



**GROCERY  
OUTLET**  
*bargain market®*

# ESG REPORT

## 2022





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## DEAR VALUED STAKEHOLDERS,

I am proud to present our first annual Environmental, Social and Governance (ESG) Report, highlighting various initiatives and accomplishments of Grocery Outlet in fiscal year 2022.

At Grocery Outlet, we believe that our long-term success is naturally aligned with our ability to positively impact our communities, our people and our planet. Our mission of *Touching Lives for the Better* has been core to the business from the start, and fulfilling this purpose has resulted in positive environmental and social impacts throughout our 77-year history. We are excited to touch even more lives for the better as we grow.

In fiscal year 2022, we embarked on a journey to document and amplify the positive ESG benefits inherent to our business. As part of this process, we have developed a holistic ESG strategy that aligns with our unique model, and we have set ESG goals to incentivize and track our progress.

We define our ESG strategy by seven key impact areas (detailed more fully throughout this report):

- **Saving Customers Money.** Our discounts and bargains save customers money – 40% over conventional grocers on average – enabling them to save for life’s other expenses.

- **Providing Affordable Quality Food.** We increase food access in our communities by providing customers with affordable quality food from trusted, name-brand suppliers.

- **Giving Back.** We partner with our Independent Operators (IOs) to give back to our communities by supporting food banks, educational programs and other initiatives that uplift and empower those in need.

- **Providing Opportunities for IOs.** We create unique opportunities for IOs to be local business owners and entrepreneurs.

- **Providing Opportunities for Employees.** Our focus on our values and culture, as well as our equity, diversity and inclusion (ED&I) initiatives, help us create opportunities for our employees to grow and thrive.

- **Reducing Food Waste.** We believe our opportunistic sourcing model enables us to reduce food waste in partnership with our suppliers and IOs.

- **Improving Operational Efficiency.** By improving operational efficiency, we strive to reduce our environmental impacts on energy use, food waste and carbon emissions.

We appreciate the opportunity to document our ESG progress and to highlight the path ahead. We are committed to continuously exploring innovative ways to enhance the positive impact that Grocery Outlet has on our communities, our people and our planet. Thank you for your trust and ongoing support as we continue to fulfill our mission of *Touching Lives for the Better*.



**RJ Sheedy**  
President & Chief Executive Officer

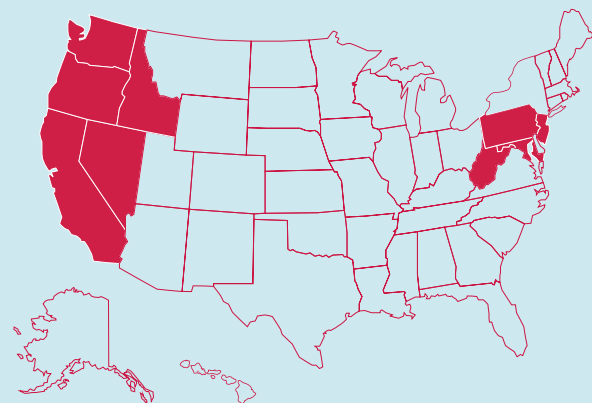


“We are committed to continuously exploring innovative ways to enhance the positive impact that Grocery Outlet has on our communities, our people and our planet.”

- RJ SHEEDY

# About Grocery Outlet

Based in Emeryville, California, Grocery Outlet is a high-growth, extreme value retailer of quality, name-brand consumables and fresh products sold through a network of independently operated stores. Our opportunistic buying model allows us to offer products at deep discounts while reducing waste. Grocery Outlet has more than 440 stores in California, Washington, Oregon, Pennsylvania, Idaho, Nevada, Maryland and New Jersey.



## 2022 HIGHLIGHTS<sup>1</sup>

### CUSTOMER SAVINGS

**40%**  
savings over conventional grocer prices on average

**40-70%**  
savings offered on WOW! items

**\$2.4B**  
estimated savings passed on to customers<sup>2</sup>

### COMMUNITY

**1.25M**  
meal equivalents donated through Independence from Hunger

### PRODUCTS

**5,000+**  
SKUs available weekly in stores

### OPPORTUNITIES

**425+<sup>3</sup>**  
Independent Operators supported network-wide

**50**  
entrepreneurial opportunities created in new and existing Grocery Outlet stores in 2022

### PEOPLE

**90%+**  
participation in our first annual employee engagement survey

### ENVIRONMENT

**98%+**  
of stores use timed lighting and heating systems to lower energy consumption

### COMPANY PERFORMANCE

**\$3.6B**  
net sales

**441**  
stores

As used in this report, references to "Grocery Outlet," "we," "us," "Company" and "our" refer to Grocery Outlet Holding Corp. and its subsidiaries.

### FORWARD-LOOKING STATEMENTS

This 2022 ESG Report contains "forward-looking statements" that reflect our current views about future events and involve known risks, uncertainties and assumptions that may cause our actual results to differ materially from those expressed or implied by those forward-looking statements. Unless otherwise indicated or the context otherwise requires, information in this 2022 ESG Report is for our 2022 fiscal year ended December 31, 2022. Examples of forward-looking statements in this report include but are not limited to estimated savings passed to customers, employee development, and future ESG strategy and initiatives.

### NOTE ON MATERIALITY

The issues, statements, and data included in this report are being provided because we believe they may be topics of interest to our stakeholders. Our inclusion of these issues, statements, and data is not intended to convey that we believe our efforts in these areas, or the associated metrics, although important to us, meet the definition of "materiality" as defined under the securities and other laws and the applicable regulations thereunder, including for financial reporting, filings with the U.S. Securities and Exchange Commissions.

### DATA

Certain information is based on third-party information and projections from sources that management believes to be reputable, although we have not independently verified such information. See [Appendix](#) for additional information on carbon emissions data.

- 1 All highlights are at end of fiscal 2022 except where otherwise noted.
- 2 Calculated using 2022 Net Sales and an estimated delivered savings of 40% compared with conventional grocery stores and based on Grocery Outlet's pricing research.
- 3 A small number of IOs operate multiple stores. Three stores are operated by Grocery Outlet.



# OUR EVOLUTION



**NOSH:** Natural, Organic, Specialty, Healthy  
**TLF:** Touching Lives Foundation  
**IFH:** Independence from Hunger

# OUR ESG STRATEGY

Grocery Outlet's ESG strategy centers around our mission of *Touching Lives for the Better*, for our Communities, our People and our Planet. In our Communities, we save customers money, increase food access and partner with our IOs to give back and enrich the communities we serve. We serve our People by providing entrepreneurial opportunities and support to local IOs, and by empowering our employees with growth and development opportunities. For our Planet, we reduce food waste and energy use through our opportunistic sourcing model, supplier partnerships and collaboration with IOs.

While ESG efforts are naturally embedded in most areas of our company, in 2022, we conducted our first ESG Materiality Assessment to help identify and prioritize the ESG topics of greatest importance to both our stakeholders and to our long-term business success. These topics are the focus of Grocery Outlet's ESG strategy and are covered in detail in this report. See [page 20](#) for more information about the assessment process and our material topics.

Grocery Outlet's ESG strategy aligns with several of the United Nations Sustainable Development Goals (UN SDGs):



## OUR MISSION

*Touching Lives for the Better*

## OUR VALUES

Entrepreneurship • Achievement • Diversity • Fun  
Integrity • Family • Service

### IMPACT OUR COMMUNITIES



Saving Customers Money



Providing Affordable Quality Food



Giving Back

### IMPACT OUR PEOPLE



Providing Opportunities for Operators



Providing Opportunities for Employees

### IMPACT OUR PLANET



Reducing Food Waste



Improving Operational Efficiency





# Community

Grocery Outlet Independent Operators (IOs) are deeply rooted in their local communities and have no shortage of creative and exciting way to help those communities thrive.

“A lot of people, including myself, are trying to make wise choices about money. It is so important to get the most out of our dollars, so I always recommend Grocery Outlet to friends and family!”

- GROCERY OUTLET CUSTOMER

## SAVING CUSTOMERS MONEY

As an extreme-value grocery retailer, we are proud of our ability to help customers across all income levels stretch their dollars further. By offering customers 40% compared to conventional grocery retailers and 20% compared to other discount grocery options, we help keep more money in customers' pockets. Saving money on quality, affordable products can help our customers afford life's other expenses.

Every day at Grocery Outlet, customers find deals on quality, name brand products with savings over 70% compared to other conventional retailers. Our deals span all departments, from produce and deli to packaged goods and general merchandise. By partnering closely with suppliers to purchase excess inventory, Grocery Outlet is able to pass industry-leading savings to customers across all our product categories.

*What a*  
**DEAL**

**We recently offered a leading brand of nutritional bars and drinks to customers at 70% savings.** By purchasing 120,000 overstock cases which had piled up during demand swings, we helped ensure that the bars and drinks made it to families while saving money for life's other expenses.

**In a recent deal, we were able to offer an amazing 50% discount on frozen entrees from a highly recognized brand.** Grocery Outlet purchased 20,000 cases that were intended for the European market but were no longer viable due to instability and rising freight costs. We were thrilled to pass these savings on to our customers.

*Wow!*

**THE MONEY WE SAVE CUSTOMERS REALLY ADDS UP.**

**Over the past 5 years, we have saved customers over \$10 billion** compared to conventional grocers, including \$2.4 billion in 2022.

We have set a goal to continue growing savings over the coming years. We aim to provide customers **\$3 billion annual savings by 2024.**

“Grocery Outlet does a great job of saving my family money in these trying times. Keep up the great work.”

- GROCERY OUTLET CUSTOMER



# PROVIDING AFFORDABLE, QUALITY FOOD FOR OUR COMMUNITIES

In addition to offering extreme value low prices, we are proud to help customers access a broad assortment of fresh, healthier options within their budget. We take pride in providing fresh produce, trusted brands, and everyday staples to ensure that our customers have access to wholesome choices.

Food insecurity is a major issue in the United States. In 2022, 34 million people, including 9 million children, experienced food insecurity. For the median low-income family, food costs account for an unsustainable 30% of total income. This problem is only getting worse due to recent inflation in grocery prices. By saving customers 40% compared to conventional grocer prices on average, we help people feed their families while saving more for life's other important expenses.

In addition to our deep discounts, Grocery Outlet helps increase access to affordable, quality food by opening a portion of its stores in underserved communities. For example, in 2022 we opened a new store in Sharswood, PA, a community that had previously been considered a "food desert" without local access to fresh food. By serving this lower-income community and others like it, Grocery Outlet helps ensure our discounts continue *Touching Lives for the Better*.

“Every penny counts today. Grocery Outlet helps us to make our grocery shopping affordable. Appreciate you so much!”

- GROCERY OUTLET CUSTOMER

## Health & Nutrition

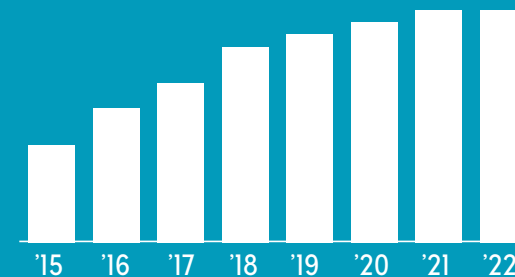
In recent years, Grocery Outlet has expanded its messaging to help customers identify Natural, Organic, Specialty, and Healthy (NOSH) options across our product assortment. Our focus on NOSH products increases the diversity of our offerings and helps cater to varying dietary needs and individual health goals. NOSH, along with our commitment to everyday staples and fresh produce, ensures that our stores are always stocked with healthy and nutritious options at affordable prices.



## NOSH

Grocery Outlet is committed to offering fresh produce and other healthy options and have continued to increase our NOSH offerings over time. In 2022, over 30% of sales were attributable to produce and NOSH products. We strive to offer customers a wider variety of nutritious options than they could afford elsewhere.

% NOSH SALES



## Food Safety

Food safety and quality is important to Grocery Outlet. Our quality standards are designed to promote the safe storage and handling of the products we carry. While our IOs manage their own stores, we provide them with education and resources to support compliance with federal and state food safety regulations and best practices. Our Food Safety Playbook serves as a guide for IOs, helping them adhere to food safety protocols and the high standards of the Grocery Outlet Freshness Policy. By working together and upholding appropriate food safety measures, we preserve the trust of suppliers who rely on us to represent their brands, as well as the customers who rely on us for affordable, quality food.



# GIVING BACK

## Community Engagement

At Grocery Outlet, our commitment to our communities goes beyond our offices, warehouses and stores. As part of their ongoing efforts to enrich and support their communities, our IOs have partnered with community organizations, schools, and local food banks for decades. Through these partnerships, creative IOs have hosted charity fundraisers, helped young people explore new careers, and provided support for countless community events. In addition, IOs donate food and other items to local food banks and pantries, helping reduce hunger in their communities.

## Touching Lives Foundation

Grocery Outlet supports our extended family of employees as well as IOs and their store employees through the Touching Lives Foundation (TLF). This non-profit foundation strives to provide relief to anyone in our close community facing difficult times. Since its inception in 2011, TLF has donated over \$1.7 million to more than 650 members of the Grocery Outlet family who have experienced hardships such as illness, natural disasters and unexpected tragedy.



In 2018, the town of Paradise, CA experienced massive wildfires, killing 85 people and destroying 20,000 homes and businesses, including the Grocery Outlet store operated by **GREG AND JESSIE POWELL**. The **TOUCHING LIVES FOUNDATION** made donations to each of the Paradise store employees to help them in their time of need. The Powells were given the opportunity to operate a new store in Grants Pass, OR and, true to the Grocery Outlet value of Family, eight of their employees followed them to work at the store.

**ZEKE AND CRYSTAL REYES**, IOs of the Soledad, CA store participated in a campaign to raise awareness for the Leukemia and Lymphoma society. Their store contributed \$3,144 in this city-wide effort that netted \$22,000 this year.



**MICHAEL MORGAN AND NICOLE BARNES**, IOs of the Chehalis, WA Grocery Outlet, promote inclusion in their community by working with a local agency to hire and train people with disabilities to work in the store. About 20% of their workforce are disabled individuals who have found meaningful jobs at Grocery Outlet.

[WATCH THE VIDEO](#)

**RICHARD LIPSIT** at the Pleasanton, CA Grocery Outlet offered an exclusive behind-the-scenes look at how a grocery store operates as part of a unique field trip experience for local first grade students, inspiring them to explore different career paths and pursue their passions.







**\$2.5 MILLION RAISED**  
the equivalent of 1.25 million  
meals for those in need in 2022.

## Independence from Hunger

Grocery Outlet and our IOs give back to communities annually through our July Independence from Hunger (IFH) drive. During IFH, all Grocery Outlet stores collect food and monetary donations for food banks and pantries in their local communities. Understanding that food insecurity rises during the summer when school lunch programs disappear, we work with our IOs to raise money when families need it most. In 2022, we raised \$2.5 million, the equivalent of 1.25 million meals for those in need. This brings the total donations from IFH to nearly \$16 million since its founding in 2011.

Every IO selects a local food bank to support through IFH. See the list of organizations on our website [here](#).



During the 2022 IFH food drive, IOs **TOM AND ANGIE CRISS** of our Myrtle Creek, OR store inspired the community to donate a truck full of donations. Tom camped on an 18-wheeler and did not come down until the truck was full. The stunt caught the eye of Grocery Outlet's then-CEO, now Board Chairman, **ERIC LINDBERG** - who couldn't resist joining the campout for a night. With their help, the Myrtle Creek store raised nearly \$50,000 for IFH in 2022.

In 2022, clad in head to toe red, white, and blue, IO **AARON CROCKER** from our Lompoc, CA store leapt from a plane and ran a 3.2 mile "Donation Dash" in the name of IFH. He and his co-IO, **ALIX CROCKER**, coordinated with 20 locally owned businesses to garner over 10,000 individual donations for their local food bank.

WATCH THE VIDEO



**The Donation Dash**





# People

Our Independent Operators (IOs) and employees are at the heart of who we are and what we do. Their well-being is integral to our positive impact and our collective success, and we believe that when our people thrive, everyone benefits.

“Being an Independent Operator gives me the freedom to raise a family and be present all while making my dreams come true. The effort you put out is equal to the reward.”

- SARAH KUMAR - INDEPENDENT OPERATOR, PATTERSON, CA



## OUR INDEPENDENT OPERATORS

### Providing Opportunities

Grocery Outlet takes pride in creating life-changing opportunities for people to become small business owners and operate our stores. Many IOs previously served in store management roles at large retailers and with a modest initial investment are now able to enjoy operating their own business. IOs have independent authority over most aspects of store operations, including product selection, store merchandising, local marketing and managing their team of employees. As independent business owners, every IO has unlimited earning potential and benefits directly from their store’s performance. We were proud to offer 50 new IOs the opportunity to become entrepreneurs in 2022.

In addition to unlimited potential income, many IOs benefit from significant quality of life improvements compared to traditional jobs in the retail industry. Most IOs work as a dynamic pair with family members or friends to operate a store location, creating unique, welcoming and fun work environments. IOs set their own flexible schedules and determine where and how they’d like to engage and give back to their local communities. While enjoying the flexibility of being their own boss, IOs also benefit from the dedicated support provided by Grocery Outlet, which reduces the risks inherent to entrepreneurship.

“The autonomy that Grocery Outlet gives us to make the right decisions for our business and our family is second to none. I have the freedom to make decisions with a built-in support system.”

- BILLY MUZIO - INDEPENDENT OPERATOR, BEND, OR

“Being an IO offers all the benefits of owning your own business with the support of Grocery Outlet. It’s the best retail opportunity out there. We left big box retail eight years ago and haven’t looked back since.”

- JUSTIN & ELLIE MAENNER, IOS OF ROHRERSTOWN, PA







“The Grocery Outlet model is the best in the business. It allows you the freedom to run your business in your community and cater to local customers. It provides partnership at the right level.”

- GROCERY OUTLET INDEPENDENT OPERATOR

## Offering Resources

Grocery Outlet offers a wide variety of training and support to help IOs become and remain successful entrepreneurs, keeping collaboration at the heart of our approach.

### TRAINING

Grocery Outlet helps set new IOs up for success through our comprehensive, hands-on Aspiring Operators in Training (AOT) program. Then, once IOs are running their store, our Operator Support team facilitates ongoing knowledge sharing and best practices through all-operator and regional meetings, our IO-facing intranet and other channels. We also provide education on compliance requirements, such as changing public health guidance during the COVID-19 pandemic.

### SUPPORT

In the early stages of a store launch, Grocery Outlet provides additional marketing support, dedicated new store transition coaches, weekly meetings with the Operations team and strategic marketing promotions to accelerate new store customer count. Once a store is established, each IO is provided a point person at Grocery Outlet to answer any questions, communicate new and changing offerings and provide on-the-ground support as needed.

### RESOURCES

All IOs are able to leverage our national purchasing network, advanced ordering systems and consignment model for product inventory. We regularly upgrade and expand technology to modernize and simplify store processes and decision-making. For example, we recently rolled out a new handheld technology application to improve how operators receive products and manage inventory levels.



## IO HIGHLIGHT

**KIA PATTERSON**  
**LONG BEACH, CALIFORNIA**

Kia Patterson made history in 2017 by operating her first Grocery Outlet in Compton, CA, making her the first Black owner of a full-service grocery business in the city. The store transformed the surrounding neighborhood from a “food desert” into a neighborhood with access to organic produce and quality food. Kia invited dieticians and chefs to educate her customers about the uses and benefits of available products, empowering them to make healthier choices. In 2019, Kia decided to move from the Compton store to a new Grocery Outlet location in Long Beach, where she continues to serve a diverse customer base.

## IO HIGHLIGHT

**LINDA BECKHAM**  
**OCEANSIDE, CALIFORNIA**

Linda Beckham became an IO after nearly 15 years working in Grocery Outlet stores. A star employee and eventually an invaluable store manager, Linda helped other IOs open four different Grocery Outlets before she became a Training Mentor for AOTs and ultimately received the opportunity to become an IO herself in 2018. Today, Linda operates our Oceanside, CA store, continuing to share her rich knowledge and experience with her employees and IO peers.





# SUPPORTING OUR EMPLOYEES

## Our Culture of Family

We are proud of all the ways we support, develop and enrich the lives of our employees. This starts with a workplace culture grounded in talented passionate people who live our values of Entrepreneurship, Achievement, Diversity, Fun, Integrity, Family, and Service each and every day.

As a business that was founded and led by a family management team for most of our 75+ years in business, we aim to cultivate an environment of trust where every employee feels welcomed and encouraged to contribute their unique skills and strengths. We promote transparency and open communication through our open-door policy and regular “All Hands” meetings, as well as through our weekly internal newsletter, the Bargain Bulletin.

Our culture translates into a high level of employee engagement. Grocery Outlet conducted our first employee engagement survey in 2022 with more than 90% participation across our 950+ employees.

Employees provided favorable feedback about our culture and work environment, consistently relaying that they know their work makes a difference. Through initiatives such as mentorship, recognition and rewards, regular celebrations, and our focus on ED&I we strive to continue strengthening our employee engagement in future years.



This June, **STELLA CASTILLO** celebrated 40 years at GO! Once known as “The Voice of Canned Foods,” Stella started her journey at GO as a Receptionist and now works as an Accounts Payable Clerk. For her, GO is more than just a job, it’s a family!



## Health, Safety & Wellness

Employee well-being is a top priority, and we support holistic employee health in a variety of ways, including offering leading healthcare benefits, mental health support and fitness challenges. For example, in 2022, 200 employees participated in our Summer Wellness Challenge, competing to take the most steps each day for a month. We also launched free, app-based mental health support in 2022.

For employees who work at RFCs and company-operated stores, Grocery Outlet’s Injury and Illness Prevention Program includes safety meetings, educational notice boards onsite and training for newly hired and current employees. In 2022, Grocery Outlet launched an “I Work Safely For” Committee, providing a space for leadership to focus on opportunities to further improve safety in RFCs and company-operated stores. We are committed to continuing to take further steps to promote safety in the workplace in 2023 and beyond.





### Employee Development

In addition to providing a supportive culture, Grocery Outlet is committed to nurturing our people at every level of our organization through mentorship, training and development opportunities.

By focusing on growing talent internally, as well as through competitive compensation and benefits packages, we strive to develop and retain expertise in our valued employees, thereby strengthening the Grocery Outlet family.

#### PERFORMANCE REVIEWS

Regular performance reviews enable Grocery Outlet employees to set goals and work with managers on career planning.

#### TRAINING

Employees are encouraged and provided funds to attend conferences and training sessions that are related to their work.

#### DEVELOPMENT

Virtual development sessions broaden employee skill sets with various speakers and topics.

#### INTERNSHIP PROGRAM

We host an annual Internship Program to provide experience and opportunities to students and young professionals.

#### EDUCATION ASSISTANCE PROGRAM

Our Education Assistance Program encourages employees to improve job-related skills through tuition reimbursement opportunities.



### EMPLOYEE RECOGNITION & AWARDS

Our year-end awards program, the Canny Awards, recognizes employees and teams for their commitment to living our values. In 2022, Director of Purchasing, Fiorella McIntyre, was presented with the Jim Read Award. Named after our founder, this award is our company's highest honor and recognizes the employee who best served as an exemplary role model of our values in the year.



## Equity, Diversity & Inclusion

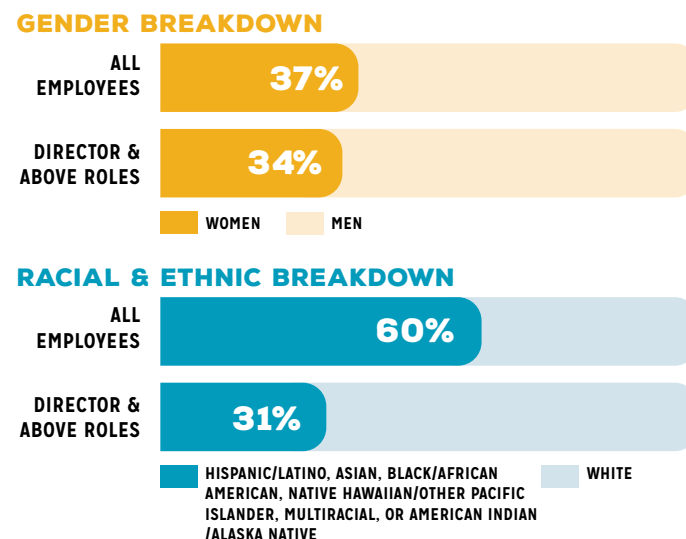
At Grocery Outlet, we believe a diverse and inclusive team is critical to our long-term business success. Embracing diversity allows us to understand and meet the needs of a broader customer base, resulting in better decisions and customer experiences. By cultivating an inclusive environment where every individual is respected, heard and valued, we unlock the full potential of our team and create a culture that attracts and retains top talent.

All employment-related decisions are made based on merit and without quota requirements. We focus on training, mentoring, and developing all of our employees. We have also increased our efforts to reach out underrepresented groups to encourage their interest in us, such as by participating at various university job fairs. These efforts have resulted in positive results. In 2022, 72% of our newly hired employees were racially and ethnically diverse, and over 35% were women. Additionally, 56% of our promoted employees were racially and ethnically diverse, and 44% of our promoted employees were women.

We foster an inclusive and diverse culture through a range of employee resource groups (ERGs) that enrich our organization. These include our ED&I Council, which oversees our overarching diversity and inclusion initiatives, as well as our Black Partnership Network and WOW! (Winning with Outstanding Women) Network. We encourage the formation of new ERGs by providing an annual budget to each group for programming and engagement, as well as an ERG Resource Guide to assist interested employees in starting new ERGs.

In addition, we prioritize continuous learning by offering regular training sessions and facilitating open employee discussions on diversity topics, including those relevant to current events in our communities. Looking forward, Grocery Outlet will continue to focus on genuine equal employment opportunity for all employees, including in recruitment and retention. We are committed to continuing to cultivate an inclusive culture through continued education, ERGs, and various development opportunities.

### WORKFORCE DEMOGRAPHICS AS OF 12/31/22



Grocery Outlet's Black Partnership Network (BPN) aims to promote professional and personal development and build a sense of community among Grocery Outlet's Black employees and allies, as well as encourage mental, physical and financial wellness for its members.



Led by our BPN, Grocery Outlet celebrates each February as Black Excellence Month. As part of the 2022 celebration, members of our BPN volunteered to help organize donations for Faith Food Fridays, a community-based charity that works to reduce food insecurity in Vallejo, CA. Our BPN also organized a panel for Black IOs to discuss their journeys in entrepreneurship at Grocery Outlet. It is an honor to celebrate Black Excellence throughout our organization.

# Planet

Food waste reduction is a core part of our business, but our commitment to the environment does not stop there. We are pursuing a variety of initiatives which improve our operational efficiency while reducing our impact on the planet.

## FOOD WASTE REDUCTION

### Through Our Sourcing

Grocery Outlet's opportunistic sourcing model naturally supports food waste reduction while providing customers with exceptional value. Our flexible and streamlined systems allow us to keep more food out of landfills, providing nutrition to communities while reducing emissions caused by waste.

Our 75+ years of experience and partnerships with suppliers mean that we can create value from products that may otherwise be needlessly discarded. Grocery Outlet's supply chain flexibility enables us to solve

suppliers' inventory challenges, such as order cancellations, packaging changes and approaching "sell-by" dates. Through longstanding relationships with leading brands, we are trusted to make rapid decisions, purchase large volumes and preserve brand value through attractive presentation.

We supplement our opportunistic purchases with competitively priced everyday staples sourced from multiple suppliers. This allows us to offer a convenient one-stop shopping experience while reducing costs for our customers.

In the coming years, we plan to develop metrics that demonstrate the scale of our food waste diversion through opportunistic sourcing and operational efficiencies. This will also help us quantify the emissions we help avoid.



When a Canadian hard seltzer company's U.S. launch got discontinued, the company was left with nearly 100,000 cases of unwanted seltzer destined for the trash. Grocery Outlet was able to rescue the entire inventory, offering it to customers at a 67% WOW! discount. Our sourcing strategy reduced what could have been a huge amount of waste.





## Food Waste Reduction in Our Operations

In addition to sourcing food that may otherwise have been discarded, Grocery Outlet’s efficient operations help reduce waste throughout the supply chain.

At Grocery Outlet’s Regional Fulfillment Centers (RFCs), we take pride in efficiently receiving, processing and transporting goods to minimize any waste during distribution. With real-time inventory visibility and multiple deliveries per week to our Independently Operated (IO) stores, products move swiftly from the RFCs to the store shelves. A dedicated team at the RFCs handles unique product situations, such as relabeling or repackaging products that may require special attention to avoid being discarded.

We work closely with IOs to reduce food waste and fight hunger in our stores. This starts with empowering IOs to stock products that they believe customers want to buy at our low prices. We are continuously investing in technologies to help IOs optimize their product selection, including tools to support streamlined inventory planning, easier monitoring of “sell-by” dates, and throwaway trend tracking.

We also educate IOs on effective mark-down strategies to ensure that throwaways and waste are minimized. With the freedom to manage inventory for their stores, our IOs play a vital role in minimizing expired items and food waste.

Both IOs and RFCs work with donation partners to ensure that any unsold edible food still makes its way to people who need it. For example, our Sacramento RFC partners with Sacramento Bread of Life and the Sacramento Food Bank to donate product that doesn’t make it to stores. At the store level, long-standing partnerships between IOs and local food bank organizations mean that leftover products help fight hunger in each store’s local community. Looking ahead, Grocery Outlet is exploring methodologies to better track our food donations from RFCs and IOs to quantify our collective efforts toward fighting hunger.





# OPERATIONAL SUSTAINABILITY

## Energy Efficiency in Our Stores

Grocery Outlet partners with IOs to manage the energy efficiency of our stores. Grocery Outlet outfits stores with fixtures, lighting and refrigeration, and we strive to use efficient and green options where possible. In new store buildouts and retrofits, we install energy-saving fixtures such as automatic door closure devices, anti-sweat heater control sensors, and night curtains for refrigerators. We also have been working with IOs to transition all stores to LED lighting. In our new California stores, we are progressing from traditional refrigeration systems to more efficient CO<sub>2</sub> systems, which are both more energy efficient and less environmentally impactful in case of leaks. Our efforts have helped us gain EPA GreenChill certifications in several new and existing stores.

Our IOs also influence energy efficiency and use daily through their operational decisions. Grocery Outlet recently worked with external partners on an energy efficiency guide for California, which will be shared with IOs to help them make energy-informed choices.

The guide helps encourage IOs to take simple but effective actions like utilizing case shades when the store is closed and making sure that employees seal walk-in cooler box doors, close roll-up doors and don't overload cases. These efforts reduce costs for our IOs while also reducing energy consumption.



<p><b>100%</b> of stores use an Energy Management System (EMS) to gain control and visibility over energy use.</p>	<p><b>98%+</b> of stores have timed heating and lighting controls to lower energy consumption when unoccupied.</p>	<p><b>17%</b> of stores currently use cloud-based refrigeration analytics to reduce energy use and refrigerant leak rates, with expansions planned to additional stores.</p>
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## Managing Our Emissions

In 2022, Grocery Outlet conducted our first Greenhouse Gas (GHG) emissions inventory (using 2021 as the baseline year) to better understand our overall impacts. This process included Scope 1, Scope 2, and select Scope 3 emission categories.

Our second largest source of emissions, following our product inventory, is our stores. Notably, nearly all stores are under the operational control of IOs, placing their emissions in Grocery Outlet’s Scope 3. This differs from most other retailers, but it does not change our responsibility or commitment to driving emission reduction in stores with our IO partners. In addition to the energy efficiency programs mentioned above, we plan to explore the feasibility of sourcing renewable electricity in the coming years.

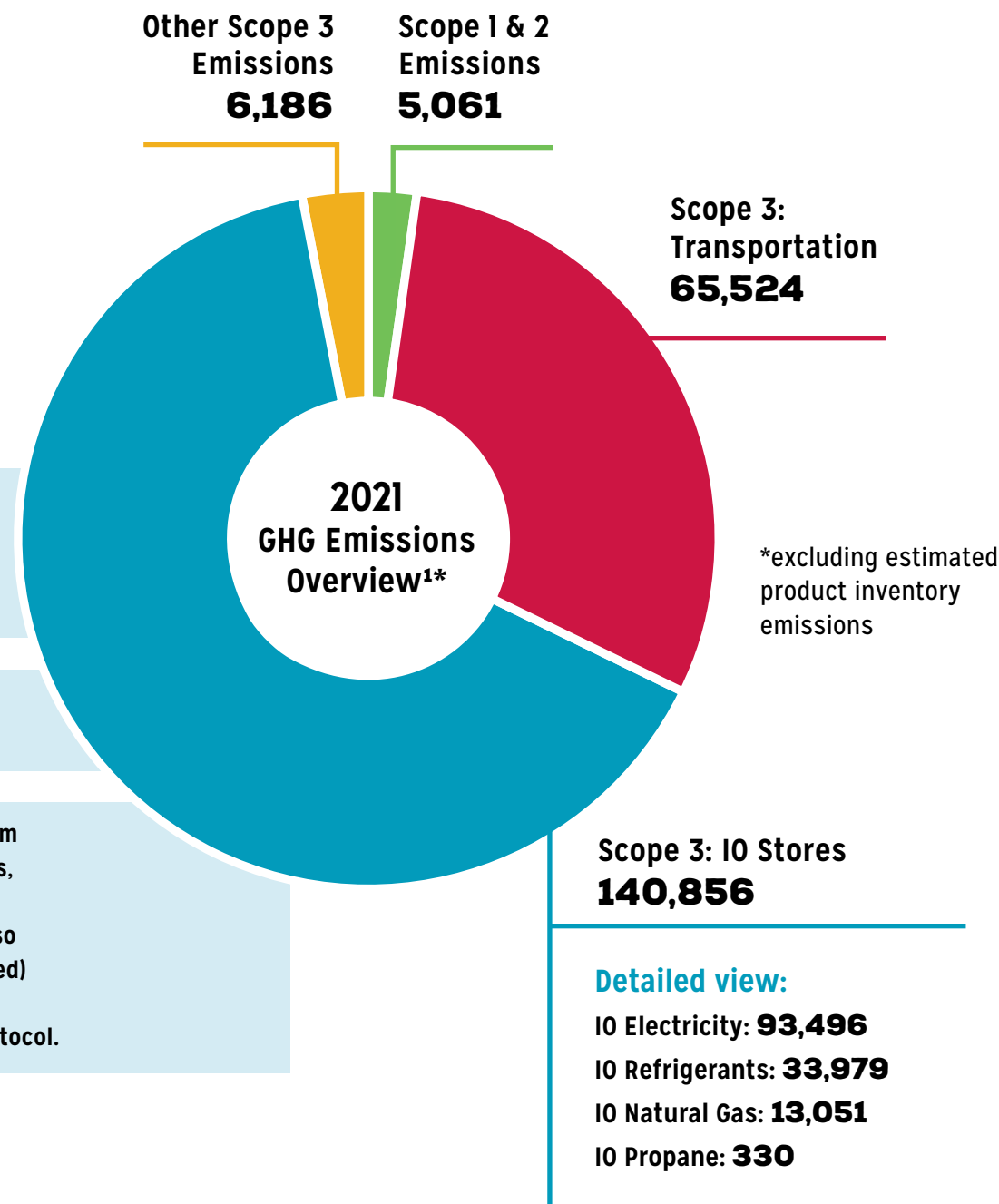
We have initiatives underway which will reduce emissions across several other categories. In recent years, we upgraded forklifts in our RFCs to electric models and began using electric yard tractors to move trailers between our docks. As part of a supply chain optimization initiative, we are working to consolidate and streamline store deliveries, thereby reducing our emissions from transportation. We are also progressively deploying data analytics tools to improve refrigerant management and reduce leak rates in our stores.

Finally, our opportunistic purchasing strategy naturally diverts products from landfills. By ensuring these goods reach consumers, we help make use of the energy and water that went into their production and help avoid the methane emissions their disposal would otherwise have caused.

**Our Scope 1 Emission sources include refrigerant and natural gas use in our facilities (including offices, Regional Fulfillment Centers, and company-owned stores), as well as our fleet of distribution trucks.**

**Our Scope 2 Emissions are from purchased electricity used at our facilities.**

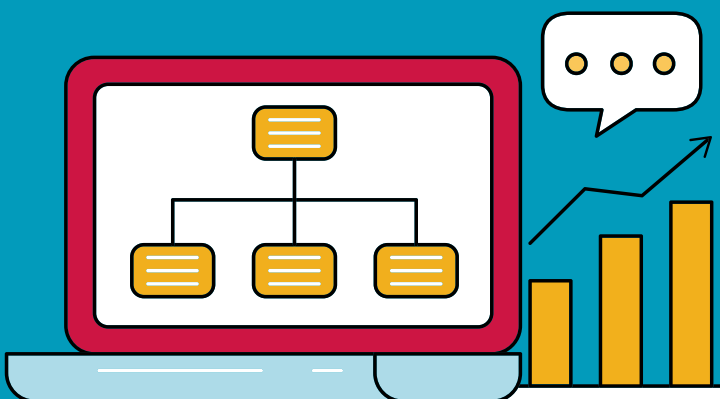
**Our Scope 3 Emission sources include upstream and downstream transportation, electricity at our independently operated stores, refrigerants and fuel use at our independently operated stores, business travel, employee commuting and capital goods. We also estimated the GHG impact of our product inventory (not pictured) which we project to be a substantial majority of our footprint. All estimations were performed in accordance with the GHG Protocol.**



<sup>1</sup> all emissions are in MT CO<sub>2</sub>e  
 \*see appendix for detailed GHG Inventory

# Governance

For 75+ years, Grocery Outlet has been driven by our commitment to our values, including Integrity. These values underpin our governance practices, including our corporate governance structure, our Board and management strategy for ESG, and our dedication to ongoing stakeholder engagement.



## ESG MANAGEMENT

### Management & Board-Level Oversight

Grocery Outlet’s growth has been powered by our unique business model with sustainability at the heart of our culture, strategy and operations. We are committed to intentional management of ESG topics through Board oversight and strong executive engagement.

The Nominating and Corporate Governance Committee of our Board of Directors oversees our sustainability efforts, along with risks and opportunities related to ESG. Our Compensation Committee oversees our programs and disclosures relating to human capital matters and risks, including employee engagement, ED&I, talent development, and succession planning. Our Audit and Risk Committee oversees our cybersecurity, data privacy, and data security controls and, as disclosure rules develop, will oversee any ESG disclosures in our financial statements. Our full Board reviews our strategy at least annually on ESG issues that are integral to our business model. The Board also receives regular updates on ESG progress from the Nominating and Corporate Governance Committee, management and other Grocery Outlet employees charged with developing our ESG program.

In addition to Board-level oversight, our ESG Steering Committee, which meets at least quarterly, is comprised of our most senior members of management including our CEO and CFO. Each Grocery Outlet executive considers ESG matters in the oversight of their respective areas of responsibility, including purchasing, store operations, store development, supply chain management and human resources. Executives discuss ESG topics regularly, including defining and implementing Grocery Outlet’s overarching ESG strategy and goals.

### Diverse Perspectives on Our Board

The Board, through the Nominating and Corporate Governance Committee, also monitors the mix of specific experience, qualifications and skills of its directors to assure that the Board as a whole has the necessary tools to perform its oversight function effectively in light of Grocery Outlet’s business and structure. This process has led to significant Board refreshment since our IPO in June 2019, which included an increased focus on director independence and diversity.

#### Board Diversity<sup>1</sup>

**8 OF 10**

independent directors

**3 OF 10**

female directors

**1 OF 10**

ethnically diverse director

**1 OF 3**

Board Committees chaired by a woman

**8.1 YEARS**

average director tenure

<sup>1</sup> The information above reflects statistics as of the date of Grocery Outlet’s 2023 Annual Meeting of Stockholders.

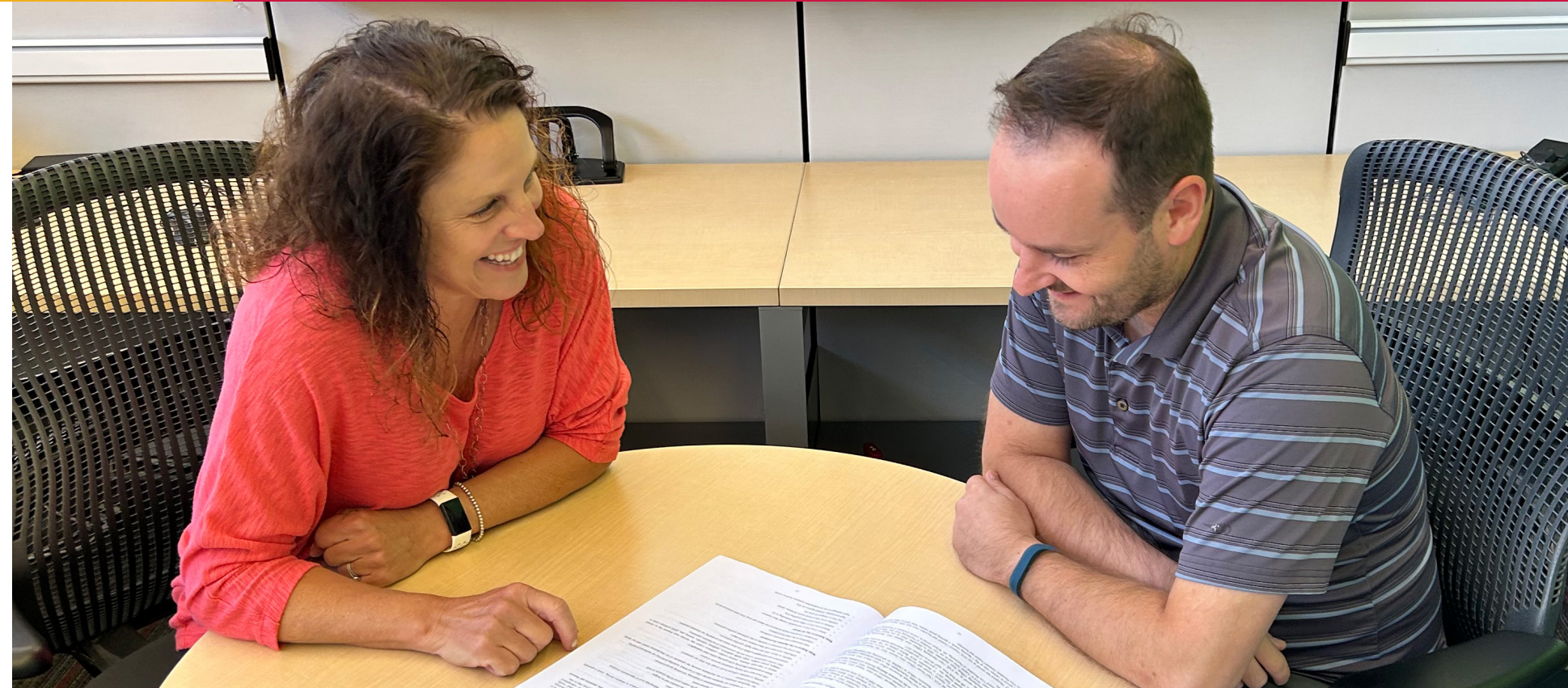


## Risk Management

Our approach to enterprise risk management is designed to work across our business to identify, assess, govern and manage risks and ensure appropriate response to those risks. Our Board and its Committees, particularly the Audit and Risk Committee, have extensive involvement in overseeing our risk management. Our Internal Audit team conducts an annual assessment with participation from our executive management team to identify and prioritize risks. Overall results are discussed with the Audit and Risk Committee and the Committee provides updates to our Board at least annually. ESG risks are integrated into our annual risk assessment and carefully managed through our ESG approach and related programs.

## Cybersecurity & Privacy

We consider cybersecurity to be an important issue affecting the enterprise both in terms of economic risk and reputational risk. Our Chief Information Officer regularly provides reports to the Audit and Risk Committee regarding cybersecurity and related topics. We have implemented controls in line with the requirements of the International Organization for Standardization and have assessed our cybersecurity maturity levels against the National Institute of Standards and Technology framework to set appropriate standards and guidelines. We monitor and remediate threats through our managed detection and response and our vulnerability management programs. We provide regular employee communications and training, regularly review our incident response and breach notification plan, and leverage third-party expertise for testing, assessments and improvements.



## Ethics & Compliance

Grocery Outlet also places a strong priority on ethics, conduct and regulatory compliance. We maintain a Code of Business Conduct and Ethics, which is applicable to all employees, executive officers, and directors. This Code provides clear guidance on legal and ethical matters encountered in the course of Grocery Outlet duties and responsibilities, including matters related to anti-bribery, equal opportunity, and conflicts of interest, among others. It emphasizes the importance of reporting any conduct that may violate the Code and provides anonymous and confidential third-party hotlines for this purpose. Employees receive regular training on matters covered within the Code.

In addition to the Code as it applies to employees, we recognize the crucial role of our suppliers and manufacturers in ensuring that the products sold meet all applicable regulatory and legislative requirements. To maintain our quality commitment, Grocery Outlet's purchase orders include specific provisions requiring compliance with all laws.

# OUR STAKEHOLDERS

At Grocery Outlet, we value the input and perspectives of our stakeholders, and we seek their feedback to enhance our ESG practices.

STAKEHOLDER GROUP	ENGAGEMENT STRATEGY
<b>INDEPENDENT OPERATORS (IOS)</b>	We engage our IOs on a regular basis through relationships with our field teams, company intranet, email communications, regional and all-operator meetings, and other touchpoints. IOs have regular opportunities to provide feedback to Grocery Outlet, including via a quarterly survey and live hosted calls with Grocery Outlet leadership.
<b>CUSTOMERS</b>	Our IOs engage customers and communities regularly through events, promotions, local marketing and direct contact. Grocery Outlet engages our customers on a monthly basis through feedback surveys.
<b>EMPLOYEES</b>	We have an open-door policy to collect qualitative feedback from our employees, and we conduct an annual employee engagement survey to quantify sentiments. We also recently completed a “re-recruiting” effort to elicit feedback and better understand employee perspectives with regard to retention.
<b>SUPPLIER PARTNERS</b>	Our buyers maintain close relationships with suppliers and regularly seek their feedback. In addition to ongoing one-on-one engagement, we host an annual supplier conference where we collaborate and gather insight on current opportunities, market trends and business circumstances.
<b>INVESTORS</b>	Throughout the year, we engage with our stockholders to respond to questions and seek their input, remain well-informed regarding their perspectives, and help increase their understanding of our business, industry and long-term strategy. We also host quarterly earnings calls to provide timely updates on the company. Since going public in 2019, Grocery Outlet has responded to investor feedback by strengthening our governance practices in a variety of ways, including the elimination of supermajority voting provisions in our charter, implementing majority voting in uncontested director elections, and agreeing to sunset our staggered Board structure in 2026. For detailed information on our corporate governance, see our <a href="#">2023 Proxy Statement</a> .

## Materiality Assessment

Grocery Outlet’s approach to ESG is grounded in proactive and regular engagement with our stakeholders. In 2022, Grocery Outlet conducted our first Materiality Assessment to help identify and prioritize the ESG topics of greatest importance to our stakeholders and long-term business success. We engaged an external expert to conduct industry benchmarking and gather insights from company leaders, employees, IOs, customers and other stakeholders. Through this process, we identified six critical and priority ESG topics that may impact our business and our stakeholders. These six issues are considered to be of significant importance to Grocery Outlet’s stakeholders and to our ongoing long-term business success.

Grocery Outlet’s material ESG topics are the focus of our ESG strategy and are covered in detail in this report. Grocery Outlet’s material topics include:

CRITICAL ESG TOPICS
Responsible support of IOs
Food waste avoidance
Ensuring affordable food access

OTHER PRIORITY ESG TOPICS
Employee experience, safety and retention
Energy efficiency
ED&I



# Conclusion

Grocery Outlet remains steadfast in our dedication to our communities, our people and our planet, and our efforts will continue to be overseen by a dedicated Board and ESG-focused management team. Over the years, we have built on the positive impacts inherent to our business model - providing access to affordable food, reducing food waste, and creating entrepreneurial opportunities – and we look forward to expanding our ESG program in the years to come. In partnership with our operators, employees, suppliers and communities, we are proud to continue *Touching Lives for the Better*.



# APPENDIX

## SASB Index

The SASB (Sustainability Accounting Standards Board) table presented below provides an overview of our performance against key ESG metrics for the Food Retail & Distributors industry. The information shared covers our fiscal year from January 2, 2022 to December 31, 2022. While in our first report we do not have the capability to report on all activity metrics within the SASB framework, we recognize its significance and anticipate utilizing it as a valuable roadmap for data collection and ESG goals in the future. By aligning with the SASB framework, we aim to enhance our transparency, improve sustainability practices, and effectively meet the evolving expectations of our stakeholders.

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	2022 DATA
<b>FLEET FUEL MANAGEMENT</b>	(1) Fleet fuel consumed, (2) percentage renewable	Gigajoules (GJ), Percentage (%)	FB-FR-110a.1	Fleet Fuel Consumed: 103,711 GJ Renewable: 0%
<b>AIR EMISSIONS FROM REFRIGERATION</b>	Gross global Scope 1 emissions from refrigerants	Metric tons (t) CO <sub>2</sub> e	FB-FR-110b.1	16,757 MT CO <sub>2</sub> e
	Percentage of refrigerants consumed with zero ozone-depleting potential	Percentage (%) by weight	FB-FR-110b.2	0%
	Average refrigerant emissions rate	Percentage (%)	FB-FR-110b.3	8.2%
<b>ENERGY MANAGEMENT</b>	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	Gigajoules (GJ), Percentage (%)	FB-FR-130a.1	Operational Energy: 43576.87 GJ Percentage Grid: 100% Percentage Renewable: 0%
<b>FOOD WASTE MANAGEMENT</b>	(1) Amount of food waste generated, (2) percentage diverted from the waste stream	Metric tons (t), Percentage (%)	FB-FR-150a.1	Not available
<b>DATA SECURITY</b>	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	Number, Percentage (%)	FB-FR-230a.1	If public disclosure criteria are met, required information about data breaches would be included in Grocery Outlet's filings with the U.S. S.E.C.. No such incidents have been included in any of Grocery Outlet's filings.



TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	2022 DATA
<b>DATA SECURITY (CONT.)</b>	Description of approach to identifying and addressing data security risks	N/A	FB-FR-230a.2	Grocery Outlet’s approach to data security includes Board level oversight of cybersecurity risks and data security; third-party-audited IT systems; and regular employee training on data security. See also, <b>Cybersecurity and Privacy</b> section. Grocery Outlet intends to include additional information in its forthcoming Annual Reports on Form 10-K regarding its risk management and strategy with respect to cybersecurity threats, along with Board oversight and management’s role in assessing and managing material cybersecurity threats.
<b>FOOD SAFETY</b>	High-risk food safety violation rate	Rate	FB-FR-250a.1	Not available
	(1) Number of recalls, (2) number of units recalled, (3) percentage of units recalled that are private-label products	Number, Percentage (%)	FB-FR-250a.2	Total Recalls: 20 Number of Units: Not available Private-Label: 0
<b>PRODUCT HEALTH &amp; NUTRITION</b>	Revenue from products labeled and/or marketed to promote health and nutrition attributes	Reporting currency	FB-FR-260a.1	In 2022 over 30% of sales were attributable to produce and our NOSH category. <sup>1</sup>
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	N/A	FB-FR-260a.2	Not available
<b>PRODUCT LABELING &amp; MARKETING</b>	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	Number	FB-FR-270a.1	Not disclosed
	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	Reporting currency	FB-FR-270a.2	Not disclosed
	Revenue from products labeled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Reporting currency	FB-FR-270a.3	Not available

<sup>1</sup> NOSH (Natural, Organic, Specialty and Healthy) products are designated by Grocery Outlet’s employees in the purchasing department, in their discretion. A small percentage of NOSH products in the “specialty” category may not be considered to promote health and nutrition attributes.

TOPIC	ACCOUNTING METRIC	UNIT OF MEASURE	CODE	2022 DATA
<b>LABOR PRACTICES</b>	(1) Average hourly wage and (2) percentage of in-store and distribution center employees earning minimum wage, by region	Reporting currency, Percentage (%)	FB-FR-310a.1	Average Hourly Wage: \$20.25 <sup>2</sup> Percentage Minimum Wage: 0.8%
	Percentage of active workforce covered under collective bargaining agreements	Percentage (%)	FB-FR-310a.2	Not disclosed
	(1) Number of work stoppages and (2) total days idle	Number, Days idle	FB-FR-310a.3	Not disclosed
	Total amount of monetary losses as a result of legal proceedings associated with: (1) labor law violations and (2) employment discrimination	Reporting currency	FB-FR-310a.4	Not disclosed
<b>MANAGEMENT OF ENVIRONMENTAL &amp; SOCIAL IMPACTS IN THE SUPPLY CHAIN</b>	Revenue from products third-party certified to environmental or social sustainability sourcing standard	Reporting Currency	FB-FR-430a.1	Not available
	Percentage of revenue from (1) eggs that originated from a cage-free environment and (2) pork produced without the use of gestation crates	Percentage (%) by Revenue	FB-FR-430a.2	Eggs: 60% of our stores sell only cage-free or higher welfare eggs <sup>3</sup> Pork: Not available
	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	N/A	FB-FR-430a.3	Not available
	Discussion of strategies to reduce the environmental impact of packaging	N/A	FB-FR-430a.4	Not available
<b>ACTIVITY METRICS</b>	Number of (1) retail locations and (2) distribution centers	Number	FB-FR-000.A	(1) 441 retail locations (2) 3 distribution centers
	Total area of (1) retail space and (2) distribution centers	Square Meters (m <sup>2</sup> )	FB-FR-000.B	Retail space: 560,632 m <sup>2</sup> sales floor Distribution centers: 64,676 m <sup>2</sup>
	Number of vehicles in commercial fleet	Number	FB-FR-000.C	52
	Ton miles traveled	Ton Miles	FB-FR-000.D	8,289,688 ton miles

<sup>2</sup> Includes employees of company-owned stores, RFCs and corporate office.

<sup>3</sup> We strive to stock cage-free and higher-welfare eggs as part of our product offerings. As of 2022, approximately 60% of our store base offered only cage-free or higher-welfare eggs. As additional states adopt cage-free mandates, and subject to product availability, we expect nearly 90% of our existing store base to provide only cage-free or higher-welfare eggs in the next few years.



## 2021 Greenhouse Gas Inventory

<b>SCOPE 1</b>		<b>2,990</b>
	Mobile Combustion	2,088
	Stationary Combustion	847
	Refrigerants	55
<b>SCOPE 2</b>		<b>2,071</b>
	Electricity	2,071
<b>SCOPE 3</b>		<b>209,361</b>
	Capital Goods	3,305
	T&D Losses	100
	Upstream Transportation	62,305
	Waste	384
	Business Travel	1,418
	Commuting & Work-From-Home	1,079
	Downstream Transportation	3,219
	Downstream Leased Assets (IO Stores)	140,856
<b>TOTAL *</b>		<b>217,727</b>

## Data

Standards of measurement and methods of calculating sustainability and other data included in this report are evolving and numbers reported (other than audited financial data) are based on our calculations and good faith estimates, which include a number of assumptions and have not been externally assured. We believe that the estimates employed are appropriate and reasonable; however, due to inherent uncertainties in making estimates and assumptions and as internal controls and processes continue to evolve, actual results could differ materially from the original estimates.

\*Excludes emissions from product inventory, which are projected to be a substantial majority of Grocery Outlet's GHG footprint. Emissions from Purchased Goods and Services, including product inventory, were estimated for 2021 for internal use.

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