

The Great Atlantic & Pacific Tea Company, Inc.

Corporate Governance Guidelines

These Corporate Governance Guidelines (the “Guidelines”) reflect the principles by which the Company shall operate. The Guidelines are a statement of intention and a working document, which may change from time to time.

1. Board Responsibilities

- A. *Fiduciary Duty* – The Directors’ paramount duty of responsibility is to the Company’s stockholders and as such, the Directors shall exercise their fiduciary duty in the best interest of the long-term success of the Company and such stockholders.
- B. *Operational and Financial Understanding* - Each Director shall have a basic understanding of the Company’s: (i) principal operational and financial objectives; (ii) plans and strategies; (iii) results of operations; (iv) financial condition; and (v) relation to its competitors.
- C. *Active Board* - The Board of Director (“Board”) is an active Board. It shall provide guidance and strategic oversight to management and shall review the Company’s fundamental corporate strategies and objectives, including annual budgets and multi-year plans.
- D. *Meeting Attendance* - Regular attendance at all Board meetings and all meetings of the Committees on which the applicable Director serves is expected. The Board believes that director attendance at the Annual Meeting is beneficial to the directors and stockholders.
- E. *Retirement* - A Director will retire from the Board at the first Annual Meeting following the Director’s 75th birthday.

2. Board Meetings

- A. *Frequency of Meetings* – The Board shall meet at least four (4) times a year and shall hold additional meetings when needed to address issues of special concern or urgency.
- B. *Selection of Agenda Items* – The CEO, shall prepare the agenda for each regular meeting. Any Director may ask that items be added to the agenda.
- C. *Distribution of Materials* – Management shall circulate the agenda and materials pertaining to the meeting at least 7 calendar days in advance of the meeting so that Directors may familiarize themselves with the material and be prepared to contribute. In the event there are legal or security reasons, or for timely updates, management may distribute materials at the Board Meeting.

- D. *Attendance of Non-Directors* – Certain senior officers shall attend each Board meeting. Management shall also bring into Board meetings managers/officers and other invitees who can provide additional insight into the items being discussed.
- E. *Access to Management and Advisors* – The Board and the Committees of the Board shall have access to Company management and shall also have the authority to retain independent legal, auditing, compensation or other consultants as they deem necessary or appropriate.
- F. *Independent Directors* – The independent Directors of the Company shall meet in person immediately following each meeting of the Board, and/or by telephone conference call when necessary.

3. **Composition of the Board of Directors**

- A. *Size of the Board* – The Governance Committee makes recommendations to the Board concerning the Board's size. In accordance with the Company's By-Laws, the number of Directors shall be determined by a vote of a majority of the entire Board but shall not be decreased to less than three.
- B. *Term Limits* - The Board believes that over time Directors develop insight into the Company and its operations and, therefore, with time, their contributions increase. The Board does not believe that it should establish term limits. All Director positions are up for election every year.
- C. *Retirement of Board Members* – When a Director retires or resigns from his/her principal employment or his/her responsibilities significantly change, the Director should offer to resign from the Board. The Chair of the Governance Committee should discuss continued service with the Director at this time.
- D. *Service on Other Boards* – Other than as prohibited by law, the Company does not limit the other boards and committees on which a Director may serve. Audit Committee members, however, may not serve on the audit committee of more than two (2) other public companies. Each director is expected to ensure that other commitments do not materially interfere with the director's discharge of his/her duties. Prior to becoming a director in another corporation, the director is expected to inform the Chairman and his/her other Board members.
- E. *Director Orientation and Continuing Education* – All new Directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable following the annual meetings at which new Directors are elected or following the appointment of a new Director by the Board of Directors in order to fill an existing or newly created vacancy on the Board of directors. This orientation will include presentations by senior management to familiarize new Directors with the Company's strategic plans, significant financial, accounting and risk management issues, compliance

programs, Code of Business Conduct and Ethics, senior management, the internal audit department and the independent auditor.

The Board encourages, but does not require, Directors periodically to pursue continuing education opportunities in the form of programs, sessions or materials with respect to the responsibilities of Directors of public companies and will reimburse Directors for reasonable expenses incurred in connection with such continuing education..

4. Board Membership

- A. *Board Membership Criteria* - The Board shall be comprised of members from diverse professional and social backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity and who will make a significant contribution to the Board and to the Company and its stockholders. The Board's Governance Committee is responsible for identifying, selecting and recommending director nominees for Board membership and for Board approval. Candidates are chosen for their experience and diversity in business matters and in terms of what they can contribute to the Company. Once identified, the Board reviews the qualifications and background of director candidates in the context of the current composition and needs of Board, the operating requirements of the Company, the long-term interests of stockholders and the required minimum qualifications indicated in Section 5 below. It then recommends to the full Board the slate of Directors to be submitted to the stockholders for nomination for election at the next annual meeting.
- B. *Director Candidates* - To find new director candidates, the Governance Committee uses its network of contacts and if it deems appropriate, engages a professional search firm to compile a list of potential candidates. The Governance Committee considers candidates suggested by members of the Board, as well as candidates suggested by management and by stockholders. To submit a recommendation for the Company's annual meeting, a stockholder should provide the prospective candidate's name, contact information, biographical data and qualifications, together with the prospective candidate's written consent to being named as a nominee and to serving on the Board if nominated and elected, to the Governance Committee to the Governance Committee, c/o The Great Atlantic & Pacific Tea Company, Inc., Senior Vice President & General Counsel, 2 Paragon Drive, Montvale, NJ, 07645, by the date indicated in the Proxy Statement for the prior year's annual meeting.

5. Minimum Qualifications; Screening and Review of Director Candidates

After considering the function and needs of the Board, the Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates. The Governance Committee screens all potential candidates in the same manner regardless of the source of the recommendation. It meets to discuss and consider each candidate qualifications and evaluates the candidate's (i) character, judgment, personal and

professional ethics, integrity, values and familiarity with national and international issues affecting business, (ii) depth of experience, skills and knowledge complementary to the Board and the Company's business, and (iii) willingness to devote sufficient time to carry out the duties and responsibilities effectively. The Governance Committee also considers such other relevant factors as it deems appropriate. For incumbent Directors, the Governance Committee focuses on each Director's overall service to the Company, including the number of meetings attended, level of participation, quality of performance and any related party transactions with the Company during the applicable time period. The Governance Committee then determines whether the applicable candidate meets the Company's minimum qualifications and specific qualities and skills for Directors which are set forth in this Section, interviews the candidate if it believes the candidate would be a suitable director and ultimately, decides if it should recommend the candidate to the full Board. In conducting its assessment, the Board uses the following factors:

- (i) *Ethical Character and Values* - Directors should be of the highest ethical character. They should share the values of the Company as reflected in the Code of Business Ethics and Conduct and have reputations, both personal and professional, consistent with the Company's image and reputation.
- (ii) *Independence* – To assist it in determining whether or not a director nominee is "independent", the Board has established Standards of Independence, which conform to, and are more stringent than, the independence requirements in the New York Stock Exchange listing rules. These Standards of Independence are attached as Appendix A.
- (iii) *Sufficient Time* - Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. In addition, directors must have time available to enhance their knowledge of the retail supermarket business.
- (iv) *Stockholder Value* - Each Director should possess a concern for the long-term interests of the stockholders and for the Company's success and welfare and a loyalty to the Company.
- (v) *Business Judgment; Experience* - Directors should be highly accomplished in their respective field, with superior credentials and recognition. Each Director should have relevant business and professional expertise and experience, and should have the ability and the willingness to exercise sound business judgment and to provide insights and practical wisdom based on such experience and expertise. Additionally, the Board should seek Directors who have a breadth of knowledge about issues affecting the Company.

6. Board of Director Committees

- A. *Number and Names of Board Committees* – The Board currently has the following six (6) Committees: Audit, Executive, , Governance, Management Development and Compensation.
- B. *Committee Members* – The Board, upon recommendation from the Governance Committee, annually approves the assignment of Directors and Chairs to the Committees of the Board taking into consideration each individual’s experience and expertise. Additionally, at least one (1) member of the Audit Committee shall be an “Audit Committee Financial Expert” as defined by the Securities and Exchange Commission.
- C. *Independence* – The Board shall determine that each member of the Audit and Governance Committees meet the applicable independence requirements of the NYSE and the SEC.
- D. *Agenda* – The Chair of each Committee, along with the appropriate members of management, shall prepare the agenda for each meeting.
- E. *Board Review* - The Chair of each Committee shall review the matters discussed at each Committee meeting with the Board at its subsequent meeting.

7. Director Compensation

- A. *Compensation Policy* - The Governance Committee has among its responsibilities the establishment of a Company policy as regards Board compensation. Thereafter, it is appropriate for the staff of the Company to report once a year to the Governance Committee the status of Board compensation in relation to other companies in its industry, and recommend changes, if necessary.
- B. *Payments* - Non-management Directors shall participate in the Company’s 2004 Non-Employee Director Compensation Plan. Board members who are also employees of the Company receive no additional compensation.

8. Annual Performance Evaluation of the Board

The Board shall conduct an annual self-evaluation to determine performance and effectiveness of the Board as a whole and the Committees thereof. It is the Governance Committee’s responsibility, using established evaluation criteria, to facilitate such evaluation.

9. Stockholders Communications with the Board

- A. *Stockholder Communications* - Stockholders who would like to contact the Company’s Board, including a committee thereof or a specific Director, can send an email to bdofdirectors@aptea.com or write to the following address: c/o The Great Atlantic &

Pacific Tea Company, Inc., Senior Vice President & General Counsel, 2 Paragon Drive, Montvale, NJ, 07645.

- B. *General Communications* - Employees and others who wish to contact the Board or any member of the Audit Committee to report complaints or concerns with respect to accounting, internal accounting controls or auditing matters, may do so by calling the Network Hotline at 1-888-277-3258 (24 hours a day, 7 days a week) and/or the Company's Senior Vice President & General Counsel (201-571-8161 – Montvale) and/or the Company's Chief Internal Auditor (201-571-4148 – Montvale). Concerns may be reported anonymously and/or confidentially. All complaints and communications will be received and processed by the Senior Vice President & General Counsel and submitted to the Board, a committee thereof, or specific individual Directors on a periodic basis.

10. Management Succession

- A. *Succession Planning* - The Board shall meet with the CEO annually with respect to succession planning. Succession planning for the Company's CEO and President is the Board's responsibility. The Board will review periodically with the CEO the Company's succession plan for its executive officers.

11. Hiring of Employees/Former Employees of the Independent Auditors

- A. *Current Employees* - The Company shall not hire a current partner, principal, shareholder or professional employee of the Auditor. The Company shall not hire a close family member of a current partner, principal, shareholder or professional employee of the Auditor in a Financial Reporting Oversight Role (as defined below).
- B. *Former Employees* - The Company shall not hire any former member of the Audit Engagement Team (as defined below) in a Financial Oversight Role unless such individual has not been a member of the Audit Engagement Team during the one-year period preceding the initiation of the Company's then current fiscal year audit.
- C. *Audit Engagement Team* – As used in this Section 11, Audit Engagement Team shall mean (i) any lead partner, (ii) any concurring partner, and (iii) any partner (or person in an equivalent position) or professional employee that provided ten (10) or more hours of audit, review or attestation services for the Company.
- D. *Financial Reporting Oversight Role* - As used in this Section 11, Financial Reporting Oversight Role shall mean any role in which a person is in a position to or does exercise influence over the contents of the Company's financial statements or anyone who prepares them, including without limitation, the Company's CEO &, President, Chief Financial Officer, Senior Vice President & General Counsel, Controller or Director of Internal Audit.

**The Great Atlantic & Pacific Tea Company, Inc.
Board of Directors**

Standards of Independence

As required by the Rules of the New York Stock Exchange (the "NYSE"), the Board of Directors of The Great Atlantic & Pacific Tea Company, Inc. (the "Company" or "A&P") shall assess the independence of each director, and affirmatively determine whether such director has a direct or indirect material relationship with the Company (other than in his/her capacity as a director). The Board of Directors shall make and publicly disclose its independence determination for each director when the director is first elected to the Board of Directors and annually thereafter in the Company's Proxy Statement for all nominees for election as directors at the annual stockholder meeting.

The Board of Directors has established the following guidelines to assist it in making independence determinations. When making such determinations, the Board of Directors shall, in addition to applying the standards below, broadly consider all relevant facts and circumstances. When assessing the materiality of a director's relationship with the Company, the Board of Directors shall consider the issue from the standpoint of both the director and the persons or organizations with which the director has an affiliation.

Standards

- A. ***Business Relationships.*** In accordance with Section 303A.02 of the NYSE's Listed Company Manual:
- (i) A director who is an employee, or whose immediate family member is an executive officer, of A&P is not "independent" until three (3) years after the end of such employment relationship;
 - (ii) A director who receives, or whose immediate family member receives, more than \$120,000 per year in direct compensation from A&P, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not "independent" until three (3) years after he/she ceases to receive more than \$120,000 per year in such compensation;
 - (iii) A director who is a partner of or employed by, or whose immediate family member is a partner of or employed by (and personally works on the Company's audit), the present or former internal or external auditor of A&P is not "independent" until three (3) fiscal years after the end of such partnership or the employment relationship;
 - (iv) A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of A&P's present executives serve on that company's compensation committee is not "independent" until three (3) years after the end of such service or the employment relationship; and
 - (v) A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, A&P for property or services in an amount which, in any single fiscal

year, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues, is not "independent" until three (3) fiscal years after falling below such threshold.

- B. ***Charitable Relationships.*** A director is not "independent" if, at the time of the independence determination, (i) the director serves as an officer, director or trustee of a charitable organization, and (ii) A&P's discretionary charitable contributions to such organization, in any of the past three (3) fiscal years, exceeded the greater of \$1,000,000 or two percent (2%) of such organization's consolidated gross revenues.
- C. ***Majority Stockholder Relationships.***
- (i) A director who is an employee or a director, or whose immediate family member is an executive officer, of an entity that holds fifty percent (50%) or more of the common stock of A&P, on a fully-diluted basis (a "Majority Stockholder"), is not "independent" until three (3) years after the end of such employment relationship.
 - (ii) A director who provides, or whose immediate family member provides, banking, consulting, legal, accounting or similar services to a Majority Stockholder, is not "independent" until three (3) years after the director, or the director's immediate family member, ceases to provide such services.
- D. ***Other Relationships.*** In addition to the standards set forth above, the Board of Directors shall consider all other relationships between each director and A&P; provided, however, that a relationship will not be deemed a "material relationship" if such relationship is at arm's length, does not conflict with the interests of A&P and does not impair the director's independence or judgment. Specifically, the Board of Directors shall consider the following:
- (i) Any relationship pursuant to which the director, or an immediate family member, provides banking, consulting, legal, accounting or similar services to A&P;
 - (ii) Any relationship whereby the director is a partner or stockholder with an ownership interest of 5% or more of an organization that provides banking, consulting, legal, accounting or similar services to or otherwise has a significant relationship with A&P; and
 - (iii) Any relationship whereby the director is an executive officer or employee, or an immediate family member is an executive officer, of another company that (y) does business with A&P and the sales by that company to A&P or purchases by that company from A&P, in any fiscal year during the last three (3) fiscal years, are more than the greater of \$1 million or one percent (1%) of the consolidated gross revenues of that company, or (z) is indebted to A&P, or to which A&P is indebted, and the total amount of either company's indebtedness to the other at the end of any of the last three (3) fiscal years is more than the greater of \$1 million or one percent (1%) of the consolidated gross revenues of that company.
- E. ***Definitions.*** As used in these Standards of Independence, the terms "Company" and "A&P" will be deemed to include The Great Atlantic & Pacific Tea Company, Inc. and any subsidiaries of A&P and the term "immediate family member" of a director will mean his/her spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such director's home.

