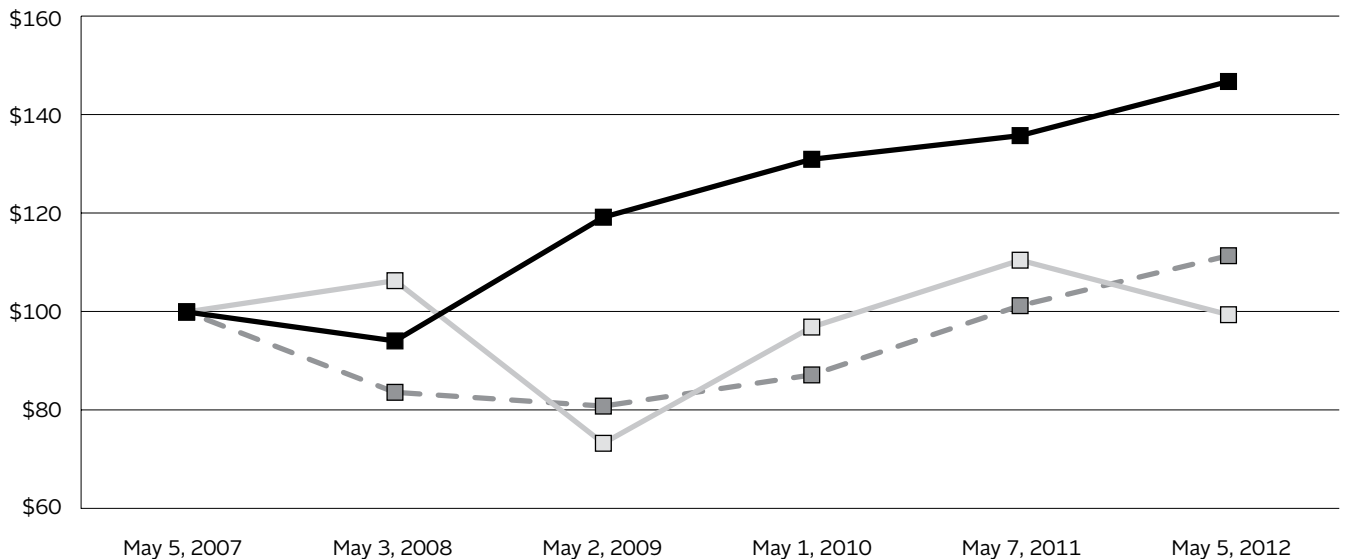
The following graph illustrates the total cumulative return on a \$100 investment in Non-Voting Class A shares starting on May 5, 2007, with the cumulative total return of the S&P/TSX Composite Index and the S&P/TSX Food and Staples Retailing Index over the same five-year period ending May 5, 2012, total cumulative return assumes reinvestment of all dividends. Non-Voting Class A shares are included in each of these indices.

The trend in the Company's total cumulative shareholder return, as shown in the graph below, is broadly consistent with the trend in the amount of total compensation paid to the NEOs for the three years ended May 5, 2012, as shown in the Summary Compensation Table on page 49 of this Circular. Over the last five years, the total return performance of Non-Voting Class A shares has averaged 8.0 percent as compared to the S&P/TSX Composite Index total return of (0.11) percent and 2.19 percent total return for the S&P/TSX Food and Staples Retailing Index over the same period.

For the purpose of the above discussion, NEO compensation is defined as aggregate annual compensation which equals the sum of base salary, AMIP, MTIP and LTIP awards, excluding all other compensation. The executive compensation values have been calculated for the NEOs based on the same methodology as disclosed in the Summary Compensation Table on page 49 of this Circular.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Empire Company Limited, the S&P/TSX Composite Index and the S&P/TSX Food & Staples Retailing Index



—■— Empire Company Limited —□— S&P/TSX Composite Index - -■- - S&P/TSX Food & Staples Retailing Index

*\$100 invested on May 5, 2007 in stock or index, including reinvestment of dividends.

	May 5, 2007	May 3, 2008	May 2, 2009	May 1, 2010	May 7, 2011	May 5, 2012	Compound Annual Growth Over Five Years
Empire Company Limited	\$ 100.00	\$ 94.10	\$ 119.29	\$ 131.08	\$ 135.90	\$ 146.92	8.00%
S&P/TSX Composite Index	\$ 100.00	\$ 106.37	\$ 73.26	\$ 96.92	\$ 110.54	\$ 99.44	(0.11%)
S&P/TSX Food & Staples Retailing Index	\$ 100.00	\$ 83.64	\$ 80.83	\$ 87.18	\$ 101.28	\$ 111.45	2.19%

PENSION PLAN, BENEFITS AND OTHER COMPENSATION

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 ⁽¹⁾	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, minimum pension targets in excess of those outlined in the above table have been established.

The pension benefits offered to the NEOs are determined as the greater of a defined benefit promise and a defined contribution promise. As a result, the Annual Benefits Payable, the Accrued Obligation and the Compensatory and Non-Compensatory Changes set out below are presented on a combined basis in respect of all the pension programs in which these executives have accrued some pension benefits, including the defined contribution plans and the DPSP. The Total Accrued Pension Obligation represents the value of the projected benefit earned for all service to date, under all of the Company's pension programs, including the defined contribution plans. The Annual Benefit Payable accrued at May 5, 2012 is based on a deferred pension payable at age 65 and payable as a 60 percent joint life and survivor pension.

DEFINED BENEFIT PLANS TABLE

Name	Number of Years Credited Service (#)	Annual Benefits Payable ⁽¹⁾ (\$)		Opening Present Value of Defined Benefit Obligation at May 7, 2011 ⁽²⁾	Compensatory Change ⁽³⁾	Compensatory Change ⁽⁴⁾	Closing Present Value of Defined Benefit Obligation at May 5, 2012 ⁽²⁾
		At Year-End	At Age 65	(\$)	(\$)	(\$)	(\$)
Paul D. Sobey	29.75	\$ 368,000	\$ 371,000	\$ 3,714,000	\$ 33,000	\$ 775,000	\$ 4,522,000
Paul V. Beesley	12.42	88,000	160,000	944,000	55,000	195,000	1,194,000
Bill McEwan	11.50	250,000	428,000	2,492,000	125,000	1,519,000	4,136,000
Marc Poulin	15.00	158,000	309,000	1,728,000	64,000	437,000	2,229,000
Jason Potter	17.50	135,000	232,000	952,000	368,000	419,000	1,739,000

Notes:

- (1) The Annual Benefits Payable at age 65 is estimated based on total projected credited service at age 65, final average earnings at May 5, 2012 and the terms of the pension arrangements in effect on May 5, 2012.
- (2) The Opening Present Value of Defined Benefit Obligation at May 7, 2011 and Closing Present Value of Defined Benefit Obligation at May 5, 2012 were calculated based on the methods and assumptions used to determine year-end pension plan obligations as disclosed in the fiscal 2011 and fiscal 2012 Consolidated Financial Statements, respectively.
- (3) The Compensatory Change includes the annual employer service cost, which represents the value of the projected pension benefit earned during the year, and the impact related to the difference between actual and expected salary increases during fiscal 2012.
- (4) The Non-Compensatory Change reflects all other changes in the Opening and Closing Present Value of Defined Benefit Obligations that are not included in the Compensatory Change.

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 Jason Potter are 40, 23, 21, 29 and 43, respectively.

Empire and Sobey's accrue a liability for amounts owing in respect of the SERP arrangements 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.

While the SERP pension benefits are not capped at an absolute level, due to the fact that the calculation of the SERP benefit excludes bonus from the formula (i.e. it is based on salary only), the view is that there are sufficient controls on value delivered in place.

EMPLOYMENT CONTRACTS AND SEVERANCE ARRANGEMENTS

There were no formal change of control agreements, employment contracts, severance policies or severance agreements in place with any of the NEOs as of the date of this document.

INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES

Awards previously made under the Empire LTIP allowed Empire executives to purchase Non-Voting Class A shares from treasury at a price approximating the market price on the date of the award. Executives were provided with interest-free loans for the purpose of acquiring these shares, in which case the shares purchased are held as collateral for the loan. The loan matures 10 years after grant with annual payments consisting of the after-tax amount of dividend payments received on the shares, and the after-tax portion of any LTIP cash awards received. Outstanding loans granted under the Employee Share Purchase Plan (“ESPP”) in prior years mature 10 years after the last grant, are interest free, are secured by the related Non-Voting Class A shares and are subject to quarterly application of the after-tax amount of the dividends to reduce the outstanding loan. No new loans have been granted since June 2007.

TABLE OF INDEBTEDNESS OF DIRECTORS, SENIOR OFFICERS AND EXECUTIVE OFFICERS – EMPIRE LTIP

Name and Principal Position	Involvement of Company ⁽¹⁾	Largest Amount Outstanding During Fiscal 2012	Amount Outstanding as at July 20, 2012	Financially Assisted Securities Purchased During Fiscal 2012 (Number of NV Class A Shares)	Security For Indebtedness as at July 20, 2012 (Number of NV Class A Shares)
Paul D. Sobey President and CEO	Loan	\$ 1,131,607	\$ 1,108,328	–	38,796
Paul V. Beesley EVP and CFO	Loan	584,000	571,778	–	20,368
Carol A. Campbell Vice President, Risk Management	Loan	108,186	105,940	–	3,744
Stuart G. Fraser President and CEO, Empire Theatres Limited	Loan	559,213	546,726	–	20,810
Stewart H. Mahoney Vice President, Treasury and Investor Relations	Loan	117,223	115,030	–	3,654
John G. Morrow Vice President and Comptroller	Loan	127,689	124,875	–	4,691
Frank C. Sobey Vice President, Real Estate	Loan	130,081	127,425	–	4,426

Note:

(1) Loans granted under the ESPP in prior years are interest free, are secured by the related Non-Voting Class A shares and are subject to quarterly application of the after-tax amount of the dividend to reduce the outstanding loan. All loans will mature by 2016.

The following table sets out the aggregate indebtedness at July 20, 2012 to the Company and its subsidiaries of all the executive officers, directors, employees and former executive officers, directors and employees of the Company or its subsidiaries.

AGGREGATE INDEBTEDNESS		
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	\$ 2,700,102	NIL
Other	NIL	NIL

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 Appendix A on page 58 of 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 available on the Empire website: www.empireco.ca.

ADDITIONAL INFORMATION

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 \$153,000 was paid by the Company in fiscal 2012.

ANNUAL INFORMATION FORM

Financial information is provided in the Company's comparative financial statements and Management's Discussion and Analysis 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 short form prospectus system for the distribution of securities. A copy of the Company's Annual Report, audited annual consolidated 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) or by contacting the Investor Relations department of the Company at 115 King Street, Stellarton, Nova Scotia, B0K 1S0.

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 investment and in the best interests of Empire and its shareholders.

The Company filed a notice with the TSX on September 14, 2011 to purchase for cancellation up to 673,755 Non-Voting Class A shares representing approximately two percent of those outstanding, subject to obtaining regulatory approval and shall terminate not later than September 19, 2012. As of July 20, 2012, no shares have been purchased for cancellation. A copy of the notice filed with the TSX may be obtained without charge by contacting the Corporate Secretary of the Company.

CONTACT THE BOARD OF DIRECTORS

General information about Empire Company Limited can be requested through our "Contact Us" button on our website at www.empireco.ca. You may communicate with the Board of Directors through the Office of the Corporate Secretary in the following manner:

By mail:

Karin McCaskill
Corporate Secretary
Empire Company Limited
115 King Street
Stellarton, Nova Scotia
B0K 1S0

By e-mail: board@empireco.ca

We receive inquiries on many subjects and have developed a process to manage inquiries so that the appropriate people respond to them. The Office of the Corporate Secretary reviews all letters and e-mails addressed to the Board or to individual directors. Matters relating to the Company's financial disclosure, internal accounting controls or audit matters will be referred to the Audit Committee. Other matters may be referred to the Board Chair and/or to committees of the Board as appropriate. While the Board oversees management, it does not participate in day-to-day operations, therefore inquiries related to operational matters will be directed to the appropriate member(s) of management for response. The Office of the Corporate Secretary will, in its discretion, decline to forward correspondence that is not relevant to Empire or not appropriate for the Board to consider. The Office of the Corporate Secretary maintains a log of all correspondence received and its disposition. Directors may review the log at any time and request copies of correspondence received.

DIRECTORS' APPROVAL

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

A handwritten signature in black ink, appearing to read "Karin", written in a cursive style.

Karin McCaskill
Corporate Secretary
Stellarton, Nova Scotia
July 20, 2012

APPENDIX A

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

The Company 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. The Company's corporate governance practices are substantially in alignment with NP 58-201. In addition, this appendix discloses the Company's current corporate governance practices in accordance with the requirements of NI 58-101.

1. Board of Directors

Disclose the identity of directors who are independent.

The Board has determined that all of the current directors of the Company with the exception of Marc Poulin, David F. Sobey, Donald R. Sobey, Frank C. Sobey, Karl R. Sobey, Paul D. Sobey, and Rob G.C. Sobey are independent. The Board has also determined that the new proposed directors, Bonnie Brooks and Martine Turcotte, are independent.

Disclose the identity of directors who are not independent and describe the basis for that determination.

See the "Director Independence and Other Relationships" on page 18 of this Circular.

Disclose whether or not a majority of directors are independent.

Currently, 9 of 16 directors are considered to be independent. Of the directors proposed for election at the 2012 Annual General Meeting, 10 of 17 are considered to be independent.

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.

All of the directorships of the current and proposed directors with other public entities are disclosed on pages 9 through 17 of this Circular in the "Board Nominees" section.

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.

The independent directors meet in the absence of non-independent directors and members of management at every meeting of the Board. Private sessions (directors only, in the absence of management) during committee meetings are regularly held by the Audit, Human Resources, Corporate Governance and Nominating Committees. During fiscal 2012, the Board and Committees held the following meetings of, in the case of the Board, solely independent directors and in the case of the committees, directors only.

Board – 10
Audit – 5
Human Resources – 3
Corporate Governance – 4
Nominating – 4

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.

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.

Amongst other things, the Chair is expected to:

- Provide leadership to ensure effective functioning of the Board;
- Lead in the assessment of Board and Committee performance;
- Assist the Human Resources Committee in monitoring and evaluating the performance of the Chief Executive Officer and Senior Officers of the Company;
- Lead the Board and Committees in ensuring succession plans are in place at the senior management level; and
- Act as an effective liaison among the Board and management.

Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.

The attendance record of each director for Board and Committee meetings during fiscal 2012 is disclosed in the table in the Committee Membership and Record of Attendance section of this Circular.

2. Board Mandate

Disclose the text of the Board's written mandate. The mandate should explicitly acknowledge responsibility for the stewardship of the issuer.

The Board's written mandate, which confirms the Board's explicit responsibility for the stewardship of the issuer, is set out in Appendix B of this Circular.

3. Position Descriptions

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.

The Board has developed a written position description for the Chair of the Board and for the committee chairs.

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.

Following review by the HR and Corporate Governance Committees, the written position description for the CEO will be updated to reflect evolving best practices and the requirements of the Company, which include meeting the corporate goals and objectives established by the Board pursuant to its mandate. The Board holds the CEO responsible for, among other things:

- Developing and recommending to the Board a long-term strategy and vision for the Company that leads to creation of shareholder value;
- Developing and recommending to the Board annual business plans and budgets that support the Company's long-term strategy; and
- Achieving the Company's financial and operating goals and objectives.

4. Orientation and Continuing Education

Briefly describe what measures the Board takes to orient new directors regarding:

- i) The role of the Board, its companies and its directors; and*
- ii) The nature and operation of the issuer's business.*

Director Orientation

When a new director joins the Board, an orientation program is developed for him/her taking into account the director's background and skills as well as his/her intended committee involvement. The orientation program is designed to introduce the new director to the business and to the Company's expectations of directors. The orientation will include meetings with senior management of Empire and its major subsidiaries, meetings with the Board Chair and committee chairs, and property and store tours. The new director will be provided with the Directors' Handbook (which includes Board and committee mandates, position descriptions and the Code of Business Conduct and Ethics together with a selection of historical information about the Company), the current approved budget and business plan, the most recent quarterly financial reports and the most recent annual disclosure documents.

The Board should provide continuing education opportunities for all directors.

The Company is committed to the ongoing education of directors to assist them in fulfilling their responsibility to be knowledgeable about the Company's business and about the duties and responsibilities of directors. To this end, the Company provides regular briefings (both at meetings and by providing written material) on such topics as different areas of the business, proposed and ongoing major projects, the competitive landscape, global and national economic trends, capital markets analysis and emerging governance issues (for example, CEO/CFO certification and IFRS). The Company also encourages the participation of directors in continuing director education programs, including the Institute for Corporate Directors, and reimburses for tuition and associated expenses.

In fiscal 2012, in addition to the regular briefings, the following presentations and site visits were offered:

Date	Subject	Audience
June 2011	IFRS session Sobeys Atlantic update and store tours (Halifax area)	Audit Committee All directors
September 2011	Emerging financial governance issues	Audit Committee
October 2011	Full strategy presentation and discussion Ontario store tours (Toronto area)	All directors All directors
December 2011	Sobeys Ontario update and store visit introduction Ontario store tours (Toronto area) Sobeys national office (Mississauga) visit/tour Genstar presentation Enterprise Risk Management update Executive compensation disclosure requirements changes	All directors All directors All directors All directors All directors Corporate Governance and Human Resources Committees
March 2012	Sobeys Ontario update and store visit introduction Ontario store tours (Ottawa area)	All directors All directors

5. Ethical Business Conduct

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:

The Board has adopted a written Code of Business Conduct and Ethics (“the **Code**”) covering all employees and directors of the Company, which covers all of the elements recommended by NP 58-201.

Disclose how a person or Company may obtain a copy of the Code;

The Code is available on the Company's website, www.empireco.ca.

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

The Board, through the Audit Committee, receives reports of unethical behaviour received through the Ethics Hotline and otherwise. More information on ethical business conduct is described in the section Ethical Business Conduct on page 25 of this Circular.

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.

The Board has not granted any waiver of the Code in favour of a director or executive officer since the beginning of fiscal 2012 (or, indeed, ever). Accordingly, no material change report has been required to be filed.

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.

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 and, in the case of Edward C. Harsant, as Chair of the Advisory Board of Lawton's Drug Stores Limited. Directors who are also employees of the Company or one of its subsidiaries receive employment income as disclosed in this Circular but do not receive directors' fees.

Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

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.

6. Nomination of Directors

Describe the process by which the Board identifies new candidates for Board nomination.

The 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.

Disclose whether or not the Board has a nominating committee composed entirely of independent directors.

The Nominating Committee is composed entirely of independent directors.

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.

The Nominating Committee mandate encompasses these responsibilities and provides for the effective functioning of the Committee. The mandate of the Committee is available on the Empire website: www.empireco.ca.

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.

The 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. As a result of the work of the Nominating Committee, the Chair of the Board maintains an evergreen list of potential candidates.

The Nominating Committee of the Board of Directors is responsible for the identification and recommendation of suitable candidates for election or appointment as directors. This process includes a determination of the competencies, skills and personal qualities required of new directors in light of opportunities and risks facing the Company. A skills matrix has been developed to ensure that the board composition is appropriate and that the key areas of expertise noted below are appropriately represented.

Skill/Experience	Description	Number of Directors Nominees
CEO/Senior Executive	Experience as a CEO or senior executive of a publicly listed company or a major organization.	16
Financial/Accounting	Senior executive experience in financial accounting and reporting and corporate finance and familiarity with internal controls.	11
Food/Retail	Senior executive experience in the food/retail industries combined with knowledge of the industry, markets, competitors, financial and operational issues and regulatory concerns.	9
Governance	Prior or current experience as a board member of a Canadian organization (public, private or non-profit).	14
Human Resources	Senior executive experience or board compensation committee participation with an understanding of compensation, benefits and pension programs, legislation and agreements, as well as expertise in executive compensation programs including base pay, incentives, equity and perquisites.	11
Investments/Asset Management	Senior executive experience in investment banking or in mergers and acquisitions, especially with respect to debt and equity markets.	6
Marketing	Senior executive experience in an industry where consumer marketing is a critical component.	10
Real Estate	Senior executive experience in real estate, whether commercial, residential, development or leasing.	10

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.

The Nominating Committee undertakes, on an ongoing basis, the responsibility of identifying prospective Board members. It recommends new nominees to the Board.

In making its recommendations, the Nominating Committee should consider: competencies and skills necessary, current assessment of competencies and skills and those of director nominees.

As noted above, the Nominating Committee includes these factors in its deliberations.

7. Compensation

Describe the process by which the Board determines the compensation for the issuer's directors and officers.

The Corporate Governance Committee annually reviews the current director compensation and recommends adjustments to the Board, which in turn recommends director compensation to shareholders for approval at the Annual General Meeting. Further information on the Corporate Governance Committee's 2012 review can be found on page 26 of this Circular.

The Human Resources Committee is responsible for recommending executive compensation to the Board. Further information on executive compensation can be found on pages 34 to 54 of this Circular.

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.

The Human Resources Committee acts as a compensation committee in respect of executive compensation. The Human Resources Committee is composed entirely of independent directors.

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

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.

Included in the Committee's responsibilities are:

- Reviewing and approving corporate goals and objectives regarding CEO and other executive compensation;
- Evaluating the performance of the CEOs of Empire and Sobseys;
- Recommending CEO and other executive compensation;
- Recommending the design of incentive compensation and equity-based plans; and
- Reviewing executive compensation disclosure before the issuer publicly discloses this information.

The mandate of the Committee is available on the Empire website: www.empireco.ca.

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.

No consultant or advisor has been retained to assist in determining compensation for directors. Consultants retained by HR Committee with respect to executive Compensation are found on page 36 of this Circular.

8. Other Board Committees

If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The five standing committees of the Board are: Audit, Corporate Governance, Human Resources, Nominating and Oversight.

The mandate of each committee is available on the Empire website: www.empireco.ca.

9. Assessments

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.

The Corporate Governance Committee is responsible for regular assessment of the effectiveness and contribution of the Board, its committees and individual directors. More information on Board assessment can be found on page 23 of this Circular.

APPENDIX B

EMPIRE COMPANY LIMITED 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 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 (inclusive of food safety and occupational health and safety), succession planning, communications and the integrity of the Company's internal control and management information systems. The Board discharges certain of its responsibilities through delegation to its committees as more particularly set out in the committee mandates.

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.

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 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.

Board Composition and Assessment

The 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.

The Board is responsible for assessing and developing its effectiveness.

The Board, through the Corporate Governance 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 Board shall provide continuing education opportunities for all directors so that they may enhance their skills and abilities as directors and ensure that their knowledge and understanding of the Company's business remains current.

The Corporate Governance 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 Committee.

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

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 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, at every regularly scheduled meeting and at other meetings at its discretion, meet without management present to ensure that the Board functions independently of management. Further, at every Board meeting, an in-camera meeting of independent directors will take place. The Board shall maintain a policy which permits Board committees and individual directors to engage outside advisors at the cost of the Company, provided that approval is first obtained from the Corporate Governance 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 Meeting Agendas and Information

The Chair and the CEO, in consultation with the Corporate Secretary and members of senior management as appropriate, 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, the Corporate Governance Committee, the Nominating Committee and the Oversight Committee. Other Committees may be struck as the Board determines is appropriate. All of the members of the Audit, Human Resources and Nominating Committees shall be independent directors. Each Committee has a written mandate that is reviewed and approved annually.

Committee Meetings

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.

Review of Independence of Outside Directors

The Corporate Governance Committee will review on an annual basis any relationships between directors and the Company which might be construed in any way to compromise the designation of any director as being independent. 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 relationships exist, 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 shall offer a resignation to the Board for consideration. The Board will take the opportunity to review, through the Corporate Governance 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 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.

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 Committee, shall have responsibility for developing the Company's approach to corporate governance issues.

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 annual 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 executive 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, 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 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. All material matters relating to the Company and its business require the prior approval of the Board. In particular, capital expenditures or commitments in excess of \$10 million must be approved by the Board in advance. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Company's business. The Grants of Operating Authority outlines the Board authorization required of the Company and its' subsidiaries.

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.

The Oversight Committee has responsibility for all matters related to business process optimization and information technology.

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 Business Conduct and Ethics for directors, officers and employees.

Management and Human Resources

The Board selects, appoints and evaluates the performance of the CEOs of Empire and Sobeys Inc., and establishes the appropriate compensation for the CEOs. In consultation with the CEO of Empire and the Human Resources Committee, the Board appoints all officers of the Company and determines the terms of employment, training, development and succession of senior management specifically including the overall percentage salary increase for those executives (in addition to the CEOs) whose compensation is subject to public disclosure.

SHAREHOLDER AND INVESTOR INFORMATION

Empire Company Limited

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Stellarton, Nova Scotia
B0K 1S0
Telephone: (902) 755-4440
Fax: (902) 755-6477
www.empireco.ca

Investor Relations and Inquiries

Shareholders, analysts, and investors should direct their financial inquiries or requests to:

Stewart H. Mahoney, CFA
Vice President, Treasury & Investor Relations
E-mail: investor.relations@empireco.ca

Communication regarding investor records including changes of address or ownership, lost certificates or tax forms, should be directed to the Company's transfer agent and registrar, CIBC Mellon Trust Company, c/o Canadian Stock Transfer Company Inc.

Affiliated Company Web Addresses

www.sobeyscorporate.com
www.empiretheatres.com

Transfer Agent

CIBC Mellon Trust Company
c/o Canadian Stock Transfer Company Inc.
Investor Correspondence
P.O. Box 700, Station B
Montréal, Québec
H3B 3K3
Telephone: (800) 387-0825
E-mail: inquiries@canstockta.com

Canadian Stock Transfer Company Inc. is operating the transfer agency business in the name of CIBC Mellon Trust Company for a transition period.

Multiple Mailings

If you have more than one account, you may receive a separate mailing for each. If this occurs, please contact CIBC Mellon Trust Company c/o Canadian Stock Transfer Company Inc. at (800) 387-0825 to eliminate the multiple mailings.

Outstanding Shares

As of June 28, 2012

Non-Voting Class A shares	33,687,747
Class B common shares, voting	34,260,763

Shareholders' Annual General Meeting

September 13, 2012, at 11:00 a.m. (ADT)
Empire Studio 7 Cinemas
610 East River Road
New Glasgow, Nova Scotia

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbols

Non-Voting Class A shares – EMP.A

Average Daily Trading Volume (TSX:EMP.A)

69,102

Dividend Record and Payment Dates for Fiscal 2013

<i>Record Date</i>	<i>Payment Date</i>
July 13, 2012	July 31, 2012
October 15, 2012*	October 31, 2012*
January 15, 2013*	January 31, 2013*
April 15, 2013*	April 30, 2013*

*Subject to approval by Board of Directors

Bankers

Bank of Montreal
Bank of Nova Scotia
Bank of Tokyo-Mitsubishi
Canadian Imperial Bank of Commerce
National Bank of Canada
Rabobank
Royal Bank of Canada
TD Bank Financial Group

Solicitors

Stewart McKelvey
Halifax, Nova Scotia

Auditors

Grant Thornton, LLP
New Glasgow, Nova Scotia

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