



# Empire Company Limited and Sobeys Inc. 2023 Task Force on Climate-related Financial Disclosures (TCFD) Report



## Summary of our Task Force on Climate-related Financial Disclosures (TCFD) Alignment

Our Environmental, Social and Governance (ESG) reporting is aligned with the Task Force on Climate-related Financial Disclosures (TCFD) and other global reporting frameworks. This table outlines the specific sections within this report and other public disclosures where relevant topics are addressed.

TCFD thematic area	TCFD recommended disclosure	Empire's disclosures
<b>Governance</b> Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.	<a href="#">Governance</a> <a href="#">2022 CDP response</a>
<b>Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<a href="#">Strategy</a> <a href="#">2022 CDP response</a>
<b>Risk Management</b> Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	<a href="#">Risk Management</a> <a href="#">2022 CDP response</a>
<b>Metrics and Targets</b> Disclose the metrics and targets used to assess and manage climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	<a href="#">Metrics and Targets</a> <a href="#">2022 CDP response</a>

## Introduction

The Intergovernmental Panel on Climate Change (IPCC) warns climate change is a growing threat to our future and urgent action is needed to avert widespread harm<sup>1</sup>. As a leading national grocery retailer and proud member of the Canadian community, we are committed to doing [OurPart™](#).

Taking real steps to tackle the climate crisis is a priority for Empire and Sobeys Inc. In 2020, we completed our first company-wide carbon inventory, assessing and quantifying 2019 baseline greenhouse gas (GHG) emissions. Building from there, in 2022 we shared a bold new [Climate Action Plan](#) including science-based emissions reduction targets, demonstrating our commitment to support Canada's transition to a low-carbon economy.

The scale of decarbonizing our business and value chain is significant and will require transformational change. While we have clear targets and interim goals, we cannot achieve our emissions reductions alone. Collaboration, partnership and action from suppliers, industry, government and customers is needed to achieve a more sustainable and low-carbon future. We remain committed to working collaboratively on this shared challenge.

To help communicate our progress, this year we're pleased to share our first report which is aligned to the Task Force on Climate-related Financial Disclosures (TCFD) framework. This is the international best-practice approach for companies to share climate-related financial disclosures related to governance, strategy, risk management, and metrics and targets. The climate risk assessment we conducted in 2022 means we can share information on our physical and transition risks and the mitigation and adaptation steps we are taking through our Climate Action Plan across our business.

While we are making headway, we know we still have a long way to go on our climate journey. To learn more about how our Climate Action Plan connects with our broader sustainability strategy and approach, please read our [Fiscal 2023 Sustainable Business Report](#).

### Report Scope and Methodology

This report covers Empire and Sobeys Inc. grocery and related business banners including corporate and franchise sites, excluding Farm Boy and Longo's<sup>2</sup>, unless otherwise noted. Data reflects our fiscal 2023, from May 8, 2022, to May 6, 2023, unless otherwise stated<sup>3</sup>. All data has been reviewed internally but has not been externally assured

<sup>1</sup> IPCC Sixth Assessment Report: Impacts, Adaptation and Vulnerability. Source: IPCC (2022) <https://www.ipcc.ch/report/ar6/wg2/about/how-to-cite-this-report>

<sup>2</sup> Farm Boy and Longo's will be included in future TCFD reports.

<sup>3</sup> Site level gross square footage is from our 2021 carbon inventory (calendar year) and therefore excludes new and rebranded locations.

Sales data is sourced from the fiscal 2022 annual grocery sales with the caveat that the majority of blank values stem from "related businesses" (convenience, drug, fuel, liquor, support) and not all grocery categories. Total Insured Value was provided in May 2022, and is valid for 12 months. Analysis included in transition risk assessment is based on the 2021 carbon inventory (calendar year). The Metrics & Targets section in this report is based on calendar year 2022 updates.

# Our Approach to Addressing Climate Change

## Governance

Our [Climate Action Governance](#) structure demonstrates how we have embedded climate leadership and accountability in our organization at both the board and management levels. This oversight spans all our operations, involving many leaders in initiative-based working groups and functional teams as summarized in the table below.

### Climate Action Governance

Board Oversight	 <b>Corporate Governance and Sustainability Committee:</b>	
	<p>Provides oversight over material ESG issues, including climate change</p> <p>→ <b>Frequency:</b> Quarterly updates from the Senior Vice President, Innovation and Sustainability</p>	
Management Oversight	 <b>Audit Committee:</b>	
	<p>In fiscal 2022, the Audit Committee updated its mandate to include ESG metrics, including climate-related metrics, as part of its approval of corporate disclosures.</p> <p>→ <b>Frequency:</b> This Committee reviews all material ESG metrics, including our greenhouse gas emissions, once per year.</p>	
	 <b>Executive Committee:</b>	
<p>Consisting of our CEO and senior executives, the Executive Committee provides strategic input, oversight and approval on ESG issues, including climate change, as identified through Enterprise Risk Management (ERM).</p> <p>→ <b>Frequency:</b> Updates from the Senior Vice President, Innovation and Sustainability at least twice per year.</p>		
Enablers	<p><b>Climate Action Leaders Workstream:</b></p> <p>The Climate Action Leaders Workstream includes senior leaders from the Sustainability team and the core functional areas responsible for the execution of the Climate Action Plan, including relevant working groups outlined below. This group provides governance over the Climate Action Plan, ensuring relevant key performance indicators are integrated within their relevant teams and providing a forum for consistent and accurate accounting of carbon emissions for internal monitoring and external reporting.</p> <p>The output and key decision-making points from the working groups are brought to the Climate Action Leaders Workstream.</p> <p>→ <b>Frequency:</b> Meet quarterly, chaired by Senior Vice President, Innovation and Sustainability</p>	
	<p><b>Initiative-based Working Groups:</b></p> <p>We have established working groups that advance initiatives to achieve our Climate Action Plan:</p> <ul style="list-style-type: none"> <li>• <b>Real Estate and Sustainability Working Group</b> (monthly) provides direction on how to implement and execute the Energy Management Program</li> <li>• <b>Scope 1 and 2: Real Estate and Supply Chain &amp; Logistics Working Group</b> (bi-weekly) focuses on identifying, planning, and executing carbon abatement projects in our operations and transportation business</li> <li>• <b>Scope 3 GHG Emissions Working Group</b> (bi-weekly) focuses on supplier engagement and collaboration to develop and deliver on Scope 3 emissions action plans</li> <li>• <b>Fuel Working Group</b> (monthly) focuses on collaborating with major fuel suppliers to reduce emissions beyond fuel regulations</li> <li>• <b>GHG Tracking &amp; Reporting Working Group</b> (monthly) focuses on measuring, managing and reporting annual GHG emissions, with documented controls on data, forecasting, and tracking</li> </ul>	<p><b>Functional Teams:</b></p> <p>These teams include individuals representing the core functional areas who participate in the working groups:</p> <ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Real Estate</li> <li>• Supply Chain &amp; Logistics</li> <li>• Voilà</li> <li>• Strategic Sourcing</li> <li>• Sourcing and Merchandising</li> <li>• Convenience &amp; Fuel</li> <li>• ESG Finance</li> <li>• Own Brands</li> <li>• Learning &amp; Development (HR)</li> <li>• We are also supported by external consultants and subject matter experts</li> </ul>

In fiscal 2023, our Board of Directors and relevant committees continued to receive and review updates about the Climate Action Plan and received updates on the planning of the carbon abatement projects set to begin in fiscal 2024.

We will continuously improve our climate action governance, finding ways to integrate climate risks and opportunities into financial, capital and stakeholder plans and processes. To learn more about our overall sustainability governance at Empire, please read our [Fiscal 2023 Sustainable Business Report](#), which includes specific information on [governance](#) for related areas including plastics and packaging, food waste, environmental management and customer experience.




## Strategy

Climate change is one of the top priorities for our stakeholders and risks to our business (see our most recent [materiality assessment](#)). In particular, stakeholders are interested in the steps we are taking to prepare for, adapt to and mitigate against climate-related risks, building our organizational resilience.

In our [Climate Action Plan](#) we have validated science-based targets, in line with the internationally recognized Science Based Targets initiative (SBTi) requirements, to significantly reduce our carbon footprint and align with the 2015 Paris Agreement goal of limiting global warming to 1.5°C by 2050. We plan to achieve net-zero by 2040 with approved science-based targets for our Scope 1 and 2 emissions and net-zero by 2050 for Scope 3 emissions, and we’ve set interim goals to make progress and drive continuous improvement. Our progress towards these goals is summarized in Metrics and Targets below.

### Empire and Sobeys Inc. Science-Based<sup>1</sup> Climate Commitments

We’ve set targets to significantly reduce the greenhouse gas (GHG) emissions from our operations, vehicle fleet, and the fuel we sell. We will also support our suppliers to set their own science-based emissions reduction goals. Our climate targets are ambitious and align us with the Paris Agreement<sup>2</sup> goal of net-zero emissions by 2050.

Short-Term Targets (from 2019 baseline)	Net-Zero Targets	
<div style="text-align: center; margin-bottom: 10px;"><b>Scope 1 &amp; 2 Emissions<sup>3</sup></b></div> <div style="text-align: center; font-size: 2em; font-weight: bold; margin-bottom: 10px;">55%</div> <p style="text-align: center; font-size: 0.8em;">absolute reduction in Scope 1 &amp; 2 GHG emissions by 2030</p> <div style="text-align: center; margin-top: 10px;"></div>	<div style="text-align: center; margin-bottom: 10px;"><b>Scope 3 Emissions<sup>4</sup></b></div> <div style="display: flex; justify-content: space-around; align-items: center; margin-bottom: 10px;"> <div style="text-align: center; font-size: 2em; font-weight: bold;">64%</div> <div style="text-align: center; font-size: 2em; font-weight: bold;">28%</div> </div> <div style="display: flex; justify-content: space-around; font-size: 0.8em;"> <div style="text-align: center;">of suppliers, by spend, will set science-based targets by 2027</div> <div style="text-align: center;">emission reduction from fuel sold by 2030</div> </div> <div style="text-align: center; margin-top: 10px;"></div>	<div style="font-size: 3em; font-weight: bold; margin-bottom: 10px;">Achieve net-zero</div> <p style="font-size: 0.8em;">by 2040 for Scope 1 &amp; 2 emissions; and by 2050 for Scope 3 emissions</p> <div style="margin-top: 10px;"></div>

<sup>1</sup> <https://sciencebasedtargets.org>  
<sup>2</sup> <https://www.un.org/en/climatechange/paris-agreement>  
<sup>3</sup> Scope 1: All direct emissions released from our operations (e.g. fuel emissions from our fleet and refrigerant emissions from stores). Scope 2: Indirect emissions from the usage of purchased energy (e.g. electricity).  
<sup>4</sup> Scope 3: Indirect emissions not covered in Scope 2 that occur throughout the value chain.

# Climate Risk Assessment

In 2022, we conducted a climate risk assessment for our operations. The assessment involved three key steps<sup>4</sup>:



As part of the assessment, we developed an initial inventory of climate-related risks and opportunities based on historical events that impacted our business, forward-looking trends, government policies, business strategy and stakeholder interviews. We also surveyed stakeholders and held internal workshops. Based on this engagement, five physical risks and four transition risks and opportunities were prioritized and selected for scenario analysis. We assessed these impacts in alignment with our Enterprise Risk Management (ERM) framework.

We utilized scenario analyses as a tool in our climate risk assessment to understand the potential impacts of climate-related physical risks, transition risks, and opportunities on our operations<sup>5</sup>. The analysis was grounded in various scenarios that are standard in the industry and defined by the Representative Concentration Pathways (RCPs) and Shared Socioeconomic Pathways (SSPs) adopted by the IPCC<sup>6</sup>. This scenario-analysis process is iterative and will be revisited in alignment with our business planning cycles.

We will continue to use the outcomes of this analysis to inform our financial planning and decision-making and have developed strategies to mitigate risks and impacts based on current and proposed initiatives. In our [Climate Action Plan](#) we focus on four mitigation areas most closely associated with emissions output: real estate, supply chain and logistics, sourcing and merchandising, and fuel sales. Additionally, we focus on climate integration and reporting spanning all areas. We discuss these mitigation areas in more detail in relation to transition risks and opportunities below.

Climate Impact Mitigation Focus Areas			
<b>Real Estate</b> Reducing Scope 1 and 2 emissions related to our use of refrigerants and energy including renewable energy	<b>Supply Chain and Logistics</b> Reducing Scope 1 and 2 fleet emissions covering our distribution centres to stores transportation, including our e-commerce fleet	<b>Sourcing and Merchandising</b> Reducing Scope 3 emissions from purchased goods and services and supplier transportation & associated distribution, as well as emissions from food waste	<b>Fuel Sales</b> Reducing Scope 3 emissions from fuel sold at Empire’s filling stations
<b>Climate Integration and Reporting</b> Includes all the work we are doing to integrate mitigation into our operations and share our progress			

<sup>4</sup> Note that the transitional risk assessment referenced in this report included a full business assessment, encompassing our operations and value chain, but the physical risk assessment looked at our operations only.

<sup>5</sup> Medium (5 to 10 years) and long-term (10 to 30 years) time horizons were considered for the physical and transitional risk assessment.

<sup>6</sup> The RCPs and SSPs used for understanding changes in physical climate risks stem from the Intergovernmental Panel on Climate Change’s Fifth Assessment Report published in 2011 ([IPCC AR5](#)) and their Sixth Assessment Reports published in 2013 ([IPCC AR6](#)).

# Scenario Analysis: Physical Risk

## APPROACH

To assess the potential impact of physical risks, we used geospatial mapping and the most recently published climate models to analyze our operating sites<sup>7</sup>. We considered the primary and secondary risk exposures of five physical risks at a localized level using the 1.5°C, 2°C and 4°C scenarios adopted by the IPCC<sup>8,9,10,11</sup>. The results of our preliminary analysis are summarized in the table below, which describes potential business impacts as well as the mitigation and adaptation approaches, we are taking to minimize exposure to these risks. These climate risks and potential impacts are not unique to Empire and will affect food retailers globally as well as other businesses and communities.

### Physical Risks, Potential Business Impacts and Mitigation and Adaptation Approaches

Physical Risks <sup>12</sup>	Potential Business Impacts	Mitigation and Adaptation Approaches
<p><b>Chronic Physical Risk</b></p> <ul style="list-style-type: none"> <li>Chronic temperature rise</li> </ul> <p><b>Acute Physical Risks</b></p> <ul style="list-style-type: none"> <li>Extreme heat (see figure below)</li> <li>Extreme rain and flooding</li> <li>Wildfires</li> <li>Hurricanes</li> </ul>	<p><b>Physical Sites</b></p> <ul style="list-style-type: none"> <li>Loss of sales due to business disruptions (e.g. electricity grid failure) and temporary and permanent closure of affected stores and distribution centres</li> <li>Physical damage or loss of property with costs associated with repair or rebuild of affected buildings and equipment</li> <li>Increased costs to redesign and retrofit stores and warehouses to better withstand more frequent and severe weather events</li> <li>Disruption to HVAC and refrigeration systems where temperatures exceed their design capacity</li> <li>Increased maintenance requirements for buildings and equipment (e.g. HVAC)</li> <li>Increased operational costs of air conditioning and temperature moderation in retail stores and distribution centres due to temperature fluctuations</li> <li>Equipment overheating resulting in failure for cold food storage, increased food waste and loss of revenue</li> <li>Increased insurance claims and premiums, and possible insurance limits and restrictions</li> </ul> <p><b>Customers</b></p> <ul style="list-style-type: none"> <li>Safety concerns at retail locations such as accessibility issues due to building damage, power outages and heat stress</li> <li>Damage may cause operational disruptions and store closures which can lead to reputational and consumer impacts (e.g. customers not getting essential supplies)</li> <li>Impacts on food availability and accessibility due to supply chain issues</li> <li>Increased spoilage of perishable foods if the electricity grid fails</li> </ul> <p><b>Teammates</b></p> <ul style="list-style-type: none"> <li>Environmental workplace health and safety hazards such as heat stress and dehydration, equipment overheating causing physical harm, and loss of labour productivity</li> <li>Limited accessibility to get to work due to climate related events in their communities</li> </ul>	<ul style="list-style-type: none"> <li>Climate Action Plan</li> <li>Refrigeration maintenance and conversions</li> <li>Energy efficiency</li> <li>Fleet electrification</li> <li>Capital investments in operational infrastructure</li> <li>Renewable energy</li> </ul> <ul style="list-style-type: none"> <li>Crisis Management Framework</li> <li>Emergency Event Guidelines</li> <li>Health and Safety Policies</li> <li>Advocacy with industry associations and organization</li> <li>Engagement with government</li> <li>Diversify our pool of suppliers</li> </ul>

<sup>7</sup> Sites include Empire and Sobeys Inc. grocery and related business banners in operation as of August 2022, including corporate and franchise sites. Excluding Farm Boy and Longo's, unless otherwise noted.

<sup>8</sup> Our estimates of the exposure to physical risks are determined using historical financial information at the property level, including the annual sales of each site as of the 2022 fiscal year-end and the insured value of the property, equipment, and inventory at each site as of August 2022, as well as the square footage of each property.

<sup>9</sup> Scenarios used: Chronic temperature rise - RCP4.5 and RCP8.5; Extreme heat - SSP1-2.6, SSP2-4.5 and SSP5-8.5; Extreme rain and flooding - SSP1-2.6, SSP2-4.5 and SSP5-8.5; Wildfires - RCP8.5; Hurricanes - RCP8.5. Where possible, Canadian specific modelling data was used.

<sup>10</sup> The RCPs and SSPs used for understanding changes in physical climate risks stem from the Intergovernmental Panel on Climate Change's Fifth Assessment Report published in 2011 (IPCC AR5) and their Sixth Assessment Reports published in 2013 (IPCC AR6)

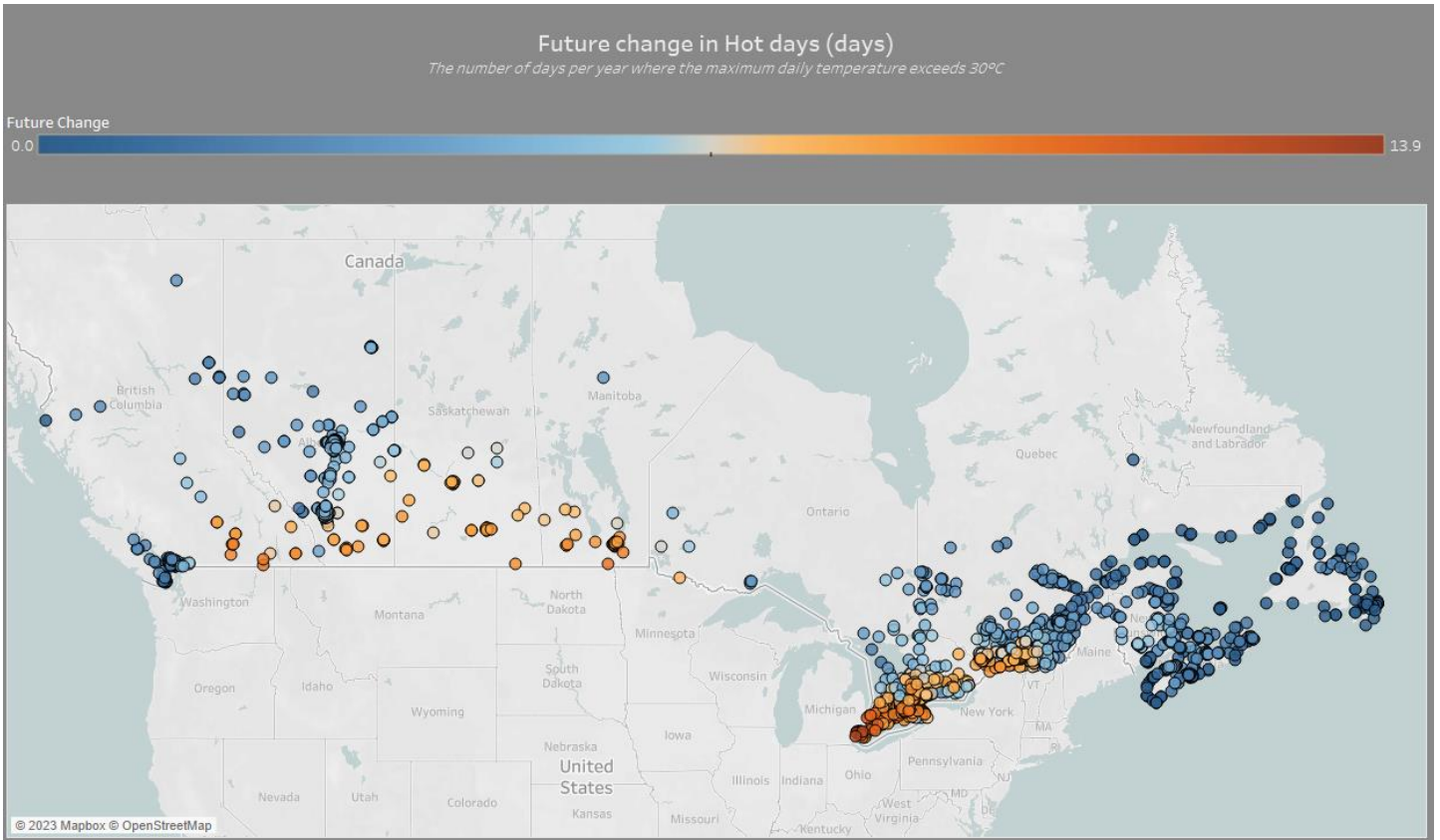
<sup>11</sup> Analysis considered baselines of historical information. The historical period is 2001-2020 for chronic temperature and wildfires; 1995-2014 for extreme heat and extreme rain. Historical exposures on sites are based on climate change model outputs, not our actual historical incidents.

<sup>12</sup> In its recommendations report, the TCFD identifies specific categories of physical and transition risks and opportunities.

## APPROACH (continued)

Our climate risk assessment identified extreme heat as a potential physical risk for our business. The figure below shows a 2030, 2°C scenario including acute extreme heat or ‘hot day’ frequency<sup>13</sup>. The number of predicted hot days over 30°C at our sites will vary based on location and could range from no change to up to 14 additional days of extreme heat impact compared to the 2001-2020 average. The greatest increases are predicted to occur across sites in southern Ontario (+14 days), British Columbia and Manitoba (both +10 days).

**Figure: Future Change in Hot Days**



### 2 Degree Scenario

Hot days can cause electricity failures and equipment overheating, resulting in food spoilage. They can also cause heat stress and other business interruptions for our customers and teammates. Our Climate Action Plan includes a range of mitigation and adaptation measures to prepare for increased extreme heat, including maintaining equipment, having robust crisis and business continuity plans, and an ongoing focus on health and safety management for teammates and customers.

Looking ahead, we will improve our climate mitigation and adaptation strategies through more analysis of physical risks. By deepening our understanding of the potential impacts of all chronic and acute physical risks, including extreme heat, rain and wildfire, we will continue to be equipped to take care of our customers, teammates and assets in the future.

<sup>13</sup> Extreme heat or hot day frequency is defined as the number of days per year exceeding the maximum daily temperature of 30 degrees Celsius.



## MITIGATION THROUGH OUR CLIMATE ACTION PLAN

One of the most important ways we are working to mitigate the physical risks of climate change is through implementing our [Climate Action Plan](#). We aim to reduce Scope 1 and 2 emissions by 2030 through projects to decarbonize our corporate stores, offices and warehouses. To achieve this, we are building on our Energy Efficiency Initiative, which was initiated in 2019 to reduce energy consumption at our sites. We are prioritizing energy efficiency projects and transitioning to refrigerants with low or no global warming potential (GWP) for all new stores and renovation projects beginning in fiscal 2024. We are also taking steps to:

 <p>Develop and mobilize a portfolio of renewable energy projects</p>	 <p>Electrify our fleet</p>	 <p>Support suppliers to set Scope 1 and 2 GHG emissions reduction targets</p>
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Efforts to reduce Scopes 1 and 2 also increase our resilience towards transition risks which are described below.

To learn more about this work, please read our [Fiscal 2023 Sustainable Business Report](#).

## ADAPTATION THROUGH CRISIS MANAGEMENT AND EMERGENCY EVENT GUIDELINES

Our Crisis Management Framework and Emergency Event Guidelines help us prepare for, identify, respond to, and recover from a crisis event efficiently and effectively. We have implemented a Crisis Management Framework to provide guidance across the business in the event of a crisis, which could include natural disasters such as hurricanes, blizzards and floods that may disrupt our store operations, back-office operations, and distribution. Each crisis scenario is assigned leads from the Crisis Management Team, Executive Committee, and core teams to lead the response to the event.

Our Emergency Event Guidelines outline the actions we take to mitigate and monitor emergencies. Each store has an emergency response plan on site. These guidelines are implemented by the Director of Operations, District Operator, maintenance solution centers and onsite staff.

Our annual maintenance audits are an opportunity to reassess our current building standards and consider whether there are additional opportunities for mitigation-based upgrades and redesign. Looking ahead, we will continue to develop specific plans to mitigate each of the physical risks considered in our scenario analysis.

## ADAPTATION THROUGH HEALTH, SAFETY & WELLNESS FOCUS

Nothing is more important to us than the health and safety of our teammates and the people we serve. To help ensure everyone is protected during extreme weather and heat events, we continue to focus on a range of initiatives including our Emergency Preparedness Program Standard, part of our Health and Safety Management System. The standard was last updated in 2022 and is revised as material changes occur. This program covers corporate procedures for all locations on emergency preparedness and how to deal with events such as tornadoes, hurricanes and floods. It is managed through our [Health, Safety & Wellness governance](#) structure, supported by interconnected committees, working groups and functional teams, and is communicated to every level of our business. This is in addition to our Health and Safety policy, which is updated annually and signed by our CEO, and issued to all corporate stores.

## Scenario Analysis: Transition Risks and Opportunities

### APPROACH

Our climate risk assessment process identified and prioritized the transition risks and opportunities selected for scenario analysis. We considered the 1.5-degree and 2-degree scenarios to assess four prioritized areas of transition risk and opportunity:

Refrigerants	<ul style="list-style-type: none"> <li>• Refrigerants contribute to climate change through leaks and energy use</li> <li>• There is policy pressure to transition away from use of refrigerants with high GWP</li> <li>• Protocols in development in Canada could lead to carbon offset opportunities for refrigerant conversions</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Electricity prices are likely to increase under Canada’s carbon-pricing scheme</li> <li>• There is opportunity to use government clean-energy incentives and power purchase agreements to reduce Scope 2 emissions</li> </ul>
Food Waste	<ul style="list-style-type: none"> <li>• Food waste contributes to upstream and downstream GHG emissions (including methane from landfills)</li> <li>• Reducing food waste and diverting it from landfills is key to reducing GHG emissions</li> </ul>
Climate Integration & Reporting	<ul style="list-style-type: none"> <li>• There is growing market and stakeholder demand on companies to demonstrate accountability and commitment to integrating climate action into business planning, processes and operational activities</li> <li>• More enhanced and mandatory climate reporting standards and regulations are emerging</li> </ul>

We assessed the level of impact of each transition risk and opportunity above in reference to categories in our ERM framework, which include finance, customer satisfaction and sales, reputation and operations.

Our [Climate Action Plan](#) is designed to meaningfully reduce our direct and indirect GHG emissions and to drive progress decarbonizing our business and value chain. The table below, which summarizes the first phase of our Climate Action Plan (fiscal years 2024-2026), outlines our approach to mitigating our four key areas of transition risk and opportunity. Beyond 2026 we will focus on scaling up successful pilot projects. Learn more about mitigation and adaptation approaches in our [Sustainable Business Report](#).

## Transition Risks, Potential Business Impacts and Mitigation and Adaptation Approaches

Transition Risks & Opportunities	TCFD Risk Alignment <sup>14</sup>	Potential Business Impacts	Mitigation and Adaptation Approaches “Our plan to get there (2024-2026)”
<b>Refrigerants</b>  Reduce Scope 1 emissions	<ul style="list-style-type: none"> <li>• Policy and Legal</li> <li>• Technology</li> <li>• Resource Efficiency</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>• Increasing regulations</li> <li>• Increased capital expenditure to replace refrigerant systems</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>• Reduced emissions</li> <li>• Reduced maintenance costs</li> <li>• Reduced energy costs</li> <li>• Reduced future carbon tax or offset costs</li> </ul>	<b>Real estate</b> <ul style="list-style-type: none"> <li>• Prioritize refrigeration energy efficiency projects and transition to refrigerants with low or no GWP for all new stores and renovation projects beginning in fiscal 2024</li> <li>• Further reduce our Scope 1 emissions by switching to lower carbon refrigerants, such as HFO blends</li> <li>• Reduce Scope 1 and 2 GHG emissions by 2030 in corporate stores, offices and warehouses</li> </ul>
<b>Renewable Energy</b>  Reduce Scope 2 emissions	<ul style="list-style-type: none"> <li>• Resource Efficiency</li> <li>• Energy Source</li> <li>• Resilience</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>• Increased initial capital expenditure on renewable energy projects</li> <li>• Increasing energy costs</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>• Reduced emissions</li> <li>• Reduced maintenance costs</li> <li>• Reduced energy cost</li> <li>• Reduced future carbon tax or offset costs</li> <li>• Access possible incentives</li> <li>• Boost brand reputation</li> </ul>	<b>Real estate</b> <ul style="list-style-type: none"> <li>• Reduce Scope 1 and 2 GHG emissions by 2030 in corporate stores, offices and warehouses</li> <li>• Reduce Scope 2 emissions through solar projects and other renewable energy projects</li> <li>• Develop and execute strategy for the purchase of “green electricity” through Power Purchase Agreements (PPAs)</li> </ul>
<b>Food waste</b>  Reduce Scope 3 emissions	<ul style="list-style-type: none"> <li>• Policy and Legal</li> <li>• Resource Efficiency</li> <li>• Reputation</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>• Increasing regulations</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>• Reduced emissions</li> <li>• Reduced operational and waste management costs</li> <li>• Boost brand reputation</li> </ul>	<b>Sourcing and merchandising</b> <ul style="list-style-type: none"> <li>• Reduce Scope 3 GHG emissions by 2025 through our food waste reduction strategy, which has three areas of focus: Prevent, Re-use and Redistribute, Alternatives to Landfill</li> <li>• We work with partners to reduce food waste in our stores and supply chain, ensure surplus food makes its way to the tables of families who are in need, and track food rescue and donation programs already in place at our stores across the country.</li> </ul>
<b>Climate integration and reporting</b>  (All scopes of emissions)	<ul style="list-style-type: none"> <li>• Policy and Legal</li> <li>• Reputation</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>• Failure to meet increasing climate related regulatory and reporting requirements can lead to fines, business disruption</li> </ul> <b>Opportunities</b> <ul style="list-style-type: none"> <li>• Boost brand reputation</li> <li>• Sustainable financing</li> </ul>	Includes all the work we are doing to monitor and prepare for emerging regulations and policies, to integrate mitigation into our operations and to share our progress

<sup>14</sup> In its [recommendations report](#), the TCFD identifies specific categories of physical and transition risks and opportunities.

## Climate Risks and Opportunities in Our Supply Chain

Given the immense challenge and opportunity we have to reduce Scope 3 emissions, which make up over 90% of our GHG emissions, deepening our understanding of climate risks and opportunities in our supply chain is critical to our work ahead. We aim to conduct a scenario analysis of commodity and supply chain impacts in a future phase.

In phase one of our Climate Action Plan we are taking steps to mitigate Scope 3 emissions through supplier engagement in collaboration with our sourcing and merchandising, and fuel functional teams.

### SOURCING AND MERCHANDISING - ENGAGING SUPPLIER PARTNERS

We have set a target for a minimum of 64% of our suppliers, by spend, to set science-based targets on their Scope 1 and 2 emissions by the end of calendar year 2027. We have partnered with the CDP Supply Chain program to provide practical resources to our supplier partners so they can measure and disclose their GHG emissions and have access to resources to support them with target-setting. To support the launch of CDP Supply Chain, in fiscal 2023 we ran Climate Action training with our supplier-facing teams in merchandising and strategic sourcing. Looking ahead, we will use data-driven insights to identify collaboration opportunities, prioritize suppliers for further engagement, and to improve Scope 3 measurement.

### FUEL SALES

Our goal is to reduce Scope 3 emissions from fuel sold at our filling stations by 28% by 2030. We are continuing to comply with the proposed National Clean Fuel Regulations which will enable us to achieve an estimated 12% reduction in emissions from fuel sold by 2030. Looking ahead, we plan to collaborate with our fuel suppliers to increase the availability of lower carbon-intensity fuel.

## Risk Management

Our Enterprise Risk Management (ERM) process ensures we evaluate and manage risks in a structured and consistent way at all levels of the organization.

In fiscal 2023, we conducted a refresh of our ERM framework and re-evaluated the risks deemed most material to our business. Climate change has increased in importance as a material ESG topic. Climate change is included within our risk register and will be considered for future risk assessments.

Our ESG Finance and Sustainability teams continuously monitor policy, legal and regulatory risks as it relates to climate change. This includes climate related laws, rules and regulations related to our business that could have a material impact on our reputation and financial results. Additionally, we work with numerous government bodies and trade associations to monitor emerging environmental regulations and policies that are expected to impact the retail industry in Canada, including the Retail Council of Canada (RCC), and Food, Health and Consumer Products of Canada (FHCP). Key risks have been, and continue to be, embedded in the business and strategy discussions at our Board and/or Committee meetings. Annually, our senior leadership team conducts a regular assessment of the company's effectiveness in managing existing and known risks along with an identification and discussion of new and emerging risks.

We conducted our inaugural climate risk assessment and scenario analysis as a first important step in integrating climate related risks into our strategic and financial planning. Building from this, we will further integrate climate change into our business strategy and decision making, striving to strengthen our performance and resilience.

## Metrics and Targets

As shared in the strategy section above, we've set clear, validated science-based targets to reduce our GHG emissions, making progress towards achieving net-zero Scope 1 and 2 emissions by 2040 and net-zero Scope 3 emissions by 2050.

### Climate Action Targets

Net-Zero Targets:	Near-Term Targets:	
<p>Achieve net-zero by 2040 for Scope 1 and 2 emissions (ahead of net-zero by 2050 and 1.5°C scenario)</p> <p>Achieve net-zero by 2050 for Scope 3 emissions</p>	<p>Scope 1 &amp; 2 (absolute target): We commit to reducing absolute Scope 1 and Scope 2 GHG emissions by a minimum of 55% by 2030 from a 2019 base year.</p> <p>Scope 3 (supplier engagement-based target): We also commit to reduce absolute Scope 3 GHG emissions from use of sold products by 28% within the same timeframe, and that 64% of our suppliers by emissions covering purchased goods and services will have science-based targets by 2027 (note that we have updated our supplier targets as an outcome of aligning with the SBTi).</p>	

We use the following metrics to measure our performance in managing climate-related risks and opportunities. Our 2019-2022 GHG inventory includes all Empire and Sobeys Inc. grocery and related business banners, offices and retail support centres.

### Climate-Related Goals and Metrics

Climate-related goal	Climate-related metric
Reduce operational Scope 1 emissions	Absolute Scope 1 GHG emissions in metric tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e).
	Scope 1 emissions sources encompass natural gas, propane and fuel oil used for heating and operations in our stores, retail support centres and offices, fuel from corporate and e-commerce fleet, and diesel in onsite generators.
	GHG emissions from refrigerants (Scope 1) in tCO <sub>2</sub> e. Scope 1 emissions from refrigerant leakage includes our corporate grocery sites where maintenance service providers are integrated with our maintenance tracking and data management system <sup>15</sup> .
Reduce operational Scope 2 emissions	Absolute Scope 2 GHG emissions in metric tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e).
	Scope 2 emissions source encompasses electricity consumption.
Reduce Scope 3 emissions in our extended value chain	Absolute GHG emissions from value chain (Scope 3) in tCO <sub>2</sub> e.
	Scope 3 emissions sources encompass purchased goods & services, capital goods, fuel and energy related activities (not included in Scope 1 or 2), upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, use of sold products, and franchises.
	Percentage of suppliers with science-based GHG emissions reduction targets.
	GHG emissions from fuels sold at filling stations in tCO <sub>2</sub> e.
	Metric tonnes of food waste generated per store square footage (intensity target).

To drive progress across our business, in fiscal 2023 we introduced an executive performance plan key performance indicator (KPI) in support of our Climate Action Plan targets and other key sustainability commitments, such as food and plastic waste reduction.

<sup>15</sup> As of 2022, refrigerant emissions data from certain banners such as Foodland and Needs was not available. We intend to improve the data collection process at these banners over the next year in order to include their refrigerant emissions going forward.

## Scope 1, 2 and 3 GHG Emissions, Trend Analysis and Performance Against Targets

We annually evaluate and improve our methodology on data collection process and calculations. This helps us to ensure that we are using the most complete data possible, continuously improving our accuracy, transparency, consistency and evaluating our future actions for data improvement year-over-year.

### Scope 1 and 2 Emissions:

As shown by our emissions summary table, we are making progress towards our targets to reduce Scope 1 and 2 emissions, demonstrating the impact of our ongoing investments in energy efficiency.

We continue to see a downward trend in combined Scope 1 and 2 emissions (reduction of 15% in calendar year 2022 compared to our 2019 base year), primarily due to reductions in Scope 2 emissions. These reductions were driven by:

- **Energy performance:** Overall energy consumption (natural gas and electricity) continues to decline due to energy efficiency projects across the business.
- **Grid Decarbonization:** Scope 2 emissions continued to decrease due to grid decarbonization, particularly in Alberta, Nova Scotia and Ontario.



The year-over-year fluctuation in Scope 1 emissions is driven primarily by fugitive emissions (refrigeration-related emissions) and mobile combustion emissions (fuel consumption in company owned vehicles). Data improvements in capturing refrigerant leakages and improving our methodology for data collection on fuel consumption for company-owned vehicles have impacted year-over-year values for Scope 1 emissions. Our focus on addressing refrigeration emissions and fleet electrification (amongst other fleet-related activities) will help to reduce Scope 1 emissions.

### Scope 3 Emissions:

Year-over-year Scope 3 emissions decreased by 6% from 2021 but have increased by 2% compared to our 2019 base year. Purchasing goods and services are our biggest drivers of emissions. We are continuously improving the accuracy of the data used to estimate emissions in this category. The fluctuation in the Scope 3 data is primarily due to an improvement in our methodology for estimating emissions, based on expenditure data. Our work with supplier partners through the CDP Supply Chain program will lead to a more granular understanding of Scope 3 emissions calculation and reduction opportunities in the coming years.



## Empire and Sobeys Inc. Estimated Emissions Summary (tonnes CO<sub>2</sub>e)<sup>16</sup>

Metrics <sup>16</sup>	CY 2019	CY 2020	CY 2021	CY 2022	Percent Change (CY 2022 compared to CY 2019)	Targets <sup>17</sup>
Total Absolute Scope 1 GHG emissions (tCO <sub>2</sub> e)	389,840	453,730	360,880	400,460	3% increase	Net-zero by 2040 Reduce absolute Scope 1 and Scope 2 GHG emissions by a minimum of 55% by 2030 from a 2019 base year 
Scope 1 emissions from refrigerants (tCO <sub>2</sub> e)	164,930	168,830	139,080	145,640	11.7% decrease	
Total Absolute Scope 2 GHG emissions (tCO <sub>2</sub> e) (location-based)	357,030	277,010	262,960	232,360	35% decrease	
Total Scope 3 GHG emissions (tCO <sub>2</sub> e)	23,411,010	23,323,400	25,333,500	23,912,430	2% increase	Net-zero by 2050 
Total Scope 1,2 GHG emissions (tCO <sub>2</sub> e)	746,870	730,740	623,840	632,820	15% decrease	-
Total Scope 1,2,3 GHG emissions (tCO <sub>2</sub> e)	24,157,880	24,054,140	25,957,340	24,545,250	2% increase	-
Scope 1 and 2 GHG intensity (kgCO <sub>2</sub> e/sq. ft)	32.5	30.1	26.4	26.4	18.8% decrease	-
Scope 3: Percentage of suppliers with science-based GHG emissions reduction targets on their Scope 1 and 2 emissions	N/A – new target tracked from 2022			Data not yet available	TBD in future reporting	Near-term target: (a) 64% of our suppliers, by spend, will set science-based reduction targets on their Scope 1 and 2 emissions in five years (by 2027);
				75%	n/a	(b) 75% of suppliers, by spend, engaged on CDP Supply Chain
Scope 3: Emissions from fuel sold	N/A – new target tracked from 2022			9%	n/a	28% emission reduction from fuel sold by 2030
Percentage decrease in surplus food generated per square foot in our retail stores (corporate and franchise stores), with a 2016 base year.	12%	24%	24%	32%	n/a	50% reduction in food waste in our operations by 2025

<sup>16</sup> We build our GHG inventory by using the GHG Protocol to define our organizational and operational boundaries and to determine the activities that contribute to our Scope 1, Scope 2, and Scope 3 emissions.

<sup>17</sup> Our 2030 absolute Scope 1 and 2 emission reduction targets, with a base year of 2019, are calculated using SBTi's absolute contraction approach. This approach estimates an equal annual rate of absolute emissions reduction until 2030. Our Scope 3 target is a supplier engagement-based target that covers two-thirds of our total Scope 3 emissions and includes all material Empire and Sobeys Inc Scope 3 emission sources.

## Looking Ahead: Our Focus in 2024 and Beyond

Building on years of foundational and planning work, in fiscal 2024 we will begin to implement the first phase of our Climate Action Plan and continue to drive resilience-building progress more broadly across our organization. We will continue to find ways to integrate climate risks and opportunities into our financial, business and stakeholder plans and processes, and strengthen our disclosures by aligning with emerging standards and regulations, such as those of the International Sustainability Standards Board (ISSB). Through key functional areas and working groups we will continue to develop and implement detailed climate transition plans and ensure our teammates are equipped to deliver on them.

We recognize that our journey will require ongoing commitment and significant effort. In particular, achieving our Scope 3 targets will require considerable involvement and commitment from all our customers, supplier partners and stakeholders. Climate change is a global challenge and tackling it will require a truly collective response. We look forward to sharing more about our collaboration and progress.





## Forward-Looking Information

This document contains forward-looking statements, which are presented for the purpose of assisting the reader to contextualize the financial position of Empire and Sobey's Inc. (the "Company") and understand management's expectations regarding its sustainable business program. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "estimates," "plans," "predicts," "anticipates," "forecasts," "expects," "believes," "intends," "could," "may," "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:

- Statements relating to climate and greenhouse gas emissions, including without limitation plans to achieve net-zero by 2040 for Scope 1 and Scope 2 emissions, and net-zero by 2050 for Scope 3 emissions; plans to reduce absolute Scope 1 and 2 emissions by a minimum of 55 per cent by 2030; expectations that 64 per cent of suppliers, by spend, will set science-based reduction targets on their Scope 1 and 2 emissions in five years; plans to reduce emissions from fuel sold by 28 per cent by 2030; all of which may be impacted by changes in renewable energy production, risks of defects from early adoption of technology, electricity grid decarbonization, economic conditions, availability of electric vehicles, political stance on emissions, supplier relationships and negotiation, carbon fuel supply and demand.
- Statements relating to the timing and completion of our Climate Action Plan, including without limitation plans to prioritize energy efficiency projects and transitioning to refrigerants with low or no GWP for all new stores and renovation projects beginning in fiscal 2024; plans to develop and mobilize a portfolio of renewable energy projects, electrify our fleet, and support suppliers to set Scope 1 and Scope 2 GHG emissions reduction targets; plans to reduce Scope 1 emissions by switching to biodiesel fuels and electric vehicles, plans to develop and execute a strategy for the purchase of green electricity through Power purchase agreements; plans to reduce Scope 3 GHG emissions through our food waste reduction strategy to reduce food waste by 50% by 2025; plans to collaborate with our fuel suppliers to increase the availability of lower carbon-intensity fuel, all of which may be impacted by changes in renewable energy production, risks of defects from early adoption of technology, electricity grid decarbonization, economic conditions, availability of electric vehicles, political stance on emissions, availability of and changes in government incentives, supplier and contractor relationships and negotiation, carbon fuel supply and demand, and implementation delays to certain initiatives highlighted in our [Climate Action Plan](#).

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors that 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 the fiscal 2023 annual Management's Discussion & Analysis (MD&A).

Although the Company believes the predictions, forecasts, expectations and 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.