2024 Climate-related Financial Disclosures Report

Taking Action on Climate Change

Taking real steps to tackle climate change is a priority for Empire and Sobeys Inc. We are making progress in implementing our Climate Action Plan, which includes science-based emissions reduction targets, demonstrating our commitment to support Canada's transition to a low-carbon economy.

We have implemented our Climate Action Plan: Phase 1, which runs from fiscal 2024 to fiscal 2026. Year one of our strategy has focused on taking steps to reduce Scope 1 and 2 emissions from our business by aggressively reducing emissions generated at our stores and warehouses. We have invested approximately $50 million in more than 500 carbon-reduction projects across our grocery stores, including:

- Eliminating the vast majority of ozone-depleting refrigerants in our corporate locations,
- Upgrading to high-efficiency HVAC systems,
- Installing artificial intelligence systems to monitor energy performance,
- Adding solar panels on selected offices.

The scale of decarbonizing our business and value chain is significant and will require transformational change. While our commitment is strong, our Climate Action Plan is dependent on geopolitical, economic, supply, regulatory, and other factors beyond the control of our business. We know we cannot achieve our Scope 3 emissions reductions alone. Collaboration, partnership, and action from suppliers, industry, government, and customers are needed to achieve a more sustainable and low- carbon future.

To learn more about how our Climate Action Plan connects with our broader sustainability strategy and approach, please read our Fiscal 2024 Sustainable Business Report.

Report Scope and Methodology

This climate scenario analysis included in this report covers Empire and Sobeys Inc. grocery and related business banners including corporate and franchise sites, excluding Farm Boy and Longo's. Greenhouse gas emission (GHG) data in this report is inclusive of all Empire and Sobeys Inc. grocery and related business banners[1]. Data reflects our fiscal 2024, from May 7, 2023, to May 4, 2024, unless otherwise stated. All data has been reviewed internally but has not been externally assured. Future state, we intend to engage a third-party provider to obtain limited assurance relating to our Scope 1 and 2 emissions to increase the credibility of our disclosed data, including completing an assessment-readiness process as an initial step.

This report includes disclosures aligned with and informed by the International Financial Reporting Standards (IFRS) S1 and S2, and the Task Force on Climate-related Disclosures (TCFD). The regulatory landscape related to ESG disclosures continues to evolve, and we monitor these changes to ensure alignment with the standards issued by the International Sustainability Standards Board (ISSB). Empire intends to align with the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (S1) and IFRS S2 Climate-Related Disclosures (S2) once they are endorsed by the Canadian Sustainability Standards Board (CSSB) and required by the Canadian Securities Administrators (CSA).

1. 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 2023 updates.

Our Approach to Addressing Climate Change

Governance

Our Climate Action Plan 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.

Board Oversight

Corporate Governance and Social Responsibility Committee

- Assisting the board in fulfilling its responsibilities as they relate to corporate governance and social responsibility
- Receiving and reviewing periodic reports on Empire's policies, activities, and progress pertaining to social responsibility initiatives, including sustainability, as well as updates on regulatory and general market developments relating to such matters
- Providing oversight over material ESG issues, including climate change

→ **Frequency**: Quarterly updates from the Senior Vice President, Legal and Sustainability

Audit Committee

- Assisting the board with oversight of policies and practices relating to integrity of financial and regulatory reporting and the enterprise risk management (ERM) framework and process
- Reviewing the applicable metrics and information contained in the Sustainable Business Report, including climate-related data
- Reviewing the status and adequacy of Empire's efforts to ensure our businesses are conducted and facilities operating in an ethical, legally compliant and socially responsible way

→ **Frequency**: This Committee reviews all material ESG metrics, including our greenhouse gas emissions, once per year

Management Oversight

Executive Leadership Team

Consisting of our CEO and senior executives, the Executive Leadership Team provides strategic input, oversight and approval on ESG issues, including climate change

→ **Frequency**: Received updates from the Senior Vice President, Legal and Sustainability at least twice per year

Sustainable Business Council (new in 2024)

- Building and driving accountability, including ensuring sustainability KPIs are integrated with functional teams
- Providing strategic direction on ESG activity and reporting
- Reviewing ESG performance
- Providing updates on corporate ESG-related commitments, reporting and emerging topics
- Aligning on ESG gaps and opportunities to address across functional teams

→ **Frequency**: Meets three times per year

Enablers

Initiative-Based Working Groups

We have established working groups that advance initiatives to achieve our Climate Action Plan:

- **Real Estate and Sustainability Working Group** (monthly) provides direction on how to implement and execute the Energy Management Program
- **Scope 1 and 2: Real Estate and Supply Chain & Logistics Working Group** (monthly) focuses on identifying, planning, and executing carbon abatement projects in our operations and transportation business
- **Scope 3 GHG Emissions Working Group** (bi-weekly) focuses on supplier engagement and collaboration to develop and deliver on Scope 3 emissions action plans
- **Fuel Working Group** (quarterly) focuses on collaborating with major fuel suppliers to reduce emissions beyond fuel regulations
- **GHG Tracking & Reporting Working Group** (as needed) focuses on measuring, managing and reporting annual GHG emissions, with documented controls on data, forecasting, and tracking

Functional Teams

These teams include individuals representing the core functional areas who participate in the working groups:

- Sustainability
- Real Estate
- Supply Chain & Logistics
- Voilà
- Strategic Sourcing
- Sourcing and Merchandising
- Convenience & Fuel
- ESG Finance
- Own Brands
- Learning & Development (HR)

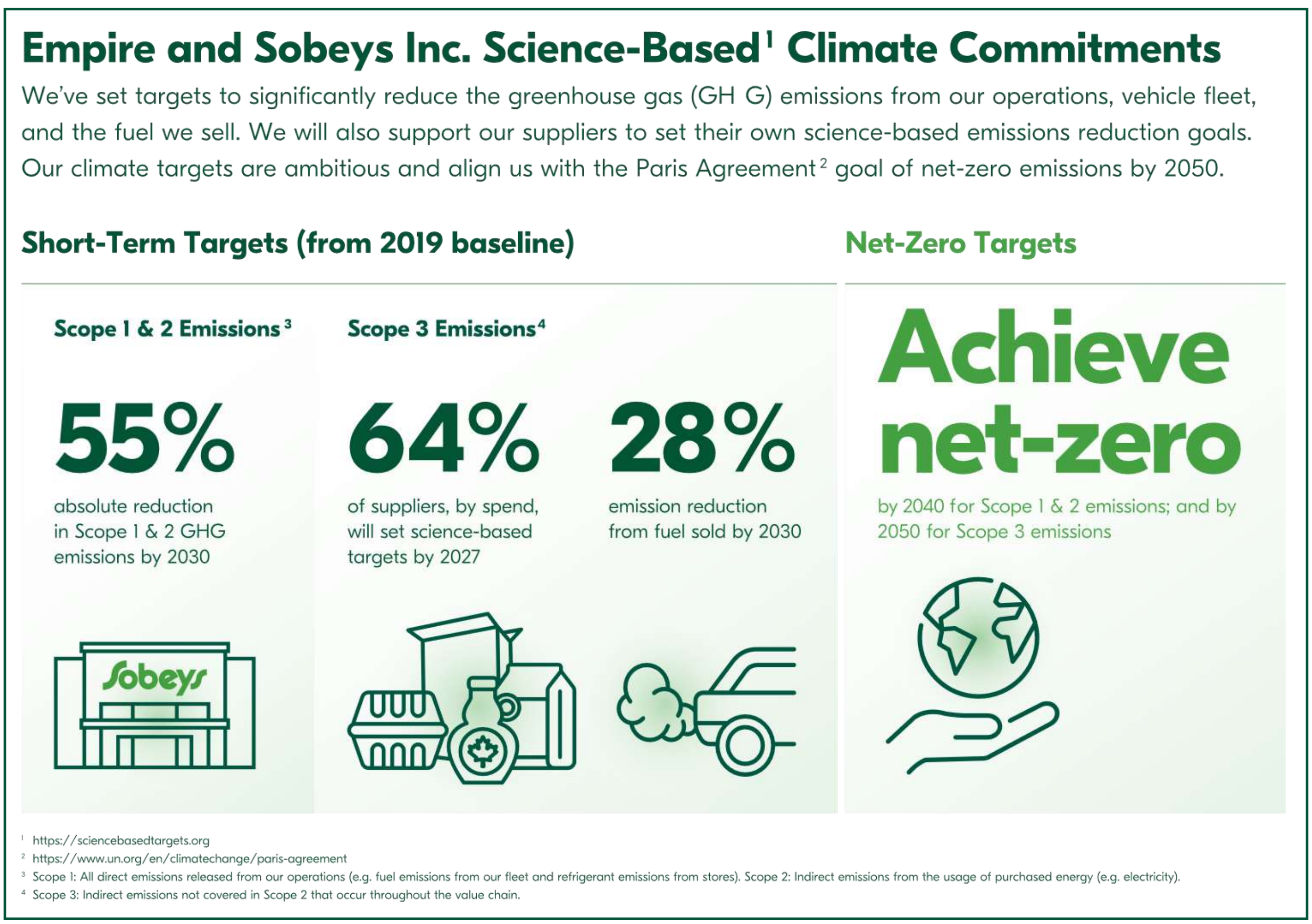
We are also supported by external consultants and subject matter experts

To learn more about our overall sustainability governance at Empire, please read our Fiscal 2024 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 in our most recent materiality assessment, which informs our understanding of the environmental, social, and governance (ESG) issues that are most important to our stakeholders and will influence business success. In particular, stakeholders are interested in the steps we are taking to prepare for, adapt to, and mitigate against climate-related risks.

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.



[Graphic source: https://sobeyssbreport.com/wp-content/uploads/2023/07/Climate_Action_Plan_Overview__EN.pdf]

Climate Risk Assessment

We will explore ways to update the climate risk assessment for our operations in fiscal 2025. Our most recent assessment, conducted in 2022, involved three key steps[2]:

Scanning for Risks & Opportunities	**Assessing the Exposure** of our Assets & Business Areas	**Evaluating Impacts** on our operations, people, and value chain

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. These risks are further described in the table Physical Risks, Potential Business Impacts, and Mitigation and Adaptation Approaches below. We assessed these impacts in alignment with our Enterprise Risk Management (ERM) framework.

We utilized scenario analysis 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[3]. 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[4]. Through the climate risk assessment, we identified a range of physical risks facing our business, including extreme heat, extreme weather events, and wildfires. We also identified transition risks related to refrigerants, renewable energy, food waste and climate integration and reporting. See the sections Scenario Analysis: Physical Risk, and Scenario Analysis: Transition Risks and Opportunities, below, for more information on our findings and actions to mitigate and adapt.

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.

<table>
<tr><th colspan="4">Climate Impact Mitigation Focus Areas</th></tr>
<tr><td>Real Estate</td><td>Supply Chain & Logistics</td><td>Sourcing and Merchandising</td><td>Fuel Sales</td></tr>
<tr><td>Reducing Scope 1 and 2 emissions related to our use of refrigerants and energy, including renewable energy</td><td>Reducing Scope 1 and 2 fleet emissions for transportation from distribution centres to stores, including our e-commerce fleet</td><td>Reducing Scope 3 emissions from purchased goods and services and supplier transportation and associated distribution, as well as emissions from food waste</td><td>Reducing Scope 3 emissions from fuel sold at Empire's filling stations</td></tr>
<tr><td colspan="4">Climate Integration and Reporting
Includes all the work we are doing to integrate mitigation into our operations and share our progress</td></tr>
</table>

2. 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.
3. Medium (5 to 10 years) and long-term (10 to 30 years) time horizons were considered for the physical and transitional risk assessment
4. 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 2012 (IPCC AR5) and their Sixth Assessment Reports published in 2021 (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[5]. 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[6,7,8,9]. 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 & Adaptation Approaches

Physical Risks[10]	Potential Business Impacts	Mitigation & Adaptation Approaches

Chronic Physical Risk
• Chronic temperature rise
 	
Acute Physical Risks
• Extreme heat (see figure below)
• Extreme rain and flooding
• Wildfires
• Hurricanes
	Physical Sites
	• Loss of sales due to business disruptions (e.g. electricity grid failure) and temporary and permanent closure of affected stores and distribution centres
	• Physical damage or loss of property, with costs associated with repair or rebuild of affected buildings and equipment
	• Increased costs to redesign and retrofit stores and warehouses to better withstand more frequent and severe weather events
	• Loss of perishable and non-perishable goods due to emergency events where evacuation and redistribution of goods is not safe or possible
	• Disruption to HVAC and refrigeration systems where temperatures exceed their design capacity
	• Increased maintenance requirements for buildings and equipment (e.g. HVAC)
	• Increased operational costs of air conditioning and temperature moderation in retail stores and distribution centres due to temperature fluctuations
	• Equipment overheating resulting in failure for cold food storage, causing increased food waste and loss of revenue
	• Increased insurance claims and premiums, and possible insurance limits and restrictions
	
	Customers
	• Safety concerns at retail locations such as accessibility issues due to building damage, power outages and heat stress
	• Damage-related operational disruptions and store closures, leading to reputational and consumer impacts (e.g. customers not getting essential supplies)
	• Decreased food availability and accessibility due to supply chain issues
	• Increased spoilage of perishable foods due to electricity grid failure
	
	Teammates
	• Environmental workplace health and safety hazards such as heat stress and dehydration, equipment overheating causing physical harm, and loss of labour productivity
	• Difficulty getting to work due to climate-related events in their communities
		• Climate Action Plan
		  o Refrigeration maintenance and conversions
		  o Energy efficiency
		  o Fleet electrification
		  o Capital investments in operational infrastructure
		  o Renewable energy
		
		• Crisis Management Framework
		• Emergency Event Guidelines
		• Health and Safety Policies
		• Advocacy with industry associations and organization
		• Engagement with government
		• Diversifying our pool of suppliers

5. 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.
6. 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.
7. 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.
8. 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 2013 (IPCC AR5) and their Sixth Assessment Reports published in 2021 (IPCC AR6)
9. 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.
10. In its recommendations report, the TCFD identifies specific categories of physical and transition risks and opportunities.

APPROACH (continued)

Our climate risk assessment also identified extreme heat as a potential physical risk for our business. For more information on this risk and our management approach, see our 2023 TCFD Report.

MITIGATION THROUGH OUR CLIMATE ACTION PLAN

One of the most important ways we are working to mitigate the physical risks of climate change is by implementing our Climate Action Plan. We have implemented our Climate Action Plan: Phase 1, which runs from fiscal 2024 to fiscal 2026. Year one of our strategy has focused on taking steps to reduce Scope 1 and 2 emissions from our business by aggressively attacking emissions generated at our stores and warehouses. We have invested approximately $50 million in more than 500 carbon-reduction projects across our grocery stores, including eliminating the vast majority of ozone-depleting refrigerants in our corporate locations, upgrading to high-efficiency HVAC systems, installing artificial intelligence systems to monitor energy performance, and adding solar panels on selected offices. We will continue to aggressively pursue scope 1 emissions reduction drivers in the mechanical rooms of our stores in fiscal 2025. To learn more about this work, please read our Fiscal 2024 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 centres 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 2023 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 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 is 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	• Refrigerants contribute to climate change through leaks and energy use • There is policy pressure to transition away from use of refrigerants with high GWP • Protocols in development in Canada could lead to carbon offset opportunities for refrigerant conversions
Renewable Energy	• Electricity prices are likely to increase under Canada's carbon-pricing scheme • There is opportunity to use government clean-energy incentives and power purchase agreements to reduce Scope 2 emissions
Food Waste	• Food waste contributes to upstream and downstream GHG emissions (including methane from landfills) • Reducing food waste and diverting it from landfills is key to reducing GHG emissions
Climate Integration & Reporting	• 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 • More enhanced and mandatory climate reporting standards and regulations are emerging

We assessed the level of impact of each transition risk and opportunity above in reference to categories in our Enterprise Risk Management (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 & Opportunities, Potential Business Impacts, and Mitigation and Adaptation Approaches

Transition Risks & Opportunities	Potential Business Impacts	Mitigation & Adaptation Approaches “Our plan to get there (2024-2026)”
Refrigerants Reduce Scope 1 emissions	**Risks** • Increasing regulations • Increased capital expenditure to replace refrigerant systems **Opportunities** • Reduced emissions • Reduced maintenance costs • Reduced energy costs • Reduced future carbon tax or offset costs	**Real Estate** • Prioritize refrigeration energy-efficiency projects and transition to refrigerants with low or no GWP for all new stores and renovation projects • Further reduce our Scope 1 emissions by switching to lower-carbon refrigerants, such as HFO blends • Reduce Scope 1 and 2 GHG emissions by 2030 in corporate stores, offices, and warehouses
Renewable Energy Reduce Scope 2 emissions	**Risks** • Increased initial capital expenditure on renewable energy projects • Increasing energy costs **Opportunities** • Reduced emissions • Reduced maintenance costs • Reduced energy costs • Reduced future carbon tax or offset costs • Access to possible incentives • Boosted brand reputation	**Real Estate** • Reduce Scope 1 and 2 GHG emissions by 2030 in corporate stores, offices, and warehouses • Reduce Scope 2 emissions through solar projects and other renewable energy projects • Develop and execute strategy for the procurement of renewable energy
Food Waste Reduce Scope 3 emissions	**Risks** • Increasing regulations **Opportunities** • Reduced emissions • Reduced operational and waste management costs • Boosted brand reputation	**Sourcing & Merchandising** • Reduce Scope 3 GHG emissions by 2025 through our food waste reduction strategy, which has three areas of focus: Prevent, Reuse and Redistribute, Alternatives to Landfill • 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
Climate Integration and Reporting (Reduce all scopes of emissions)	**Risks** • Failure to meet increasing climate-related regulatory and reporting requirements can lead to fines, business disruption **Opportunities** • Boosted brand reputation • Sustainable financing	• 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

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, an organization that manages the global environmental disclosure system, 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 April 2023 we ran climate action training with all our supplier-facing teams in merchandising and strategic sourcing. Since then, more than two thirds of requested suppliers have submitted climate data, with 44 suppliers reporting to CDP for the first time in fiscal 2024. We are ahead of our forecasted milestone for the percentage of our suppliers with science-based targets after one year of tracking. More than half of the suppliers that have reported have a science-based target and approximately 25% of suppliers have GHG targets that are not science-based. Looking ahead, we anticipate improvements to the CDP Supply Chain platform as an outcome of system upgrades into fiscal 2025, improving user experiences while also providing more detailed reports.

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. Climate change is included within our risk universe and will be considered in future risk assessments.

Our ESG Finance and Sustainability teams continuously monitor policy, legal, and regulatory risks as they relate 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 & 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 identification and discussion of new and emerging risks.

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:
Achieve net-zero by 2040 for Scope 1 and 2 emissions (ahead of net-zero by 2050 and 1.5°C scenario) Achieve net-zero by 2050 for Scope 3 emissions	Scope 1 & 2 (absolute target): We commit to reducing absolute Scope 1 and Scope 2 GHG emissions by 55% by 2030 from a 2019 base year. Scope 3 (supplier engagement-based target): We commit to reducing absolute Scope 3 GHG emissions 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).

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 (tCO2e) 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 tCO2e 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[11]
Reduce operational Scope 2 emissions	Absolute Scope 2 GHG emissions in metric tonnes of carbon dioxide equivalent (tCO2e) 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 tCO2e Scope 3 emissions sources encompass purchased goods and 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 tCO2e
	Metric tonnes of food waste generated per store square footage (intensity target)

In fiscal 2024, we continued to use DE&I key performance indicators (KPI) to build broad leadership accountability for DE&I across all teams and banners. For leaders and teammates eligible for our profit-sharing plan, we use KPIs in support of our Climate Action Plan targets and other key sustainability commitments, such as food and plastic waste reduction.

[11] 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 for collecting and assessing GHG emissions data, continuously improving our accuracy, transparency, and consistency, then evaluating future actions for improvement.

As our emissions summary table shows, we continue to make progress reducing GHG emissions thanks to ongoing investments in energy efficiency and work with our supplier partners. Scope 1 and 2 emissions are almost 27% lower compared to our 2019 base year, primarily thanks to reductions in Scope 2 emissions.

Scope 1 and 2 Emissions:

Key Factors Driving Reductions:

- **Energy Efficiency:** Improved energy consumption in retail locations due to energy efficiency projects and optimization of corporate site areas.
- **Fleet Efficiency:** Reduced fuel usage in our fleet due to better efficiency using strategic fleet planning and management tools.
- **Grid Decarbonization:** Significant reductions in carbon emissions from electricity use due to cleaner energy sources being added to the electrical grid. For instance, Alberta and Nova Scotia have been incorporating more renewable energy sources including wind and solar, lowering the overall carbon intensity of the electricity we use and contributing to a 4% reduction in Scope 2 emissions.

Key Factors Driving Increase:

- **Refrigeration:** Overall, emissions rose by 4.5% compared to last year due to increased refrigerant system maintenance and improvement of data systems and tracking in stores, leading to better leak detection. However, in retail sites where we have had conversions from high global warming potential (GWP) refrigerants, have lowered emissions by approximately 3%. As we continue to convert high GWP refrigerants to low GWP refrigerants, we expect to see further reductions in emissions.
- **Organic Growth:** The expansion of our e-commerce business, Voilà, particularly associated with the growth of the delivery fleet.

Scope 3 Emissions:

Scope 3 emissions increased by 5% from 2022 and decreased by 1.1% compared to our 2019 base year. Purchased 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. 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.

Key Factors Driving Increases:

- **Purchased Goods and Fuel Sold:** These categories are the biggest drivers, accounting for most of the growth in our total Scope 3 emissions this year due to organic growth.

Key Factors Driving Decrease:

- **Capital Goods:** Lower spending on capital goods, such as equipment used in offices, warehouses, and stores.
- **Transportation:** Increased efficiency in our use of third-party transportation.

Empire & Sobeys Inc. Greenhouse Gas Emissions

Scope	2023	2022	2019	% difference (2023-2022)	% difference (2023-2019)
Scope 1	336,560	340,790	396,300	-1.2%	-15.1%
Scope 2	215,360	232,360	357,030	-7.3%	-39.7%
Scope 3	18,281,310	17,414,110	18,478,700	5 %	-1.1%
Total Scope 1,2	551,920	573,150	753,330	-3.7%	-26.7%
Scope 1 & 2 Intensity (kgCO2e/sq ft)	23.2	23.9	32.8	-3.2%	-29.4%

Looking Ahead

In fiscal 2025 we will continue to implement our Climate Action Plan and to build climate risk mitigation and adaptation resilience 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 explore ways to strengthen our disclosures by aligning with emerging standards and regulations.

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 Sobeys 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% by 2030; expectations that 64% of suppliers, by spend, will set science-based reduction targets on their Scope 1 and 2 emissions by the end of calendar 2027; plans to reduce emissions from fuel sold by 28% by 2030; plans to pursue limited assurance of our Scope 1 and 2 GHG emissions data; plans to continue to aggressively pursue scope 1 emissions reduction drivers in the mechanical rooms of our stores in fiscal 2025; initiatives planned for fiscal 2025 including plans for refrigeration system upgrades to reduce energy consumption and emissions related to refrigerant leaks, plans to complete more HFC to HFO gas replacement projects; plans for solar projects and EV charging station expansion, and plans to initiate an RSC energy-efficient program focusing on HVAC upgrades; plans for ongoing lighting retrofits, upgrades to HVAC controllers, and variable speed HVAC motor systems installations; and deploying AIML (Artificial Intelligence and Machine Learning) technologies to support a number of conservation measures in corporate stores across Canada.

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. These risks include supplier relationships and negotiations, supply chain disruptions, customer behaviour, and resource capacity. 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 2024 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.