

FINAL TRANSCRIPT

Empire Company Limited

Annual General Meeting

Event Date/Time: September 14, 2017 — 11:00 a.m. E.T.

Length: 37 minutes

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September 14, 2017 — 11:00 a.m. E.T.
Empire Company Limited Annual General Meeting

CORPORATE PARTICIPANTS

Jim Dickson

Empire Company Limited — Chair

Michael Medline

Empire Company Limited — President and Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Adam Sheparsi

Empire Company Limited — Vice President Finance Reporting and Treasury

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PRESENTATION

Unknown Speaker

Ladies and gentlemen, please welcome Chair of the Board, Jim Dickson.

Jim Dickson — Chair, Empire Company Limited

Good morning, ladies and gentlemen. I think we have a record crowd. I don't think I've ever seen the room absolutely full, and I think we're just about there.

I want to welcome you all to the Annual General Meeting of Empire Company Limited. My name is Jim Dickson. I am Chair of the Board of Empire and I will be chairing [audio gap].

Before we begin today's meeting, I'd like to recognize two very special guests. The first one is Mr. David Sobey, Chair Emeritus of Sobeys Inc., brother Donald Sobey, Chair Emeritus of Empire [audio gap]. Through their careers with Sobeys and Empire, David and Donald stewarded our business through public offerings, privatizations, major acquisitions and divestitures, [audio gap] transformative initiatives that were consistently focused on the long-term growth of Empire, all the while filling in at a corporate culture that was rooted in the values [audio gap]. David and Donald, welcome. And we're so pleased to have you.

I'd like to note that once again this year have a number of business students from the Nova Scotia Community College attending the program. And we also have from Mount Allison University [audio gap] Sobey.

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So to all of you, thank you for joining us today at our [audio gap]. To my right I would like to introduce some faces that are new to our Annual General Meeting: Michael Medline, President and Chief Executive Officer; Mike Vels, newly minted Chief Financial Officer; Karin McCaskill, our long-serving and suffering Senior Vice President, General Counsel and Corporate Secretary. Karin will act as Secretary of the meeting. And to assist her I have asked Cindy Harrett, Michelle Vandenheuvel (phon) of AST Trust Company of Canada to act as the scrutineers.

So our agenda today includes first the formal part of the meeting; a few remarks of my own; Michael to offer a few remarks and review some of the Company's future; and after those remarks we will be happy to answer questions.

So with that, I'll formally [audio gap].

Karin McCaskill, as Secretary of our company, has advised me that we have 98,130,079 Class B voting common shares presented at this meeting, either in person or by proxy, representing 100 percent of total outstanding voting shares.

The minutes of last year's annual general meeting held here on September 15, 2016, were distributed [audio gap] registered this morning. Additional copies are available if anyone [audio gap] them.

Unless there are any objections, I would [audio gap] errors or omissions [audio gap].
Hearing none, minutes approved [audio gap].

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Now I would like to introduce 12 nominees, who in addition to myself, standing for election to the Board of Directors. I would ask each to stand as I call [audio gap] alphabetical order: Cynthia Devine; Gregory Josefowicz; Sue Lee; William Linton; Michael Medline; Martine Reardon; Frank Sobey; Karl Sobey; Paul Sobey; Rob Sobey.

We have two directors, Martine Turcotte, John Sobey, who were unable to join us today. They pass along their [audio gap]. I think they're both listening [audio gap].

At this moment, I would like to take a brief moment to acknowledge Kevin Lynch, who after four years decided to not stand for re-election. Kevin provided very strong leadership [audio gap] very challenging [audio gap]. We have benefitted greatly [audio gap] experience, his wise guidance, and his collegial approach to board and duty business.

We were particularly fortunate to have Kevin serve as the chair of our governance and nominating committees through the significant challenges that we faced in the past years. We will benefit from Kevin's contributions in revitalizing and refresh [audio gap]. We extend our sincere gratitude to Kevin for his loyal service to our company, and wish him well in all of his future endeavours.

As noted in the Notice of Annual Meeting that was circulated with our Information Circular, at this meeting we are to approve the following regular items of business. First we'll deal with the election of the directors I've just mentioned, and we will fix the maximum potential number of [audio gap]; the directors remuneration, as set out in the Circular; the appointment of

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PricewaterhouseCoopers LLP as our auditors for 2018; and the authorization of the directors to fix the remuneration of PricewaterhouseCoopers LLP.

So are there any questions from any of the [audio gap]?

Hearing none, as proxies for 100 percent of the voting shares have been deposited in favour for all of these matters, we have enough votes already deposited for their approval. But for the record, is there any voting shareholder at the meeting who would like to register a vote contrary? Hearing none, I declare each of these items passed as outlined in the Notice of Meeting and the Management Information Circular.

I'll now turn to the advisory resolution on executive compensation, which both Class A and Class B shareholders are to vote on. Now I should stress this is an advisory vote. It's not binding on the Board of Directors of Empire; however, the board and in particular the human resources committee continues to seek and be interested in the feedback from our shareholders on our approach to executive compensation.

And as is laid out in our disclosure documents, our philosophy is based on the fundamental principle of pay for performance. We try to align the interests of our executives with the interests of shareholders. And this approach to compensation, we believe, allows us to attract, motivate, and retain highly qualified executives who are encouraged to make decisions and take actions that will create long-term sustainable growth and result in long-term shareholder value for all of the shareholders of Empire.

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Now of the proxies received, 100 percent of the Class B shares and 86.3 percent of the Class A shares voted in favour of the advisory resolution on executive compensation. So again, we have enough votes already to pass the resolution. However, for the record, I want to ask is there any shareholder at the meeting, Class A or Class B, who would like to register a vote contrary to the advisory resolution?

Hearing none, I declare the resolution passed.

We now turn to the audited consolidated financial statements. They were mailed to each registered shareholder, and as well copies have been made available again this morning at this meeting. And while there is no requirement that these financial statements and documents be approved by the shareholders, at this stage we're open to any discussion or questions anyone may have.

So are there any questions related to the audited consolidated financial statements as presented?

Hearing none, before I hand things over to Michael Medline I'm going to take the opportunity to say a few words. Fiscal 2017 was a difficult year for Empire and Sobeys. And as I indicated in my letter to shareholders in our annual report, our overall financial results during fiscal 2017 were disappointing.

However, I'm pleased to report that through strong leadership and a renewed focus on our customers and the shopping experiences of our customers, we started to see positive and

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stabilizing trends as we close fiscal 2017. And as you will hear from Michael momentarily, we're particularly pleased with the results of our first quarter of fiscal 2018.

Despite our disappointing results in fiscal 2017, I believe that 2017 was a year in which we made great progress: first in stabilizing our business, and more importantly, in setting our business back on a path to success.

In January of this calendar year, after an extensive international search, we announced the appointment of Michael Medline as our new President and CEO of Empire and Sobeys. Our board was unanimous in its conclusion that Michael is the right choice to lead our company as we address the strategic, structural, the operational changes that are necessary to transition our company back to the creation of long-term value for all of our stakeholders.

And I'd like to emphasize on behalf of our entire board how fortunate we are to have recruited such an exceptional Canadian retailer to lead our company. We conducted an international search, but to find a Canadian of Michael's calibre to lead our company is very good fortune for all of us.

Michael brings a passion for the customer experience, as well as a proven ability to drive strong operating and financial performance across national organizations and multiple brands. His style of leadership is absolutely what our company needs at this moment. And it was eight months yesterday since we appointed Michael as the President and CEO of our company.

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Over those last eight months, Michael and his team have travelled extensively and exhaustingly, I would say, across our company visiting all of our operations, meeting and talking to our employees from coast to coast, our franchisees and their associates, and most importantly talking to our customers. And already I believe the impact of Michael's efforts are being felt.

Our recent results, they're good. They're not yet where we want them to be. They're very encouraging, and they're heading in the right direction. And I believe we have Michael and the leadership that he's providing to thank for that.

His unwavering focus on the difficult, crucial business transformation our company has been immersed in for the past number of months is building an important foundation for Empire to return to long-term profitable growth. And under Michael's guidance, our leadership team that's now in place is both stronger and more focused than ever before.

The great progress that's been made to date didn't happen by chance. It's the clear result of Michael's strong leadership, I would say a seemingly endless amount of energy, and an ability to create a shared vision for the future of our company.

In May, Michael and his team announced a major transformation initiative. It's called Project Sunrise. It's designed to simplify our business structure, unlock the tremendous potential in our national scope and our scale, and most importantly significantly, reduce our costs; all of this so that we can reinvest in our business in a manner which will grow both the top and the bottom line significantly.

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At the same time, Michael and his team know that they also have to focus on investing in our brands, and in communicating the compelling reasons why Canadians should be shopping in our stores.

Our company is also very fortunate to have an extremely talented, experienced, and dedicated Board of Directors. From the Sobey family members who spent their careers building our business and who now serve as our directors, to the other highly skilled and experienced women and men that I introduced to you earlier who also serve as our directors, we have a remarkably dedicated and engaged Board of Directors who take a very active role in the governance and stewardship, and most importantly, the strategic direction of our company.

Our board's responsibilities include having a thorough understanding of the risks associated with the Company's growth strategies, including the extent to which they can affect our ability to deliver results. And the mitigation of those risks is one of the responsibilities that your board members takes most seriously.

In addition, our board ensures that Empire's corporate governance practices are among the best in Canada. And in that respect, we as your board and on your behalf work hard to ensure that the makeup of our board is designed to encourage a diversity of perspectives and independent thinking while maintaining a dynamic mix of Sobey family representatives and a majority of independent directors who I can tell you all freely challenge each other, as well as the senior management team.

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Of course, one of the key priorities of our board is to ensure the successful execution of our company's strategy with the goal, as I said, of returning our company to long-term profitable growth. And in this respect I want to be very clear: Your board fully supports Michael's bold vision for our company—and it is a bold vision—and also we support fully his priorities for fiscal 2018.

Strong governance, strategic focus, effective leadership, they all remain at the forefront of Empire's approach to good governance, and I believe they'll continue to serve our company and its shareholders well in the future.

As we celebrate 110 years, 110 years for Sobeys serving the food shopping needs of Canadians, we can all be justifiably proud of the great history of our Company and the contributions and accomplishments that have come from more than a century in the food business across the country. And it's no secret that the grocery business has been and will continue to be a tough business across Canada for years to come.

However, we believe—all of us on the board and the leadership team—we believe in our customers, in our employees and our franchisees, and our associates; the tremendous presence we have in more than 900 communities across the country; the strong relationships that we have with many of our suppliers and other business partners. We believe that in all of those we have every ingredient for continued success in our business.

We're looking forward with optimism and enthusiasm for what we know lies ahead, and for what will allow this company to continue to thrive for many years to come.

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Michael, I'd now like to ask you to share some of your thoughts on how we're going to drive this business forward.

Michael Medline — President and Chief Executive Officer, Empire Company Limited

Thank you, Mr. Chair, and good morning, ladies and gentlemen. It's a beautiful morning in Pictou County. Merci, monsieur le Président du Conseil. Bonjour madame et messieurs.

Eight months in to my role as CEO of Empire I stand before you more encouraged, excited, and enthusiastic than I even was on my first day in January. On that day and in the myriad town halls, store visits, and employee events since, I've made it a point to remind our employees that they work for a great Canadian company with a unique culture, a rich history, and importantly, such incredible potential that we are in the early stages of unleashing.

It is a company that I admired from afar for years and years, and one that I can now proudly claim to be part of. I must also say that it is such a thrill to be in Pictou County, the ancestral and cultural heartbeat of our national company where J. W. Sobey and Frank H. Sobey started it all 110 years ago.

I consider myself so fortunate to be able to spend time in this community because it is here that I am able to experience firsthand what has allowed our company to grow and prosper for more than a century: our founders' mentality.

Over the past 24 months many have underestimated the power of that culture and the inherent potential within our company. That's okay. People are entitled to their opinion. But we also

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reserve the right to prove them wrong. Many underestimate the foundation from which we are working: a strong team with incredible retail talent—the best I've seen in my career at every level within our organization; our stores, our distribution centres, right up to our offices; a store network that can always improve, but is in good shape; a well-run and increasingly successful discount banner in Ontario; and a leading-edge distribution network.

Now while we are all eager to work on a multitude of exciting initiatives that will allow us to innovate and better respond to the needs of our customers, we must first strengthen the fundamentals of our business.

We must build up our infrastructure. We must reinforce the organizational foundation I just spoke of so that it will serve as an unyielding base from which to grow. To ignore this would be akin to building a house on sand.

As we are beginning to demonstrate, the comprehensive and focused plan put in place to stabilize our business, while still in its infancy, is beginning to help us deliver on the commitments we have made to our shareholders, and that will eventually see us put big numbers up on the board.

As you are aware, on May 4th we launch Project Sunrise, a major transformation effort that we have designed to simplify our business and structure, unlock our national scale, and significantly reduce our costs. Through Project Sunrise we have committed to deliver \$500 million in annualized savings by the end of fiscal 2020, allowing us to reinvest in our business while also growing our top line.

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By collapsing multiple independent regions into a largely national functionally lead structure we are creating a focused, high-performing organization where accountabilities are defined, priorities are clear, and tools and core processes are the same across the country.

In a nutshell, we are removing much of the complexity that has slowed us down, freeing us up to be extremely nimble, thrill our customers, and grow our market share.

When our organizational redesign efforts have been completed, largely by the end of this calendar year, our backstage, or support functions, will be substantially smaller, but more effective thanks to the harmonized processes and clear accountabilities we are putting in place. This will result in significant and sustainable cost savings.

But most importantly, by flattening the structure of our business, widening spans of control while harmonizing leadership and disciplines across the country, we will be more nimble, as well as more powerful.

I can report to you that we have already made important progress in our efforts since beginning that work in May, that we continue on schedule, and as importantly remain confident that we will deliver on our commitment to achieve at least \$500 million in annualized cost savings. The real prize will come from leveraging our national scale, and operating like the \$24 billion company that we are instead of \$5 billion—five \$5 billion companies as we have in the past.

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And let me be really clear: few of us come to work each day excited to work on an organizational transformation. This is not the fun part of what we do. As retailers we come to work every day to thrill our customers and play a vital role in the communities we serve.

The work we're immersed in right now is difficult, and change is never easy. We also have a deep understanding and sensitivity to the impact the change of this magnitude will have on our employees as we say goodbye to many loyal colleagues and friends.

For us to succeed we have to be serious about looking at every single area of our business. I can assure everyone that as we go through this difficult process we will be true to our values, respectful, and fair to our exiting employees and their communities.

Make no mistake, however. This transformation is vital if we are to protect our business, ensure the long-term health of our company, as well as the 125,000 employees and their families, the more than 900 communities in which we operate, and the millions of Canadians who count on us.

We are committed to moving with unprecedented velocity to make tough decisions and execute our plan while also carefully managing the risks associated with a change of this magnitude.

All of this difficult work is setting us up to win: win our customers' hearts and trust, and beat our competition.

Over the past eight months I have often asked our employees to envision what it will feel like when we are thrilling our customers and when we are each playing a role in making our

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company the success that it will be. I tell you, there's no feeling like it. And I believe that increasingly our employees are sensing that opportunity.

Although our unwavering focus is, as it must be, on the critical transformation work I've just described, we know that to really win in the marketplace we must greatly improve our brands, our understanding of our customers, and how we communicate with those customers. It will also mean a renewed commitment to innovation throughout all areas of our business.

Now this is going to take some time. While we have seen flashes of real innovation throughout our recent history—our e-commerce platform in Quebec and our automated distribution centres, to name just two—success will mean creating a culture where innovation is a constant and not episodic. It will mean creating a culture where we challenge the status quo within the business, and where measured risk and testing and learning new ideas is not feared, but embraced. Because as Wayne Gretzky once famously said “You miss 100 percent of the shots you don't take.”

I recently read the book *Frank Sobey: The Man and the Empire* by Harry Bruce. It's a great book, and one that every aspiring entrepreneur should study because it provides incredible insight into what it takes to succeed. In one section it describes the food business in Pictou County in the 1930s. Just listen to this excerpt: “Competition was so fierce that not only did merchants deliver, but they delivered whenever the customer snapped her fingers.” It goes on to quote journalist Harry Sutherland as saying “The housewife—“okay. That's not particularly politically correct. “The

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housewife really called the shots. She'd phone in an order at midmorning and she'd say, get that over here by 12:30 or forget it." Now that was e-commerce decades before personal computers even existed. Getting groceries to the customer when they wanted them and where they wanted them, that was innovation.

And while technology has reshaped our world since that time, we must and will be as committed to adapting to the changing needs of our customers, whether that be in stores, or online, or through e-commerce solutions.

I must say that I am pleased with our brand work, our use of data, and I've been impressed with the recent work of our marketing group, which will only continue to greatly improve with the addition of Deirdre Horgan, our new Senior Vice President of Marketing. Deirdre is a respected and strategic marketing executive with a deep passion for brand and digital marketing. She played a critical role in building and sustaining the powerful Indigo and Chapters brands in both the traditional and online domains. And I know she will make a significant impact on our brand strategy and customer communication.

Deirdre joins our executive leadership team, which includes a good balance of company veterans and new talent. We were thrilled to welcome Mike Vels to the Company in June as CFO, and who just three months into the role is already making an enormous impact on our business.

You know it's still early days, and we are most certainly not shouting mission accomplished. But we are beginning to see some initial results from the focused efforts to

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strengthen our business across the country, as evidenced in our first quarter fiscal 2018 results, which we released this morning.

We are obviously pleased with our Q1 results. We achieved positive same-store sales for the first time in six quarters. We had a slight increase in our transaction count with flat tonnage, and we had a good increase in basket size in the face of less than conducive summer weather. We were especially encouraged by the improvement of our stores in the western provinces. We also continued to stabilize margins and improve our costs.

We are executing better throughout the Company, and I'm particularly pleased with our store execution, improved promotions, and improved pricing, both actual and perceived by our customers.

It's a good start, and we still have a long way to go. As Frank H. Sobey always believed, the moment a business stops expanding it starts to stagnate. It cannot flourish while standing still. I'm pleased that Empire is on an upward trajectory, and that your company is most certainly not standing still.

Let me conclude by thanking our customers, as well as the 125,000 employees, franchisees, and associates from across the country for their hard work and dedication in serving our customers' needs each and every day; to our exceptional board Chair, Jim Dickson, whose support and sage guidance in my first eight months has been absolutely invaluable; to our outstanding board for their wise counsel and principled stewardship of your company; and to the

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September 14, 2017 — 11:00 a.m. E.T.
Empire Company Limited Annual General Meeting

Sobey family. To the Sobey family who for 110 years have been a beacon for this community, this region, and for our country, and whose light I know will continue to shine brightly for at least another 110 years. Our board's and the Sobey family's passion for our business and for winning is contagious.

And to our shareholders, I am grateful for the patience and confidence you have demonstrated. I want you to know that your company has the scale, the talent, and a solid plan to return to long-term profitable growth. Our focus and determination will remain unwavering as we deliver on the commitments we have made to you.

And as I like to say, the best days of Empire are yet to come. Thank you.

Jim Dickson

So we've now reached the point that in the meeting where every Chair absolutely loves this, and that is the question is there any other business that anyone would like to bring forward from the floor?

Hearing none, the second question we love: are there any questions from the floor?

Going once. Gone. Okay. So before we move to terminate the meeting, I'm going to ask Michael to come back to the podium. We have a special conclusion to this year's AGM, and I'm going to ask Michael to introduce it.

Michael Medline

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Thanks, Jim. As you all know, 2017 represents the 110th anniversary for Sobeys, 110 years of serving the food shopping needs of Canadians, and of proudly supporting the communities in which we operate across the country.

As part of our internal 110th anniversary celebrations, and thanks to a very generous gift by the Sobey Foundation, we partnered with the Canadian Museum of Immigration at Pier 21 in Halifax to help our employees tell their stories of how they became Canadian. You can see those written stories in a series of videos that were produced by visiting www.sobeys110.com.

One such story came from Archel Imperial, who emigrated from the Philippines to create a better life for her family. And like so many new Canadians, Archel's story is one of resolve, hard work, and some helping hands.

We couldn't think of a better way to wrap up our 110th anniversary celebrations by sharing—than by sharing Archel's story with all of you today. Enjoy.

[video]

So Archel is on the cover of our annual report, and her letter is reproduced in there. But not only that, ladies and gentlemen, would you please join me in welcoming an outstanding employee, Archel Imperial, her son Prince Peter, and Dan Pettigrew, franchisee of the Winchester, Ontario Foodland store. Can you guys stand up?

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Thank you for coming. And it's stories like yours, Archel, that make this such a special company and a special place to work and be part of. And Archel will be signing autographs of your annual reports out in the lobby.

And with that, I'm going to hand it back to our Chairman, Jim Dickson.

Jim Dickson

Thank you, Michael, and thank you, Archel, Prince Peter, and Dan for coming.

At this point, having concluded the business of the meeting, I'm going to ask for a motion to terminate the meeting.

Unknown Speaker

(unintelligible).

Jim Dickson

Thank you, Leslie (phon). Is there a seconder? Adam?

Adam Sheparsi — Vice President Finance Reporting and Treasury, Empire Company Limited

(unintelligible).

Jim Dickson

Thank you, Adam. All those in favour? Aye.

I now declare the motion carried and the meeting terminated.

I thank everyone for your attendance. And as is the tradition of Empire and Sobeys, we hope to see all of our shareholders and guests back at the Crombie House for lunch.

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Thank you very much.

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