EMPIRE

COMPANY LIMITED

ANNUAL INFORMATION FORM

Year Ended May 4, 2013

June 27, 2013

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FORWARD-LOOKING STATEMENTS

All disclosure for Empire Company Limited ("Empire" or "the Company") is as of fiscal year-end, May 4, 2013, unless otherwise indicated.

This Annual Information Form ("AIF") contains forward-looking statements which reflect management's expectations regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities. All statements other than statements of historical facts included in this AIF, including statements regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities may constitute forward-looking information. Expressions such as "anticipates", "expects", "believes", "estimates", "could", "may", "plans", "will", "would", and other similar expressions or the negative of these terms are generally indicative of forward-looking statements.

These statements are based on Empire management's reasonable assumptions and beliefs in light of the information currently available to them. The forward-looking information contained in this AIF is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operations as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives and may not be appropriate for other purposes. By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties which give rise to the possibility that the Company's predictions, forecasts, expectations or conclusions will not prove to be accurate, that the Company's assumptions may not be correct and that the Company's objectives, strategic goals and priorities will not be achieved. Although the Company believes that the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Such forward-looking information is not fact but only reflects management's estimates and expectations. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These factors include but are not limited to: changes in general industry, market and economic conditions, competition from existing and new competitors, energy prices, supply issues, inventory management, changes in demand due to seasonality of the business, interest rates, changes in laws and regulations, operating efficiencies and cost saving initiatives. In addition, these uncertainties and risks are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risk Management section of the Company's annual Management's Discussion and Analysis for the 52 weeks ended May 4, 2013, which is incorporated by reference into this AIF, a copy of which has been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Empire cautions that the list of important factors is not exhaustive and other factors could also adversely affect its results. 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. Forward-looking statements may not take into account the effect on the Company's business of transactions occurring after such statements have been made: for example, dispositions, acquisitions, asset write-downs or other changes announced or occurring after such statements are made may not be reflected in forward-looking statements. The forward-looking information in this AIF reflects the Company's expectations as of the date of this document, and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company other than as required by applicable securities laws.

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

- The Company’s expectation relating to timing and completion of the proposed Canada Safeway Limited (“Canada Safeway”) acquisition which may be impacted by regulatory approval and other conditions in the acquisition agreement;

- The Company’s expectation relating to its ability to complete any sale-leaseback transaction and other asset sales and the timing of such transactions which may be impacted by market conditions and the ability to negotiate acceptable terms with third parties;

- The Company’s expectation relating to final financing breakdown, including the amount of bridge financing drawn and the timing of paying back any bridge financing drawn, which may be impacted by the timing of closing, any sale leaseback transaction, other asset sales and cash flows;

- Anticipated benefits of the Canada Safeway proposed acquisition such as growth prospects, benefits from economies of scale, future business strategy, and expectations regarding operations and strategic fit which may be impacted by the ability of the Company to predict and adapt to changing consumer tastes, preferences and spending patterns and the anticipated retention of Canada Safeway's operational employees;

- Sobeys Inc.’s (“Sobeys”) expectations relating to administrative and business rationalization initiatives which could be impacted by the final scope and scale of these activities;

- Sobeys’ expectations regarding the reduction in business costs related to the opening of the new distribution centre in Québec, which could be impacted by the number of positions eliminated at other distribution centres;

- Our expectation that the strength of Sobeys’ relationship with Crombie Real Estate Investment Trust (“Crombie REIT”), combined with our strict investment discipline, will prove to be a sustainable competitive advantage and positively correlate to the enhancement of Empire’s shareholder value, which may be impacted by commercial real estate market conditions and the availability of mutually desirable properties for development and sale by Sobeys and for purchase by Crombie REIT;

- The Company's expectation relating to timing and completion of the proposed Empire Theatres sales which may be impacted by regulatory approval and other conditions in the sale agreement;

- The value of the Company's remaining equity interest and earn-out relating to the Empire Theatres sale and its ability to realize on either may be impacted by market conditions and Landmark's ability to successfully operate the assets;

- Property development plans which may be impacted by the identification and availability of attractive sites, the availability of capital, the approval of zoning requirements and general economic conditions; and

- The Company’s understanding of competitive, demographic, lifestyle, health and other trends and its ability to continue to adapt to these trends.

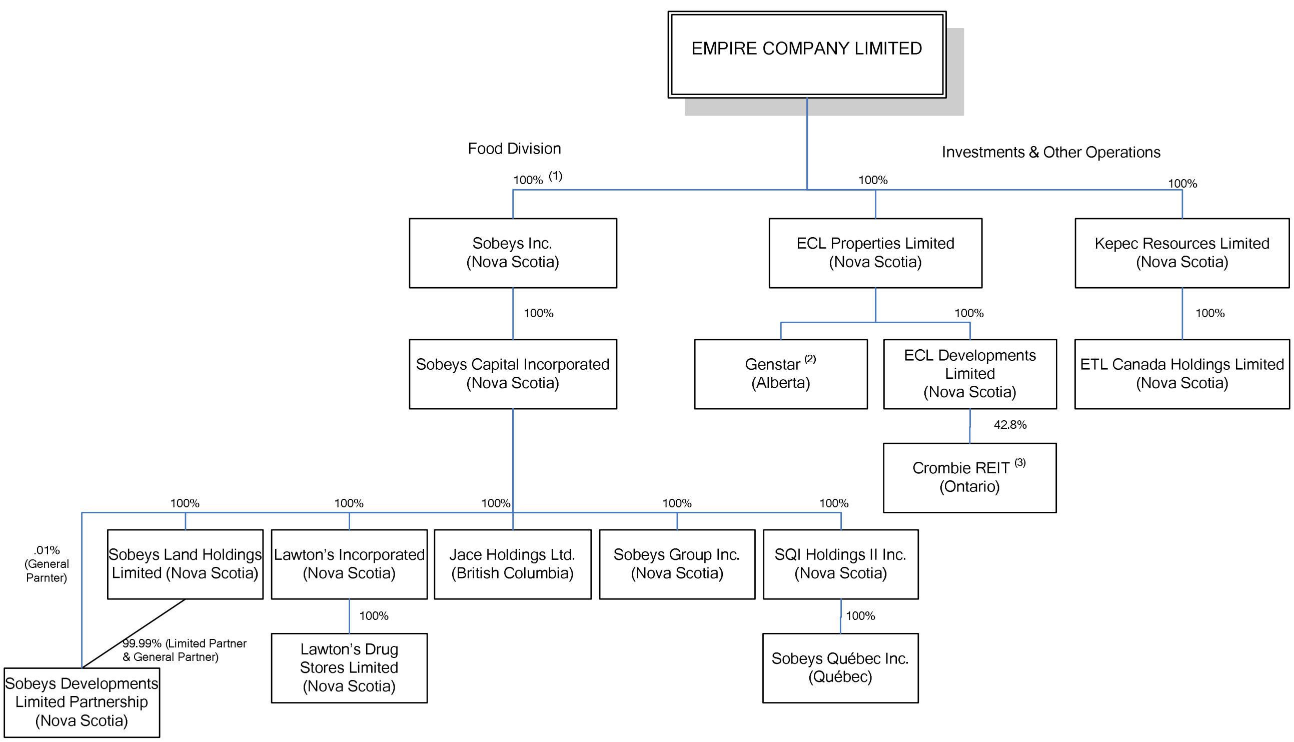
CORPORATE STRUCTURE

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 4, 2013.



Notes:

(1) Empire owns 27.9% of Sobeys Inc. directly and the balance (72.1%) indirectly through subsidiaries including Empro Holdings Limited (Nova Scotia) and Emplink Investments Limited (Nova Scotia).

(2) 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 II Partnership (Alberta), a 42.1% equity accounted interest in each of GDC Investments 4, L.P., GDC Investments 5, L.P., and GDC Investments 6, L.P., a 45.8% equity accounted interest in GDC Investments 7, L.P. and a 43.7% equity accounted interest in GDC Investments 8 L.P. (collectively referred to as "Genstar").

(3) Empire owns 909,090 Crombie REIT Units and 38,430,221 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 42.8% indirect ownership interest in Crombie REIT as of May 4, 2013 (40.8% on a fully diluted basis). A Special Voting Unit of Crombie REIT is attached to each Class B Limited Partnership Unit.

GENERAL DEVELOPMENT OF THE BUSINESS

Empire Company Limited (TSX symbol: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's primary objective is to maximize the long-term sustainable value of Empire through enhancing the worth of the Company's net assets. This is accomplished through direct ownership and equity participation in businesses that management knows, understands and believes to have the potential for long-term sustainable growth and profitability, specifically Empire's key businesses of food retailing and related real estate.

The Company's financial results are segmented into two separate operating segments: (i) Food Retailing; and (ii) Investments and Other Operations, which includes the Company's investment in Crombie REIT. The developments of these segments of the Company's business over the past three fiscal years are discussed in the following sections.

Focus on Food Retailing

Empire's food retailing business is carried on through its wholly-owned subsidiary, Sobeys, which is headquartered in Stellarton, Nova Scotia. Sobeys owns or franchises more than 1,300 stores in all ten provinces under retail banners that include Sobeys, IGA *extra*, Thrifty Foods, IGA, Foodland and FreshCo, and, as well as Lawton's Drug stores, in addition to over 260 retail fuel locations. Sobeys is committed to providing the most worthwhile experience for its customers, employees, franchise affiliates, suppliers and shareholders.

Following on from Empire's decision to privatize Sobeys in June 2007, the Company has continued to center its attention on a food-focused strategy, a focus on productivity and innovation and intelligent investment in retail stores and distribution centres. Over the last three fiscal years, Sobeys has continued to grow and develop as a leading Canadian grocery retailer and food distributor. Sobeys has made significant investment during this period to support that growth, through property and equipment purchases totalling over $1.6 billion.

At the same time, the Company has disposed of some of its non-food related interests to help fund its food-focused activities. On October 5, 2010, Empire sold its 27.5 percent ownership interest in Wajax Income Fund for net proceeds of $115.3 million and a resulting net capital gain of $76.2 million. On November 7, 2012, the Company sold its petroleum and natural gas properties for $17.3 million before costs.

Proposed Acquisition

On June 12, 2013, the Company and Sobeys announced that Sobeys entered in an Asset Purchase Agreement with Safeway Inc. and its subsidiaries to acquire substantially all of the assets and select liabilities of Canada Safeway for a cash purchase price of Cdn. $5.8 billion, subject to a working capital adjustment, plus the assumption of certain liabilities. The agreement provides for the purchase of the following:

• 213 full service grocery stores under the Safeway banner in Western Canada;
• 199 in-store pharmacies;
• 62 co-located fuel stations;
• 10 liquor stores;
• 4 primary distribution centres; and
• 12 manufacturing facilities.

The Company's and Sobeys' announcement included their intention that financing for the acquisition will come from a combination of the following: (i) a planned $1.5 billion Empire equity offering; (ii) a planned $1.0 billion sale-leaseback of acquired real estate assets; (iii) a $1.825 billion term loan and the issuance of $800 million in unsecured notes by Sobeys; (iv) other real estate and non-core asset sales; and (v) available cash on hand. As some of these transactions may not be completed by the time of closing, Scotiabank has provided Empire and Sobeys with fully committed credit facilities for the full purchase price plus transaction expenses required to close the transaction. Crombie REIT has a right of first offer in respect of any real estate sales undertaken by Sobeys. The closing of the acquisition is expected during the Company's second quarter of fiscal 2014, and is subject to the fulfillment or waiver of certain customary closing conditions as well as the receipt of required regulatory approvals, including that of the Competition Bureau.

Acquisition costs of $5.0 million relating to external legal, consulting, due diligence and other closing costs were incurred to May 4, 2013.

Expansion and Renovation of Stores

Sobeys' strategy is focused on delivering the best food 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, while continuing to build and acquire new stores.

Over the last three fiscal years, Sobeys opened 122 new stores and replaced, expanded, renovated and/or converted the banners in 138 stores. In addition, Sobeys acquired 242 new locations which includes the acquisition of 236 retail gas stations and related convenience store operations in fiscal 2012.

As part of the rebannering process, 76 FreshCo discount stores were either opened or converted from Price Chopper stores over the last three fiscal years. These FreshCo discount stores offer low prices without many of the compromises which would typically be experienced at traditional discount grocery retailers. FreshCo shoppers enjoy fresh merchandise at low prices, with an expanded selection of meats and produce, including high quality choices and seasonal, locally-produced products. During this period, Sobeys incurred approximately $6.6 million in pre-tax costs excluding fixed asset write-offs related to the FreshCo initiative and the closure of Price Chopper banner stores.

Organizational Realignment

On October 13, 2011, Sobeys announced an organizational realignment and corresponding leadership appointments. Total pre-tax costs associated with this initiative for the past three fiscal years were $18.3 million, primarily attributed to consulting and severance costs. Under the realignment, Sobeys formed two business units, each led by a President of Operations. The IGA Operations business unit consists of IGA and IGA *extra*, Les Marchés Tradition, Marché Bonichoix and Rachelle-Béry in the Province of Québec. The Multi-Format Operations business unit includes Sobeys, Thrifty Foods, Sobeys Urban Fresh, Foodland, IGA stores (Western Canada), FreshCo, Needs, Fast Fuel and Sobeys liquor operations. At the same time, Sobeys announced a new position of Executive Vice President, Sobeys Inc. to lead critical business support functions including finance, information technology, distribution & logistics, real estate, legal and construction/engineering.

Business Process and Information Systems

Over the last three fiscal years, Sobeys continued to execute a number of initiatives in support of its food-focused strategy including product and service innovations, productivity initiatives and business process, supply chain and system upgrades. The business process and information systems implementation in Québec began during the first quarter of fiscal 2010 and was completed in the third quarter of fiscal 2013. The business process and system initiative costs primarily included labour, implementation and training costs associated with these initiatives. During this fiscal three-year period $33.3 million of pre-tax costs were incurred related to these initiatives.

During fiscal 2013, Sobeys completed an information systems implementation at Thrifty Foods which resulted in streamlined business processes for those stores.

Distribution Centres

Sobeys continues to focus on continuous improvement in its logistics function through system upgrades and improvements, voice pick technology and other logistics productivity software and tools. In fiscal 2010, the Company completed and opened a new distribution centre in Vaughan, Ontario. Utilizing automation and technology, the new facility has significantly increased the Company's warehouse and distribution capacity while reducing overall distribution costs and improving service to its store network and customers. On January 28, 2011, the Company announced plans to build a new facility in Terrebonne, Québec, utilizing the same automation and technology as the Vaughan, Ontario distribution centre. This new facility was opened on schedule and commenced operations during the third quarter of fiscal 2013. During the past three fiscal years, Sobeys recognized $11.6 million of pre-tax costs, excluding capital asset additions, associated with the development of the automated distribution facility in Terrebonne, Québec. The Company has also constructed a new distribution centre near Victoria, British Columbia, which became fully operational during the summer of 2012.

Fuel Strategy

During fiscal 2012, Sobeys purchased 236 retail gas locations and related convenience store operations in Québec and Atlantic Canada from Shell Canada for $214.9 million. The network acquired includes corporate owned and dealer operated locations. Sobeys used existing cash balances to finance the transaction. The acquisition of these retail gas locations complements Sobeys' convenience store operations. In addition to the incremental convenience store sales, the fuel operations provide Sobeys with valuable cross promotional activities with its broader grocery operations.

Trends

Over the past decade, there have been considerable changes in food retail, reflecting changing consumer preferences and different lifestyle choices, the rise of dual career families, an aging baby-boom generation and an increase in the overall immigrant population. These changes have resulted in a number of important market shifts related to product diversity and overall choice. First, Canadian consumers are placing greater emphasis on service and convenience, fueling an increased popularity and demand for ready-to-eat, ready-to-serve meals. Second, Canadian consumers are increasingly focused on health and wellness, evidenced by a shift away from foods that are processed or contain high levels of sugar, saturated fat and salt, and towards more fresh, natural and organic foods with simplified ingredient compositions that can be easily understood. The focus on health and wellness is further evidenced by an increased consumer demand for individual or smaller portion sizes. Third, Canadian society is now one of the most culturally and ethnically diverse in the world, with strong

European, Asian and South Asian roots. According to Statistics Canada, immigration accounts for 60 percent of Canadian population growth and the percentage of Canadians that are visible minorities is expected to grow to 25 percent in ten years. As a result, Canadian consumers are generally quite sophisticated in their appreciation for cuisines of the world, and Canadian shoppers increasingly demand greater availability of ethnic food at the grocery store. Finally, Canadians are becoming increasingly more informed, and concerned, about the sources, quality, environmental impact and sustainability of their food choices, and therefore, are placing greater expectations on those that produce and sell food.

Driven by the need to respond to the changing consumer dynamics outlined above, retailers are expanding their product offering to include more ready-to-eat prepared foods, frozen foods and healthier options, as well as leveraging their real estate to expand their overall mix of product categories. For example, mass merchandisers are expanding their grocery square footage, while grocers are expanding their convenience offerings and selling more non-traditional products.

Management believes that the Company is well positioned to benefit from these consumer and retail trends. Sobeys has focused on and developed an expertise in a broad array of food and fresh offerings, emphasized product innovation, maintained differentiated stores that serve a variety of consumer segments and provided for significant capital investments aimed at modernizing its stores, distribution network and business systems. In addition, Sobeys has continued to expand its strong customer loyalty programs and develop a high-quality, customer service-oriented employee base.

Related Real Estate

During fiscal 2011, Empire's internal property development function was reorganized within Sobeys, with Sobeys acquiring 12 properties from ECL Properties Limited ("ECL"), a wholly-owned subsidiary of Empire, at their carrying value of approximately $83.0 million. This reorganization was undertaken to better align the real estate development function with the interest of Sobeys and Empire and to help streamline operations. As a result of this reorganization all site selection and development work for Sobeys was internalized within Sobeys itself. Accordingly, Sobeys' has real estate development operations, through Sobeys Developments Limited Partnership ("SDLP"), in addition to Empire's investment in Crombie REIT.

Crombie REIT

The largest component of Empire's investments and other operations is its 42.8 percent (40.8 percent fully diluted) equity accounted interest in Crombie REIT, a Canadian real estate investment trust. Crombie REIT began in 2006 upon the transfer of an initial portfolio of properties from Empire subsidiaries, with Empire maintaining a significant ownership interest. Crombie REIT's portfolio is comprised of income-producing retail, office and mixed-use properties in Canada and its future growth strategy is focused primarily on the acquisition of retail properties.

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

The following table outlines 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	Leased-Back from Crombie		
May 4, 2013	8	7	365,760	$106.0 million
May 5, 2012	9	7	480,341	$123.9 million
May 7, 2011	12	12	533,254	$104.0 million

During fiscal 2012, the Company also acquired a property from Crombie REIT for $5.0 million, which is equal to the fair market value of the property. As the property was leased by the Company from Crombie REIT, an additional $2.0 million was paid for the cancellation of the lease and recognized in the consolidated statements of earnings, with total cash consideration paid of $7.0 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 percent 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
December 14, 2012	REIT Units	$35.5 million	$24.5 million	Class B limited partnership units[2]	$14.75
July 3, 2012	Series D convertible unsecured subordinated debentures[1]	$36.0 million	$24.0 million	Series D convertible unsecured subordinated debentures	Not Applicable
March 29, 2012	REIT Units	$67.1 million	$53.0 million	Class B limited partnership units	$14.50
October 20, 2011	REIT Units	$45.1 million	$30.0 million	Class B limited partnership units	$12.85
August 4, 2010	REIT Units	$29.5 million	$20.5 million	Class B limited partnership units	$11.05

Notes:

(1) Series D convertible unsecured subordinated debentures have a maturity date of September 30, 2019, a coupon of 5.00 percent per annum and each $1,000 principal amount is convertible into approximately 49.7512 units of Crombie REIT, at any time, at the option of the holder, based on a conversion price of $20.10 per unit.

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

On September 25, 2012, the Company converted Series B convertible unsecured subordinated debentures of Crombie REIT with a face value of $10.0 million into 909,090 units of Crombie REIT. The units were recorded at the exchange amount of $13.8 million, resulting in a pre-tax gain of $3.8 million.

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 47.4 percent (40.3 percent fully diluted) at the beginning of that three-year period to 42.8 percent (40.8 percent fully diluted) at May 4, 2013.

Other Investments and Other Operations

In addition to the investment in Crombie REIT, other investments and other operations include the Company's equity accounted interests in Genstar and wholly-owned ETL Canada Holdings Limited ("Empire Theatres").

Genstar

Genstar is a residential property developer with operations in select markets in Ontario, Western Canada and the United States. Additional investments in Genstar over the past three fiscal years aggregate $105.4 million.

Empire Theatres

Empire Theatres is the second largest movie exhibitor in Canada. During the first quarter of fiscal 2012 Empire Theatres entered into a joint venture with Cineplex Inc. to create the Canadian Digital Cinema Partnership ("CDCP"). CDCP was created to plan and implement the deployment of digital projection equipment in the two partners' theatres including the procurement of equipment, arranging financing, and securing digital deployment agreements with studios and other content providers. Empire accounts for its investment in CDCP using the equity method. On March 9, 2012, Empire Theatres completed its digital cinema conversion project with 359 screens in 45 theatres having been converted from 35mm to digital projection. As a result of this conversion, 40 percent of Empire Theatres' screens now have RealD 3D capability, which is the world's most widely used 3D movie technology.

On June 27, 2013, the Company announced that Empire Theatres has reached a definitive agreement with Cineplex Inc. for the sale of 24 theatres in Atlantic Canada and 2 theatres in Ontario. Empire Theatres has also reached a separate definitive agreement with Landmark Cinemas for the sale of 20 theatres in Ontario and Western Canada.

The purchase price for the Cineplex transaction is $200 million to be paid in cash, subject to certain adjustments to be made at closing.

The purchase price for the Landmark transaction is approximately $55 million subject to certain adjustments to be made at closing, with the purchase price to be paid as follows: $31 million in cash on closing; $19 million in equity; and an earn out right which management estimates has a potential value of approximately $5 million. Upon closing, the assets will be held by a new entity with Empire Theatres' equity being the controlling interest. The new entity will be consolidated into the Company's financial statements, including $30 million of debt in the new entity. Landmark will manage the business and have a right to buy out the Empire Theatres equity interest for $19 million in cash until December 31, 2013, following which Empire Theatres can agree to sell its equity interest in the entity and require Landmark to sell on the same terms.

Closing of the transaction with Cineplex and also with Landmark is subject to satisfaction of customary conditions and relevant regulatory approvals, which includes approval from the Competition Bureau. Closing of each transaction is expected to occur by late summer of 2013. Empire Theatres is not obligated to close either transaction without closing the other.

Corporate

During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred Shares outstanding, in accordance with their terms. The Series 2 Preferred Shares were redeemed at a price of $25 per share plus an amount equal to all dividends accrued and unpaid to January 31, 2012.

Significant Acquisitions

There were no acquisitions for Empire during the last three fiscal years that required the preparation and filing of a business acquisition report (form 52-102F4).

DESCRIPTION OF THE BUSINESS

Empire is a leading Canadian company headquartered in Stellarton, Nova Scotia, and has more than $17.6 billion in annual sales and approximately $7.1 billion in assets, while employing approximately 47,000 people. Empire's business consists of two operating segments: Food Retailing, through wholly-owned Sobeys, and Investments and Other Operations which consists of: (1) a 42.8 percent equity accounted interest in Crombie REIT; (2) an interest in Genstar; and (3) wholly-owned Empire Theatres.

Food retailing and related real estate constitute a significant majority of the Company's consolidated sales, adjusted EBITDA, adjusted net earnings and total assets. This reflects Empire's commitment to its food retailing and related real estate businesses.

Food and Related Real Estate Contribution to Empire Consolidated Results for Fiscal Year ended May 4, 2013		
	$ (millions)	% Consolidated
Sales	$17,391.0	98.7%
Adjusted EBITDA(1)	$870.9	94.5%
Adjusted Net Earnings(1)(2)	$346.6	94.3%
Total Assets	$6,635.3	92.9%

Notes:
(1) Excludes items which are considered not indicative of underlying business operating performance.
(2) Net of non-controlling interest.

The Company's historical success reflects the ongoing investment and improvement in the businesses it knows best – food retailing and related real estate. Wholly-owned Sobeys has been proudly serving Canadian food shoppers for 106 years.

While Sobeys passion for food, excellence in customer service and commitment to innovation has been instrumental to the Company's growth, so has its focus on related real estate. More than 50 years ago, the Company began to capitalize on the strategic advantages and investment potential that came from owning the property associated with Sobeys' growing retail network. Ever since, these two businesses have been the foundation of the Company's ability to create sustainable, long-term value.

The Company's financial results are segmented into two separate operating segments: (i) Food Retailing; and (ii) Investments and Other Operations. Segmented financial information for fiscal 2013 and 2012 is contained in the "Notes to the Consolidated Financial Statements", which is incorporated into this AIF by reference, a copy of which has been filed on SEDAR at www.sedar.com.

Food Retailing

The Company's food retailing segment is carried out through its wholly-owned subsidiary, Sobeys, a leading national grocery retailer conducting business through over 1,300 retail stores (corporately owned and franchised), operating in every province and in over 800 communities across Canada. Sobeys six major retail banners are: Sobeys, IGA *extra*, Thrifty Foods, IGA, Foodland and FreshCo. The Company also operates over 260 fuel stations under the Shell and Fast Fuel banners. At May 4, 2013, Sobeys had approximately 45,000 full and part-time employees.

Sobeys' strategy is focused on delivering the best food 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, while continuing to build new stores.

Well Established, Differentiated Stores and Retail Banners

Sobeys will continue to go to market primarily through distinct store formats enabling Sobeys to better tailor its offering to the various customer segments it serves, with the goal of satisfying its current shoppers' requirements for food and related merchandise while earning the loyalty of more 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, while continuing to build and acquire new stores.

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 to value-added food knowledge provided by staff.	Sobeys	289
	IGA extra / IGA	276
	THRIFTY FOODS	30
Stores that serve the "fresh fill-in" and "today's meal" needs of customers and are intended to provide superior service and customized offerings.	IGA	31
	FOODLAND	207
Stores that serve customers with low prices every day, in markets and for customers where price is the driving factor for store selection.	FRESHCO	76
Stores that serve the "routine and fill-in" food shopping occasions for customers in rural and one-store communities	BONICHOIX	90
Stores that serve the "on-the-go" convenience needs of customers	Needs convenience	123
Pharmacy, health care, beauty, giftware and convenience store products	Lawtons DRUGS	78
Fuel stations and related convenience stores	FastFuel / Shell	269
Includes various other store formats such as convenience stores in Québec and liquor stores in Western Canada	Various	100
	Total	**1,569**

The franchise operations of Sobeys provide operational support to its franchisees and affiliated retailers in such areas as advertising, promotion, merchandising, purchasing, and store planning and design. The objective of this relationship is to provide these retailers with many benefits including a broad range of private label products, information systems, advertising and commercial programs. Sobeys operates franchised stores under the IGA, IGA *extra*, Sobeys, FreshCo, Foodland, Bonichoix, Les Marchés Tradition and Lawtons Drug Stores banners, along with various retail gas sites.

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.

In addition to distribution to corporate and franchised stores, Sobeys provides wholesale distribution of a full range of products to affiliated retail stores and independent wholesale accounts. Sobeys' wholesale business is operated as Lumsden Brothers, a division of Sobeys Capital Incorporated, in Ontario and TRA Atlantic, a division of Sobeys Group Inc., in Atlantic Canada. Sobeys also operates "Cash & Carry" wholesale outlets in the West and Atlantic provinces to supply certain convenience store and restaurant operators.

Private Label Brands

Sobeys' private label brands consist of three tiers: *Compliments, Sensations by Compliments* and *Signal.* In addition, Sobeys has introduced three *Compliments* sub-brands; *Compliments Organic; Compliments Balance* and *Compliments Greencare*, which are organic, healthy, and environmentally sustainable lines of products, respectively.

At the end of fiscal 2013, Sobeys had approximately 4,200 products under its private label brands.

Sobeys actively markets and promotes the *Compliments* and *Sensations by Compliments* branded offerings. Driven by a more focused commitment to private label in merchandising planning and support, and supported by stronger investments in the ongoing marketing of private label through digital media, in addition to an elevated presence in Sobeys' proprietary *Inspired* Magazine, Sobeys' private label brands have shown gains in brand image, awareness and sales penetration.

In fiscal 2013, Sobeys continued to improve and differentiate its brands by undertaking a reformulation and resourcing initiative to remove artificial colours and flavours from both the *Sensations by Compliments* brand and the *Compliments Balance* line. Sobeys utilizes a consumer panel to test and rate the attributes of targeted products, helping the Company to formulate products that engage customers and drive loyalty. As well, customer loyalty data from the Club Sobeys, Club Thrifty Foods and AIR MILES® reward programs are being used to make better, more informed, customer-centric decisions on the private label program.

Loyalty Reward Programs

Sobeys offers its customers three loyalty reward programs: Club Sobeys (Sobeys stores in Ontario, Manitoba, Saskatchewan, Alberta and eastern British Columbia), Club Thrifty Foods (Thrifty Foods stores on Vancouver Island and the lower mainland) and AIR MILES® reward programs (certain banners in Québec and Atlantic Canada). These reward programs provide Sobeys' customers with discounts, the opportunity to participate in contests, and other loyalty rewards, while providing the company with increased customer loyalty and insight into customer buying habits as part of an overall customer relationship management strategy. These programs are further complemented by the BMO Sobeys AIR MILES® MasterCard, the BMO IGA AIR MILES® MasterCard, and the BMO Club Sobeys MasterCard.

Investments and Other Operations

Crombie REIT

Crombie REIT was formed and completed its initial public offering in March 2006 as an open-ended real estate investment trust. As at May 4, 2013, the Company, through wholly-owned ECL

Developments Limited, held a 42.8 percent ownership interest in Crombie REIT (40.8 percent on a fully diluted basis). Crombie REIT's portfolio is comprised of income-producing retail, office and mixed-use properties in Canada and its future growth strategy is focused primarily on the acquisition of retail properties.

Since its formation, Crombie REIT has consistently expanded its footprint; at March 31, 2013, the portfolio had grown to 175 properties and 14.5 million square feet of rentable space compared to 44 properties and 7.2 million square feet at the time of the Crombie REIT initial public offering. About two-thirds of the annual minimum rent in Crombie REIT's portfolio is derived from high-quality, grocery or drugstore-anchored community plazas or stand-alone stores that meet the everyday needs in their communities. Sobeys is Crombie REIT's largest tenant in terms of percentage contribution to total annual minimum rent, representing over one-third of annual minimum rent.

Crombie REIT’s stated objectives are: to generate reliable and growing cash distributions; to enhance asset value; to maximize long-term unit value through active management; to expand its asset base; and to increase cash available for distribution through accretive acquisitions. Crombie REIT is characterized by: its primary focus on grocery and drugstore-anchored retail properties; its conservative approach to operational management through the continued reinvestment in its portfolio; and the long-term growth opportunities provided through its relationship with Empire and its subsidiaries.

Crombie REIT’s relationship with the Company

Pursuant to a development agreement dated March 23, 2006 between ECL and Crombie REIT, ECL provides Crombie REIT with a preferential right to acquire all property developments proposed to be undertaken by ECL. The agreement is for an initial 10-year term, subject to an extension reached by mutual agreement. In addition, subject to limited exceptions, pursuant to a Right of First Offer Agreement (“ROFO Agreement”) dated August 3, 2011, Sobeys, through wholly-owned SDLP, has agreed to provide to Crombie REIT a right of first offer to acquire any property that SDLP intends to dispose of subject to certain exceptions.

The strong relationship between the Company and Crombie REIT represents an important strategic partnership that delivers benefits for both entities. The creation of Crombie REIT has supported the Company’s expansion and the value of its commercial real estate assets. The Company’s ownership interest in Crombie REIT provides the benefits of commercial real estate ownership, including steady income growth and capital appreciation, with a like-minded partner. For Crombie REIT, the relationship provides preferred access to high-quality retail properties, in part through its right of first offer contained in the ROFO Agreement. The strong relationship between SDLP and Crombie REIT has supported Crombie REIT’s growth and geographical diversification and, as a result of SDLP’s active property development pipeline, is considered a source of future growth.

During 2010, ECL transferred a number of its properties under development to SDLP. SDLP has confirmed to Crombie REIT that the terms of the development agreement will continue to apply to those properties acquired by SDLP from ECL. Since the formation of Crombie REIT in March 2006, a total of 144 investment properties have been sold to Crombie REIT from the Company.

Through its executive management and other employees, Crombie REIT provides general management, financial, leasing and other administration support services to certain real estate subsidiaries of Empire on a cost sharing basis. Pursuant to a management cost sharing agreement dated March 23, 2006 between ECL and Crombie REIT, property management services are provided by Crombie REIT for certain of the properties held by Empire. ECL provides an annual payment consisting of all direct and indirect costs incurred by Crombie REIT in providing services to ECL.

At the Company's fiscal year-end, the market value of its 42.8 percent ownership interest in Crombie REIT equaled $622.7 million as Crombie REIT's total market capitalization reached more than $1.4 billion. Since the Crombie REIT initial public offering in March 2006, to the end of calendar 2012, its net property income has increased at an 11.8 percent compound annual growth rate, while its market capitalization has increased at an average annual rate of approximately 19.0 percent.

Empire Theatres

Empire Theatres is the second largest movie exhibitor in Canada, operating 421 screens in 50 locations, including seven IMAX auditoriums and five Empire Extra auditoriums, in eight Canadian provinces. The business has a history of revenue growth and profitability, with financial performance highly correlated to the popularity of new releases, the opening of new theatres, ongoing investment in digital and 3D projection technology and the success of the company's online marketing and other promotional efforts.

Genstar

Genstar is a residential real estate development company headquartered in San Diego, California, USA with Canadian offices in Ontario and Western Canada. Genstar has an experienced and knowledgeable management team that focuses on attractive, residential land holdings in select growth markets. Empire holds equity accounted interests ranging from approximately 40.7 percent to 48.6 percent in the Genstar group of companies.

Empire is represented on Genstar's Board by the Executive Vice-President and CFO of Empire and the President of ECL.

Competition

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry, operating in over 800 communities in Canada. The most significant risk to Sobeys is the potential for reduced sales and profit margins as a result of increased competition. To mitigate this risk, Sobeys' strategy is to be geographically diversified with the benefits of national scale and regional management deployment, to be customer and market-driven, to be focused on superior execution, and to have efficient, cost effective operations. Sobeys reduces its exposure to competitive or economic pressures in any one region of the country by operating in each region of Canada through a network of corporate, franchised, and affiliated stores, and through servicing the needs of thousands of independent, wholesale accounts. As discussed, Sobeys approaches the market with five distinct formats to meet a broader spectrum of its customers' needs in order to enhance profitability by region and target market.

Sobeys' real estate development operations, through SDLP, and through Empire's investment in Crombie REIT, compete with numerous other managers and owners of real estate properties in seeking quality 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 sales and cash flows. To mitigate these risks, SDLP and Crombie REIT maintain strategic relationships with developers to ensure an adequate supply of prospective attractive properties. In addition, Crombie REIT maintains strategic relationships with existing and potential tenants to help ensure high occupancy levels are maintained at each of its properties.

Continued growth of rental income is dependent on renewing expiring leases and locating new tenants to fill vacancies at market rental rates, thereby ensuring an attractive return on our investment. The success of the real estate portfolio is also subject to general economic conditions, the supply and demand for rental property in key markets served and the availability of attractive financing to expand the real estate portfolio where deemed prudent. To mitigate this risk, Crombie REIT and Sobeys each utilize staggered lease maturities to ensure that there are not unusually large amounts of leasable space coming up for renewal in any given year.

Genstar faces competition from other residential land developers in securing attractive sites for new residential lot development. Although Genstar holds land for future development, it faces significant competition when looking to acquire new land for future development. To mitigate this risk, Genstar maintains a geographically diverse inventory of well located land for development to alleviate periods of intense competition for the acquisition of new land. In addition, Genstar management has intimate knowledge of the residential markets where Genstar operates and in markets where it seeks new land investments.

As a national film exhibition company, Empire Theatres faces competition from other national, regional, and independent film exhibition companies in each of its operating markets. This market competition takes the following forms: attracting guests; securing traditional and alternative content; sourcing and acquiring properties for new cinema development; and acquiring existing cinemas for growth or expansion purposes. Empire Theatres also competes with indirect substitute products that represent alternative uses of its guests' entertainment dollar and leisure time. Such indirect competition may take the form of live action theatre, sporting events, concerts, in-home viewing of content, pay per view services or the internet. Empire Theatres focuses on providing a superior out of home entertainment experience as a means to mitigate this risk.

All of Empire's operating businesses and equity accounted investments are susceptible to the overall health of the Canadian economy and general employment levels.

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 continues to focus on continuous improvement in its logistics function through system upgrades and improvements, voice pick technology and other logistics productivity software and tools.

The Company has no material concerns with respect to product availability. The Company's inventories are maintained using a large number of national, regional and local suppliers.

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.

Empire Theatres operates under the Empire Theatres trademark, which has established itself as the second largest movie-exhibitor in Canada with a reputation for well-maintained, clean facilities with modern amenities. Management focuses its efforts on providing the movie-goer with a modern cinema experience in order to strengthen the Empire Theatres brand over time.

Seasonality

Sobeys' operations, as they relate to food, specifically inventory levels, sales volume and product mix, are impacted to some degree by certain seasonal periods in the year.

Empire Theatres' operations are impacted to some degree by certain holiday periods, the release dates of movies by distributors and general consumer perception of film quality.

Employees

Substantially all of the employees of Empire are employed by Sobeys. At fiscal year-end 2013, Empire and its operating subsidiaries employed approximately 47,000 full-time and part-time employees. Of these employees, 31 are full-time and part-time employees of Empire's head office, 11 are full-time and part-time employees of ECL, 2,070 are full-time and part-time employees of Empire Theatres, and approximately 45,000 are full-time and part-time employees of Sobeys. At May 4, 2013, Empire and its subsidiaries, including franchisees and affiliates, employed approximately 97,000 full-time and part-time employees.

Sobeys and its franchise affiliates have a total of approximately 263 collective agreements covering approximately 26,000 employees.

During fiscal 2013, Sobeys signed a nine year collective agreement at the Milton Retail Support Center ("RSC") following a four-week work stoppage. This collective agreement allows for long term continuity in the market as the possibility of expanded automation is considered. In Western Canada, the Edmonton RSC agreed on a four year collective agreement, two Sobeys stores ratified new three-year collective agreements and an IGA store agreed to a one-year wage re-opener settlement. In Atlantic there were no expiring contracts during the year. Additionally, six FreshCo locations reached settlement this year and three Foodland locations have negotiations in progress or pending.

During fiscal 2012, collective agreements for distribution centres located in Montréal-North and Québec City, Québec were reopened in order to facilitate changes as a result of the opening of the Terrebonne, Québec distribution centre. Agreements for these locations were reached, and as a result certain administrative clauses were adjusted in order to maintain as many full-time employees as possible. Along with this, the implementation of retirement and voluntary departure programs reduced the number of layoffs related to the opening of the Terrebonne distribution centre. During fiscal 2012, two corporate stores and forty affiliated stores finalized their collective agreements in Québec, for an average duration of five and a half years. In Ontario, three collective agreements were negotiated under the FreshCo banner, and a three year agreement was negotiated for the distribution centre in Whitby, Ontario. In Western Canada, one collective agreement was renewed which was set to expire in fiscal 2013, and another collective agreement expired with a franchised store in the year. In Atlantic Canada, a new five year agreement was finalized for the Stellarton distribution centre and a new three year agreement was secured for a retail store in Sydney, Nova Scotia.

During fiscal 2011, as a result of a business process and systems project initiative, negotiations for the Montréal-North, Québec office employee's collective agreement were reopened. As a result, many changes were made to the collective agreement in order to facilitate the integration of the SAP platform. During this period, in Québec, three corporate stores and 35 affiliated stores finalized their collective agreements for an average duration of five and a half years. In Ontario, seven collective agreements were concluded and one collective agreement was in negotiations at year-end. In Western Canada, Sobeys concluded three collective agreements and two had expired. In Atlantic Canada, Sobeys reached a three-year agreement with the Port Hawkesbury Sobeys store and Lawton's signed a new four-year agreement for its wholesale distribution centre in Dartmouth, Nova Scotia.

Empire, its subsidiaries and franchise affiliates have good relations with its unionized employees and the unions representing those employees, and strive to conclude acceptable collective agreements without work stoppages.

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 fiscal years, or expect to undergo any such proceedings in the current fiscal year.

Food Safety

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. Such liabilities may arise in relation to the storage, distribution and display of products and, with respect to the Company's private label products, in relation to the production, packaging and design of products.

A large majority of Sobeys' sales are generated from food products and the Company could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could materially affect the Company's financial performance. Procedures are in place to manage food crises, should they occur. These procedures identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from inventory immediately. Food safety related liability exposures are insured by the Company's insurance program. In addition, the Company has food safety procedures and programs which address safe food handling and preparation standards. Sobeys employs best practices for storage and distribution of food products.

A food safety report is reviewed each quarter with the Audit Committee of the Company and in turn the Board of Directors.

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 and its subsidiaries are committed to managing its activities in an ethical and socially responsible manner. The Company's framework for managing ethical business conduct includes the adoption of a Code of Business Conduct and Ethics which directors and employees are required to acknowledge and agree to on a regular basis and maintenance of a confidential whistle-blowing hotline. The ethics response line is intended for use by employees to report suspected unethical behavior within the Company.

Real Estate

Sobeys owns certain retail store locations and also leases stores from related parties and third-party landlords. At May 4, 2013, of the 29.9 million square feet of retail store space under operation, 15.8 percent was owned, 11.4 percent was leased from related parties and the balance was leased from third-party landlords.

With respect to real estate development, the trend has been for large anchor retailers to locate away from enclosed shopping centres to free-standing plaza locations and to seek urban locations. SDLP continues to address this ongoing trend by: (i) focusing its land banking investment on growing communities; (ii) redeveloping certain community and neighbourhood shopping centres where anchor tenants may be expanded or relocated to free-standing structures; and (iii) accelerating the development of grocery anchored retail shopping centers. SDLP also focuses its efforts on increased property density and mixed use urban development.

Reorganization

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

Risks

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 and warehouse clubs, 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 800 communities in Canada. The most 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 impacts of localized competition could have an adverse impact on the Company's operating margins and results of operations. To successfully compete, Sobeys believes it must be customer and market-driven and to be focused on superior execution and to have efficient, cost-effective operations. It also believes it must invest in its existing store network, as well as its merchandising, marketing and operational execution to evolve its strategic platform to better meet the needs of consumers looking for more affordable, better food options. It also believes it must invest in its existing store network, as well as its merchandising, marketing and operational execution to evolve its strategic platform to better meet the needs of consumers looking for more affordable, better food options. Any failure to successfully execute in these areas could have a material adverse impact on the Company's financial results.

Sobeys' real estate development operations and Empire, 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 Sobeys and 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.

Continued growth of rental income is dependent on renewing expiring leases and locating new tenants to fill vacancies at market rental rates. The success of the real estate portfolio is also subject to general economic conditions, the supply and demand for rental property in key markets served and the availability of attractive financing to expand the real estate portfolio where deemed prudent. A failure to properly manage lease maturities could result in unusually large amounts of leasable space coming up for renewal in any given year, which may negatively impact occupancy levels.

Genstar faces competition from other residential land developers in securing attractive sites for new residential lot development. Although Genstar holds land for future development, it faces significant competition when looking to acquire new land for future development. Any failure to source appropriate lands for future development could adversely impact Genstar's financial results.

Food 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. Such liabilities may arise in relation to the storage, distribution and display 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 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 products. Such an event could materially affect Sobeys' financial performance. Procedures are in place to manage food 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 inventory immediately. Food safety related liability exposures are insured by the Company's insurance program. In addition, Sobeys has food safety procedures and programs which address safe food handling and preparation standards. However, there can be no assurance that such measures will prevent the occurrence of any such contamination, and insurance may not be sufficient to cover any resulting financial liability or reputational harm.

Human Resources

Empire is exposed to the risk of labour disruption in its operations. Labour disruptions pose a moderate operational risk as Sobeys operates an integrated network of distribution centres across the country for the food retailing segment. Sobeys has good relations with its employees and unions and does not anticipate any material labour disruptions. However, Sobeys has stated that it will accept the short-term costs of a labour disruption to support a commitment to building and sustaining a competitive cost structure for the long-term. Any prolonged work stoppages or other labour disputes could have an adverse impact on the Company's financial results.

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 in order to improve employee knowledge and to better serve its customers. The ability of the Company to properly develop, train and retain its employees with the appropriate skill set could affect 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 which are reviewed annually by the Human Resources Committee.

Operations

The success of Empire is closely tied to the performance of Sobeys' network of retail stores. Franchise affiliates operate approximately 53 percent of Sobeys' retail stores. Sobeys relies on the franchise 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, each franchisee affiliate agrees 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 agreements which expire at various times for individual franchisees. Despite these franchisee agreements, Sobeys may have limited ability to control a franchisee's business operations. A breach of the franchise agreement or operational failures by a significant number of franchisees may adversely affect Sobeys' reputation and financial performance.

Technology

The Company operates an extensive complex information technology system that is 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 and each of its operating companies are committed to improving their 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 benefits, that must be mitigated by disciplined change management and governance processes. Sobeys has a business process optimization team staffed with knowledgeable internal and external resources that is responsible for implementing the various initiatives.

Information Management

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 and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches and/or inappropriate disclosure or leaks of sensitive information. In addition, 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.

Information management is identified as a risk in its own right, separate from the technology risk. The Company recognizes that information is a critical enterprise asset. Currently, the information management risk is being managed at the regional and national levels through the development of policies and procedures pertaining to security access, system development, change management and problem and incident management. 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 or operations.

Supply Chain

Sobeys is exposed to potential supply chain disruptions that could result in shortages of merchandise in its retail store network. A failure to implement and maintain effective supplier selection and procurement practices could adversely affect the Company's ability to deliver desired products to customers and adversely affect the Company's ability to attract and retain customers. A failure to maintain an efficient supply and logistics chain may adversely affect the Company's ability to sustain and meet growth objectives and maintain margins.

Product Costs

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

Economic Environment

Management continues to closely monitor economic conditions, including 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.

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. Market conditions allowing, the Company will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate 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 majority of the Company's long-term debt is at fixed interest rates or hedged with interest rate swaps. Some of the Company’s long-term debt is subject to interest rate risk because it is floating rate. The Company has historically managed interest rate by hedging with interest rate swaps. There can be no assurance that any hedging or other risk management strategy, if any, undertaken by the Company will be effective.

Business Continuity

The Company may be subject to unexpected 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. Sobeys has worked with industry and government sources to develop preparedness plans. 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.

Insurance

Empire and its subsidiaries are self-insured on a limited basis with respect to certain operational risks and also purchases excess 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.

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 as part of an independent audit and security function, maintenance of a whistle-blowing hotline. There can be no assurance that these measures will be effective to prevent violations of law or ethical business practices.

Environmental, Health and Safety

The Company operates its business locations across the country, including multiple fuel stations. Each of these sites has the potential to experience environmental contamination or other issues as a result of the Company's operations or the activities of third parties, including neighbouring properties.

When environmental issues are identified, any required environmental site remediation is completed using appropriate, qualified internal and external resources and health and safety issues are proactively dealt with. The Company may be required to absorb all costs associated with such remediation, which may be substantial.

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.

These activities mitigate but do not eliminate the Company's environmental risk, and as such, along with the risk of changes to existing environmental protection regulatory requirements, there remains exposure for negative financial and operational impacts to the Company in future years.

Occupational Health and Safety

Empire and Sobeys have 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, theatres, distribution centres and offices. These policies and programs are reviewed regularly by the Human Resources Committee of the Board.

Real Estate

The Company utilizes a capital allocation process which is focused on obtaining the most attractive real estate locations for its retail stores and theatres, as well as for its commercial property and residential development operations, with direct or indirect Company ownership being an important, but not overriding, consideration. Sobeys 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/or the ability to expand existing stores is therefore in large part contingent upon the successful negotiation of operating leases with these developers and Sobeys' ability to purchase these sites.

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, 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 not being in compliance with the various laws, 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.

Utility and Fuel Prices

The Company is a significant consumer of electricity, other utilities and fuel. 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.

Credit Rating

There can be no assurance that the credit rating assigned to Sobeys will remain in effect for any given period of time or that the rating will not be lowered, withdrawn or revised by DBRS or S&P at any time. Real or anticipated changes in the credit rating of Sobeys may affect the market value of the Company’s securities. In addition, real or anticipated changes in credit rating can affect the cost at which the Company can access the capital markets. The likelihood that the Company's creditors will receive payments owing to them will depend on the Company's 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 the Company's future creditworthiness.

Foreign Currency

The Company conducts the majority of its operating business in Canadian dollars and its foreign exchange risk is mainly limited to currency fluctuations between the Canadian dollar, the Euro and the U.S. dollar. U.S. dollar purchases of product by the food retailing segment represent approximately 3 percent of Sobeys' total annual purchases with Euro purchases limited to specific contracts for capital expenditures. A failure to adequately manage the risk of exchange rate changes could adversely affect Sobeys financial results.

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 review of significant capital allocation decisions.

Seasonality

The Company's operations as they relate to food, specifically inventory levels, sales volume and product mix, are impacted to some degree by certain holiday periods in the year.

Foreign Operations

Sobeys and Genstar have certain foreign operations. Sobeys' foreign operations are limited to one produce brokerage operation based in the United States. Genstar's foreign operations are limited to a number of residential land developments in selected markets in the United States.

Dividend Practice

The Board of Directors of Empire reviews from time to time the adequacy of Empire’s dividend practice with the objective of allowing sufficient financial flexibility to continue investing in our business while growing returns to shareholders. Under the current dividend practice, increases in the Non-Voting Class A or Class B common share dividends are directly linked to growth in Empire’s adjusted net earnings. Empire’s dividend practice and the declaration of dividends are subject to the discretion of Empire’s Board of Directors and, consequently, there can be no guarantee that Empire’s dividend practice will be maintained or that dividends will be declared.

DIVIDENDS

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

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

During fiscal 2013, the Company paid common dividends of $65.2 million ($0.96 per share) to Non-Voting Class A and Class B common shareholders versus $61.1 million ($0.90 per share) in fiscal 2012.

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 2013	**Fiscal 2012**	**Fiscal 2011**
Series 2 preferred shares	n/a	$0.42[(1)]	$0.52
Non-Voting Class A shares	$0.96	$0.90	$0.80
Class B common shares	$0.96	$0.90	$0.80

Note:

(1) During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred Shares outstanding, in accordance with their terms.

CAPITAL STRUCTURE

Share Capital

Empire's capital structure as at May 4, 2013 was as follows:

	Number of Shares Authorized	**Number of Shares Issued & Outstanding**	**$ Millions**
2002 preferred shares, par value of $25 each, issuable in series	991,980,000	-	$ -
Non-Voting Class A shares, without par value	257,044,056	33,687,747	311.7
Class B common shares, without par value, voting	40,800,000	34,260,763	7.6
			$ 319.3

There were 33,687,747 Non-Voting Class A and 34,260,763 Class B common shares outstanding at May 4, 2013, for a total of 67,948,510 shares. This is unchanged from the previous fiscal year-end.

From time to time, Empire will acquire, repurchase, or redeem its own securities. During fiscal 2013 and fiscal 2012 the Company did not purchase for cancellation any Non-Voting Class A shares under Empire's Normal Course Issuer Bid.

During fiscal 2013, 45,310 options (fiscal 2012 – 73,247 options) were issued under Empire's long-term incentive plan. The options issued in fiscal 2013 allow a holder to purchase Non-Voting Class A shares at $53.93 per share (fiscal 2012 - $54.40 per share). Empire had 684,128 options outstanding at May 4, 2013 compared to 638,818 options outstanding at May 5, 2012. There were no options exercised in fiscal 2013 or fiscal 2012.

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 may 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 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.

Preferred Shares

During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred Shares outstanding, in accordance with their terms. The Series 2 Preferred Shares were redeemed at a price of $25 per share plus an amount equal to all dividends accrued and unpaid to January 31, 2012.

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. Class B common shares are subordinate to the preferred 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)	As at May 4, 2013	As at May 5, 2012
Long-term debt due within one year	$ 47.6	$ 237.3
Long-term debt	915.9	889.1
	$ 963.5	$ 1,126.4

On July 23, 2007, Sobeys established a new unsecured revolving term credit facility maturing July 23, 2012. Under the terms of the credit agreement entered into between Sobeys and a banking syndicate, a revolving term credit facility of $300.0 million was established and increased by an additional $300.0 million, resulting in a total authorized credit facility of $600.0 million.

On February 14, 2012, Sobeys entered into an amended and restated credit agreement. The agreement provides for an unsecured revolving term credit facility of $450.0 million, and a $200.0 million unsecured non-revolving term credit facility resulting in total authorized credit facilities of $650.0 million. The revolving term credit facility matures on February 14, 2017, and the non-revolving term credit facility matured and was repaid on July 23, 2012. Interest payable on the revolving term credit facility fluctuates with changes in the bankers' acceptance rate, Canadian prime rate or London InterBank Offered Rate (“LIBOR”). Sobeys had also issued $80.6 million in letters of credit against the facility at May 4, 2013 (May 5, 2012 - $52.7 million).

On June 4, 2010, the Company renewed its credit facility which was reduced from $650.0 million to $450.0 million. On August 22, 2011, the Company extended the term of its credit facility to a maturity date of June 30, 2014. On September 26, 2012, the Company further extended the term of its credit facility to a maturity date of June 30, 2015. At May 4, 2013, the credit facility had a balance outstanding of $181.0 million (May 5, 2012 - $129.3 million). The credit facilities are subject to certain financial covenants. Interest on the debt varies based on the designation of the loan (bankers' acceptances ("BA") rate loans, Canadian prime rate loans, U.S. base rate loans or LIBOR loans), fluctuations in the underlying rates, and in the case of the BA rate loans or LIBOR loans, the margin applicable to the financial covenants.

Sobeys has the following medium term notes ("MTNs") outstanding:

($ in millions)	As at May 4, 2013	As at May 5, 2012
Series C, interest rate 7.16%, due February 26, 2018	$ 100.0	$ 100.0
Series D, interest rate 6.06%, due October 29, 2035	175.0	175.0
Series E, interest rate 5.79%, due October 6, 2036	125.0	125.0
Series F, interest rate 6.64%, due June 7, 2040	150.0	150.0
	$ 550.0	$ 550.0

Sobeys has Sinking Fund Debentures, in aggregate, of $28.3 million outstanding (fiscal 2012 - $31.4 million) with a weighted average interest rate of 9.33 percent, due 2013 - 2016.

Sobeys' MTNs and Sinking Fund Debentures are not listed or quoted in a market place.

Credit Ratings (Canadian Standards)

Sobeys' credit ratings for its securities at fiscal year-end May 4, 2013, are as follows:

	Dominion Bond Rating Service ("DBRS")	**Standard & Poor's ("S&P")**
MTNs	BBB (stable trend)	BBB- (stable trend)
Sinking Fund Debentures	BBB (stable trend)	BBB- (stable trend)

During fiscal 2013, the ratings were reaffirmed by both DBRS and S&P.

The credit ratings accorded to the debt by the rating agencies are not a recommendation to purchase, hold or sell the debt, in as much 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 rating exhibits adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its related securities. 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.

S&P's credit ratings for long-term debt instruments range from AAA to D. S&P's BBB- rating exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of a company to meet its financial commitment on the obligation. Ratings designations may be modified by the addition of a plus or minus to indicate relative standing within the BBB category. 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 immediate to longer-term, with outlooks falling into one of five categories: positive, negative, stable, developing or not meaningful. A stable outlook indicates steady credit metrics are expected; however, a rating may be raised or lowered in the intermediate to long term.

The credit ratings on the MTNs and Sinking Fund Debentures may not reflect the potential impact of all risks related to structure and other factors on the value of the MTNs and Sinking Fund Debentures. In addition, real or anticipated changes in the Company's 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.

MARKET FOR SECURITIES

The Non-Voting Class A shares (symbol EMP.A) are listed on the Toronto Stock Exchange. The monthly closing high and low share price and the monthly average volume for the Non-Voting Class A shares for the fiscal year ended May 4, 2013 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 7-31/12	$ 58.81	$ 54.11	36,614
June-12	56.06	53.45	40,502
July-12	58.49	53.56	66,137
August-12	58.99	55.99	57,364
September-12	59.87	56.26	42,207
October-12	60.40	56.04	55,626
November-12	59.00	54.87	28,027
December-12	60.49	56.10	55,172
January-13	61.43	57.50	31,636
February-13	66.73	60.27	57,003
March-13	66.76	62.66	31,715
April-13	68.79	64.50	24,609
May 1-3/13	69.10	67.44	54,300

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Consolidated, three-year financial information relating to the Company is included in Empire's Management's Discussion and Analysis for the fiscal year ended May 4, 2013, which is incorporated into this AIF by reference, a copy of which has been filed on SEDAR at www.sedar.com.

In addition, the following table provides summary financial information for Empire over the last three fiscal years.

	Fiscal Year Ended		
($ in millions, except per share information)	**May 4, 2013 (52 weeks)**	May 5, 2012 (52 weeks)	May 7, 2011 (53 weeks)
Sales	**$ 17,612.7**	$ 16,249.1	$ 15,956.8
Operating income	**584.8**	534.3	525.7
Adjused net earnings, net of non-controlling interest[1]	**367.3**	322.7	303.2
Net earnings, net of non-controlling interest	**$ 384.8**	$ 339.4	$ 400.6
Long-term debt, excluding current portion	**$ 915.9**	$ 889.1	$ 1,090.3
Shareholders' equity, net of non-controlling interest	**3,726.2**	3,396.3	3,162.1
Total assets	**7,140.1**	6,913.1	6,518.6
Per Share Information, fully diluted			
Adjusted net earnings, net of non-controlling interest[1]	**$ 5.39**	$ 4.74	$ 4.45
Net earnings, net of non-controlling interest	**$ 5.65**	$ 4.99	$ 5.87

Note:

(1) Excludes items which are considered not indicative of underlying business operating performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Reference is made to the Company's Management's Discussion and Analysis for the fiscal year ended May 4, 2013, which is incorporated into this AIF by reference, a copy of which has been filed on SEDAR at www.sedar.com.

DIRECTORS AND OFFICERS

The name, province of residence, and principal occupation of each of the directors and officers of Empire as at May 4, 2013 were as follows:

Directors

Name and Province of Residence	Office	Principal Occupation	Direct or Since
BONNIE BROOKS(3) Ontario, Canada	Director	President, Hudson's Bay Company	2012
MARCEL CÔTÉ(3)(5)(7) Québec, Canada	Director	Founding Partner, Secor Inc. (Consulting firm)	2007
CYNTHIA DEVINE(1) Ontario, Canada	Director	CFO, Tim Hortons Inc.	2013
ROBERT P. DEXTER Nova Scotia, Canada	Chair	Chair and CEO, Maritime Travel Inc. (Travel agency)	1987
DAVID S. FERGUSON(3)(9) Georgia, United States	Director	Principal, D.S. Ferguson Enterprises, LLC. (Consulting firm)	2007
EDWARD C. HARSANT(1)(5)(7) Ontario, Canada	Director	Corporate Director	2003
DAVID A. LESLIE(2)(5)(7)(9) Ontario, Canada	Director	Corporate Director	2007
MARC POULIN Québec, Canada	Director	President and CEO, Sobeys Inc.	2012
MEL RHINELANDER(4)(5)(7) Ontario, Canada	Director	Chairman, Extendicare REIT and Vice Chairman Assisted Living Concepts Inc. (Long-term care facility)	2007
STEPHEN J. SAVIDANT(3)(6)(8) Alberta, Canada	Director	Chairman of Enerflex Ltd.	2004
DAVID F. SOBEY Nova Scotia, Canada	Director	Chair Emeritus, Sobeys Inc.	1963
DONALD R. SOBEY Nova Scotia, Canada	Director	Chair Emeritus, Empire Company Limited	1963
FRANK C. SOBEY(10) Nova Scotia, Canada	Director	Vice President, Real Estate, Empire Company Limited	2007
JOHN R. SOBEY(1) Nova Scotia, Canada	Director	Corporate Director	1979
KARL R. SOBEY(5) Nova Scotia, Canada	Director	Corporate Director	2001
PAUL D. SOBEY Nova Scotia, Canada	Director, President and CEO	President and CEO, Empire Company Limited	1993

Name and Province of Residence	Office	Principal Occupation	Direct or Since
ROB G. C. SOBEY[9] Nova Scotia, Canada	Director	President and CEO, Lawton's Drug Stores Limited	1998
MARTINE TURCOTTE[1] Québec, Canada	Director	Vice Chair, Québec of BCE Inc. and Bell Canada	2012

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

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 his or her successor is elected.

Executive Officers Who are Not Directors

Name and Province of Residence	Occupation
PAUL V. BEESLEY Nova Scotia, Canada	Executive Vice President and CFO
PAUL JEWER Nova Scotia, Canada	CFO, Sobeys
STEWART H. MAHONEY Nova Scotia, Canada	Vice President, Treasury and Investor Relations
KARIN McCASKILL Ontario, Canada	Corporate Secretary Senior Vice President and General Counsel, Sobeys
JASON POTTER Nova Scotia, Canada	President, Sobeys Multi-Format Operations
CLAUDE TESSIER Québec, Canada	President, Sobeys IGA Operations
FRANÇOIS VIMARD Ontario, Canada	Executive Vice President, Sobeys

(1) Claude Tessier was appointed President, Sobeys IGA Operations; effective June 29, 2012.

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 his or her name other than:

- Paul Jewer, who prior to October 2011 was Senior Vice President, Finance and Treasurer of Sobeys;
- Jason Potter, who prior to October 2011 was President Operations, Sobeys Atlantic;
- Stephen J. Savidant, who prior to June 2011 was Chairman of ProspEx Resources Ltd. Effective June 1, 2011, Mr. Savidant became a director and Chair of the board of Enerflex Ltd;
- Marc Poulin, who prior to June 29, 2012 was President, Sobeys IGA Operations. Prior to October 2011 he as President Operations, Sobeys Québec. On June 7, 2012, Sobeys announced that Mr. Poulin would assume the position of President and CEO of Sobeys effective June 29, 2012, replacing Bill McEwan;
- Claude Tessier, who prior to June 2012 was Senior Vice President & Strategic Planning, Sobeys Québec Inc.; and
- François Vimard, who prior to October 2011 was Chief Financial Officer of Sobeys.

As of May 4, 2013, 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 22,742,334 or approximately 66.4 percent of those issued and outstanding.

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, other than David Ferguson with respect to Exide Technologies as described below; 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, other than : (i) David Leslie who until January 14, 2009 was a director of Canwest Global Communications Corp. which on October 6, 2009 sought and obtained an order commencing proceedings under *Companies' Creditors Arrangement Act* (Canada); (ii) David Ferguson who is a director of Exide Technologies which filed a voluntary Chapter 11 petition to restructure its U.S. operations on June 10, 2013, as a consequence of which Exide Technologies was delisted on June 24, 2013;

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

No director or officer of the Company has any existing or potential material conflicts of interest with the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar is CIBC Mellon Trust Company, c/o Canadian Stock Transfer Company Inc. 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@canstockta.com. Canadian Stock Transfer Company Inc. is operating the transfer agency business in the name of CIBC Mellon Trust Company for a transition period.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

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

The Audit Committee Mandate contains specific policies and procedures for the engagement of non-audit services.

Audit Committee Composition

The members of the Audit Committee, at the fiscal year ended May 4, 2013, and their relevant education and experience are:

1. David Leslie (Chair)
    - Bachelor of Arts, University of Toronto.
    - Fellow of the Institute of Chartered Accountants of Ontario.
    - Currently a director of Sobeys Inc., Enbridge Inc., Enbridge Gas Distribution Inc., Imris Inc. and a trustee of Crombie REIT.
    - Formerly Chairman and CEO of Ernst & Young LLP and Chair of Sunnybrook Health Sciences Centre.

2. Cynthia Devine
    - Honours Business Administration degree, the Richard Ivey School of Business at the University of Western Ontario.
    - Fellow of the Canadian Institute of Chartered Accountants
    - Currently the Chief Financial Officer (CFO) of Tim Hortons Inc.
    - Currently the Treasurer of the Tim Horton Children's Foundation.
    - Formerly the Senior Vice-President of Finance at Maple Leaf Foods from 2001 to 2003. From 1992 to 2001 she worked for Pepsi-Cola Canada in several finance roles, including CFO from 1999 – 2001.
    - Former member of the Board of Directors of ING Direct Canada from 2009 until its sale to Scotiabank in 2012.

3. Edward C. Harsant
    - Currently a director of Sobeys Inc.
    - Formerly President, Stonehedge Partners. Prior to that he was President, North American stores for Staples, Inc. and prior to that he was President, The Business Depot Ltd.
    - Former Chair of the Advisory Board of Lawton's Drug Stores Limited, former Chair of the Retail Council of Canada and former director of the Canadian Special Olympics. He was also previously a member of the Advisory Board of Bargain Shops Holdings Inc. and a member of the Advisory Board of South Shore Industries Ltd.

4. John R. Sobey
    - Past President and Chief Operating Officer of Sobeys Inc.
    - 34 years of retail grocery experience at Sobeys – having begun his career in the retail stores and progressed in various management roles in merchandising, category management and retail store operations.
    - Currently a director of Sobeys Inc.
    - Formerly a director of Medavie Inc.

5. Martine Turcotte
    - Masters of Business Administration from the London Business School and Bachelors of Civil Law and Common Law from McGill University.
    - Currently Vice Chair, Québec of BCE Inc. and Bell Canada.
    - Currently a director of Bell Aliant Inc.
    - Currently a member of the Board of Trade of Metropolitan Montreal and the board of Sir Mortimer B. Davis – Jewish General Hospital. She is also a member of the Board of Governors of McGill University and the Chair of the Board of Théâtre Espace Go Inc.

- Formerly Executive Vice-President and Chief Legal & Regulatory Officer of BCE and Bell Canada. She first joined BCE in August 1988 as legal counsel and has held numerous positions in the BCE group with Bell Canada International Inc., BCE Media and Bell Canada.

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)

Grant Thornton LLP and its predecessors have served as auditors of Empire for more than 50 years. During fiscal 2013 and fiscal 2012, fees charged by Grant Thornton LLP to the Company and its subsidiaries were as follows:

Auditors' Fees for Empire Company Limited and its Subsidiaries		
	Fiscal Year ended	
	May 4, 2013	May 5, 2012
Audit Fees	$2,417,744	$2,202,055
Audit Related Fees	324,219	512,664
Tax Fees	264,883	357,720
Other Fees	55,796	31,444
Total Fees	$3,062,642	$3,103,883

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

Audit related fees are for services including consultations on accounting and disclosure matters, conversion to International Financial Reporting Standards and French translation.

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

Other fees for the year ended May 4, 2013 include Canadian Public Accountability Board fees as well as other services provided by Grant Thornton LLP for project based assignments that are not audit or audit related.

The Audit Committee monitors and reviews the independence of the auditors on an ongoing basis. A policy that requires the pre-approval of engagements for services of the external auditors has been implemented and, during the pre-approval process, it is considered whether the nature and extent of these services is compatible with maintaining the independence of the external auditors. It has been concluded that the independence of Grant Thornton LLP has not been 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, other than the Asset Purchase Agreement for the acquisition Canada Safeway, described under the heading entitled, "General Development of the Business – Focus of Food Retailing – Proposed Acquisition".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not, and was not during fiscal 2013, 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 percent 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 2013.

INTEREST OF EXPERTS

The Company's auditor is Grant Thornton LLP, 2000 Barrington Street, Halifax, Nova Scotia. The Company's consolidated financial statements as at the year ended May 4, 2013 have been filed under National Instrument 51-102 in reliance on the report of Grant Thornton LLP, independent chartered accountants, given on their authority as experts in auditing and accounting. Grant Thornton has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of 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 to be issued in connection with its Annual General Meeting of Shareholders to be held on September 12, 2013. Additional financial information is provided in the Company's audited financial statements for its last fiscal year ended May 4, 2013 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, or on SEDAR at www.sedar.com.

APPENDIX A – SOBEYS' GEOGRAPHIC AND BANNER PROFILE

All information is as of May 4, 2013

FULL, FRESH & COMMUNITY SERVICE SUPERMARKETS

Geographic Area	***Sobeys***	***IGA***	***IGA extra***	***Foodland***	***Bonichoix***	***Le Marchés Tradition***	***Thrifty Foods***
Newfoundland and Labrador	14	-	-	28	-	-	-
Prince Edward Island	5	-	-	2	-	-	-
Nova Scotia	42	-	-	20	-	-	-
New Brunswick	24	-	-	10	-	-	-
Québec	-	161	115	-	90	28	-
Ontario	98	-	-	147	-	-	-
Manitoba	17	10	-	-	-	-	-
Saskatchewan	13	2	-	-	-	-	-
Alberta	73	17	-	-	-	-	-
British Columbia	3	2	-	-	-	-	30
TOTAL	**289**	**192**	**115**	**207**	**90**	**28**	**30**

DRUG, DISCOUNT AND OTHER CONVENIENCE STORES

Geographic Area	***FreshCo***	***Price Chopper***	***Rachelle -Béry***	***Needs***	***Bonisoir***	***Lawtons***	***Cash & Carry***	***Sobeys Spirits, Wine & Cold Beer***	***Retail Gas Sites***
Newfoundland and Labrador	-	-	-	37	-	18	2	-	2
Prince Edward Island	-	-	-	11	-	5	-	-	1
Nova Scotia	-	-	-	61	-	44	3	-	62
New Brunswick	-	-	-	14	-	11	1	-	11
Québec	-	-	19	-	1	-	-	-	193
Ontario	76	6	-	-	-	-	-	-	-
Manitoba	-	1	-	-	-	-	3	-	-
Saskatchewan	-	-	-	-	-	-	-	-	-
Alberta	-	-	-	-	-	-	-	36	-
British Columbia	-	-	-	-	-	-	-	-	-
TOTAL	**76**	**7**	**19**	**123**	**1**	**78**	**9**	**36**	**269**

APPENDIX A – continued

DISTRIBUTION CENTRES

Geographic Area	*Distribution Centres*
Newfoundland and Labrador	3
Prince Edward Island	-
Nova Scotia	4
New Brunswick	1
Québec	7
Ontario	3
Manitoba	1
Saskatchewan	-
Alberta	2
British Columbia	3
TOTAL	**24**

CORPORATE AND FRANCHISED STORES – BY GEOGRAPHIC AREA

Geographic Area	*Corporate Stores*		*Franchised Stores*	
	Number	*Square Footage*	*Number*	*Square Footage*
Atlantic	357	5,046,400	71	330,553
Québec	144	860,249	463	9,532,877
Ontario	111	3,717,355	216	4,772,790
West	103	2,476,889	69	1,672,445
British Columbia	32	954,606	3	60,044
TOTAL	**746**	**13,055,499**	**822**	**16,828,280**

CORPORATE AND FRANCHISED STORES – BY BANNER

	Sobeys	*IGA*	*IGA extra*	*Foodland*	*Bonichoix*	*Le Marchés Tradition*	*Thrifty Foods*
Corporate	221	6	13	50	-	1	30
Franchise	68	186	102	157	90	27	-
TOTAL	**289**	**192**	**115**	**207**	**90**	**28**	**30**

	FreshCo	*Price Chopper*	*Rachelle -Béry*	*Needs*	*Bonisoir*	*Lawtons*	*Cash & Carry*	*Sobeys Spirits, Wine & Cold Beer*	*Retail Gas Sites*
Corporate	13	5	19	123	1	74	9	36	146
Franchise	63	2	-	-	-	4	-	-	123
TOTAL	**76**	**7**	**19**	**123**	**1**	**78**	**9**	**36**	**269**

APPENDIX B

EMPIRE COMPANY LIMITED
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 identifying principle risks of the business and ensuring appropriate risk management techniques are in place.

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 control over financial reporting
- Ensure financial reporting and disclosure of required information is complete, accurate and timely as required by applicable legislation and regulation.

COMPOSITION

The Committee shall be composed of three or more independent Directors, appointed by the Board on the recommendation of the Corporate Governance Committee, in accordance with the independence standards established by the Board of Directors, and all applicable corporate and securities law.

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 of Directors who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within three months following his or her appointment, subject to the Company's Board of Directors 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 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 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 Nominating 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 its 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 auditors 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 requested by Committee members.

MEETINGS

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

Meetings of the Committee may be called by:

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

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;

2. notice of the time and place of every meeting shall be given in writing or 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 auditors shall be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Committee without the presence of Management at each meeting. The Committee will meet in camera with the external auditors at each meeting.

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 Secretary of the Company shall act as Secretary of the Committee and 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 of Directors meeting.

RESPONSIBILITIES

Administration:

1. The Committee annually reviews its mandate and recommends any changes to the Corporate Governance 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 of Directors:
   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 Audit 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 $50,000 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 Audit Committee of Empire and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit 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 auditors 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 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 the CICA.

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 auditors:
    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 reviews the principal risks of the business and ensures appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed as well as opinions from management regarding the degree of integrity of the risk mitigation strategies and accepted thresholds. The Committee shall review risk management policies as recommended by management.

14. The Committee reviews the Environmental Report, the Litigation Report and the Hedge Report, and reviews their appropriateness.

15. 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:

16. The Committee reviews and recommends to the Board approval of Empire's interim and annual financial statements, MD&A and quarterly financial and material press releases prior to public disclosure of this information.

17. The Committee reviews the financially related disclosures contained in the Annual Report, Annual Information Form and Information Circular.

18. 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.
19. 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.
20. The Committee reviews the Corporate Disclosure Policy and the Disclosure Committee Mandate and reviews the minutes of the quarterly Disclosure Committee meetings.
21. The Committee must establish 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.
22. The Committee reviews the status and adequacy of 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:

23. The Committee annually reviews and approves the Internal Audit Charter and Annual Plan.
24. The Committee receives quarterly reports from, and meets in camera with, the Chief Auditor.
25. The Committee ensures that the Internal Audit function is independent of management and has sufficient resources to carry out its mandate.
26. The Committee approves the appointment, replacement or termination of the Chief Auditor.