EMPIRE

COMPANY LIMITED

ANNUAL INFORMATION FORM

Year Ended May 5, 2018

July 27, 2018

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All disclosure for Empire Company Limited and its subsidiaries ("Empire" or "the Company"), including wholly-owned Sobeys Inc.("Sobeys") is as of fiscal year-end, May 5, 2018, unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

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

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

- The Company's expectations regarding the impact of Project Sunrise, including expected cost savings and efficiencies resulting from this transformation initiative, and the expected timing of the realization of fiscal 2019 in-year incremental benefits, which could be impacted by several factors, including the time required by the Company to complete the project as well as the factors identified under the heading "Risk Management";

- The Company's expectations regarding the implementation of its online grocery shopping business including the timing of launching the business, the overall customer response to the service and the performance of its business partner, Ocado Group plc ("Ocado");

- The Company's expectations regarding the impact of healthcare reform that came into effect on April 1, 2018 which may be impacted by factors described under the headings "Healthcare Reform" and "Risk Management – Drug Regulation, Legislation and Healthcare Reform";

- The Company's expectations regarding the impact of minimum wage increases in Ontario and Alberta, other incremental impacts of the Fair Workplaces, Better Jobs Act, 2017 ("Bill 148") and the Company's ability to mitigate the financial impact of these increases which may be impacted by factors described under the heading "Mininum Wage Increases";

- The Company's assessment that its operational and capital structure is sufficient to meet its ongoing business requirements which could be impacted by changes in the current economic environment;

- 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.

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

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

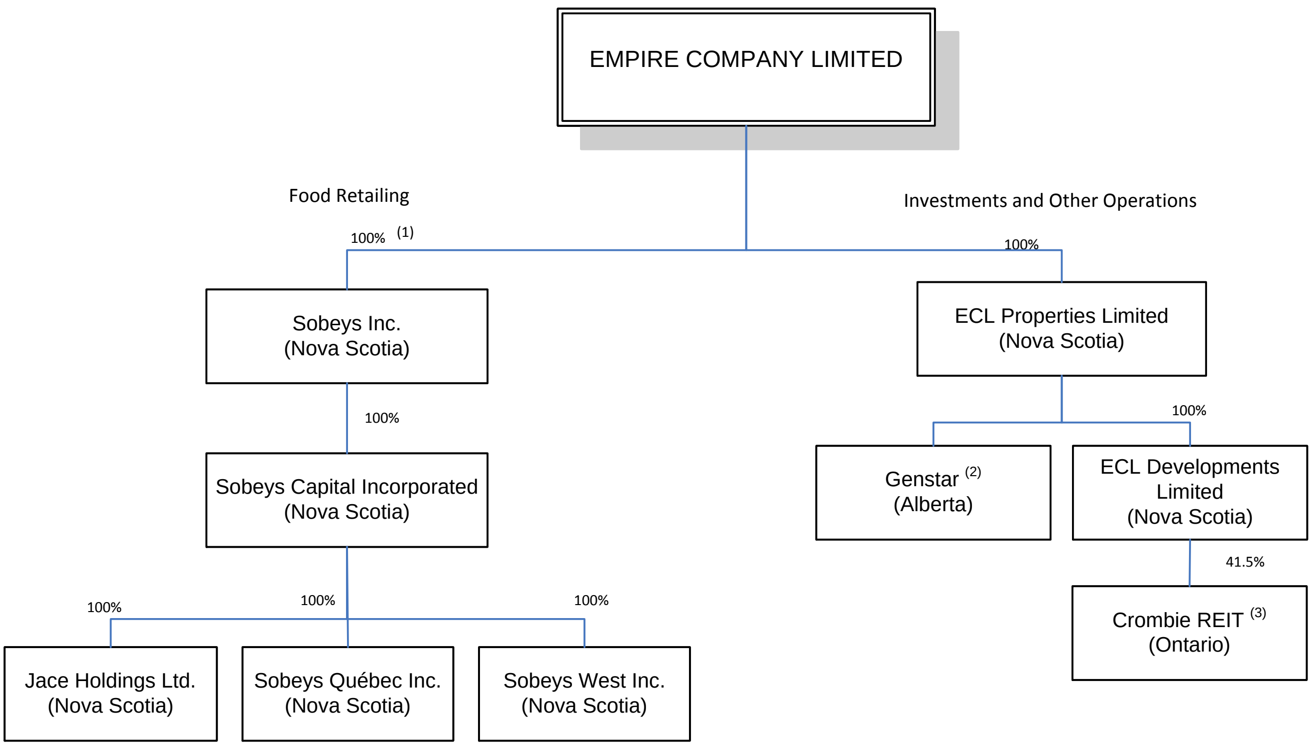
CORPORATE STRUCTURE

Name and Incorporation

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

Intercorporate Relationships

The following chart shows the names of the principal subsidiaries of Empire, their respective jurisdictions of incorporation, and the percentages of voting and non-voting securities owned by Empire as of May 5, 2018.



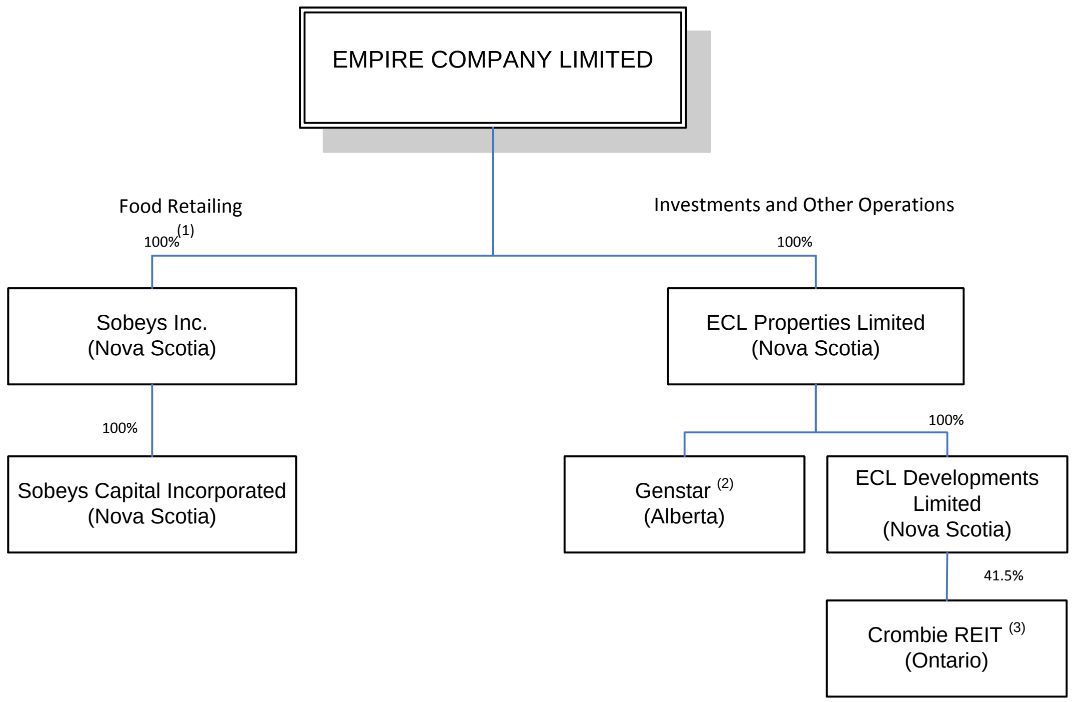
Notes:

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

(2) *ECL Properties Limited indirectly holds a 40.7 percent equity accounted interest in Genstar Development Partnership, a 48.6 percent equity accounted interest in Genstar Development Partnership II, a 39.0 percent equity accounted interest in GDC Investments 4, L.P., a 42.1 percent equity accounted interest in GDC Investments 6, L.P., a 39.0 percent equity accounted interest in GDC Investments 7, L.P., a 37.1 percent equity accounted interest in GDC Investments 8, L.P., and a 49.0 percent equity accounted interest in The Fraipont Partnership (collectively referred to as "Genstar").*

(3) *Empire indirectly owns 909,090 Crombie Real Estate Investment Trust ("Crombie REIT") Units and 61,864,162 Class B Limited Partnership Units of Crombie Limited Partnership (Nova Scotia) which are exchangeable into and equivalent to units of Crombie REIT and represented a 41.5 percent indirect ownership interest in Crombie REIT as of May 5, 2018 (40.3 percent on a fully diluted basis). A Special Voting Unit of Crombie REIT is attached to each Class B Limited Partnership Unit.*

Effective immediately following year end, as part of a series of transactions designed to simplify the corporate structure, Sobeys Capital Incorporated, Jace Holdings Ltd., Sobeys Québec Inc., Sobeys West Inc. and 12 other subsidiaries amalgamated to form Sobeys Capital Incorporated. 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 6, 2018.



Notes: *Refer to the notes in the organizational chard on page 2.*

DESCRIPTION OF THE BUSINESS

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia with approximately $24.2 billion in sales and $8.7 billion in assets. Empire and its subsidiaries, franchisees and affiliates employ approximately 120,000 people.

The Company's financial results are segmented into two separate reportable segments: food retailing, through wholly-owned Sobeys, and investments and other operations. The Company's segmented financial information for fiscal 2018 and 2017 is contained in 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

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

Well Established, Differentiated Stores and Retail Banners

Sobeys will continue to go to market primarily through distinct food store formats enabling Sobeys to better tailor its offering to the various customer segments it serves. Sobeys' goal is to satisfy its 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.

Related Businesses

At the end of fiscal 2017, as a part of the organizational restructuring described in the section entitled "General Development of the Business", management committed to focus on the core grocery business and separated out related businesses, including the pharmacy, wholesale, fuel, convenience and liquor businesses, into a distinct functional structure.

Pharmacy

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

Wholesale

In addition to the distribution to corporate and franchised stores, Sobeys provides wholesale distribution of a full range of products and services to over 8,000 retail stores and independent wholesale accounts. Sobeys' wholesale business is operated as TRA Atlantic in Atlantic Canada, Sobeys in Québec, Lumsden Brothers in Ontario and Macdonalds Consolidated in Western Canada, and includes a small number of "Cash & Carry" wholesale outlets in the West and Atlantic provinces to supply certain convenience store operators.

Fuel/Convenience

Sobeys operates fuel locations in Atlantic Canada, Québec and the West under the FastFuel, Shell and Safeway banners. Many are co-located with the Company's grocery and convenience stores.

Liquor

Liquor stores continue to be an area of growth for the Company, providing customers with solutions for wine, spirits and beer along with great customer service and product knowledge. Over the past three years, Sobeys has expanded its liquor retail operations under three banners in Western Canada as well as successfully launching the wine and beer business in all five food store banners in Ontario and wine in the Sobeys banner in New Brunswick. The liquor banners in Western Canada are Sobeys Liquor, Safeway Liquor and Thrifty Foods Liquor.

Description	Banner	Count
Stores that feature the broadest assortment of products and specialty items designed for each unique market served. These banners provide superior customer care from full service meat, deli and seafood counters plus value-added food knowledge provided by staff	Sobeys extra, Sobeys	257
	IGA extra, IGA	291
	SAFEWAY	183
	THRIFTY FOODS	25
Stores that serve the "fresh fill-in" and "today's meal" needs of customers and are intended to provide superior service and customized offering	IGA	35
Stores that serve the “routine and fill-in” food shopping occasions for customers in rural and one-store communities	FOODLAND	219
	MARCHÉ BONICHOIX	75
	LES MARCHÉS Tradition	65
Stores that serve customers with low prices every day where price is the driving factor for store selection	FRESHCO. Fresher. Cheaper., CHALO! FRESHCO.	91
Stores that serve the “on-the-go” convenience needs of customers	Needs, Sobeys express, IGA express	106
Pharmacy, health care, beauty, giftware and convenience store products	Lawtons DRUGS	77(1)
Fuel stations and related convenience stores	FastFuel, Shell	368(2)
Liquor stores	SAFEWAY LIQUOR, Sobeys LIQUOR, THRIFTY FOODS LIQUOR	96
Includes various other store formats such as convenience stores in Québec	Various	34
	Total	**1,922**

Notes:

(1) This number includes 74 Lawton’s Drug Stores and three stand alone Home HealthCare locations.

(2) This number does not include 57 Safeway co-located fuel sites or 30 co-branded convenience fuel locations.

Private Label Brands

Sobeys' private label brands consist of three tiers: *Compliments*, *Sensations by Compliments* and *Signal*. *Compliments* is positioned as the national brand equivalent, *Sensations by Compliments* is positioned as the affordable indulgence tier and *Signal* is focused on satisfying the requirements of more price conscious customers by offering an assortment of everyday basics from paper products to frozen food.

Compliments' sub-brands include *Compliments Organics, Compliments Balance*, *Compliments Greencare, Compliments Gluten-Free,* and *Compliments Naturally Simple.* These five sub-brands provide healthy and "better for you" alternatives for our customers. As of May 5, 2018, there were approximately 5,000 products in the private label portfolio with 10 percent falling into the "better for you" categories. As consumers increasingly look for healthier and more nutritious foods, the "better for you" portfolio of private label products will continue to grow in response to these changing trends and needs.

Loyalty Reward Programs

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

Real Estate

Sobeys has a strong real estate development team to support the Company's overall growth strategy. The real estate objective is to improve our market share through expansions, renovations, and new stores, while continuing to identify long-term potential opportunities. Sobeys has determined that it makes sense to own or keep control of its real estate development by acquiring land and buildings, to preserve future opportunities, reposition stores and to develop ancillary real estate that will enhance its retail store productivity. It has the further competitive advantage to sell assets to Crombie REIT and reinvest cash flow in the business.

Sobeys owns certain retail store locations and also leases stores from related parties and third-party landlords. At May 5, 2018, of the 39.4 million square feet of retail store space under operation, 5.7 percent was owned, 23.3 percent was leased from related parties, primarily Crombie REIT, and the balance was leased from third-party landlords.

Investments and Other Operations

Crombie REIT

The Company, through wholly-owned ECL Developments Limited, held a 41.5 percent equity accounted interest in Crombie REIT (40.3 percent on a fully diluted basis). The fair value of its 41.5 percent ownership interest in Crombie REIT equaled $777.1 million.

Pursuant to a development agreement dated March 23, 2006 between ECL Properties Limited ("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 was for an initial 10-year term, subject to an extension reached by mutual agreement. In addition, pursuant to a Right of First Offer Agreement ("ROFO Agreement") dated August 3, 2011, the Company has agreed to provide to Crombie REIT a right of first offer to acquire any property that it intends to dispose of subject to certain exceptions.

Sobeys is Crombie REIT's largest tenant in terms of percentage contribution to total annual minimum rent, representing 53.9 percent of annual minimum rent.

Crombie REIT provides administrative and management services to the Company on a fee-for-service basis pursuant to a Management Agreement effective January 1, 2016. The amounts paid and collected in fiscal 2018 were not material.

Genstar

Genstar is a residential real estate development company headquartered in San Diego, California, with Canadian offices in 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 37.1 percent to 49.0 percent in the Genstar group of companies.

Other Information

Supply Chain and Product Availability

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

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

Competition

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

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

See also "Risk Management – Competition".

Intangible Properties

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

Employees

At fiscal year-end 2018, Empire and its subsidiaries employed approximately 60,000 full-time and part-time employees. Empire and its subsidiaries, franchisees and affiliates employed approximately 120,000 people.

Sobeys and its franchisees and affiliates have over 300 collective agreements covering approximately 50,000 employees.

Bankruptcy

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

Reorganizations

On May 4, 2017, Empire announced Project Sunrise, a major transformation initiative described further under the "General Development of the Business" section of this AIF. Empire has laid out a comprehensive three-year plan for the transformation, including a restructure of the organization.

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

GENERAL DEVELOPMENT OF THE BUSINESS

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

Focus on Food Retailing

The Company continues to centre its attention on a food-focused strategy, with an emphasis on productivity and innovation, and 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 continued to execute a number of initiatives in support of its food-focused strategy including product and service innovations, productivity initiatives and business process improvements, and supply chain and system upgrades.

Sobeys has made significant investments during this period to support that growth, through property, equipment and investment property purchases, excluding corporate acquisitions, totalling approximately $1.3 billion.

Impairments of Goodwill and Long-Lived Assets

In fiscal 2016, management determined there were indicators of impairment in the West business unit as the result of significant negative trends in the operating results of the Sobeys West operating segment and the overall challenging economic climate mainly in the Alberta and Saskatchewan markets. Including impairments recorded earlier in fiscal 2016, total impairments of long-lived assets and goodwill for fiscal 2016 were $3,027.1 million. At the end of fiscal 2016, there was no remaining goodwill within the West business unit.

Strategic Focus[(1)]

The Company has established a strategy that is designed to address an evolving retail environment while remaining focused on customer needs and improving the Company's overall service offering. The strategy will evolve as the Company continues to reorganize and transform to a nationally led and focused organization.

(i) Resetting the Foundation

In the fourth quarter of fiscal 2017, the Company launched Project Sunrise, a comprehensive three year transformation intended to simplify the organizational structure and reduce costs. The transformation is expected to result in at least $500.0 million in annualized cost savings by the end of fiscal 2020.

In fiscal 2018, benefits realized by the Company from the transformation initiative, were comprised of organizational design cost reductions, improvements in store operations and cost reductions from strategic sourcing. The in-year benefit was approximately 20% of the total target, the majority of which was achieved in the second half of the year.

For fiscal 2019, management expects that benefits will be derived from the annualized effect of initiatives during fiscal 2018, plus other operational initiatives. Management estimates up to a further 30% of the Company's target can be achieved during the year. The majority of the incremental benefit would accrue to the Company in the second half of fiscal 2019.

Organizational Structure Changes

Changes in the Company's organizational structure included collapsing multiple independent regional businesses into a national, functionally-led structure, simplifying how the Company does business and enabling it to leverage its scale. The transformation initiative is intended to address the complex organizational structure that has resulted in significant duplication and lack of clear, defined accountabilities. This initiative will reduce costs as a result of reduced headcount and consistent processes, and will result in an increased level of authority and scope for leadership, allowing for more nimble and responsive decision making to support the needs of customers and capitalize on changes in the marketplace.

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

(ii) Bolstering the Brand

The Company is focused on improving customer connection with its banner brands and differentiating these brands in a highly competitive marketplace. Management has undertaken a comprehensive review of its customers and the relative positioning of its categories and store banners and is developing long-term strategic initiatives that will be implemented over the next several years.

(iii) Improved Service and Offering in Conventional Stores

Conventional stores will remain a key area of focus as management continues to evaluate and prioritize destination product categories designed to provide customers with the products they want at competitive prices while improving overall customer experience in conventional store banners.

(iv) Enhance Discount

Discount continues to be a high growth area in food retailing. Sobeys is refining its existing discount model and in fiscal 2018 announced plans to expand its discount banner to Western Canada. The Company will convert up to 25% of its 255 Safeway and Sobeys full service format stores in Western Canada to its FreshCo banner over the next five years with the first discount stores opening by the third quarter of fiscal 2019. In addition to the expansion of discount format stores to Western Canada, the Company is updating the branding of the current FreshCo banner with four pilot stores launching in London, Ontario during the first quarter of fiscal 2019.

(v) Win Ecommerce

In January 2018, Sobeys announced it had signed an agreement with Ocado, an industry-leading grocery ecommerce company, to launch a central pick, home delivery online grocery shopping business. Management expects this online business will participate in the rapidly growing online grocery shopping channel. Sobeys and Ocado are developing the first Customer Fulfillment Centre (“CFC”) in the Greater Toronto Area with delivery to customers expected in the Spring of 2020. Sobeys and Ocado expect to deploy additional CFCs in Canada’s major urban centres.

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, relocated, or acquired 209 stores. In addition, over this three-year period, Sobeys expanded and rebannered/redeveloped 108 locations.

Distribution Centres

Sobeys continues to focus on improving its logistics functions through system upgrades, voice pick technology and other productivity software and tools. Sobeys currently has three fully automated distribution centres: Terrebonne, Québec; Vaughan, Ontario; and Rocky View, Alberta. The technology at these centres enables automated stock picking and load assembly systems for improved product selection accuracy and the ability to customize store deliveries according to the unique layout of each store.

Other Significant Items

Minimum Wage Increases

The Company expects to incur increased labour costs as a result of minimum wage increases in Ontario and Alberta and other effects associated with Bill 148 that was passed into law in Ontario on November 27, 2017. Management was successful in mitigating the financial impact of these increased labour costs in fiscal 2018 and continues to develop further plans to mitigate the full year impacts for fiscal 2019 onward. However, there is some risk that the Company may not be able to fully offset the effects on earnings considering the short transition period of the cost increases.

Commercial Bread Investigation

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

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

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

Healthcare Reform

On January 29, 2018, additional healthcare reform was introduced by the pan-Canadian Pharmaceutical Alliance with the Canadian Generic Pharmaceutical Association that came into effect on April 1, 2018. This resulted in the price reduction of almost 70 high volume generic drugs.

Investments and Other Operations

Crombie REIT

The largest component of Empire's investments and other operations segment is its 41.5 percent (40.3 percent fully diluted) equity accounted interest in Crombie REIT. Crombie REIT began in 2006 with the transfer of an initial portfolio of properties from Empire subsidiaries, with Empire maintaining a significant ownership interest.

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

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

Fiscal Year Ended	Number of Properties		Aggregate Gross Leaseable Area for Properties Sold	Purchase Price
	Sold to Crombie	Leased-Back from Crombie		
May 5, 2018	12	9	452,000	$94.5 million
May 6, 2017	27	20	2,202,000	$424.2 million
May 7, 2016	6	6	220,973	$60.7 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
June 29, 2016	REIT Units	$131.6 million	$93.4 million	Class B limited partnership units(1)	$14.70

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

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

On July 4, 2017, Crombie REIT redeemed its 5.00% Series D Convertible Unsecured Subordinated Debentures. In exchange for its investment in the Series D Convertible Unsecured Subordinated Debentures, the Company received $24.3 million in principal and interest payments. There was no gain or loss recognized on the redemption. During the year ended May 5, 2018, the Company received interest from Crombie REIT of $0.2 million (2017 – $1.2 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 41.2 percent (40.2 percent fully diluted) at the end of fiscal 2015 to 41.5 percent (40.3 percent fully diluted) at May 5, 2018.

Genstar

Investments and other operations includes the Company's equity accounted interests in Genstar. Over the past three fiscal years, the aggregate amount of the Company's investments in Genstar total $4.4 million.

Significant Acquisitions

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

Risk Management

Through its operating companies and its equity-accounted investments, Empire is exposed to a number of risks in the normal course of business that have the potential to affect operating performance.

Project Sunrise

On May 4, 2017, the Company announced a major transformation initiative to streamline the organization and enhance the efficiency of its operations. Failure to execute change management during this transition could result in disruptions to the operations of the business or the ability of the Company to implement and achieve its long-term strategic objectives. The implementation of a major transformation initiative has the ability to create labour strife, negative publicity and business disruption.

There is the risk that the Company will not realize the $500.0 million in annualized savings by the completion of the three year reorganization in 2020.

Competition

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

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry, operating in over 900 communities in Canada. 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 effects of localized competition could have an adverse impact on Sobeys' operating margins and results of operations. To successfully compete, Sobeys believes it must be customer and market-driven, be focused on superior execution and have efficient, cost-effective operations. It also believes it must invest in its existing store 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. The Company further believes it must invest in merchandising initiatives to better forecast and respond to changing consumer trends. Any failure to successfully execute in these areas could have a material adverse impact on Sobeys' financial results.

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

Product Safety and Security

Sobeys is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, food safety and product handling, including pharmaceuticals. 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 sale 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.

Drug Regulation, Legislation and Healthcare Reform

The Company currently operates 352 in-store pharmacies and 74 freestanding pharmacies which are subject to federal, provincial, territorial and local legislation as well as regulations governing the sale of prescription drugs. Changes or failure to comply with these laws and regulations could have a negative impact on operations, financial performance and reputation. These laws and regulations typically regulate prescription drug coverage for public plans including patient and product eligibility as well as elements of drug pricing and reimbursements including product cost, markup, dispensing fee, distribution allowances and in some provinces the ability to negotiate manufacturers allowances. In some provinces, legislation requires the selling price for prescription drugs to third-party insurance plans and cash customers will not be higher than the price established for the provincial drug plan. In addition to reimbursement, these laws and regulations govern drug approval and distribution, allowable packaging and labeling, marketing, handling, storage and disposal.

In fiscal 2018, provincial governments and private plans continued to implement measures to manage the cost of their drug plans, the impact of which varied by province and by plan. The most significant of these measures implemented April 1, 2018 was the significant price reduction of almost 70 high volume generic drugs which was the result of an agreement between the pan-Canadian Pharmaceutical Alliance and the Canadian Generic Pharmaceutical Association on behalf of the federal, provincial and territorial drug plans. The Council of the Federation, a joint collaboration created by the provincial premiers continues to work on cost reduction initiatives within the pharmaceutical sector. In the fall of 2017, actions by the Alberta College of Pharmacy resulted in a ban on the ability of pharmacies to offer inducements on prescription drugs.

It is anticipated that healthcare reform and regulation will continue to put pressure on pharmacy reimbursement through changes to patient and drug eligibility, prescription drug pricing including cost, dispensing fee, allowable markup, manufacturer allowance funding, distribution as well as potential restriction around customer inducements. The Company has and will continue to identify opportunities to mitigate the negative impact these changes have on financial performance.

Free Trade

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

Loyalty Program

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

Human Resources

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

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; these plans are overseen by the Human Resources Committee and reviewed at least annually by the Board of Directors.

Workplace health and safety is a top priority for the Company, which has robust programs and reporting mechanisms in place designed to ensure regulatory compliance and mitigate the risks associated with workplace injury and illness.

Recent announcements of minimum wage increases in several provinces will have an impact on labour costs and the labour force of the Company.

Operations

The success of Empire is closely tied to the performance of Sobeys' network of retail stores. Franchisees and affiliates operate approximately 52 percent of Sobeys' retail stores. Sobeys relies on its franchisees, affiliates and corporate store management to successfully execute retail strategies and programs.

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

Technology

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

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 or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches or inappropriate disclosure or leaks of sensitive information. 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. Any failure to maintain privacy of customer information or to comply with applicable privacy laws or regulations could adversely affect the Company's reputation, competitive position and results of operations.

The Company recognizes that information is a critical enterprise asset. Currently, the information management risk is managed 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.

Supply Chain

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

Product Costs

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

Economic Environment

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

Liquidity Risk

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

Interest Rate Fluctuation

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

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. The Company 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

The Company and its subsidiaries are self-insured on a limited basis with respect to certain operational risks and also purchase 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 the Company maintains an anonymous, confidential whistle blowing hotline. There can be no assurance that these measures will be effective to prevent violations of law or ethical business practices.

Environmental

The Company operates its business locations across the country, including numerous 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. 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

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

Real Estate

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

Legal, Taxation and Accounting

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

Similarly, income tax regulations and/or accounting pronouncements may be changed in ways which could negatively affect the Company. The Company mitigates the risk of not being in compliance with the various laws and rules and regulations by monitoring for newly adopted activities, improving technology systems and controls, improving internal controls to detect and prevent errors and overall application of more scrutiny to ensure compliance. In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

Utility and Fuel Prices

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

Credit Rating

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

Foreign Currency

The Company conducts the majority of its operating business in Canadian dollars (“CAD”) and its foreign exchange risk is mainly limited to currency fluctuations between the CAD, the Euro and the United States Dollar (“USD”). USD purchases of products represent approximately 4.1 percent of Sobeys’ total annual purchases. Euro purchases are primarily limited to specific contracts for capital expenditures. A failure to adequately manage the risk of exchange rate changes could adversely affect the Company’s financial results.

Capital Allocation

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

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

The Company has certain foreign operations. The Company’s foreign operations are limited to a produce sourcing operation and residential real estate partnerships based in the United States.

Pension Plans

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

The Company participates in various multi-employer pension plans, providing pension benefits to unionized employees pursuant to provisions in collective bargaining agreements. Approximately 16 percent of the employees of Sobeys and its franchisees and affiliates participate in these plans. The responsibility of Sobeys, its franchisees, and affiliates to make contributions to these plans is limited to the amounts established in the collective bargaining agreements, and other associated agreements, however poor performance of these plans could have a negative effect on the participating employees or could result in changes to the terms and conditions of participation in these plans, which in turn could negatively affect the financial performance of the Company.

Leverage Risk

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

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 2018, the Company paid dividends of $114.0 million ($0.42 per share) to Non-Voting Class A and Class B common shareholders versus $111.3 million ($0.41 per share) in fiscal 2017.

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 2018	**Fiscal 2017**	**Fiscal 2016**
Non-Voting Class A shares	$0.42	$0.41	$0.40
Class B common shares	$0.42	$0.41	$0.40

CAPITAL STRUCTURE

Share Capital

Empire's capital structure was comprised of the following on May 5, 2018:

	Number of Shares	
Authorized	**May 5, 2018**	May 6,2017
2002 Preferred shares, par value of $25 each, issuable in series	**991,980,000**	991,980,000
Non-Voting Class A shares, without par value	**768,105,849**	768,105,849
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	**Number of Shares**	**May 5, 2018**	May 6, 2017
Non-Voting Class A shares, without par value	**173,547,591**	**$ 2,038.2**	$ 2,037.8
Class B common shares, without par value, voting	**98,138,079**	**7.3**	7.3
Shares held in trust	**(308,504)**	**(6.0)**	(10.7)
		$ 2,039.5	$ 2,034.4

The Company's share capital on May 5, 2018 compared to the same period in the last fiscal year is shown in the table below:

	52 Weeks Ended	
(Number of shares)	**May 5, 2018**	May 6, 2017
Non-Voting Class A shares		
Issued and outstanting, beginning of year	**173,537,901**	173,537,901
Issued during year	**9,690**	-
Issued and outstanding, end of year	**173,547,591**	173,537,901
Shares held in trust, beginning of year	**(555,409)**	-
Purchsed for future settlement of equity settled plans	**(5,683)**	(555,409)
Issued for future settlement of equity settled plans	**252,588**	-
Shares held in trust, end of year	**(308,504)**	(555,409)
Issued and outstanding, net of shares held in trust, end of year	**173,239,087**	172,982,492
Class B common shares		
Issued and outstanting, beginning of year	**98,138,079**	98,138,079
Issued during year	**-**	-
Issued and outstanding, end of year	**98,138,079**	98,138,079

In fiscal 2018, 122,805 options were exercised resulting in the issuance of 9,690 Non-Voting Class A shares. In fiscal 2017 no options were exercised.

The 4,686,155 stock options outstanding as at the fiscal year ended May 5, 2018 (May 6, 2017 – 4,949,863 stock options) represent 1.7 percent (May 6, 2017 – 1.8 percent) of the outstanding Non-Voting Class A and Class B common shares.

During the second quarter of fiscal 2017, the Company established a trust fund to facilitate the purchase of Non-Voting Class A shares for the future settlement of vested units under the Company's equity settled stock-based compensation plans. Contributions to the trust fund and the Non-Voting Class A shares purchased are held by AST Trust Company (Canada) as trustee. The trust fund is a structured entity ("SE") and as such the accounts of the trust fund are included on the consolidated financial statements of the Company. The following represents activity of shares held in trust:

Shares held in trust	**Number of Shares**		**May 5, 2018**		May 6, 2017
Balance, beginning of year	**(555,409)**	**$**	**(10.7)**	$	-
Purchased	**(5,683)**		**(0.1)**		(10.7)
Issued	**252,588**		**4.8**		-
Balance, end of year	**(308,504)**	**$**	**(6.0)**	$	(10.7)

Non-Voting Class A Shares and Class B Common Shares

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

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

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

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

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

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

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

If a formal take-over bid (other than a "Family Share Transaction" described below) is made for Class B common shares, then the conditions attaching to the Class B common shares and Non-Voting Class A shares generally provide that Canadian holders of Class B common shares shall also be entitled to receive an offer to purchase their Class B common shares and Canadian holders of Non-Voting Class A shares shall also be entitled to receive an offer to purchase their Non-Voting Class A shares on terms and conditions at least as favourable, including the price offered. If an offeror acquires Class B common shares pursuant to a formal take-over bid and does not make the same offer for Non-Voting Class A shares within 60 days, then unless otherwise determined by the Board of Directors, the Class B common shares acquired pursuant to the offer as well as some other Class B common shares held by the offeror and any others acting jointly or in concert with the offeror, shall convert to Non-Voting Class A shares.

A “Family Share Transaction” means any transfer of any kind of an interest in Class B common shares to one or more of the descendants of J.W. Sobey, now deceased and formerly a businessman of Stellarton, Nova Scotia. For this purpose, descendants include spouses, companies controlled by any such descendants or their affiliates and trusts for bona fide estate planning purposes primarily for the benefit of any such descendants.

2002 Preferred Shares

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

Long-Term Debt

The Company has the following long-term debt outstanding:

($ in millions)		At May 5, 2018		At May 6, 2017
Long-term debt due within one year	$	527.4	$	134.0
Long-term debt		1,139.5		1,736.8
	$	1,666.9	$	1,870.8

The Company maintains a revolving term credit facility (“RT Facility”) in the amount of $250.0 million with a maturity date of November 4, 2020. As of May 5, 2018, the outstanding amount of the RT Facility was $43.1 million (2017 – $125.0 million) and issued $0.5 million in letters of credit against the RT Facility (2017 - $0.5 million. Interest payable on the RT Facility fluctuates with changes in the bankers’ acceptance rate, Canadian prime rate, or the London Interbank Offered Rate (“LIBOR”).

Pursuant to an agreement dated April 29, 2016, Sobeys amended and restated its RT Facility. The principal amount was increased from $450.0 million to $650.0 million and Sobeys’ previous non-revolving, amortizing term credit facility was fully repaid and cancelled. As of May 5, 2018, the outstanding amount of the RT Facility was $nil (2017 – $nil) and Sobeys issued $39.5 million in letters of credit against the RT Facility (2017 – $46.3 million). Interest payable on the RT Facility fluctuates with changes in the bankers’ acceptance rate, Canadian prime rate, or LIBOR, and the facility matures on November 4, 2020.

On June 2, 2017, Sobeys entered a new, senior, unsecured non-revolving credit facility for $500.0 million. The facility bears floating interest tied to Canadian prime rate or bankers’ acceptance rates. The facility is intended to be used to repay long-term debt due in calendar 2018.

At May 5, 2018, $43.1 million of the Company’s and Sobeys’ combined credit facilities were utilized (May 6, 2017 – $125.0 million).

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

($ in millions)		At May 5, 2018		At May 6, 2017
MTN Series C, interest rate 7.16%, due February 26, 2018	$	-	$	100.0
MTN Series D, interest rate 6.06%, due October 29, 2035		175.0		175.0
MTN Series E, interest rate 5.79%, due October 6, 2036		125.0		125.0
MTN Series F, interest rate 6.64%, due June 7, 2040		150.0		150.0
Series 2013-1 Notes, interest rate 3.52% due August 8, 2018		500.0		500.0
Series 2013-2 Notes, interest rate 4.70% due August 8, 2023		500.0		500.0
	$	1,450.0	$	1,550.0

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

Credit Ratings (Canadian Standards)

Sobeys' credit ratings for its securities at fiscal year-end May 5, 2018, are as follows:

	Dominion Bond Rating Service ("DBRS")	**Standard & Poor's ("S&P")**
MTNs	BB high (stable trend)	BB+ (stable outlook)
Sinking Fund Debentures	BB high (stable trend)	BB+ (stable outlook)
Notes	BB high (stable trend)	BB+ (stable outlook)

During fiscal 2018, DBRS upgraded Sobeys' trend from negative to stable, while S&P remained unchanged.

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

DBRS' credit ratings for long-term debt instruments range from AAA to D. The DBRS BB (high) rating is non-investment grade. The capacity for the payment of a company's financial obligations is considered uncertain and vulnerable to future events. Ratings designations may be modified by the addition of a high or low to indicate relative standing within the BB 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 BB+ rating is non-investment grade. Ongoing uncertainties or exposure to adverse business, financial, or economic conditions could lead to a company's inadequate capacity to meet financial commitments on its obligations. Ratings designations may be modified by the addition of a plus or minus to indicate relative standing within the BB category. A plus or minus designation indicates the debt's relative standing within the BB 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 Notes may not reflect the potential impact of all risks related to structure and other factors on the value of the MTNs and Notes. In addition, real or anticipated changes in the Sobeys' credit ratings will generally affect the market value of the debt. The foregoing ratings may be revised or withdrawn at any time by the rating agency if, in its judgment, circumstances warrant.

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

MARKET FOR SECURITIES

The Non-Voting Class A shares (TSX: EMP.A) are listed on the Toronto Stock Exchange, which is the primary marketplace on which the greatest volume of trading or quotation generally occurs. The monthly high and low share price and the TSX monthly average volumes for the Non-Voting Class A shares for the fiscal year ended May 5, 2018 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 8-31/17	$21.63	$20.30	512,020
June 1-30/17	$22.28	$18.56	803,834
July 1-31/17	$22.45	$19.90	609,662
August 1-31/17	$21.85	$20.11	474,366
September 1-30/17	$24.29	$19.12	1,271,797
October 1-31/17	$23.34	$21.71	550,434
November 1-30/17	$25.42	$22.38	657,630
December 1-31/17	$26.34	$23.29	729,218
January 1-31/18	$25.98	$23.56	580,503
February 1-28/18	$24.17	$22.35	554,043
March 1-31/18	$26.15	$22.86	984,823
April 1-30/18	$25.87	$23.50	730,023
May 1-4/18	$25.18	$24.48	603,409

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

	Fiscal Year Ended		
($ in millions, except per share amounts)	**May 5, 2018 (52 weeks)**	May 6, 2017 (52 weeks)	May 7, 2016 (53 weeks)
Sales	**$ 24,214.6**	$ 23,806.2	$ 24,618.8
Operating income (loss)	**346.5**	333.0	(2,418.5)
Net earnings (loss)(1)	**159.5**	158.5	(2,131.0)
Adjusted net earnings(1)(2)	**344.3**	191.3	410.2
Long-term debt, including current portion	**$ 1,666.9**	$ 1,870.8	$ 2,367.4
Shareholders' equity(1)	**3,702.8**	3,644.2	3,623.9
Total assets	**8,662.0**	8,695.5	9,138.5
Per share information, fully diluted			
Net earnings (loss)(1)	**$ 0.59**	$ 0.58	$ (7.78)
Adjusted net earnings(1)(2)	**$ 1.27**	$ 0.70	$ 1.50

Notes:

(1) Net of non-controlling interest.

(2) These terms do not have a standardized meaning under generally accepted accounting principles. See "Non-GAAP Financial Measures & Financial Metrics" section of the Company's Management's Discussion and Analysis.

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 5, 2018, a copy of which has been filed on SEDAR at www.sedar.com, which is incorporated into this AIF by reference.

DIRECTORS AND OFFICERS

The name, province of residence, and principal occupation of each of the directors and officers of Empire as at May 5, 2018 were as follows:

Directors

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

Notes:

(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

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 earlier retirement or resignation.

Executive Officers Who are Not Directors

(as of May 5, 2018)

Name and Province of Residence	Occupation
LYNE CASTONGUAY Ontario, Canada	Executive Vice President, Merchandising
SIMON GAGNÉ Ontario, Canada	Executive Vice President, Human Resources
CLINTON KEAY Nova Scotia, Canada	Executive Vice President, Technology and Transformation Management
DOUG NATHANSON Ontario, Canada	Senior Vice President, General Counsel and Secretary
JASON POTTER[(1)] Alberta, Canada	Executive Vice President, Operations
VIVEK SOOD Nova Scotia, Canada	Executive Vice President, Related Businesses
PIERRE ST. LAURENT Québec, Canada	Executive Vice President, Québec
MICHAEL VELS Ontario, Canada	Chief Financial Officer

Notes:

(1) Jason Potter left the Company in June 2018.

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:

- Lyne Castonguay, who prior to May 2017 was Chief Merchandising Officer, Sobeys. Prior to June 2016, she was Senior Vice President, Home Services, The Home Depot;

- Cynthia Devine, who prior to March 2017 was Executive Vice President and Chief Financial Officer, RioCan Real Estate Investment Trust. Prior to December 2014, she was Chief Financial Officer, Tim Hortons Inc.;

- Clinton Keay was Interim Chief Financial Officer from July 7, 2016 until June 12, 2017. On May 4, 2017 Clinton was appointed Executive Vice-President, Technology and Transformation Management. Prior to July 7, 2016, he was Executive Vice President, Finance (Empire and Sobeys). Prior to February 2014 he was Senior Vice President and Chief Information Officer, Sobeys;

- Michael Medline, who prior to January 2017 was President & Chief Executive Officer, Canadian Tire Corporation (CTC) from December 2014 until July 2016. From 2013 to 2014, he was President, CTC and from 2011 to 2013 he was President, FGL Sports, CTC;

- Doug Nathanson, who prior to April 2018 was General Counsel, Canadian Tire Corporation (CTC) from February 2016 to April 2018; General Counsel & Chief Human Resources Officer, CTC from March 2015 to February 2016; Senior Vice President and Chief Corporate Strategy & Human Resources Officer (CTC) from August 2013 to March 2015; and Senior Vice President and Chief Human Resources Officer (CTC) from March 2012 to August 2013.

- Jason Potter, who prior to May 4, 2017 was President, Sobeys West. Prior to April, 2015 he was President, Sobeys Multi-Format Operations;

- Martine Reardon, who prior to January 2017 was Chief Marketing Officer, Macy's Inc. from February, 2012 until May, 2016. Prior to February, 2012 she was Executive Vice President, Macy's Inc.;

- Frank Sobey, who prior to June 1, 2014 was Vice President Real Estate, Empire;

- Paul Sobey, who prior to December 12, 2013 was President and Chief Executive Officer, Empire; and

- Rob C.G. Sobey, who prior to January 2014 was President and Chief Executive Officer, Lawtons' Drug Stores Limited.

As of May 5, 2018, 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 22,555,628 or approximately 23.0 percent of those issued and outstanding. No executive officer who is not a director owns Class B common shares.

Other Proceedings

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

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

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

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

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

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

c) has been subject to:

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

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

Conflict of Interest

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

TRANSFER AGENT AND REGISTRAR

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

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

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

Audit Committee Composition

The members of the Audit Committee at May 5, 2018, and their relevant education and experience are:

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

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

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

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

5. Martine Turcotte
    - Masters of Business Administration from the London Business School and Bachelors of Civil Law degree and Common Law degree from McGill University.
    - Vice Chair, Québec of BCE Inc. and Bell Canada.
    - Director of CIBC and Sobeys.
    - Member of the Board of Governors of McGill University, Chair of the Board of Théâtre Espace Go Inc. and member of the Board, Chamber of Commerce of Metropolitan Montréal.
    - 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)

The table below shows the fees charged by PricewaterhouseCoopers LLP for fiscal 2018 and for fiscal 2017 to the Company and its subsidiaries, respectively:

Auditor’s Fees for Empire Company Limited and its Subsidiaries

	Fiscal Year Ended			
		May 5, 2018		May 6, 2017
Audit fees	$	2,070,000	$	2,225,000
Audit related fees		463,950		152,110
Tax fees		150,000		4,750
Other fees		72,000		45,200
Total fees	$	2,755,950	$	2,488,387

For fiscal 2018, audit fees include fees for the audit of the annual consolidated financial statements, reviews of quarterly interim condensed financial statements and audits of employee benefit plan financial statements. Audit related fees are for services including special purpose audits and French translation. Tax fees include various consultations on specific items. Other fees include Canadian Public Accountability Board fees and International Financial Reporting Standards 16, “Leases” modelling.

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

MATERIAL CONTRACTS

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not, and was not during fiscal 2018, 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 2018.

INTEREST OF EXPERTS

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

ADDITIONAL INFORMATION

Additional information with respect to directors’ and officers’ remuneration and indebtedness, principal holders of Empire's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in Empire's Management Information Circular. Additional financial information is provided in the Company's audited financial statements for its last fiscal year ended May 5, 2018 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 5, 2018

FULL, FRESH & COMMUNITY SERVICE SUPERMARKETS

Geographic Area	*Sobeys extra*	*Sobeys*	*Safeway*	*IGA*	*IGA extra*	*Thrifty Foods*	*Foodland*	*Bonichoix*	*Les Marchés Tradition*	*Pete's*
Newfoundland and Labrador	1	13	-	-	-	-	28	-	-	-
Prince Edward Island	1	4	-	-	-	-	8	-	-	-
Nova Scotia	3	39	-	-	-	-	32	-	-	2
New Brunswick	1	21	-	-	-	-	11	-	-	-
Québec	-	-	-	159	132	-	-	75	65	-
Ontario	6	86	6	-	-	-	140	-	-	-
Manitoba	2	16	22	6	-	-	-	-	-	-
Saskatchewan	2	8	13	3	-	-	-	-	-	-
Alberta	2	51	76	23	-	-	-	-	-	-
British Columbia	-	1	66	3	-	25	-	-	-	-
TOTAL	**18**	**239**	**183**	**194**	**132**	**25**	**219**	**75**	**65**	**2**

DISCOUNT, DRUG CONVENIENCE AND LIQUOR STORES

Geographic Area	*FreshCo*	*Price Chopper*	*Lawtons*	*Rachelle-Béry*	*Needs*	*Bonisoir*	*Voisin*
Newfoundland and Labrador	-	-	18	-	28	-	-
Prince Edward Island	-	-	5	-	9	-	-
Nova Scotia	-	-	42	-	46	-	-
New Brunswick	-	-	12	-	5	-	-
Québec	-	-	-	15	-	4	4
Ontario	91	3	-	-	-	-	-
Manitoba	-	-	-	-	-	-	-
Saskatchewan	-	-	-	-	-	-	-
Alberta	-	-	-	-	-	-	-
British Columbia	-	-	-	-	-	-	-
TOTAL	**91**	**3**	**77**	**15**	**88**	**4**	**4**

APPENDIX A – continued

DISCOUNT, DRUG CONVENIENCE AND LIQUOR STORES – continued

Geographic Area	*Cash & Carry*	*Retail Fuel Sites*(1)	*IGA Express*	*Retail Liquor Sites*
Newfoundland and Labrador	1	9	-	-
Prince Edward Island	-	7	-	-
Nova Scotia	3	44	-	-
New Brunswick	1	60	-	-
Québec	-	248	18	-
Ontario	-	-	-	-
Manitoba	1	-	-	-
Saskatchewan	-	-	-	11
Alberta	-	-	-	76
British Columbia	-	-	-	9
TOTAL	**6**	**368**	**18**	**96**

Note:

(1) The total of this column does not include 57 Safeway co-located fuel sites or 30 co-branded convenience fuel locations.

DISTRIBUTION CENTRES

Geographic Area	*Distribution Centres*
Newfoundland and Labrador	3
Prince Edward Island	-
Nova Scotia	4
New Brunswick	1
Québec	6
Ontario	2
Manitoba	3
Saskatchewan	-
Alberta	5
British Columbia	4
TOTAL	**28**

CORPORATE AND FRANCHISED STORES – BY GEOGRAPHIC AREA

	Corporate Stores		*Franchised Stores*	
Geographic Area	*Number*	*Square Footage*	*Number*	*Square Footage*
Atlantic	311	4,777,418	143	865,093
Québec	193	986,071	527	10,993,265
Ontario	92	3,389,894	240	5,847,784
West	224	6,303,896	88	2,665,872
British Columbia	100	3,521,112	4	73,868
TOTAL	**920**	**18,978,391**	**1,002**	**20,445,882**

APPENDIX A – continued

CORPORATE AND FRANCHISED STORES – BY BANNER

	Sobeys extra	*Sobeys*	*IGA*	*IGA extra*	*Safeway*	*Thrifty Foods*	*Foodland*	*Bonichoix*	*Les Marchés Tradition*	*Pete's*
Corporate	18	151	11	11	181	25	10	-	1	2
Franchise	-	88	183	121	2	-	209	75	64	-
TOTAL	**18**	**239**	**194**	**132**	**183**	**25**	**219**	**75**	**65**	**2**

	FreshCo	*Price Chopper*	*Lawtons*	*Rachelle-Béry*	*Needs*	*Bonisoir*	*Voisin*
Corporate	14	3	73	14	88	2	1
Franchise	77	-	4	1	-	2	3
TOTAL	**91**	**3**	**77**	**15**	**88**	**4**	**4**

	Cash & Carry	*Retail Fuel Sites*(1)	*IGA Express*	*Retail Liquor Sites*
Corporate	6	211	2	96
Franchise	-	157	16	-
TOTAL	**6**	**368**	**18**	**96**

Note:

(1) The total of this column does not include 57 Safeway co-located fuel sites or 30 co-branded convenience fuel locations.

APPENDIX B

AUDIT COMMITTEE MANDATE

The Audit Committee (the "Committee") is responsible to the Board of Directors (the "Board") for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information and compliance with policies and laws. The Committee is also responsible for oversight of the enterprise risk management framework and process.

The Committee charges management with developing and implementing procedures to:

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

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 laws.

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 consolidated 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 Corporate Governance 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; and
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 Committee shall appoint a Secretary who need not be a director. The minutes of the Committee shall be recorded and maintained by the Secretary.

All Committee members are expected to attend each meeting. The Chair of the Committee shall report the business of the meeting at the next regularly scheduled Board 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 $100,000 of the total audit fees paid by Empire and its subsidiaries to Empire's external auditor during the fiscal year in which the services are provided;

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

   c) the services are promptly brought to the attention of the 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 CPA Canada.

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

11. The Committee reviews the Auditor Report with the external 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 periodically reviews the Enterprise Risk Management framework for the Company and assesses the adequacy and completeness of the process for identifying and assessing the key risks facing the Company.

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

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

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

17. The Committee reviews the work plan and progress on implementation of major information technology system changes and satisfies itself as to the adequacy of the information system infrastructure.

18. The Committee periodically reviews Environmental and Litigations reports from management.

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

20. The Committee reviews the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith, and receives reports from management, legal counsel and other third parties as determined by the Committee on such matters, as well as major legislative and regulatory developments which could impact the Company's contingent liabilities and risks.

Financial Management and Reporting:

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

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

23. The Committee reviews the financially related disclosures contained in the Annual Report and Annual Information Form.

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

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

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

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

28. The Committee establishes procedures for:
    a) the receipt, retention and treatment of complaints received by Empire regarding accounting, internal accounting controls, or auditing matters; and
    b) the confidential, anonymous submission by employees of Empire of concerns regarding questionable accounting or auditing matters.

29. The Committee reviews the status and adequacy of the Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible way, and recommends to the Board, for approval, policy changes and program initiatives considered advisable.

Internal Audit:

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

31. The Committee receives quarterly reports from, and meets in camera with, the Chief Auditor.

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

33. The Committee approves the appointment, replacement or termination of the Chief Auditor.