

FOR IMMEDIATE RELEASE

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Empire launches major transformation initiative to simplify its business, unlock national scale and significantly reduce costs

Company to deliver \$500 million in annualized savings by 2020

Stellarton, NS – Empire Company Limited (“Empire”) today launched ‘Project Sunrise’, a major transformation initiative that will deliver \$500 million in annualized savings by the end of fiscal 2020. This significant cost reduction will allow Empire to reinvest in its business and grow its sales and bottom line.

“We have an aggressive goal to transform our organization, better serve our customers, empower our employees and assuredly move from defense to offense in the market. To do this we need to unleash the talents and scale we already have at our disposal,” said Michael Medline, President & CEO. “The future Sobeys will operate with a simpler, leaner structure, more efficient core processes and tools and will better leverage its \$24 billion national scale. This will free us up to be extremely nimble, thrill our customers and grow market share. Results of this transformation will take time, but we are committed to seeing them through given the compelling prize.”

The \$500 million in annualized cost savings will come from:

- Collapsing multiple, independent regions into a largely national, functionally-led structure. This will simplify the way the company conducts business and will result in a reduced workforce;
- Simplifying how the company collaborates with vendors while leveraging its purchasing scale as a \$24 billion national company; and
- Driving enterprise-wide efficiencies and productivity initiatives.

Empire has laid out a comprehensive three-year plan for the transformation. The plan is a clear response to Empire’s business performance over the past 18 months as well as Mr. Medline’s observations since joining Empire that the company needed to change its trajectory, including re-engaging with customers and making difficult decisions that had not been made in the past.

Starting immediately, the company will move to restructure the organization. This important work will clarify role accountabilities while eliminating cumbersome regional duplication and complexity in decision making and operations. The changes will focus on office staff only; front-line store employees and distribution centres will not be impacted.

Initial results from this transformational initiative are not expected to be reflected until the end of calendar 2017.

“We understand and appreciate the impact that change of this magnitude will have on our employees, but are committed to moving with unprecedented velocity to make tough decisions and execute changes while not putting service to our customers at risk,” said Mr. Medline. “We have been very careful to balance significant change to our organization with awareness of the risks associated with a major transformation. We will focus on making these bold changes while at the same time ensuring we stabilize performance, particularly in Western Canada.”

In order to support the transformation and realize \$500 million in cost savings, management expects to record significant one-time costs in adjusted earnings for severance, relocation, retraining, minor systems development, and third-party support. These initial one-time costs will begin to be expensed in the fourth quarter of fiscal 2017 with the majority of the costs expensed in the first half of fiscal 2018 and some additional costs through the remainder of fiscal 2018. Further details on these costs will be communicated as part of the company’s fourth quarter financial release in June.

Today, Mr. Medline is pleased to announce the company’s new, largely national and functionally-led organizational structure and leadership appointments. The appointments are a mix of top internal candidates and new additions to the team. Effective immediately, the following individuals will report to Mr. Medline:

- Jason Potter has been appointed Executive Vice President, Operations, which establishes a single role responsible for driving in-store execution and efficiency across grocery banners and regions, leading to a consistent and significantly improved customer experience.
- Lyne Castonguay has been appointed Executive Vice President, Merchandising, to take responsibility for determining the suite of products and programs the company offers to drive gross margin across grocery banners and regions.
- Pierre St-Laurent has been appointed Executive Vice President, Quebec. Recognizing the unique aspects of the company’s business in this province, the Quebec business will retain responsibility for Operations, Merchandising and Marketing. Mr. St-Laurent will work closely with Ms. Castonguay and Mr. Potter to ensure consistent processes, ways of working and one voice to vendors nationally.
- Vivek Sood has been appointed Executive Vice President, Related Businesses, to facilitate a sharp focus on the Pharmacy, Wholesale, Fuel, Convenience and Liquor businesses in their entirety.
- Rob Adams will remain General Manager, Discount Format, and will report directly to the CEO while Empire determines its future discount strategy.

- The role of Marketing has been elevated to report to the CEO with national responsibility and a dedicated team to reflect the emphasis placed on the voice of the customer, brand management and digital innovation. The company is currently conducting an external search to fill this role.

In addition to the leadership roles noted above, the following functions will also report to Mr. Medline and provide national, business-wide support.

- As previously communicated, Michael Vels will join the company as Executive Vice President & Chief Financial Officer on June 12.
- Clinton Keay will assume the role of Executive Vice President, Technology and Lead of the company's Transformation Office.
- Simon Gagné will continue to oversee all of Sobeys people programs, policies and support practices as Executive Vice President, Human Resources.
- Karin McCaskill will continue to serve as Senior Vice President, General Counsel and Secretary.
- Sangeetha Chandru will continue to serve as Vice President, Corporate Strategy.

"Our new structure reflects a manifest change for the business," said Mr. Medline. "We have made deliberate choices throughout. For example, we are elevating key functions, such as marketing, in order to more effectively communicate with our customers. We are balancing potential risk to our unique Quebec and Discount businesses by keeping them distinct, while harmonizing the way they operate nationally. We are ensuring focus on the core grocery business by separating out related businesses, like pharmacy and fuel, into a distinct functional structure."

The appointment of these leaders represents the beginning of a broader organizational design process. Company leaders will be responsible for designing and staffing their teams in cascades through the balance of the year.

Decisions regarding where functional teams will be located will be determined through the organizational design process; however, the company expects to maintain its major offices across the country, including a significant and ongoing presence in Stellarton, Nova Scotia where the company remains headquartered.

François Vimard, Executive Vice President, will retire after a distinguished 22-year career with the company, including as Interim President & CEO.

Yves Laverdière, President, Quebec business unit will also retire from the company following 21 years helping to build the IGA business into Quebec's leading food retailer.

Empire and its employees are grateful for the dedication and service of both Mr. Vimard and Mr. Laverdière and the roles they have played in helping to grow the company over the past two decades.

Beth Newlands Campbell, who served as President, Atlantic/Ontario business unit, will leave the organization in June. The company thanks Ms. Newlands Campbell for her leadership over the past 18 months with the company.

FORWARD-LOOKING INFORMATION

This document 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.

By its very 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 the company's Annual Information Form and Annual Management's Discussion and Analysis.

Although the company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Forward-looking statements do not take into account the effect of transactions occurring after the statements have been made on the company's business. The forward-looking information in this document reflects the company's current expectations and is subject to change after this date. 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.

ABOUT EMPIRE

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing and related real estate. With approximately \$24 billion in annualized sales and \$8.7 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 125,000 people.

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website at www.empireco.ca or on SEDAR at www.sedar.com.

ABOUT SOBEYS

Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. A wholly-owned subsidiary of Empire Company Limited (TSX: EMP.A), Sobeys owns or franchises approximately 1,500 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, and Lawton's Drug Stores as well as more than 350 retail fuel locations. Sobeys, its franchisees and affiliates employ more than 125,000 people. The company's purpose is to help Canadians Eat Better, Feel Better and Do Better. More information on Sobeys Inc. can be found at www.sobeyscorporate.com.

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