EMPIRE

COMPANY LIMITED

ANNUAL INFORMATION FORM

Year Ended May 1, 2021

June 30, 2021

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All disclosure for Empire Company Limited and its subsidiaries (“Empire” or the “Company”), including wholly-owned Sobeys Inc. (“Sobeys”) is as of fiscal year end, May 1, 2021, unless otherwise indicated.

FORWARD-LOOKING INFORMATION

This Annual Information Form (“AIF”) contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company’s financial position and understand management’s expectations regarding the Company’s strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as “anticipates”, “expects”, “believes”, “estimates”, “intends”, “could”, “may”, “plans”, “predicts”, “projects”, “will”, “would”, “foresees” and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's expectations regarding the financial impact of Project Horizon and its underlying initiatives, including expected growth in market share, cost and margin savings resulting from this strategy, and the expected timing of the realization of incremental benefits, which could be impacted by several factors, including the time required by the Company to complete the initiatives and impacts of the novel coronavirus ("COVID-19" or "pandemic") including changes in customer behaviour;

- The Company's expectations regarding the financial benefits of Project Horizon along with the continued expansion and renovation of the store network, promotional optimization, data analytics and strategic sourcing efficiencies, which could be impacted by several factors, including the time required by the Company to complete initiatives and impacts of COVID-19 including changes in customer behaviour;

- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, the projected number of store openings, and the location, feasibility and timing of construction, all of which may be impacted by COVID-19, construction schedules and permits, the economic environment and labour relations;

- The Company's expectations regarding the implementation of its online grocery home delivery service and its plans to expand its Voilà Curbside Pickup service, which may be impacted by COVID-19, future operating and capital costs, customer response to the service and the performance of its business partner, Ocado Group plc ("Ocado");

- The Company’s expectations regarding the timing and amount of expenses relating to the completion of any future Customer Fulfilment Centres (“CFC”), which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors; and

- The Company's plans to purchase for cancellation Non-Voting Class A shares under its normal course issuer bid ("NCIB"), which may be impacted by market and economic conditions, changes in laws and regulations, and the results of operations.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company’s forward-looking statements, please refer to the Company’s materials filed with the Canadian securities regulatory authorities, including the “Risk Management” section of this AIF.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company’s current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.

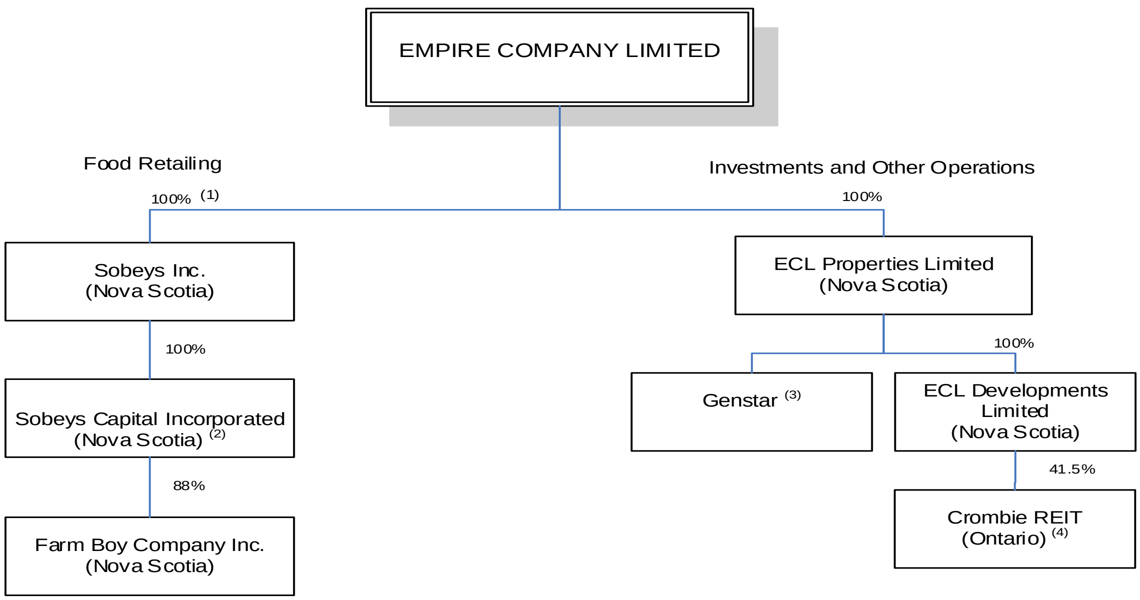
CORPORATE STRUCTURE

Name and Incorporation

Empire Company Limited was created by amalgamation under the *Companies Act* (Nova Scotia) on January 31, 1973. Predecessors of Empire had been carrying on business since 1907. Empire's head office is located at 115 King Street, Stellarton, Nova Scotia. In this AIF, **"**Empire**"** or the "Company" is used to refer collectively to Empire Company Limited and all of its subsidiaries, except where the context requires otherwise.

Intercorporate Relationships

The following chart shows the names of the principal subsidiaries of Empire, their respective jurisdictions of incorporation, and the percentages of voting and non-voting securities owned by Empire as of May 1, 2021.



Notes:

(1) *Empire owns 19.7% of Sobeys Inc. directly and the balance (80.3%) indirectly through its subsidiaries Emplink Investments Limited (Nova Scotia) and Empsafe Investments Limited (Nova Scotia).*

(2) *Includes Sobeys Developments Limited Partnership (Nova Scotia limited partnership) directly as the general partner and indirectly through Sobeys Land Holdings Limited (Nova Scotia) as the sole limited partner.*

(3) *ECL Properties Limited indirectly holds a 40.7% equity accounted interest in Genstar Development Partnership (Alberta), a 48.6% equity accounted interest in Genstar Development Partnership #2 (Alberta), a 39.0% equity accounted interest in GDC Investments 4, L.P. (Georgia), a 39.0% equity accounted interest in GDC Investments 6, L.P. (Delaware), a 39.0% equity accounted interest in GDC Investments 7, L.P. (Georgia), a 37.1% equity accounted interest in GDC Investments 8, L.P. (Delaware), and a 49.0% equity accounted interest in The Fraipont Partnership (Alberta), (collectively referred to as "Genstar").*

(4) *Empire indirectly owns 909,090 Crombie Real Estate Investment Trust ("Crombie REIT") Units and 64,747,332 Class B Limited Partnership Units of Crombie Limited Partnership (Nova Scotia) which are exchangeable into and equivalent to units of Crombie REIT and represented a 41.5% indirect ownership interest in Crombie REIT as of May 1, 2021 (41.5% on a fully diluted basis). A Special Voting Unit of Crombie REIT is attached to each Class B Limited Partnership Unit.*

DESCRIPTION OF THE BUSINESS

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia with approximately $28.3 billion in annual sales and $15.2 billion in assets. Empire and its subsidiaries, franchisees and affiliates employ approximately 128,000 people.

The Company's financial results are segmented into two separate reportable segments: food retailing, through wholly-owned Sobeys, and investments and other operations.

Food Retailing(1)

Empire's food retailing segment is carried out through Sobeys, a wholly-owned subsidiary. Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. Sobeys owns, affiliates or franchises more than 1,500 stores in all 10 provinces, as well as more than 350 retail fuel locations. A description of the geographic locations and banners of Sobeys' retail stores, including the number of franchised and corporate stores, is provided in the attached Appendix A.

Well Established, Differentiated Stores and Retail Banners

Sobeys will continue to go to market primarily through distinct food store formats enabling Sobeys to better tailor its offering to the various customer segments it serves. Sobeys' goal is to satisfy its shoppers' requirements for food and related merchandise, while thrilling customers, resulting in higher sales and profit per square foot. Sobeys remains focused on improving the product, service and merchandising offering within each format by expanding and renovating its current store base. In addition to its focus on the store network, the Company continues to expand its grocery e-commerce platform to Canadians through its Voilà online grocery home delivery and curbside pickup services.

Related Businesses

The Company's related businesses include pharmacy, fuel, convenience, as well as wholesale and liquor businesses.

Pharmacy

The National Pharmacy Group operates under the in-store pharmacy banners – Sobeys Pharmacy, Safeway Pharmacy, Thrifty Foods Pharmacy, FreshCo Pharmacy and Foodland Pharmacy – as well as free-standing locations through Lawton's Drug Stores Limited in Atlantic Canada.

Fuel/Convenience

Sobeys operates fuel locations in Atlantic Canada, Quebec, Ontario and Western Canada under the FastFuel, Shell and Safeway banners, and specific to Atlantic Canada, some Irving and Petro Canada locations. Many are co-located within the Company's grocery and convenience stores – Needs, Sobeys Express, IGA Express, Voisin and Boni-Soir.

Wholesale

In addition to the distribution to corporate and franchised stores, Sobeys operates national wholesale distribution of a full range of products and services to over 5,000 convenience stores and small grocers nationally. Sobeys' Wholesale also operates six "Cash & Carry" outlets, five in Atlantic Canada and one in Manitoba.

Liquor

Liquor stores provide customers with solutions for wine, spirits and beer, along with great customer service and product knowledge. Sobeys operates liquor retail stores under the Sobeys Liquor, Safeway Liquor and Thrifty Foods Liquor banners in Western Canada, and also offers the sale of wine and beer within banners in Quebec, New Brunswick and select stores in Ontario.

Note:

(1) *All metrics in this section do not include Longo's. Please refer to the "General Development of the Business" section of this AIF regarding the Longo's acquisition that occurred subsequent to the fiscal year ended May 1, 2021.*

Description	Banner	Count
Stores that feature the broadest assortment of products and specialty items designed for each unique market served. These banners provide superior customer care from full service meat, deli and seafood counters plus value-added food knowledge provided by staff	Sobeys	245
	IGA extra	135
	SAFEWAY	151
	THRIFTY FOODS	27
Stores that serve the "fresh fill-in" and "today's meal" needs of customers and are intended to provide superior service and customized offering	IGA	195
	FARM BOY	37
Stores that serve the “routine and fill-in” food shopping occasions for customers in rural and one-store communities	FOODLAND	217
	MARCHÉ BONICHOIX	63
	LES MARCHÉS Tradition	74
Stores that serve customers with low prices every day where price is the driving factor for store selection	FRESHCO, CHALO! FRESHCO	123
Stores that serve the “on-the-go” convenience needs of customers	Needs, Sobeys express, IGA express	105
Pharmacy, health care, beauty, giftware and convenience store products	Lawtons DRUGS	76(1)
Fuel stations and related convenience stores	FastFuel, Shell	387(2)
Liquor stores	SAFEWAY LIQUOR, Sobeys LIQUOR, THRIFTY FOODS LIQUOR	103
Includes various other store formats such as convenience stores in Quebec	Various	30
	Total	**1,968**

Notes:

(1) This number includes freestanding 73 Lawtons Drug Stores and three stand alone Home HealthCare locations.
(2) This number does not include 44 Safeway co-located fuel sites or 19 co-branded convenience fuel locations.

Own Brands

Sobeys' Own Brands consist of: *Compliments, Panache, Best Buy and Eight Treasures*. The majority of the assortment is in *Compliments* which is positioned as the national brand equivalent. *Panache* (replacing *Sensations by Compliments*) is positioned as the better tier elevated culinary experiences. *Best Buy* is focused on satisfying the requirements of more price conscious customers by offering an assortment of everyday basics. Sobeys also developed a new brand, *Eight Treasures*, which focuses on its South East Asian consumer.

Compliments' sub-brands include *Compliments Organics*, *Compliments Greencare*, *Compliments Gluten-Free* and *Compliments Naturally Simple*. These sub-brands provide healthy and "better for you" alternatives for customers.

Loyalty Reward Programs

Sobeys offers its customers a coast-to-coast loyalty reward program. The AIR MILES® reward program is offered at Sobeys (Atlantic, Ontario, West), Safeway (West), Thrifty Foods (West), IGA *extra* (Quebec), IGA (Quebec, West), Foodland (Atlantic, Ontario), Lawtons (Atlantic), Sobeys Liquor (West), Safeway Liquor (West), Thrifty Foods Liquor (West) and Needs (Atlantic). This reward program provides Sobeys' customers with discounts, personalized offers and communications, the opportunity to participate in contests, and other loyalty rewards, while providing the Company with insight into customer buying habits as part of an overall customer relationship management strategy. This program is further complemented by the BMO Sobeys AIR MILES® MasterCard and the BMO IGA AIR MILES® MasterCard.

Real Estate

Sobeys has a real estate development team to support the Company's overall growth strategy. The real estate objective is to improve the Company's market share through renovations, expansions and new stores, while continuing to identify long-term potential opportunities. Sobeys values its real estate position and its strong relationships with third-party landlords, developers and its partner Crombie REIT. Through these relationships Sobeys has been successful building retail and distribution centre footprints and will continue to grow these in line with the Company's strategic initiatives.

Sobeys owns certain retail store locations and also leases stores from related parties and third-party landlords. At May 1, 2021, of the 40.3 million square feet of retail store space under operation, 7.7% was owned, 20.6% was leased from a related party, Crombie REIT, and the balance was leased from third-party landlords.

Investments and Other Operations

Crombie REIT

The Company, through wholly-owned ECL Developments Limited, holds a 41.5% equity accounted interest in Crombie REIT (41.5% on a fully diluted basis). The fair value of its 41.5% ownership interest in Crombie REIT equals $1,074.8 million at May 1, 2021.

Pursuant to a Right of First Offer Agreement dated August 3, 2011 between Sobeys Capital Incorporated and Crombie REIT, the Company has agreed to provide to Crombie REIT a right of first offer to acquire any property that it intends to dispose of subject to certain exceptions.

Sobeys is Crombie REIT's largest tenant in terms of percentage contribution to total annual minimum rent, representing 56.8% of annual minimum rent.

Crombie REIT provides administrative and property management services to the Company on a fee-for-service basis pursuant to a Management Agreement effective January 1, 2016. The amounts paid and collected in fiscal 2021 were not material.

Genstar

Genstar is a residential real estate development company headquartered in San Diego, California, with Canadian offices in Western Canada. Genstar focuses on attractive residential land holdings in select growth markets. Empire holds equity accounted interests ranging from approximately 37.1% to 49.0% in the Genstar group of companies.

Environmental, Social and Governance

The Company's corporate governance approach extends to its focus on environmental sustainability and social issues and the management of the associated risks in these areas. The Company has long operated in a way that is committed to prioritizing the well-being of its customers and the communities it serves, without compromising the ability of future generations to prosper on the planet we all share.

The Company's business operations have been built on principles that reflect its values, while delivering on the expectations of its stakeholders. These building blocks have enabled the Company to make and deliver on commitments to drive meaningful environmental and social change.

The Company's Environmental, Social and Governance ("ESG") framework is centred on delivering change and achieving targets in three areas that the Company has deemed most important to its stakeholders: Planet, Products and People.

Environmental

<u>Planet pillar</u>: The Company's goal is to reduce its environmental impact in the areas most material to its business and enhance its resilience to climate change to protect the planet for future generations, by focusing on the reduction of waste and lowering of energy and emissions.

> *Waste Reduction:* The Company is focused on reducing avoidable single-use plastics, optimizing packaging and reducing food waste in its operations and supply chain and improving overall store waste diversion from landfills.
>
> *Energy & Emissions:* The Company is focused on investing in its stores and warehouses to run its operations more efficiently and lower energy use and greenhouse gas emissions.

Products pillar: The Company seeks to provide sustainable and ethical product choices that serve the needs of its customers by focusing on sustainable sourcing and through strong partnerships with its suppliers that can offer more sustainable solutions to its customers.

Sustainable Sourcing: The Company seeks to ensure the long-term viability of natural resources and the fair treatment of people and animals through its animal welfare, sustainable seafood, sourcing sustainable palm oil and fair-trade sourcing practices.

Supplier Partnerships: The Company seeks to build strong partnerships with its local and national suppliers to bring more innovative, sustainable solutions to its customers.

Social

The Company's People pillar aims to deliver a more inclusive workforce and to build healthier communities as described below.

Community Investment

The Company is committed to building healthier tomorrows for more Canadians through support focused on:

- Healthy Bodies – reducing barriers to help more Canadians access healthy and affordable food.
- Healthy Minds – increasing early interventions of child and youth mental health.

A healthy body and a healthy mind go hand-in-hand, and the partnerships that fall under this strategy support a family's whole well-being, including both physical and mental health.

Diversity, Equity and Inclusion

Diversity, Equity and Inclusion ("DE&I") is a critical priority for the Company. Rooted in Empire's core values, DE&I is fundamental to better serve diverse customers and communities across the country, and to strengthening the Company overall.

As a national Canadian retailer, it is the Company's responsibility to listen, learn and take action – to contribute to addressing racial injustice and inequity, to grow team diversity, and to cultivate a fair, equitable and inclusive environment for teammates, customers and communities.

The Company has developed a robust DE&I strategy that includes five commitments, and a number of priorities, as part of a journey to create longer-term systemic change.

The Company commitments and priorities are governed by the CEO with active executive leadership, along with a DE&I Council, comprised of a diverse group of senior leaders across all key functions of the business. The strategy is endorsed by the Company's Human Resources Committee and the Board of Directors. The governance model sets the tone from the top and oversees the execution of the strategy and measurable outcomes. The Company has ensured the necessary resources are provided through a dedicated team to advance the cultural transformation.

To ensure meaningful actions are implemented, the Company continues to bring diverse perspectives to the table through teammate listening series, a Black teammate taskforce and broad leadership consultation, and regularly seeks out thought leaders and experts to advise on the direction.

Governance

Oversight of the Company's ESG strategies is through the Executive Committee, Corporate Governance & Social Responsibility Committee and the Board of Directors. The Corporate Governance & Social Responsibility Committee of the Board of Directors is briefed on all ESG issues on a quarterly basis. The three pillars are governed and managed at the senior levels of the Company, with dedicated internal teams including a DE&I Council, Sustainability Steering Committee and various Community Investment program teams.

Other Information

Supply Chain and Product Availability

Sobeys' retail stores are serviced through a network of retail support centres (distribution centres) located throughout the country. In addition, certain products are delivered directly to Sobeys' stores by various vendors through a direct to store delivery process.

The Company has no material concerns with respect to product availability. The Company's fulfilment needs are met by a large number of national, regional and local suppliers.

Competition

Sobeys operates in a dynamic and highly competitive market. Other national and regional food distribution companies, along with non-traditional competitors, such as mass merchandisers, warehouse clubs and online retailers, represent a competitive risk to Sobeys' ability to attract customers and operate profitably in its markets. Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry, operating in over 900 communities in Canada.

Sobeys' real estate operations and Empire, through its investment in Crombie REIT, compete with numerous other developers, managers and owners of real estate properties in seeking quality tenants and new properties to acquire. Genstar faces competition from other residential land developers in securing attractive sites for new residential lot development.

See also "Risk Management – Competition" section of this AIF.

Intangible Properties

Sobeys is not dependent upon any single trademark or trade name, although some trademarks on corporate retail brands and store banner names are important to operations. Sobeys recognizes the importance of its corporate and brand trademarks and the need to protect and enhance their value. It is Sobeys' practice to register or otherwise protect such intangible assets in all jurisdictions in which it operates.

Employees

At fiscal year end 2021, Empire and its subsidiaries employed approximately 62,000 full-time and part-time employees. Empire and its subsidiaries, franchisees and affiliates employed approximately 128,000 people.

Sobeys and its franchisees and affiliates have over 300 collective agreements covering approximately 47,000 employees.

Bankruptcy

Neither Empire nor any of its subsidiaries have had any bankruptcy, receivership or similar proceedings taken against them nor have they undertaken any voluntary bankruptcy, receivership or similar proceedings within the three most recently completed years, or expect to undergo any such proceedings in the current fiscal year.

Reorganizations

Other than as described under the heading "General Development of the Business – Strategic Focus", neither Empire nor any of its subsidiaries have undergone any material reorganization within the three most recently completed fiscal years.

GENERAL DEVELOPMENT OF THE BUSINESS[1]

The development of the Company's business over the past three fiscal years is discussed in the following sections.

Focus on Food Retailing

The Company continues to focus its attention on its food retailing business, with an emphasis on execution and innovation, and investment in retail stores, distribution centres and e-commerce. Over the last three fiscal years, Sobeys has continued to grow and develop as a leading Canadian grocery retailer and food distributor. Sobeys continues to make progress on its major strategic initiatives, including FreshCo expansion, Farm Boy expansion and the online grocery home delivery service Voilà.

Sobeys has made significant investments during the three year period ended May 1, 2021 to support growth and development, through property, equipment, investment property purchases and intangibles, excluding corporate acquisitions, totalling approximately $1.7 billion.

Strategic Focus

In fiscal 2020, the Company successfully completed its three-year transformation, named Project Sunrise. The project was intended to simplify organizational structures and reduce costs through: organizational design, strategic sourcing cost reductions, improvements in store operations, category rests and operational improvements. The Company achieved a cumulative benefit of over $550 million.

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year growth plan focused on core business expansion and the acceleration of e-commerce. The Company is targeting an incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by (i) growing market share and (ii) building on cost and margin discipline.

After the first year, Project Horizon is on track and benefits are in line with management's expectations. In fiscal 2021, Project Horizon benefits were achieved from the expansion and renovation of the Company's store network, improvement in store operations and merchandising from data analytics along with continued efficiencies gained through strategic sourcing initiatives. Benefits were partially offset by the investment in the Company's e-commerce network.

Growth in Market Share

Growth in market share is expected from supporting and investing further in the store network, improving store productivity, scaling up grocery e-commerce, growing the private label portfolio, continuing the Western discount business expansion, increasing the Farm Boy footprint in Ontario, and the acquisition of Longo's in Ontario subsequent to year-end.

Invest in the Company's Store Network

The Company is accelerating investments in renovations and conversions, store processes, communications, training, technology and tools, enabling store teammates to better serve customers. These continuing re-investments, coupled with refreshed brand marketing strategies and the expansion of the Farm Boy and FreshCo banners, are reflected in the Company's capital spending over the Project Horizon timeframe. See "Capital Expenditures" section in the Company's 2021 annual MD&A.

Note:

(1) This section constitutes forward-looking information described under the "Forward-Looking Information" section of this AIF.

Improve Store Productivity

The Company began building the foundation of its advanced analytics capabilities a few years ago. Analytics will drive improvements in customer facing elements such as store footprints, customer promotions and availability of product on shelf. The new capabilities enable the Company to further improve the customer experience, by leveraging advanced analytics to optimize category and product adjacencies to tailor its assortment for each store format.

Win Canadian Grocery E-Commerce

The Company has accelerated its plans for e-commerce. In December 2020, the Company announced that its third CFC will be located in Calgary and will service the majority of Alberta. The Company also introduced its store pick solution which serves customers in areas where CFCs will not deliver or are not yet built. In September 2020, the Company launched its new curbside pickup service at select Sobeys store locations. At the end of fiscal 2021, 30 locations were providing this service. The Company continues to expand curbside pickup to stores nationally and by the end of fiscal 2022 expects to have up to 120 stores with this service providing an e-commerce option in every province.

Grow the Company's Private Label Portfolio

The Company has improved its private brands' positioning and branding. The Company reviews the specific role of private brands in each category and determines which categories and banners to expand based on consumer needs. Working closely with its supplier partners, the Company plans to further grow sales and profitability of its private label brands through increased distribution, shelf placement and product innovation.

Provide Best in Class Customer Personalization

The Company is investing in analytics and technology to better identify customer preferences and support direct, personalized communication – evolving from mass communications to personalized connections with its customers. The goal is to deploy world-class, personalized communications and offers to inspire customers and improve the experience and relevance of promotions.

Building on Cost and Margin Discipline

The Company has significantly improved its efficiency and cost competitiveness through Project Horizon. Further opportunity still remains to remove non-value added costs and optimize margins.

Drive Non-Merchandising Sourcing Efficiencies

The strategic sourcing team continues to build further efficiencies and cost reductions in all indirect spend.

Continue to Build Merchandising Sourcing Efficiencies

The Company continues to invest in advanced data analytics to support its category planning process. Merchants will continue to work with both national and private brand suppliers to sustain gains made through category by category reviews, while continuing to partner with suppliers on new opportunities to ensure the Company brings the best value and offers to its customers.

Invest in Best in Class Analytics to Improve Customer Value Propositions

Advanced analytics tools will help the Company shift the investment to products customers care most about with the goal of improving value for customers.

Advanced analytics tools will be leveraged nationally by category merchants across all formats to improve the Company's net cost of promotions, while improving value for customers. The promotional optimization initiative – a partnership between the advanced analytics team and category merchants – began to show benefits in margin during fiscal 2021. Additional investments in data analytics and technology are expected to drive further improvements in fiscal 2022.

Optimize Supply Chain Productivity

The Company continues to optimize its supply chain and logistics networks and consolidate certain procurement processes. In fiscal 2021 five distribution centres in British Columbia and Quebec were consolidated into two facilities which increased capacity and efficiency in the network.

Improve System and Process

By leveraging technology to improve systems and process, the Company is driving efficiencies and cost reductions in its back office and support functions.

Acquisitions, Expansion and Renovation of Stores

Sobeys' strategy is focused on delivering the best grocery shopping experience to its customers in the right-format, right-sized stores, supported by superior customer service. Sobeys remains focused on improving the product, service and merchandising offerings within each format by expanding and renovating its current store base.

Over the last three fiscal years, Sobeys opened, relocated, or acquired 124 stores. In addition, over this three-year period, Sobeys expanded and rebannered/redeveloped 47 locations.

Farm Boy

On September 24, 2018, the Company, through a subsidiary, signed an agreement to acquire the business of Farm Boy, a food retailer with a network of 26 stores in Ontario, for a total purchase price of $800 million. Following clearance of regulatory conditions, the transaction closed on December 10, 2018. Farm Boy is managed as a separate company within Empire and Farm Boy's co-CEOs, together with members of the Farm Boy senior management team, have reinvested for a 12% interest of the continuing Farm Boy business.

The acquisition of Farm Boy added 26 locations to the store network throughout Ontario with plans to double the store count in five years from the acquisition date, mainly in the Greater Toronto Area ("GTA").

As of June 22, 2021, 39 stores are open and operating. The Company has announced that it expects to open an additional five stores in fiscal 2022, net of one closure.

FreshCo

In fiscal 2018, the Company announced plans to expand the FreshCo discount format to Western Canada and with expectations of converting up to 25% of the 255 Safeway and Sobeys full-service format stores in Western Canada to the FreshCo discount format. The Company expects to have 40 locations open in Western Canada by the end of fiscal 2022.

As of June 22, 2021, 28 stores are open and operating. The Company has announced that it expects to open an additional 12 stores in fiscal 2022.

Longo's

On March 16, 2021, the Company, through a wholly-owned subsidiary, signed an agreement to acquire 51% of the business of Longo's, a long-standing, family-built network of specialty grocery stores in the GTA, and the Grocery Gateway e-commerce business, for a total purchase price of $357.0 million. Subsequent to the end of the year ended May 1, 2021, the transaction closed on May 10, 2021. The transaction resulted in 36 Longo's locations joining the Company's growing store network in Ontario and Grocery Gateway, adding approximately 70,000 long-standing online customers to Empire's e-commerce business.

Labour Buyouts

On January 29, 2019, the Company implemented a labour decision provided by a Special Officer appointed by the Government in British Columbia. The labour decision set terms that allow the Company to offer voluntary buyouts to British Columbia Safeway employees. Employee buyouts provide flexibility and stability for the Company to better manage labour and operational costs.

Ratification of New Collective Bargaining Agreement in Alberta

During the first quarter of fiscal 2021, the Company announced the ratification of a new Collective Bargaining Agreement ("CBA") for Alberta Safeway stores with UFCW 401, the Union representing the majority of Safeway teammates in Alberta. The five-year CBA is competitive within the Alberta market, placing the Company on a level playing field and providing flexibility and stability to better manage operational and labour costs in the province. The CBA also provides a pathway to advance the Company's plans to expand the FreshCo discount banner in Alberta.

Distribution Centres

Sobeys continuously focuses on improving its logistics functions. Sobeys currently has three fully automated distribution centres: Terrebonne, Quebec; Vaughan, Ontario; and Rocky View, Alberta. The technology at these centres enables automated stock picking and load assembly systems for improved product selection accuracy and the ability to customize store deliveries according to the unique layout of each store.

Voilà

In January 2018, Sobeys announced it had signed an agreement with Ocado, an industry-leading grocery e-commerce company, to launch a central pick, home delivery online grocery shopping business.

On June 22, 2020, the Company introduced the future of online grocery home delivery to the GTA through the Company's newest e-commerce platform, *Voilà by Sobeys*. Voilà is powered by Ocado's industry-leading technology and fills orders through its automated CFC in Vaughan, Ontario. Robots assemble orders efficiently and safely, resulting in minimal product handling, while Voilà teammates deliver orders directly to the customer's home.

The Vaughan CFC, which is already servicing the GTA, Barrie, Kitchener, Waterloo, Guelph and Hamilton, has recently extended its service area to include Niagara, St. Catharines and Brantford. The format is exceeding all Food retailing targets, with strong on-time delivery, fulfilment, and customer satisfaction and retention results.

In the third quarter of fiscal 2021, Crombie REIT completed the construction of the building for Voilà's second CFC in Montreal and turned it over to Ocado to build the internal technology. The CFC is expected to be ready to deliver to customers in early calendar 2022. This second CFC will support the launch of *Voilà par IGA* which will serve major cities in the province of Quebec.

The Company has accelerated its plans for e-commerce and intends to have four CFCs across Canada. The third CFC will be located in Calgary and will service the majority of Alberta. It is expected to deliver to customers in the first half of calendar 2023. With only four CFCs, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians' e-commerce spend.

In fiscal 2021, the Company launched Voilà Curbside Pickup service at 30 store locations across Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island and Alberta. The store pick solution is powered by Ocado's technology and will serve customers in areas where CFCs will not deliver or are not yet built.

COVID-19

COVID-19 began to impact the Company in February 2020 and has resulted in restrictions by government authorities and the encouragement for Canadians to practice public health measures such as staying at home, social distancing, wearing masks and receiving vaccinations. This has led to increased safety protocols in stores and distribution centres, shifts in consumer demand and consumption, and volatile financial markets. The Company has taken a proactive approach throughout, mobilizing a cross-functional pandemic planning task force with a mandate to monitor and effectively mitigate risks posed to employees, customers and the business. Management's top priorities remain the health and safety of employees, customers and communities while maintaining a resilient supply chain to meet the needs of Canadians and supporting charitable organizations. The Company continues to invest in increased safety and sanitization products and procedures to ensure customers and employees are protected while shopping and working in stores. Management is closely monitoring the impact of the pandemic on food retail around the world and continues to learn from best practices. Further information on the financial implications COVID-19 can be found in the Company's 2021 annual MD&A.

Commercial Bread Investigation

The Canadian Competition Bureau is currently investigating the practices of certain suppliers and retailers, including the Company, with regard to the supply and sale of commercial bread in Canada beginning in 2001. The Company is fully cooperating with the Competition Bureau. Based on the information available to date, the Company does not believe that it or any of its employees have violated the Competition Act.

Class action lawsuits have been filed against the Company, the suppliers and other retailers regarding the allegations.

While both the Competition Bureau investigation and the class action lawsuits are in the early stages, at this time the Company does not believe that they will have a material adverse effect on the Company's business or financial condition.

Investments and Other Operations

Crombie REIT

The largest component of Empire's investments and other operations segment is its 41.5% (41.5% fully diluted) equity accounted interest in Crombie REIT. Crombie REIT began in 2006 with the transfer of an initial portfolio of properties from Empire subsidiaries, with Empire maintaining a significant ownership interest.

Empire continues to support Crombie REIT's growth and geographical diversification and, as a result of Sobeys' active property development pipeline, Sobeys offers properties for sale to Crombie REIT with many of those properties leased back to Sobeys at commercial leasing rates.

The following table shows the properties transferred from wholly-owned Empire subsidiaries to Crombie REIT over the last three fiscal years:

Fiscal Year Ended	Number of Properties		Aggregate Gross Leaseable Area for Properties Sold	Purchase Price
	Sold to Crombie REIT	Leased-Back from Crombie REIT		
May 1, 2021	6	6	222,000	$45.3 million
May 2, 2020	2	1	452,000	$108.6 million
May 4, 2019	2	1	47,000	$16.2 million

Crombie REIT accesses the capital markets from time to time in order to partially finance its acquisitions from the Company and third parties. The Company has a pre-emptive right to purchase additional units issued by Crombie REIT or Crombie Limited Partnership to maintain its pro rata voting interest in Crombie REIT or Crombie Limited Partnership, for so long as the Company continues to hold, directly or indirectly, at least 10% of the ownership units in Crombie REIT.

Pursuant to or in lieu of this pre-emptive right, the Company has made additional investments in Crombie REIT over the past three fiscal years as set out in the following table:

Crombie REIT Offering			Empire Participation		
Date	Securities	Aggregate Amount (excluding Empire participation)	Amount	Securities	Price per unit
February 11, 2020	REIT Units	$58.5 million	$41.5 million	Class B limited partnership units(1)	$16.00

Note:

(1) Class B limited partnership units are convertible on a one-for-one basis into units of Crombie REIT.

Crombie REIT has instituted a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. The Company has enrolled in the DRIP to maintain its economic and voting interest in Crombie REIT.

On February 11, 2020, Crombie REIT finalized a bought-deal public offering of units at a price of $16.00 per unit for aggregate proceeds of $100.0 million. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $41.5 million of Class B limited partnership units.

Subsequent to the fiscal year ended May 1, 2021, on May 19, 2021, Crombie REIT announced it had closed a bought-deal public offering of units at a price of $16.60 per unit for aggregate proceeds of $100.0 million. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $41.5 million of Class B limited partnership units.

The cumulative effect of changes to Crombie REIT's capital over the past three years, including offerings and conversions of convertible debentures, resulted in Empire's equity accounted interest in Crombie REIT going from 41.5% (40.3% fully diluted) at the end of fiscal 2018 to 41.5% (41.5% fully diluted) at May 1, 2021.

Genstar

Investments and other operations includes the Company’s equity accounted interests in Genstar. Over the past three fiscal years, the Company did not make any additional investments in Genstar.

Significant Acquisitions

Empire made no acquisitions during the most recently completed fiscal year that required the filing of a business acquisition report.

RISK MANAGEMENT

Through its operating companies and its equity-accounted investments, Empire is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. In order to achieve and sustain superior business performance an Enterprise Risk Management ("ERM") program has been established within the Company.

As part of the ERM process, the Company identifies, assesses, manages and reports on key risks to the organization and its objectives. Risks are ranked and executive ownership is established in each case. In addition, processes have been put in place to facilitate effective oversight by establishing risk appetite statements, key risk indicators, treatment action plans and dashboards for key risks identified. Key risks have been, and continue to be, embedded in the business and strategy discussions at the Board and/or Committee meetings. Annually, the senior leadership of the Company conducts a regular assessment of the Company's effectiveness in managing existing/known risks along with an identification and discussion of new and emerging risks.

COVID-19 Pandemic

The Company has an established task force with a mandate to monitor, assess and recommend mitigation strategies for impacts of the COVID-19 pandemic. The task force implemented a governance structure and protocols at the onset of the pandemic, which has been maintained throughout fiscal 2021 to ensure the business can continue to operate within the guidelines set forth by local, provincial and/or federal governments. Management's top priority continues to be the health and well-being of teammates, customers, and community health by preventing outbreaks in stores, warehouses and offices. Additional strategic risks, including labour availability due to pandemic absenteeism, as well as continuity of supply of goods for resale and pandemic supplies, such as personal protective equipment and sanitation supplies, have been mitigated to allow for continuous operation of the business. The Company continues to monitor these evolving risks. As the pandemic continues, there is still uncertainty related to the long-term impacts on the price of commodities and possible inflation of retail prices.

Competition

Empire's Food retailing business, Sobeys, operates in a dynamic and competitive market. Other national and regional food distribution companies, along with non-traditional competitors, such as mass merchandisers, warehouse clubs, and online retailers, represent a competitive risk to Sobeys' ability to attract customers and operate profitably in its markets.

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry, operating in over 900 communities in Canada. A significant risk to Sobeys is the potential for reduced revenues and profit margins as a result of increased competition. A failure to maintain geographic diversification to reduce the effects of localized competition could have an adverse impact on Sobeys' operating margins and results of operations. To successfully compete, Sobeys believes it must be customer and market-driven, be focused on superior execution and have efficient, cost-effective operations. It also believes it must invest in its existing store and e-commerce network as well as its merchandising, marketing and operational execution to evolve its strategic platform to better meet the needs of consumers looking for food options. The Company updates branding strategies to remain relevant to customers. Failure to implement a marketing and branding strategy, including evaluating the strategic objectives and having people, processes and systems in place to execute the strategy, could adversely affect the Company. The consolidation of industry competitors may also lead to increased competition and loss of market share. The Company further believes it must invest in merchandising initiatives to better forecast and respond to changing consumer trends. Any failure to successfully execute in these areas could have a material adverse impact on Sobeys' financial results.

Empire's real estate operations, through its investment in Crombie REIT, compete with numerous other managers and owners of real estate properties in seeking tenants and new properties to acquire. The existence of competing managers and owners could affect their ability to: (i) acquire property in compliance with their investment criteria; (ii) lease space in their properties; and (iii) maximize rents charged and minimize concessions granted. Commercial property revenue is also dependent on the renewal of lease arrangements by key tenants. These factors could adversely affect the Company's financial results and cash flows. A failure by Crombie REIT to maintain strategic relationships with developers to ensure an adequate supply of prospective attractive properties or to maintain strategic relationships with existing and potential tenants to help achieve high occupancy levels at each of its properties could adversely affect the Company.

Information Management, Cyber Security and Data Protection

The integrity, reliability and security of information in all its forms is critical to the Company's daily and strategic operations. Inaccurate, incomplete or unavailable information, external intrusions on information systems or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches or inappropriate disclosure, leaks of sensitive information or system disruptions. Gathering and analyzing information regarding customers' purchasing preferences is an important part of the Company's strategy to attract and retain customers and effectively compete. In addition, sensitive personal health information is collected in order to provide pharmacy and home health care services to customers. Any failure to maintain privacy of customer information or to comply with applicable privacy laws or regulations could adversely affect the Company's reputation, competitive position and results of operations.

The Company recognizes that information is a critical enterprise asset. Currently, the information management risk is managed through a multi layered security approach involving cyber software tools based controls, policies, standards and procedures pertaining to security access, system development, change management and problem and incident management.

Technology

The Company operates extensive and complex information technology systems that are vital to the successful operation of its business and marketing strategies. Any interruption to these systems or the information collected by them would have a significant adverse impact on the Company, its operations and its financial results. The Company is committed to improving its operating systems, tools and procedures in order to become more efficient and effective. The implementation of major information technology projects carries with it various risks, including the risk of realization of functionality.

Product Safety and Security

Sobeys is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, food safety and product handling, and provision of pharmacy products and related services. Such liabilities may arise in relation to the storage, distribution, display and dispensing of products and, with respect to Sobeys' private label products, in relation to the production, packaging and design of products.

A large majority of Sobeys' sales are generated from food and pharmaceutical products and Sobeys could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food or pharmaceutical products. Such an event could materially affect Sobeys' financial performance. Procedures are in place to manage food and pharmaceutical crises, should they occur. These procedures are intended to identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from sale immediately.

Sobeys has food safety procedures and programs which address safe food handling and preparation standards. Similarly, provincial pharmacy standards and regulations are strictly followed, supported by robust internal policies and procedures to help mitigate risk along with a comprehensive reporting and follow up system is in place to quickly manage and contain any incidents. However, there can be no assurance that such measures will prevent the occurrence of any such product contamination or safety incident.

Supply Chain Disruptions Including Impacts of Climate Change

The Company is exposed to potential supply chain disruptions and errors that could result in obsolete merchandise or an excess or shortage of merchandise in its retail store network. The Company's distribution and supply chain could be negatively impacted by over reliance on key vendors, consolidation of facilities, disruptions due to severe weather conditions, natural disasters, climate change driven disruptions or other catastrophic events, and failure to manage costs and inventories. A failure to develop competitive new products, deliver high-quality products and implement and maintain effective supplier selection and procurement practices could adversely affect Sobeys' ability to deliver desired products to customers and adversely affect the Company's ability to attract and retain customers, decreasing competitive advantage. A failure to maintain an efficient supply and logistics chain may adversely affect Sobeys' ability to sustain and meet growth objectives and maintain margins.

Business Continuity

The Company may be subject to unexpected or critical events and natural hazards, including severe weather events, interruption of utilities and infrastructure or occurrence of pandemics, which could cause sudden or complete cessation of its day-to-day operations. The Company has worked to develop an integrated Business Continuity Management framework, including a comprehensive crisis plan. The Company is currently preparing for future waves of COVID-19 along with other pandemics that could occur. However, no such plan can eliminate the risks associated with events of this magnitude. Any failure to respond effectively or appropriately to such events could adversely affect the Company's operations, reputation and financial results.

Talent, Attraction and Retention

Effective leadership is very important to the growth and continued success of the Company. The Company develops and delivers training programs at all levels across its various operating regions to improve employee knowledge and to better serve its customers. The inability of the Company to properly attract, build talent and retain its employees with the appropriate skill set and failure to manage and monitor employees' performance may affect employee morale, overall reputation and the Company's future performance.

There is always a risk associated with the loss of key personnel. Succession plans have been identified for key roles including the depth of management talent throughout the Company and its subsidiaries; these plans are overseen by the Human Resources Committee and reviewed at least annually by the Board of Directors.

Franchisee and Affiliates Relationships

The success of Empire is closely tied to the performance of Sobeys' network of retail stores. Franchisees and affiliates operate approximately 53% of Sobeys' retail stores. Sobeys relies on its franchisees, affiliates and corporate store management to successfully execute retail strategies and programs.

To maintain controls over Sobeys' brands and the quality and range of products and services offered at its stores, franchisees and affiliates agree to purchase merchandise from Sobeys. In addition, each store agrees to comply with the policies, marketing plans and operating standards prescribed by Sobeys. These obligations are specified under franchise and operating agreements which expire at various times for individual franchisees and affiliates. Despite these franchise and operating agreements, Sobeys may have limited ability to control a franchisees' and affiliates' business operations. A breach of these franchise and operating agreements or operational failures by a significant number of franchisees and affiliates may adversely affect Sobeys' reputation and financial performance.

Labour Union Relationships

A significant percentage of the Company's store and distribution centre workforce, particularly in Western Canada, is unionized. While overall the Company has and works to maintain good relationships with its employees and unions, the renegotiation of collective agreements always presents the risk of labour disruption. The Company has consistently stated it will accept the short-term costs of labour disruption to support a commitment to building and sustaining a competitive cost structure for the long term. Any prolonged or widespread work stoppages or other labour disputes could have an adverse impact on the Company's financial results.

Environmental

The Company operates its business locations across the country, including retail stores, distribution centres and fuel sites, and is subject to environmental risks associated with the contamination of such properties and facilities. Sobeys' retail fuel locations operate underground storage tanks. Environmental contamination resulting from leaks or damages to these tanks is possible. To mitigate this environmental risk, Sobeys engages in several monitoring procedures, as well as risk assessment activities, to minimize potential environmental hazards. The Company also operates refrigeration equipment in its stores and distribution centres. These systems contain refrigerant gases which could be released if equipment fails or leaks.

When environmental issues are identified, any required environmental site remediation is completed using appropriate, qualified internal and external resources. The Company may be required to absorb all costs associated with such remediation, which may be substantial. Failure to properly manage any of these environmental risks could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to legislation that imposes liabilities on retailers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to consumers. There is a risk that the Company will be subject to increased costs associated with these laws.

Economic Environment

Management continues to closely monitor economic conditions, including foreign exchange rates, interest rates, inflation, employment rates and capital markets. Management believes that although a weakening economy has an impact on all businesses and industries, the Company has an operational and capital structure that is sufficient to meet its ongoing business requirements.

Drug Regulation, Legislation and Health Care Reform

The Company currently operates 350 in-store pharmacies and 73 freestanding pharmacies which are subject to federal, provincial, territorial and local legislation as well as regulations governing the sale of prescription drugs. Changes to reimbursement models used to fund prescription drugs, including the potential implementation of a national pharmacare model, or failure to comply with these laws and regulations could have a negative impact on financial performance, operations and reputation. These laws and regulations typically regulate prescription drug coverage for public plans including patient and product eligibility as well as elements of drug pricing and reimbursements including product cost, markup, dispensing fee, distribution allowances and in some provinces the ability to negotiate manufacturer allowances. In some provinces, legislation requires the selling price for prescription drugs to third-party insurance plans and cash customers to not be higher than the price established for the provincial drug plan. In addition to reimbursement, these laws and regulations govern drug approval and distribution, allowable packaging and labeling, marketing, handling, storage and disposal.

Provincial governments and private plans continue to implement measures to manage the cost of their drug plans, the impact of which varies by province and by plan. The Council of the Federation, a joint collaboration created by the provincial premiers, continues to work on cost reduction initiatives within the pharmaceutical sector many of which are extended to the private sector. The Patented Medicines Prices Review Board ("PMPRB") protects and informs Canadian consumers by regulating the prices of patented medicines sold in Canada, and by reporting on pharmaceutical trends. PMPRB is a quasi-judicial body that is part of the Health Portfolio and operates at arm's-length from the Minister of Health. The effective date of the amended Patented Medicines Regulations has been delayed and the updated PMPRB Guidelines will take effect July 1, 2021. In view of the evolving state of the Covid-19 pandemic, the operative date for assessing compliance with the Maximum List Price for Grandfathered and Gap medicines will be July 1, 2022. This pharmaceutical price compression will put pressure on pharmacy funding and pharmacy operating models, and it is anticipated that healthcare reform and regulation will continue to put pressure on pharmacy reimbursement through changes to patient and drug eligibility, prescription drug pricing including cost, dispensing fee, allowable markup, manufacturer allowance funding, distribution as well as potential restriction around customer inducements and expanded use of preferred providers. The Company has and will continue to identify opportunities to mitigate the negative impact these changes have on financial performance.

Ethical Business Conduct

Any failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact the Company's financial performance. The Company's framework for managing ethical business conduct includes the adoption of a Code of Business Conduct and Ethics which directors and employees of the Company are required to acknowledge and agree to on a regular basis and the Company maintains an anonymous, confidential whistle blowing hotline. There can be no assurance that these measures will be effective to prevent violations of law or unethical business practices.

Social

Social reform movements bring public awareness to issues through protests and/or media campaigns. Issues that relate to the Company's business include, but are not limited to, diversity, animal welfare, local and ethical sourcing, nutritional labelling and human rights. Oversight of the Company's social strategies and issues management is through the Executive Committee and the Board of Directors. Ineffective action or inaction on social reform matters could adversely affect the Company's reputation or financial performance.

Occupational Health and Safety

The Company has developed programs to promote a healthy and safe workplace, as well as progressive employment policies focused on the well being of the thousands of employees who work in its stores, distribution centres and offices. These policies and programs are reviewed regularly by the Human Resources Committee of the Board of Directors.

Real Estate

The Company utilizes a capital allocation process which is focused on obtaining the most attractive real estate locations for its retail stores, as well as for its commercial property and residential development operations, with direct or indirect Company ownership being an important, but not overriding, consideration. The Company develops certain retail store locations on owned sites; however, the majority of its store development is done in conjunction with external developers. The availability of high-potential new store sites and the ability to expand existing stores are therefore in large part contingent upon the successful negotiation of operating leases with these developers and the Company's ability to purchase high-potential sites.

Loyalty Program

The Company utilizes a third-party loyalty program to provide additional value to customers. The decisions made by the third party can adversely affect the reputation and financial operations of the Company. Promotional and other activities related to possible changes in the loyalty programs must be effectively managed and coordinated to ensure a positive customer perception. Failure to effectively manage and communicate changes to the loyalty program may negatively impact the Company's reputation.

Product Costs

Sobeys is a significant purchaser of food product which is at risk of cost inflation given rising commodity prices and other costs of production to food manufacturers. Should rising costs of product materialize in excess of expectations and should Sobeys not be able to offset such cost inflation through higher retail prices or other cost savings, there could be a negative impact on sales and margin performance.

Free Trade

The Company is susceptible to risks associated with trade relationships between Canada and other countries including the United States. Changes to trade agreements and tariffs between Canada and other countries could increase the costs of certain products and some items could become unavailable thereby having a negative impact on customer experience. While the Company can mitigate these risks to a certain extent through the use of alternative suppliers, international trade by its nature can be unpredictable and the Company may not be able to fully mitigate the negative impact of changes in trade agreements and tariffs.

Liquidity Risk

The Company's business is dependent in part on having access to sufficient capital and financial resources to fund its growth activities and investment in operations. Any failure to maintain adequate financial resources could impair the Company's growth or ability to satisfy financial obligations as they come due. The Company actively maintains committed credit facilities to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements. The Company monitors capital markets and the related economic conditions and maintains access to debt capital markets for long-term debt issuances as deemed prudent in order to minimize risk and optimize pricing. However, there can be no assurance that adequate capital resources will be available in the future on acceptable terms or at all.

Interest Rate Fluctuation

The Company's long-term debt objective is to maintain the majority of its debt at fixed interest rates. Any increase in the applicable interest rates could increase interest expense and have a material adverse effect on the Company's cash flow and results of operations. There can be no assurance that risk management strategies, if any, undertaken by the Company will be effective.

Utility and Fuel Prices

The Company is a significant consumer of electricity, other utilities and fuel. The costs of these items have been subject to significant volatility. Unanticipated cost increases in these items could negatively affect the Company's financial performance. A failure to maintain effective consumption and procurement programs could adversely affect the Company's financial results. In addition, Sobeys operates a large number of fuel stations. Significant increases in wholesale prices or availability could adversely affect operations and financial results of the fuel retailing business.

Legal, Taxation and Accounting

Changes to any of the various federal and provincial laws, rules and regulations related to the Company's business could have a material impact on its financial results. Compliance with any proposed changes could also result in significant cost to the Company. Failure to fully comply with various laws and rules and regulations may expose the Company to proceedings which may materially affect its performance.

Similarly, income tax regulations and/or accounting pronouncements may be changed in ways which could negatively affect the Company. The Company mitigates the risk of non-compliance with the various laws and rules and regulations by monitoring for newly adopted activities, improving technology systems and controls, improving internal controls to detect and prevent errors and overall application of more scrutiny to ensure compliance. In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

Credit Rating

There can be no assurance that the credit ratings assigned to the various debt instruments issued by Sobeys will remain in effect for any given period of time or that the rating will not be lowered, withdrawn or revised by Dominion Bond Rating Service ("DBRS") or Standard & Poor's ("S&P") at any time. Real or anticipated changes in credit ratings can affect the cost at which Sobeys can access the capital markets. The likelihood that Sobeys' creditors will receive payments owing to them will depend on Sobeys' financial health and creditworthiness. Credit ratings assigned by a ratings agency provide an opinion of that ratings agency on the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Receipt of a credit rating provides no guarantee of Sobeys' future creditworthiness.

Capital Allocation

It is important that capital allocation decisions result in an appropriate return on capital. The Company has a number of strong mitigation strategies in place regarding the allocation of capital, including the Board of Directors' review of significant capital allocation decisions.

Foreign Currency

The Company conducts the majority of its operating business in Canadian dollars ("CAD") and its foreign exchange risk is mainly limited to currency fluctuations between the CAD, the euro, the Great British pound ("GBP") and the United States dollar ("USD"). USD purchases of products represent approximately 4.2% of Sobeys' total annual purchases. Euro and GBP purchases are primarily limited to specific contracts for capital expenditures. A failure to adequately manage the risk of exchange rate changes could adversely affect the Company's financial results.

Pension Plans

The Company has certain retirement benefit obligations under its registered defined benefit plans. New regulations and market-driven changes may result in the Company being required to make contributions that differ from estimates, which could have an adverse effect on the financial performance of the Company.

The Company participates in various multi-employer pension plans, providing pension benefits to unionized employees pursuant to provisions in collective bargaining agreements. Approximately 12% of the employees of Sobeys and its franchisees and affiliates participate in these plans. The responsibility of Sobeys, its franchisees, and affiliates to make contributions to these plans is limited to the amounts established in the collective bargaining agreements and other associated agreements, however poor performance of these plans could have a negative effect on the participating employees or could result in changes to the terms and conditions of participation in these plans, which in turn could negatively affect the financial performance of the Company.

Leverage Risk

The Company's degree of leverage could have adverse consequences for the Company. These include limiting the Company's ability to obtain additional financing for working capital and activities such as capital expenditures, product development, debt service requirements, and acquisitions. Higher leveraging restricts the Company's flexibility and discretion to operate its business by limiting the Company's ability to declare dividends due to having to dedicate a portion of the Company's cash flows from operations to the payment of interest on its existing indebtedness. Utilizing cash flows for interest payments also limits capital available for other purposes including operations, capital expenditures and future business opportunities. Increased levels of debt expose the Company to increased interest expense on borrowings at variable rates thereby limiting the Company's ability to adjust to changing market conditions. This could place the Company at a competitive disadvantage compared to its competitors that have less debt, by making the Company vulnerable during downturns in general economic conditions and limiting the Company's ability to make capital expenditures that are important to its growth and strategies.

Insurance

The Company and its subsidiaries are self-insured on a limited basis with respect to certain operational risks and purchase insurance coverage from financially stable third-party insurance companies. In addition to maintaining comprehensive loss prevention programs, the Company maintains management programs to mitigate the financial impact of operational risks. Such programs may not be effective to limit the Company's exposure to these risks, and to the extent that the Company is self-insured or liability exceeds applicable insurance limits, the Company's financial position could be adversely affected.

DIVIDENDS

The declaration and payment of dividends is at the discretion of the Board of Directors.

Empire is not aware of any restrictions that could prevent it from paying dividends.

During fiscal 2021, the Company paid dividends of $139.4 million ($0.52 per share) to Non-Voting Class A and Class B common shareholders versus $129.7 million ($0.48 per share) in fiscal 2020.

Empire has no stated policy with respect to the payment of dividends on either its Non-Voting Class A shares or on its Class B common shares. Empire has paid dividends on its outstanding shares during the periods indicated as set out below:

	Annual Dividend Rate		
	Fiscal 2021	**Fiscal 2020**	**Fiscal 2019**
Non-Voting Class A shares	$0.52	$0.48	$0.44
Class B common shares	$0.52	$0.48	$0.44

CAPITAL STRUCTURE

Share Capital

The Company's share capital was comprised of the following on May 1, 2021:

	Number of Shares	
Authorized	**May 1, 2021**	May 2,2020
2002 Preferred shares, par value of $25 each, issuable in series	**991,980,000**	991,980,000
Non-Voting Class A shares, without par value	**760,984,006**	765,108,266
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	**Number of Shares**		**May 1, 2021**		May 2, 2020
Non-Voting Class A shares, without par value	**167,323,301**	**$**	**1,963.4**	$	2,009.1
Class B common shares, without par value, voting	**98,138,079**		**7.3**		7.3
Shares held in trust	**(46,512)**		**(0.9)**		(3.2)
Total		**$**	**1,969.8**	$	2,013.2

The Company's share capital on May 1, 2021 compared to the same period in the last fiscal year is shown in the table below:

	52 Weeks Ended	
(Number of shares)	**May 1, 2021**	May 2, 2020
Non-Voting Class A shares		
Issued and outstanding, beginning of year	**170,971,038**	173,661,495
Issued during year	**476,523**	307,126
Purchased for cancellation	**(4,124,260)**	(2,997,583)
Issued and outstanding, end of year	**167,323,301**	170,971,038
Shares held in trust, beginning of year	**(163,497)**	(271,968)
Issued for settlement of equity settled plans	**117,809**	109,620
Purchased for future settlement of equity settled plans	**(824)**	(1,149)
Shares held in trust, end of year	**(46,512)**	(163,497)
Issued and outstanding, net of shares held in trust, end of year	**167,276,789**	170,807,541
Class B common shares		
Issued and outstanding, beginning and end of year	**98,138,079**	98,138,079

In fiscal 2021, 1,196,129 options (2020 – 1,115,115 options) were exercised resulting in the issuance of 476,523 Non-Voting Class A shares (2020 – 307,126 Non-Voting Class A shares).

The 4,361,032 stock options outstanding as at the fiscal year ended May 1, 2021 (May 2, 2020 – 4,685,664 stock options) represent 1.6% (May 2, 2020 – 1.7%) of the outstanding Non-Voting Class A and Class B common shares.

The Company established a trust fund to facilitate the purchase of Non-Voting Class A shares for the future settlement of vested units under the Company's equity settled stock-based compensation plans. Contributions to the trust fund and the Non-Voting Class A shares purchased are held by AST Trust Company (Canada) as trustee. The trust fund is a structured entity and as such the accounts of the trust fund are included on the consolidated financial statements of the Company. The following represents the activity of shares held in trust, recorded at cost:

Shares held in trust	**Number of Shares**		**May 1, 2021**		May 2, 2020
Balance, beginning of year	**163,497**	**$**	**3.2**	$	5.3
Purchased	**824**		**-**		-
Issued	**(117,809)**		**(2.3)**		(2.1)
Balance, end of year	**46,512**	**$**	**0.9**	$	3.2

Normal Course Issuer Bid

On June 18, 2020, the Company renewed its NCIB by filing a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 5.0 million Non-Voting Class A shares representing 3.0% of the Non-Voting Class A shares outstanding. The purchases will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. Purchases could commence on July 1, 2020 and shall terminate not later than July 1, 2021.

On April 19, 2021, the Company increased the size of its current NCIB by filing an amended notice of intention with the TSX. The amendment increases the number of Non-Voting Class A shares the Company intends to purchase for cancellation to 8,548,551 representing 5.0% of the Non-Voting Class A shares outstanding.

Subsequent to the fiscal year ended May 1, 2021, on June 22, 2021, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 8,468,408 Non-Voting Class A shares representing 5.0% of the 169,368,174 Non-Voting Class A shares outstanding as of June 18, 2021, subject to regulatory approval. The purchases will be made through facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such share will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of Empire and its shareholders. Purchases could commence on July 2, 2021 and shall terminate not later than July 1, 2022.

Based on average daily trading volume ("ADTV") of 493,273 over the last six months, daily purchases will be limited to 123,318 Non-Voting Class A shares (25% of the ADTV of the Non-Voting Class A shares), other than block purchase exemptions.

The Company has also renewed its automatic share purchase plan with its designated broker allowing the purchase of Non-Voting Class A shares for cancellation under its NCIB during trading black-out periods, subject to regulatory approval.

On June 27, 2019, the Company filed a notice of intention with the TSX to purchase for cancellation up to 3.5 million Non-Voting Class A shares representing 2.0% of Non-Voting Class A shares outstanding.

Shares repurchased under the Company's NCIB for the fiscal year ended May 1, 2021 compared to the same period last year is shown in the table below:

($ in millions, except per share amounts)		**May 1, 2021**		May 2, 2020
Number of shares		**4,124,260**		2,997,583
Weighted average price per share	**$**	**37.24**	$	33.36
Cash consideration paid	**$**	**153.6**	$	100.0

Non-Voting Class A Shares and Class B Common Shares

The rights of the holders of Non-Voting Class A shares and those of the holders of Class B common shares are subject to the rights of the holders of the preferred shares of the Company which enjoy a preferential right to dividends and return of capital on liquidation. The following is a summary of the privileges and rights attaching to the Non-Voting Class A shares and Class B common shares of the Company:

1. The Non-Voting Class A shares and the Class B common shares rank equally, pari passu, share for share, with each other and entitle the respective holders thereof to the same rights and benefits except as otherwise provided in the conditions attaching thereto.

2. The directors may at any time and from time-to-time declare a dividend or confer any other benefit whatsoever upon the holders of the Non-Voting Class A shares without being obliged to declare an equal or any dividend or confer an equal or any other benefit upon the holders of the Class B common shares provided that no dividend may be declared in respect of or any other benefit conferred upon the holders of the Class B common shares unless concurrently therewith the same dividend is declared in respect of and the same benefit is conferred upon the holders of the Non-Voting Class A shares.

3. The holders of the Non-Voting Class A shares shall receive notice of and may attend any meeting of the Class B common shareholders of the Company but are not entitled to vote at the meeting.

4. The Class B common shares carry the right to one vote per share at all meetings of the Class B common shareholders of the Company.

5. Under certain circumstances, the Class B common shares may at any time be converted into Non-Voting Class A shares on a one for one basis. The circumstances, among other things, require the approval of the Board of Directors and require that Class B common shares which are to be converted be offered first to all the other holders of Class B common shares.

6. No subdivision or consolidation of the Class B common shares shall be made unless the same subdivision or consolidation of the Non-Voting Class A shares is made concurrently. No subdivision or consolidation of the Non-Voting Class A shares shall be made unless the same subdivision or consolidation of the Class B common shares is made concurrently.

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 Class B common shares shall also be entitled to receive an offer to purchase their Class B common shares and 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 unless otherwise determined by the Board of Directors, the Class B common shares acquired pursuant to the offer as well as some 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.

2002 Preferred Shares

The 2002 Preferred shares are issuable in series, with each series consisting of such number of shares and having such provisions as may be determined by the directors of the Company prior to issue. The 2002 Preferred shares rank in preference over Non-Voting Class A shares and Class B common shares in respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. The 2002 Preferred shares of each series rank equally with the 2002 Preferred shares of every other series in respect to the payment of dividends and in the distribution of assets. The Company may not create or issue any shares ranking in priority or on a parity to the 2002 Preferred shares as to the payment of dividends or the distribution of assets without the approval of two thirds of the preferred shareholders.

Long-Term Debt

The Company has the following long-term debt outstanding:

($ in millions)	**At May 1, 2021**	At May 2, 2020
Long-term debt due within one year	**$ 46.5**	$ 570.0
Long-term debt	**1,178.8**	1,105.2
	$ 1,225.3	$ 1,675.2

The Company has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 1, 2021, the outstanding amount of the credit facility was $119.8 million (2020 – $62.6 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rate.

Sobeys has a $650.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 1, 2021, the outstanding amount of the facility was $ nil (2020 – $ nil) and Sobeys has issued $86.1 million in letters of credit against the facility (2020 – $76.4 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0 million. During the second quarter, this facility, originally scheduled to mature on November 4, 2020, was fully repaid.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0 million. The facility was fully utilized on December 10, 2018, with the proceeds used to fund part of the Farm Boy acquisition. During the third quarter, this facility, originally scheduled to mature on December 10, 2020, was fully repaid.

Sobeys has the following medium term notes ("MTNs"), and Series 2013-2 Notes and senior unsecured floating rate notes (together referred as the "Notes") outstanding:

($ in millions)	**At May 1, 2021**	At May 2, 2020
MTN Series D, interest rate 6.06%, due October 29, 2035	**$ 175.0**	$ 175.0
MTN Series E, interest rate 5.79%, due October 6, 2036	**125.0**	125.0
MTN Series F, interest rate 6.64%, due June 7, 2040	**150.0**	150.0
Series 2013-2 Notes, interest rate 4.70%, due August 8, 2023	**500.0**	500.0
Credit facility, expiring November 4, 2020, floating interest rate tied to bankers' acceptance rates	**-**	125.0
Credit facility, expiring December 10, 2020, floating interest rate tied to bankers' acceptance rates	**-**	400.0
	$ 950.0	$ 1,475.0

Sobeys' MTNs and Notes are not listed or quoted in a market place.

Credit Ratings (Canadian Standards)

Sobeys' credit ratings for its securities at fiscal year end May 1, 2021, are as follows:

	DBRS	S&P
MTNs	BBB low (stable trend)	BBB- (stable outlook)
Notes	BBB low (stable trend)	BBB- (stable outlook)

During fiscal 2021, S&P upgraded Sobeys' credit rating from BB+ (positive outlook) to BBB- (stable outlook) while DBRS remained unchanged from the prior year.

The credit ratings accorded to the debt by the rating agencies are not a recommendation to purchase, hold or sell the debt, inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The Company provides the rating agencies with confidential, in-depth information in support of the rating process.

DBRS' credit ratings for long-term debt instruments range from AAA to D. The DBRS BBB (low) rating is investment grade and considered of adequate credit quality. The capacity for the payment of a company's financial obligations is considered acceptable but may be vulnerable to future events. Ratings designations may be modified by the addition of a high or low to indicate relative standing within the BBB category. Each DBRS rating category is appended with one of three rating trends: "positive", "stable" or "negative". The rating trend helps to give an investor an understanding of DBRS' opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent. A stable trend indicates that credit metrics are expected to remain sustainable in the intermediate to long term.

S&P's credit ratings for long-term debt instruments range from AAA to D. S&P's BBB- rating is investment grade. An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. A plus or minus designation indicates the debt's relative standing within the BBB category. S&P's rating outlook assesses the potential direction that a rating may be headed over the intermediate term, which is generally up to two years for investment grade and generally up to one year for speculative grade, with outlooks falling into one of four categories: "positive", "negative", "stable" or "developing". A stable outlook indicates credit metrics are expected to remain stable, and a rating is not likely to change in the intermediate term.

The credit ratings on the MTNs and Notes may not reflect the potential impact of all risks related to structure and other factors on the value of the MTNs and Notes. In addition, real or anticipated changes in the Sobeys' credit ratings will generally affect the market value of the debt. The foregoing ratings may be revised or withdrawn at any time by the rating agency if, in its judgment, circumstances warrant.

Sobeys has made, or will make, payments in the ordinary course to the rating agencies in connection with the assignment of ratings on Sobeys and its securities. In addition, the Company has made customary payments in respect of certain subscription services provided to the Company by the rating agencies.

MARKET FOR SECURITIES

The Non-Voting Class A shares (TSX: EMP.A) are listed on the TSX, which is the primary marketplace on which the greatest volume of trading or quotation generally occurs. The monthly high and low share price and the TSX monthly average volumes for the Non-Voting Class A shares for the fiscal year ended May 1, 2021 are as follows:

Empire Company Limited Non-Voting Class A shares

Month	High ($ per share)	Low ($ per share)	Average Daily Volume by Month (in shares)
May 4 - 31, 2020	$31.65	$29.08	858,549
June 2020	$34.39	$29.18	920,266
July 2020	$35.67	$32.08	746,075
August 2020	$36.46	$33.92	718,310
September 2020	$39.22	$32.63	907,454
October 2020	$40.87	$35.91	840,461
November 2020	$38.99	$35.32	928,801
December 2020	$36.16	$34.13	911,894
January 2021	$36.89	$34.88	965,865
February 2021	$38.31	$34.50	977,293
March 2021	$40.25	$35.39	976,704
April 2021	$41.10	$38.55	701,062

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table provides summary financial information for Empire over the last three fiscal years.

($ in millions, except margins and per share amounts)	Fiscal Year Ended		
	May 1, 2021[(1)] (52 weeks)	May 2, 2020[(1)] (52 weeks)	May 4, 2019 (52 weeks)
Sales	**$ 28,268.3**	$ 26,588.2	$ 25,142.0
Operating income	**1,299.5**	1,111.8	652.3
EBITDA[(2)]	**2,143.8**	1,892.4	1,069.5
EBITDA margin[(2)]	**7.6%**	7.1%	4.3%
Net earnings[(3)]	**701.5**	583.5	387.3
Cash and cash equivalents	**$ 890.5**	$ 1,008.4	$ 553.3
Long-term debt, including current portion	**1,225.3**	1,675.2	2,020.9
Shareholders' equity, net of non-controlling interest	**4,372.7**	3,924.6	4,003.3
Total assets	**15,173.9**	14,632.9	9,602.4
Per share information, fully diluted			
Net earnings[(3)]	**$ 2.60**	$ 2.15	$ 1.42

Notes:

(1) Selected Consolidated Financial Information are impacted by the implementation of IFRS 16, "Leases".
(2) These terms do not have a standardized meaning under generally accepted accounting principles. See "Non-GAAP Financial Measures & Financial Metrics" section of the Company's Management's Discussion and Analysis.
(3) Attributable to owners of the Company.

DIRECTORS AND OFFICERS

The name, province or state of residence, and principal occupation of each of the directors and officers of Empire as at May 1, 2021 were as follows:

Directors

Name and Province or State of Residence	Office	Principal Occupation	Director Since
MICHELLE BANIK(3) Ontario, Canada	Director	Corporate Director	2021
CYNTHIA DEVINE(2)(5)(7) Ontario, Canada	Director	Chief Financial Officer, Maple Leaf Sports & Entertainment	2013
JAMES M. DICKSON Nova Scotia, Canada	Chair	Counsel, Stewart McKelvey	2015
SHARON DRISCOLL(1) British Columbia, Canada	Director	Chief Financial Officer, Ritchie Bros. Auctioneers Inc.	2018
GREG JOSEFOWICZ(3) Michigan, United States	Director	Corporate Director	2016
SUE LEE(3) British Columbia, Canada	Director	Corporate Director	2014
WILLIAM LINTON(4)(5)(7) Ontario, Canada	Director	Corporate Director	2015
MICHAEL MEDLINE Ontario, Canada	Director, President & CEO	President & Chief Executive Officer, Empire and Sobeys	2017
MARTINE REARDON(1)(5)(7) New York, United States	Director	Chief Marketing Officer and Executive Vice President of Content and Membership, National Retail Federation (U.S.)	2017
FRANK C. SOBEY(5) Nova Scotia, Canada	Director	Corporate Director	2007
JOHN R. SOBEY(1) Nova Scotia, Canada	Director	Corporate Director	1979
KARL R. SOBEY(3) Nova Scotia, Canada	Director	Corporate Director	2001
PAUL D. SOBEY(5) Nova Scotia, Canada	Director	Corporate Director	1993
ROB G.C. SOBEY(3)(5) Nova Scotia, Canada	Director	Corporate Director	1998
MARTINE TURCOTTE(1)(6)(8) Quebec, Canada	Director	Corporate Director	2012

Notes:

(1) *Audit Committee Member*

(2) *Audit Committee Chair*

(3) *Human Resources Committee Member*

(4) *Human Resources Committee Chair*

(5) *Corporate Governance & Social Responsibitiy Committee Member*

(6) *Corporate Governance & Social Responsibility Committee Chair*

(7) *Nominating Committee Member*

(8) *Nominating Committee Chair*

The term of office for each person elected or appointed as a director is until the next annual meeting of shareholders of Empire or until their earlier retirement or resignation.

Executive Officers Who Are Not Directors

(as of May 1, 2021)

Name and Province of Residence	Occupation
SIMON GAGNÉ Ontario, Canada	Executive Vice President, Human Resources
MOHIT GROVER Ontario, Canada	Senior Vice President, Innovation & Strategy
SARAH JOYCE Ontario, Canada	Senior Vice President, E-commerce
DOUG NATHANSON Ontario, Canada	Senior Vice President, General Counsel and Corporate Secretary
SANDRA SANDERSON Ontario, Canada	Senior Vice President, Marketing
VIVEK SOOD Nova Scotia, Canada	Executive Vice President, Related Businesses
PIERRE ST-LAURENT Quebec, Canada	Executive Vice President, Chief Operating Officer, Full Service
MICHAEL VELS Ontario, Canada	Chief Financial Officer
MIKE VENTON Ontario, Canada	General Manager, Discount

During the past five years, each of the above-mentioned directors and officers has been engaged in the principal occupation or held the position with the company or firm indicated opposite their name other than:

- Michelle Banik, who prior to March 2021 was Chief People Officer and Senior Vice President (Global Head of Human Resources) at OMERS from 2015 until December 2019.

- Cynthia Devine, who prior to March 2017 was Executive Vice President and Chief Financial Officer, RioCan Real Estate Investment Trust;

- Mohit Grover, who prior to October 2019 was Head of Industry - Retail, Google Canada from September 2014 to September 2019;

- Sarah Joyce, who prior to June 2018 was General Manager of SaksOff5th.com and Gilt.com from November 2016 to June 2018; Director of Merchandising Initiatives at Saks Fifth Avenue Off 5th from July 2015 to November 2016; and Senior Manager of Corporate Strategy at Saks Fifth Avenue (Hudson's Bay Company) from September 2014 to July 2015;

- Michael Medline, who prior to January 2017 was President & Chief Executive Officer, Canadian Tire Corporation ("CTC") from December 2014 until July 2016;

- Doug Nathanson, who prior to April 2018 was General Counsel, CTC from February 2016 to April 2018;

- Martine Reardon, who prior to April 2021 was a corporate director; and Chief Marketing Officer, Macy's Inc. from February 2012 until May 2016;

- Sandra Sanderson, who prior to November 2018 was Senior Vice President of Marketing at White House Black Market in the U.S. from February 2017 to October 2018; and Chief Marketing and Quality Officer at Walmart Canada from September 2013 to February 2017;

- Martine Turcotte, who prior to January 2020 was Vice Chair, Quebec, BCE Inc. and Bell Canada;

- Michael Vels, who prior to June 2017 was Chief Financial Officer of Hydro One Limited from July 2015 to May 2017; and

- Mike Venton, who prior to January 2018 was Senior Vice President, Discount No Frills at Loblaw Companies Limited from May 2014 to December 2016.

As of May 1, 2021, the number of Class B common shares of Empire beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of Empire as a group is 22,955,622 or approximately 23.4% of those issued and outstanding. No executive officer who is not a director owns Class B common shares.

Other Proceedings

No director or executive officer is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including a personal holding company) that:

a) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

b) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director, executive officer or shareholder holding a sufficient number of securities of Empire to affect materially the control of Empire, or a personal holding company thereof,

a) is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director or executive officer of any company (including a personal holding company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

b) has, as at the date of this AIF, or within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, executive officer or shareholder; or

c) has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Conflict of Interest

Against the backdrop of the Code of Business Conduct and Ethics, the Company's Board of Directors deals with existing or potential conflicts of interest on a case-by-case basis to ensure the avoidance of any possibility of the perception or the reality of conflict of interest.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar is AST Trust Company (Canada) with offices located in Halifax, Nova Scotia and Toronto, Ontario, and can be contacted by phone at 1-800-387-0825 or by e-mail at inquiries@astfinancial.com.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The Audit Committee Mandate as approved by the Company's Board of Directors is included as Appendix B.

Audit Committee Composition

The members of the Audit Committee at May 1, 2021, and their relevant education and experience are:

1. Cynthia Devine (Chair)
    - Honours Business Administration degree, the Richard Ivey School of Business at the University of Western Ontario.
    - Fellow of the Institute of Chartered Professional Accountants of Ontario.
    - Chief Financial Officer at Maple Leaf Sports & Entertainment.
    - Director of Royal Bank of Canada and of Sobeys, as well as member of the Ivey Advisory Board for the Richard Ivey School of Business and member of the Board of Governors at North York General Hospital.
    - Formerly Executive Vice President and Chief Financial Officer of RioCan Real Estate Investment Trust from March 2015 until March 2017. Prior to that Ms. Devine was the CFO of Tim Hortons Inc. from 2003 until 2014; Senior Vice-President of Finance at Maple Leaf Foods from 2001 to 2003; and from 1992 to 2001 she worked for Pepsi-Cola Canada in several finance roles, including CFO from 1999 to 2001.
    - Director of ING Direct Canada from 2009 until its sale to Scotiabank in 2012.

2. Sharon Driscoll
    - Honours Bachelor of Commerce degree, Queen's University.
    - Member of the Institutes of Chartered Professional Accountants of Ontario and British Columbia.
    - Chief Financial Officer at Ritchie Bros. Auctioneers Inc.
    - Interim Co-CEO of Ritchie Bros. Auctioneers Inc. from October 1, 2019 to January 6, 2020.
    - Director of Sobeys.
    - Formerly Executive Vice President and Chief Financial Officer at Katz Group Canada Ltd. from 2013 to 2015. Prior to that, Senior Vice President – Finance and then Chief Financial Officer at Sears Canada Inc. between 2008 and 2013. Between 1987 and 2008, Ms. Driscoll worked in increasingly senior roles at Loblaw Companies Ltd., including Senior Vice President, Finance LCL – National Merchandising, Senior Vice President Corporate Development and Senior Vice President – Finance.

3. Martine Reardon
    - Bachelor of Science in Business Management degree, St. Francis College.
    - Chief Marketing Officer and Executive Vice President of Content and Membership at the National Retail Federation (U.S.).
    - Director of Sobeys.
    - Formerly Chief Marketing Officer, Macy's Inc. from 2012 to 2016. She held increasingly senior roles at Macy's between 1994 and 2012 in marketing, sales and media, with significant transformation, business integration and technology-related responsibilities.

4. John R. Sobey
    - Past President and Chief Operating Officer of Sobeys.
    - Corporate Director with 34 years of retail grocery experience at Sobeys. Mr. Sobey began his career in the retail stores and progressed in various management roles in merchandising, category management and retail store operations.
    - Director of Sobeys.
    - Formerly a director of Atlantic Shopping Centers, Food Marketing Institute FMI, Hannaford Bros., Jace Holdings Limited and Medavie Inc.

5. Martine Turcotte
    - Master of Business Administration from the London Business School and Bachelors of Civil Law degree and Common Law degree from McGill University.
    - Director of CIBC and Sobeys, as well as member of the board of directors of the Institute of Corporate Directors Quebec, the McGill University Bicentennial Campaign Cabinet Executive Committee (and Faculty Advisory Board of the McGill Faculty of Medicine).
    - Appointed Chair of the Judicial Compensation and Benefits Commission effective June 1, 2020.
    - Formerly Vice Chair, Quebec of BCE Inc. 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, including Executive Vice-President and Chief Legal & Regulatory Officer of BCE and Bell Canada.

All members of the Audit Committee are considered to be financially literate and independent.

Pre-Approval Policies and Procedures

Reference is made to Appendix B – Empire Audit Committee Mandate, Section "Responsibilities", for a description of the specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees (by Category)

The table below shows the fees charged by PricewaterhouseCoopers LLP for fiscal 2021 and for fiscal 2020 to the Company and its subsidiaries, respectively:

Auditor's Fees for Empire Company Limited and its Subsidiaries

	Fiscal Year Ended			
		May 1, 2021		May 2, 2020
Audit fees	$	2,079,124	$	2,1074,048
Audit related fees		422,599		535,460
Tax fees		-		15,750
Other fees		275,000		320,833
Total fees	$	2,776,723	$	2,979,091

For fiscal 2021, audit fees include fees for the audit of the annual consolidated financial statements, reviews of quarterly interim condensed financial statements and audits of employee benefit plan financial statements. Audit related fees are for services including special purpose audits and French translation. Tax fees include various consultations on specific items. Other fees include fees billed for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including other advisory services.

The Audit Committee monitors and reviews the independence of the auditor on an ongoing basis. A policy that requires the pre-approval of engagements for services of the external auditor 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 auditor. It has been concluded that the independence of PricewaterhouseCoopers LLP has not been compromised by the services provided.

MATERIAL CONTRACTS

The Company has not entered into any contract, other than in the ordinary course of business, that is material to the Company and that was either entered into since January 1, 2002, and is still in effect or was entered into within the most recently completed fiscal year.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not, and was not during fiscal 2021, a party or subject to any legal proceedings or group of similar proceedings, nor are any such proceedings known to the Company to be contemplated, where the amount involved, exclusive of interest and costs, exceeds 10% of the current assets of the Company.

There were no penalties or sanctions imposed against the Company by, and no settlement agreements entered into by the Company with, a court relating to securities legislation or a securities regulatory authority during fiscal 2021.

INTEREST OF EXPERTS

The Company’s auditor is PricewaterhouseCoopers LLP, which has prepared the Independent Auditor’s Report to Shareholders in respect of its audited annual consolidated financial statements. PricewaterhouseCoopers LLP has confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional body in Nova Scotia.

ADDITIONAL INFORMATION

Additional information with respect to directors’ and officers’ remuneration and indebtedness, principal holders of Empire's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in Empire's Management Information Circular. Additional financial information is provided in the Company’s audited financial statements for its last fiscal year ended May 1, 2021 and the related annual Management’s Discussion and Analysis. A copy of such documents may be obtained by request from the investor relations department of Empire, via the Empire website at: www.empireco.ca.

APPENDIX A

SOBEYS' GEOGRAPHIC AND BANNER PROFILE

All information is as of May 1, 2021

FULL, FRESH & COMMUNITY SERVICE STORES

Geographic Area	*Sobeys*	*Safeway*	*IGA extra*	*IGA*	*Farm Boy*	*Kim Phat*
Newfoundland and Labrador	13	-	-	-	-	-
Prince Edward Island	5	-	-	-	-	-
Nova Scotia	43	-	-	-	-	-
New Brunswick	21	-	2	4	-	-
Quebec	-	-	133	156	-	3
Ontario	83	6	-	1	37	-
Manitoba	17	18	-	5	-	-
Saskatchewan	9	9	-	3	-	-
Alberta	53	75	-	23	-	-
British Columbia	1	43	-	3	-	-
TOTAL	**245**	**151**	**135**	**195**	**37**	**3**

Geographic Area	*Pete's Frootique & Fine Foods*	*Thrifty Foods*	*Foodland*	*Bonichoix*	*Les Marchés Tradition*
Newfoundland and Labrador	-	-	29	-	-
Prince Edward Island	-	-	7	-	-
Nova Scotia	2	-	32	-	-
New Brunswick	-	-	12	-	-
Quebec	-	-	-	63	74
Ontario	-	-	137	-	-
Manitoba	-	-	-	-	-
Saskatchewan	-	-	-	-	-
Alberta	-	-	-	-	-
British Columbia	-	27	-	-	-
TOTAL	**2**	**27**	**217**	**63**	**74**

APPENDIX A – continued

DISCOUNT, DRUG, CONVENIENCE & LIQUOR STORES

Geographic Area	FreshCo/ Chalo! FreshCo	Lawtons[(1)]	Rachelle-Béry	Needs	IGA Express
Newfoundland and Labrador	-	18	-	21	-
Prince Edward Island	-	5	-	8	-
Nova Scotia	-	41	-	46	-
New Brunswick	-	12	-	9	-
Quebec	-	-	11	-	19
Ontario	95	-	-	-	-
Manitoba	6	-	-	2	-
Saskatchewan	4	-	-	-	-
Alberta	2	-	-	-	-
British Columbia	16	-	-	-	-
TOTAL	**123**	**76**	**11**	**86**	**19**

Geographic Area	Boni-Soir	Voisin	Cash & Carry	Retail Fuel Sites[(2)]	Retail Liquor Sites
Newfoundland and Labrador	-	-	1	9	-
Prince Edward Island	-	-	-	7	-
Nova Scotia	-	-	3	47	-
New Brunswick	-	-	1	66	-
Quebec	4	4	-	255	-
Ontario	-	-	-	-	-
Manitoba	-	-	1	-	-
Saskatchewan	-	-	-	-	16
Alberta	-	-	-	-	78
British Columbia	-	-	-	3	9
TOTAL	**4**	**4**	**6**	**387**	**103**

Note:

(1) The total in this column includes freestanding 73 Lawtons Drug Stores and three stand alone Home HealthCare locations.
(2) The total of this column does not include 44 Safeway co-located fuel sites or 19 co-branded convenience fuel locations.

APPENDIX A – continued

DISTRIBUTION CENTRES

Geographic Area	***Distribution Centres***
Newfoundland and Labrador	3
Prince Edward Island	-
Nova Scotia	5
New Brunswick	1
Quebec	5
Ontario	2
Manitoba	2
Saskatchewan	-
Alberta	4
British Columbia	2
TOTAL	**24**

CORPORATE AND FRANCHISED STORES – BY GEOGRAPHIC AREA

	Corporate Stores		***Franchised Stores***	
Geographic Area	***Number***	***Square Footage***	***Number***	***Square Footage***
Atlantic	313	4,785,595	151	1,119,357
Quebec	204	1,115,841	518	10,908,580
Ontario	114	3,654,017	245	6,166,706
West	301	8,653,622	122	3,885,807
TOTAL	**932**	**18,209,075**	**1,036**	**22,080,450**

APPENDIX A – continued

CORPORATE AND FRANCHISED STORES – BY BANNER

	Sobeys	***Safeway***	***IGA extra***	***IGA***	***Farm Boy***	***Kim Phat***
Corporate	158	148	10	17	37	3
Franchise	87	3	125	178	-	-
TOTAL	**245**	**151**	**135**	**195**	**37**	**3**

	Pete's Frootique & Fine Foods	***Thrifty Foods***	***Foodland***	***Bonichoix***	***Les Marchés Tradition***
Corporate	**2**	27	7	1	1
Franchise	-	-	210	62	73
TOTAL	**2**	**27**	**217**	**63**	**74**

	FreshCo/ Chalo! FreshCo	***Lawtons(1)***	***Rachelle-Béry***	***Needs***	***IGA Express***
Corporate	10	73	9	86	1
Franchise	113	3	2	-	18
TOTAL	**123**	**76**	**11**	**86**	**19**

	Boni-Soir	***Voisin***	***Cash & Carry***	***Retail Fuel Sites(2)***	***Retail Liquor Sites***
Corporate	2	1	6	231	102
Franchise	2	3	-	156	1
TOTAL	**4**	**4**	**6**	**387**	**103**

Note:

(1) The total in this column includes freestanding 73 Lawtons Drug Stores and three stand alone Home HealthCare locations.
(2) The total of this column does not include 44 Safeway co-located fuel sites or 19 co-branded convenience fuel locations.

APPENDIX B

AUDIT COMMITTEE MANDATE

The Audit Committee (the "Committee") is responsible to the Board of Directors (the "Board") for the policies and practices relating to 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 oversight of the enterprise risk management framework and process.

The Committee charges management with developing and implementing procedures to:

- Ensure internal controls are appropriately designed, implemented and monitored including reviewing and discussing any significant deficiencies in the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.
- Ensure financial reporting and disclosure of required information is complete, accurate and timely as required by applicable legislation and regulation.

<u>COMPOSITION</u>

The Committee shall be composed of three or more independent directors, appointed by the Board on the recommendation of the Corporate Governance & Social Responsibility Committee, in accordance with the independence standards established by the Board, and all applicable corporate and securities laws, rules and regulations.

All members of the Committee shall be financially literate as defined by applicable legislation. Financially literate shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

A member of the Board who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within three months following their appointment, subject to the Company's Board determining that this appointment will not materially adversely affect the ability of the Committee to act independently and to satisfy the other requirements of this mandate.

If a Committee member ceases to be independent for reasons outside the member's reasonable control, the member shall tender their resignation to the Chair of the Corporate Governance & Social Responsibility Committee, within three months of the occurrence of the event which caused the member to not be independent.

The members of the Committee are appointed or reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Shareholders of the Company. Each member of the Committee shall continue to be a member thereof until their successor is appointed, unless they resign or are removed by the Board, or cease to be a director of the Company. The Board, upon recommendation of the Corporate Governance & Social Responsibility Committee, may fill vacancies of members of the Committee for the remainder of the current term of appointment.

The Board shall appoint a Chair from among the members of the Committee to preside at its meetings. The Chair must be independent. If the Chair of the Committee loses their independent status, that person shall cease to be Chair immediately and be replaced as Chair by an existing member of the Committee with the Corporate Governance & Social Responsibility Committee being asked to replace this member within three months. In the absence of the Chair, one of the other members of the Committee present shall be chosen by the Committee to preside at the meeting.

AUTHORITY

The Committee has the authority to:

- Conduct or authorize an investigation into any matters within the scope of its mandate or responsibility;
- At the Company's expense, as determined by the Committee, engage independent legal, accounting or financial advisors and such other advisors as it deems necessary to advise the Committee or assist in carrying out its duties or to assist in the conduct of an investigation;
- Communicate and meet without management involvement, the internal auditors, external auditor or outside counsel as necessary; and
- Call a meeting of the Board to consider any matter of concern to the Committee. The Committee shall have direct access to all books, records, facilities and personnel of the Company including to the external and/or internal auditor as it determines this to be advisable. All employees are to cooperate as required by Committee members in matters related to Committee business.

MEETINGS

The Committee shall meet quarterly or more frequently as circumstances dictate.

Meetings of the Committee may be called by:

- The Chair;
- Any member of the Committee;
- Management; or
- The external auditor.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. a quorum shall be a majority of the members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other; and
2. notice of the time and place of every meeting shall be given in writing, electronic or other facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of that meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

The external auditor shall be invited to attend and be heard at every regular quarterly Committee meeting and have the opportunity to discuss matters with the Committee without the presence of management at such meetings. The Committee will meet in camera with the external auditor at each regular quarterly Committee meeting. The external auditor may also be invited to attend and be heard at other Committee meetings.

There shall be an in-camera session at each quarterly scheduled Committee meeting without management, with in-camera sessions at other Committee meetings as required by any member of the Committee. The Committee shall appoint a Secretary who need not be a director. The minutes of the Committee shall be recorded and maintained by the Secretary.

All Committee members are expected to attend each meeting. The Chair of the Committee shall report the business of the meeting at the next regularly scheduled Board meeting.

RESPONSIBILITIES

Administration:

1. The Committee annually reviews its mandate and recommends any changes to the Corporate Governance & Social Responsibility Committee.

2. The Committee annually completes a self assessment survey and reviews the Committee's financial literacy and independence.

External Auditor:

3. As required by the Board, the external auditor reports directly to the Committee.

4. The Committee must recommend to the Board;

   a) the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for Empire; and

   b) the compensation of the external auditor.

5. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other audit, review or attest services for Empire, including the resolution of disagreements between management and the external auditor regarding financial reporting.

6. The Committee must pre-approve all non-audit services to be provided to Empire or its subsidiary entities by Empire's external auditor. The Committee has established a policy for certain pre-approvals and has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Committee at the next scheduled Committee meeting following such pre-approval.

   Without limiting the foregoing, de minimis non-audit services may be performed by Empire's external auditor without prior approval of the Committee if:

   a) the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than $100,000 of the total audit fees paid by Empire and its subsidiaries to Empire's external auditor during the fiscal year in which the services are provided;

   b) Empire or subsidiaries of Empire, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

   c) the services are promptly brought to the attention of the Committee of Empire and approved, prior to the completion of the audit, by the Committee or by the Chair of the Committee, who has been granted authority to pre-approve non-audit engagements.

   The Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.

7. The Committee reviews with the external auditor and management all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting. The Committee shall also review any significant changes to Generally Accepted Accounting Principles (GAAP) or its application.

8. The Committee must review and approve Empire's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of Empire.

9. The Committee ensures through enquiry that the external auditor is in good standing with the Canadian Public Accountability Board (CPAB) and that the lead partner and other partners fulfill the rotation requirements. The Committee also reviews that the relationship with the external auditor and Empire management is independent with consideration to the requirements set out by the Canadian Securities Administrators and CPA Canada.

10. The Committee receives from the external auditor an outline of the annual audit scope, plan, resources, reliance on management and progress reports against that plan.

11. The Committee reviews the Auditor Report with the external auditor:

    a) significant findings during the year and management's response thereto;

    b) any difficulties encountered in the course of their audits, including any restrictions to the scope of their work or access to required information; and

    c) any changes required to the planned scope of their audit or quarterly reviews.

Risk Management:

12. The Committee annually reviews the adequacy and quality of the insurance coverage maintained by the Company.

13. The Committee periodically reviews the Enterprise Risk Management framework for the Company and assesses the adequacy and completeness of the process for identifying and assessing the key risks facing the Company.

14. The Committee ensures that primary oversight responsibility for each of the key risks identified in the Enterprise Risk Management framework is assigned to the Board or one of its Committees.

15. The Committee reviews the governance of significant business process change and information technology projects.

16. The Committee reviews the Company's privacy and data security risk exposure and measures taken to protect the security and integrity of its management information systems and customer data.

17. The Committee reviews the work plan and progress on implementation of major information technology system changes and receives updates on the information system infrastructure.

18. The Committee periodically reviews Environmental Compliance and Litigation reports from management.

19. The Committee periodically reviews the Company's major financial risk exposures (including foreign exchange and interest rate) and management's initiatives to control such exposures, including the use of financial derivatives and hedging activities.

20. The Committee reviews the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith, and receives 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.

Financial Management and Reporting:

21. The Committee reviews and recommends to the Board approval of Empire's interim and annual financial statements, Management's Discussion and Analysis, and quarterly financial and material news releases prior to public disclosure of this information.

22. The Committee reviews and recommends to the Board approval of the Empire dividends.

23. The Committee reviews the disclosures that are financial in nature contained in the Annual Report and Annual Information Form.

24. The Committee ensures that adequate disclosure procedures are in place for the review of Empire's public disclosure of financial information extracted or derived from Empire's financial statements, and must periodically assess the adequacy of those disclosure procedures.

25. The Committee reviews the disclosure controls and procedures and internal controls on financial reporting, including any significant deficiencies or material non-compliance with such controls and procedures.

26. The Committee reviews the Corporate Disclosure Policy and the Disclosure Committee Mandate.

27. The Committee reviews all findings of regulatory agency examinations concerning financial matters of the Company and will make recommendations to the Board to address these matters.

28. The Committee establishes procedures for:

    a) the receipt, retention and treatment of complaints received by Empire regarding accounting, internal accounting controls, or auditing matters; and

    b) the confidential, anonymous submission by employees of Empire of concerns regarding questionable accounting or auditing matters.

29. The Committee reviews 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 recommends to the Board, for approval, policy changes and program initiatives considered advisable.

Internal Audit:

30. The Committee annually reviews and approves the Internal Audit Charter and Annual Plan.

31. The Committee receives quarterly reports from, and meets in camera with, the Vice President, Internal Audit.

32. The Committee receives quarterly reports from the Vice President, Internal Audit on Ethics Line reporting matters administered by Internal Audit.

33. The Committee ensures that the Internal Audit function is independent of management and has sufficient resources to carry out its mandate.

34. The Committee approves the appointment, replacement or termination of the Vice President, Internal Audit.