



Oliver's
Real Food. Real People.®

**SOCIAL PURPOSE CORPORATION
2019 ANNUAL REPORT**



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INTRODUCTION

In March 2017, after 29 years serving Sonoma County as a locally owned and operated grocer, Oliver's Market founder Steve Maass led the company's transition to become a Social Purpose Corporation (SPC) and an Employee Stock Ownership Plan (ESOP) Corporation. Steve's goal in making these decisions was to preserve Oliver's Market for years to come and reward the employees who have worked to build Oliver's through employee ownership.

Becoming a Social Purpose Corporation did not require any dramatic changes in business practices, but it did formally define and acknowledge the way of doing business that has been a part of Oliver's company culture/DNA since the beginning:

Article 2:

"This social purpose corporation shall endeavor to remain a locally owned and locally operated business which prioritizes the satisfaction of its local customers, employees, and suppliers, for the benefit of both the Corporation and the local community. In so acting, the social purpose corporation will act for the purposes of promoting the positive effects of, and of minimizing the adverse effects of, the social purpose corporation's activities upon all of the following, provided that the corporation consider such purposes in addition to or together with the financial interests of the shareholders and compliance with legal obligations, and take action consistent with that purpose:

- (i) The social purpose corporation's employees, suppliers, and customers.
- (ii) The Sonoma County community, including its people, businesses, agriculture, and environment."

Oliver's Market issued its first SPC Annual Report for the year 2018. The goal of this year's 2019 SPC Annual Report is to share highlights and progress in each of the stakeholder groups identified above.

The report will summarize 2019's rewarding new achievements and brand-new challenges for the company. In the 'achievements' column, annual sales were strong and commendable progress was made in the expansion and development of the employee ownership (ESOP) culture and sustainability programs. On the 'challenges' side, Sonoma County experienced another devastating fire season and endured new regional utility shutdown protocols which significantly impacted business. The Kincade Fire in northern Sonoma County miraculously resulted in no loss of life, but burned almost 78,000 acres and required evacuation of 60% of the county and closure of two stores for extended periods. In the weeks of October prior to the Kincade Fire, Sonoma County experienced PG&E's newly instituted PSPS (Public Safety Power Shutoff) protocols, which resulted in loss of power in some stores for days, resulting in limited operations or closure for the first time in the company's history.

As an essential business in Sonoma County, Oliver's leadership and employee owners worked tirelessly with vendor partners and suppliers to find creative, innovative ways to serve our customers and community amid unforeseen challenges.

WE SERVE OUR EMPLOYEES

2019 brought improvements in Oliver's Market employee commuter benefits, re-launch of the Oliver's Market Safety Program (see fig. 1), growth of the ESOP culture, and renewed commitment from the company to be an inclusive Company, with new statements to this effect posted in all business locations. The company was also named a North Bay Business Journal "Best Place to Work" for the fourth consecutive year.



In 2019, the Oliver's Market employee benefits included:

- Competitive Wages
- Part Time & Full Time Positions
- Flexible Schedules
- Medical, Dental & Vision Benefits
- 401k Retirement Plan with an Employer Match
- Employee Stock Ownership Plan (ESOP)
- Flexible Spending Account (FSA) for Medical & Dependent Care
- Employee Discounts of 10%-40%
- Paid Time Off and Sick Leave
- Regular Wage Increases
- Commuter Benefits
- Safety Incentive Program
- Wellness Program Incentives
- Career Development & Growth Opportunities



fig. 1 - Components of the re-launched Safety Program.

WE SERVE OUR EMPLOYEES

esop culture grows

All employees working at Oliver's Market are eligible for shares when they meet basic criteria after their first year with the company, including being over 21 and working 1,000 hours or more per year. We have a 'cliff vesting' program, in which all eligible employees become fully vested in their shares after three years (when they meet all criteria fully defined in the Oliver's ESOP Summary Plan Document).

All employees who worked for Oliver's on January 1, 2017 and met all necessary criteria, became fully vested in their shares on January 1, 2020. This marks a shift from a minority of employees being vested to a majority being vested.



The shares of the ESOP account are an additional benefit to Oliver's Market employees that they do not contribute to in the way one contributes to a 401k plan. The shares are allocated each year based on employee earnings, and the value of the shares rises (or falls) based on the performance of the company. As employee owners grow to understand this added benefit and embrace the opportunity to make a difference, the ESOP employee ownership culture grows.

Several key programs were implemented in 2019 that supported the growth of the ESOP culture.

- **More members of the Leadership team have attended regional ESOP conferences**, which bring together ESOP companies of all kinds to describe best practices, challenges, and leadership.
- **The ESOP Communications Committee is a group of representatives from all stores and the business office that works together to build understanding and appreciation of the ESOP among employee owners.** The group hosted several engaging "Lunch and Learn" sessions through the year. These events used interactive games to build understanding of the key terms associated with the ESOP and reading the Annual Statement.
- **The largest effort to date to build the employee ownership culture at Oliver's took place in October, when the company held its first-ever Employee Ownership & Appreciation Month.** The expansive list of activities included games, drawings based on tickets earned for perfect attendance and other challenges, a potluck lunch, a health fair, spirit day, double discount day, and the grand finale, ESOP Statement Events, where raffle prizes were awarded, lunch was catered by local food trucks, and statements were distributed to all eligible employees. A few events were canceled by the PSPS and Kincade Fire, but luckily, all that proceeded were successful.

As more employees become vested, awareness and understanding of 'employee-owner culture' and the benefits of working efficiently develop. Engagement of Oliver's employee-owners increases. As the culture of employee ownership grows within the company, the company and its employee-owners share the benefit.



spirit day 2019

WE SERVE OUR BUSINESS PARTNERS

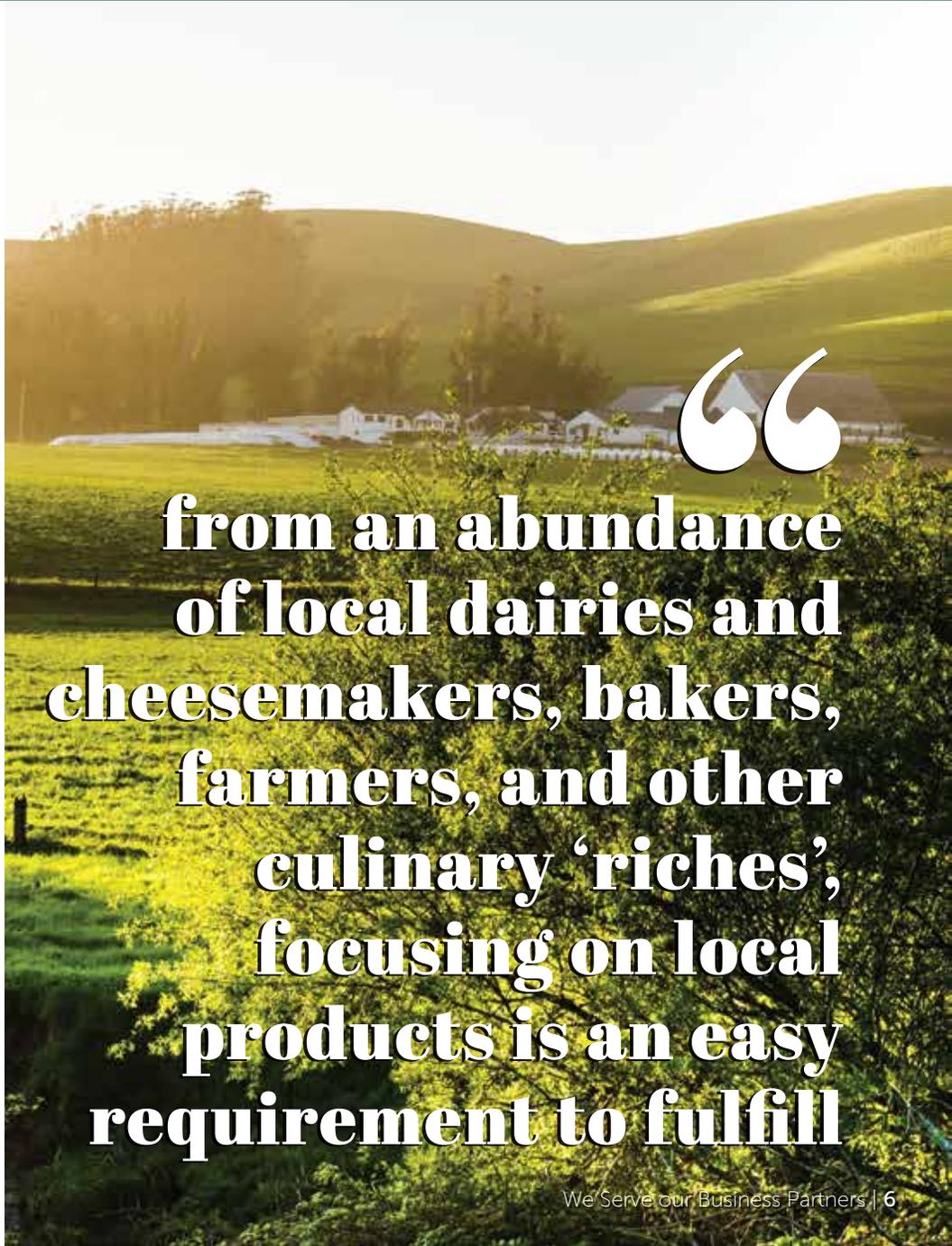
harnessing the power of local

In Sonoma County, there is no downside to be found when it comes to purchasing local products. We live in one of the most bountiful areas in the world. From world class wine, beer, cider and other beverages, to an abundance of local dairies and cheesemakers, bakers, farmers, and other culinary 'riches', focusing on local products is an easy request to fulfill.

And not only is supporting local producers a delicious thing to do, it is also hugely beneficial to our economy. Oliver's has commissioned economic studies on the benefits of buying locally made products at a locally owned company, and the power of these choices is compelling: According to a 2011 analysis conducted by Sonoma State University, buying Sonoma County products from Oliver's Market benefits the Sonoma County economy TWICE as much as buying national brands from chain stores. It's the Local Economic Multiplier Effect in action: For every dollar spent shopping this way, over 25 cents more of each dollar stays in Sonoma County, supporting the local job force and funding local services, parks and schools. As a consumer, buying local in Sonoma County truly is a win-win.

In 2019, **Oliver's was awarded the Progressive Grocer Outstanding Independent Award for Local Focus in the multi-store category.** This national grocery industry publication's team of judges appreciated all that Oliver's does to educate customers on the power of shopping locally and tell the stories of the local producers and their products.

In addition to conveying information through our store décor, several Oliver's weekly ads each year are dedicated to locally-focused themes. We tally the number of employees at each company, so our customers can understand how this translates to local jobs. These are among our most popular ads, generating heightened sales and engagement through social media and customer service channels.



“
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WE SERVE OUR BUSINESS PARTNERS

connecting with our partners in new ways

We work closely with local non-profit Ceres Community Project as a donor and event sponsor, and support their commitment to providing healthy, nutritious meals to our community members battling serious illness. Ceres trains high school students as volunteers, teaching them about health, gardening, and basic cooking as they learn about the power of community support for our most vulnerable citizens. This year, we partnered with local gourmet mushroom producer Mycopia to develop a vegetarian entrée to be served at their first Fungi Fest event, with proceeds benefiting Ceres. These Mycopia Mushroom Enchiladas were so popular that we continued to offer them as a 'grab and go' item in our Delis, with a dollar from each entrée supporting Ceres.



Mycopia
Mushroom
Enchiladas



“
**local vendors
& producers
are a key
component of
our business**”

Partnerships with local vendors can work in both directions. When the PG&E PSPS outages took place in October and the Kincade Fire erupted later that month, we called for help from our vendor partners and our suppliers in our time of need. Clover Sonoma provided us with thousands of milk crates to quickly pack perishable items, and S.S. Skikos Trucking was on the scene with support in the form of 15 refrigerated trailers, at a time when supplies were scarce. Also, ACR Inc., our refrigeration systems vendor, made Oliver's a priority, quickly restoring refrigeration systems in the stores after the outages ended. Conversely, to support our vendors and employees without interruption, our accounting team dodged power outages and worked remotely to ensure everyone was paid as scheduled.

Local vendors and producers are a key component of our business at Oliver's Market. We proudly support their products and count on them to support us in times of need. In 2019, we learned more than we could have imagined about how important these relationships and partnerships are to our business.

WE SERVE OUR CUSTOMERS

“At Oliver’s Markets, our mission is to provide Sonoma County with the finest grocery stores in the marketplace. We are committed to delivering excellent customer service and we allow people to make their own choices by offering the broadest possible selection of local, organic, and conventional products. We work closely with our vendors to offer quality, variety and value to our customers...”

The Oliver’s Market Mission Statement begins with serving our customers, as they are our reason for being in business. Many of our customers have been shopping with us since the first store opened in Cotati in 1988. Oliver’s customers value the qualities listed above in their local, neighborhood grocery, and their loyalty is unsurpassed.

Our customers have bestowed many awards on us over the years, including Oliver’s being named “Best Grocery Store” by North Bay Bohemian readers annually since 2000. In 2015, 2016, 2017, 2018 and 2019, Oliver’s won the “Best Local Produce” category in the Press Democrat’s “Best of Sonoma County” awards program. In 2017, 2018, and 2019 they added “Best Local Grocery Store”, “Best Butcher”, and “Best Deli” to their “Best of” honors. To honor Oliver’s 30th anniversary serving the community, the City of Cotati proclaimed September 15, 2018 “Oliver’s Day”.

We are always looking for new ways to serve our customers. Along with many new products and fresh Deli selections, 2019 brought new website ordering capabilities for Taqueria Catering, in addition to existing holiday dinners and gift cards. Our Produce Department team brought more local produce to our stores than ever before, educating customers on the sourcing and background of each item.

During the challenges we all faced in October with our first PG&E PSPS power outages and the Kincade Fire, each of our four stores was impacted differently. We worked to remain open where legally allowed, even if power outages prohibited many of our departments from operating. It was a challenging time that tested the limits of our customers and our staff. With challenges come new strengths, and since October, our management team has been working to secure generators and other measures to serve our customers as well as we can if another dry season arrives in 2020.

WE SERVE OUR COMMUNITIES

As a locally owned and operated grocer, serving our community is an essential part of our business. Our customers are fundraising and donating to their favorite schools and charities year-round, so it is important that we support those efforts in any way we can. Each year, we support the communities around each of our stores and Sonoma County with the following programs:

Donations and Sponsorships

Oliver's annually supports many charities and fundraising events with cash and in-kind contributions. Each store oversees a budget for local support, and larger donations and sponsorships for county-wide events and charities come from our headquarters. Our 2019 Donations and Sponsorships totaled over \$62,187.

Oliver's Community Card

In addition to direct charitable donations, Oliver's also supports the community via the Oliver's Community Card. Customers register for the card (administered by eScrip), which allows shoppers to donate a portion of each store purchase to the charity of their choice. Over \$320,000 went to hundreds of deserving local charities in 2019, and since the program began, over \$3 Million has been raised to support our community. Over 660 Sonoma County charities are registered Community Card beneficiaries. Oliver's covers all processing fees for this program so that 100% of each customer contribution goes to their designated charity.

Senior Day

To support Seniors on fixed incomes, Oliver's offers Senior Discount Day each Wednesday from 7 AM – 4 PM, when shoppers 60 years or older save 10% of their purchase (excluding alcohol and tobacco purchases). This community program is extremely popular.

Volunteer Days and Fundraising

Oliver's encourages employee volunteering for several events each year. Participation also earns points in the Oliver's Employee Wellness Program. This year, Oliver's held volunteer days at Redwood Empire Food Bank and Humane Society Sonoma County.

Community Event Sponsorship and Ticket Sales

Oliver's supports several community events each year by serving as their "box office" for ticket sales with no processing fees and/or cash sponsorship.

Top 10 Community Card Beneficiaries for 2019

Humane Society of Sonoma County
The Redwood Empire Food Bank
Forgotten Felines of Sonoma County
Center for Spiritual Living - Santa Rosa
Maria Carrillo High School Association
Summerfield Waldorf School and Farm
Sonoma County Regional Parks Foundation
The Bird Rescue Center
Peace and Justice Center Sonoma County
Cali Calmecac Language Academy

WE SERVE OUR COMMUNITIES

Oliver's sponsored these community events in 2019:

Press Democrat Youth Community Service Awards

Artisan Cheese Festival

Gravenstein Apple Fair

Bodega Art and Seafood Festival

Cotati Accordion Festival

Windsor Summer Nights on the Green

Cotati Music Festival

Sonoma County Harvest Fair

Redwood Empire Food Bank Empty Bowls

Piner HS Athletics Crab Feed

Wings Over Wine Country

Cotati Kids Parade

Windsor Charlie Brown Christmas

Ceres Harvest with a Heart

Beerfest – The Good One (Face2Face)

SSU Sustainable Enterprise Conference

Press Democrat Women in Conversation

Santa Rosa Earth Day OnStage

Fungi Fest (Ceres Community Project Benefit)



SANTA ROSA
EARTH DAY ONSTAGE



BIKE TO WORK DAY



FUNGI FEST



GRAVENSTEIN
APPLE FAIR



BEER FEST -
THE GOOD ONE



COTATI
KIDS DAY PARADE



BEER FEST -
THE GOOD ONE

WE ARE STEWARDS OF THE ENVIRONMENT

SHARING OUR SUSTAINABILITY STORY

As a Sonoma County Certified Green Business, Oliver's continually works toward a more sustainable future. Having learned that when we share our accomplishments - and where we fall short - we can achieve much more when sharing our story. Oliver's has invested time and money into the following practices to keep us on track and increase transparency, paving the way for more accomplishments in the future.

sustainability coordinator position

2019 marked Oliver's Market's third year with a full-time Sustainability Coordinator. The coordinator's work with management and employees on a broad range of initiatives and programs resulted in significant improvements for Oliver's in most measurable areas of environmental stewardship.

sustainability branding

We continue to highlight sustainable choices for customers and employees store wide with our unique Sustainability logo.



sustainability website

In an effort to share sustainability initiatives and generate more customer engagement, for the first time ever Oliver's added a page to its website that is dedicated to Sustainability at Oliver's Markets.

employee education & engagement

Oliver's continues to improve its new employee orientation, management and employee trainings to provide employees with sustainability program and compliance updates. In 2019, a new deli department training program was introduced and implemented to provide extra attention to deli-specific issues with waste diversion and employee safety. For the first time ever, we also incorporated interactive waste games into our annual employee appreciation events. The activities were well received, and will be repeated in the future.

community engagement

Oliver's Market participated in the zero waste event, Santa Rosa Earth Day OnStage, for the first time in 2019. Our interactive booth included opportunities for planting seeds using recycled egg cartons, sharing sustainable shopping information, zero waste cooking recipe cards, free fresh fruit, and the opportunity for booth visitors to win a zero waste shopping tool kit! There was also a selfie station to promote sustainable living and a timeline displayed, which captured Oliver's historical and current milestones, showing its long term commitment to sustainability.



^ Oliver's team at Santa Rosa Earth Day OnStage event in 2019

WE ARE STEWARDS OF THE ENVIRONMENT

REDUCING WASTE

we strive to achieve “zero waste”

As an early adopter and innovator in food waste recovery, composting, and recycling, zero waste is not new to Oliver's Markets. However, with the increasing need to examine waste generation more thoughtfully, Oliver's is shifting its focus from examining “where do we dispose of this responsibly” to thinking deeply about how to reduce and eliminate waste at its source. The following are ways we made advances in the following areas in 2019.

reusable pallet wraps & bands

2019 marked the first full year of all four markets' wine & beer departments using reusable pallet wraps for storing products at each location. Because these reusable alternatives to single-use plastic film were implemented, Oliver's was able to reduce the amount of plastic waste by 4,254 lbs (2.13 tons). We are very proud of this accomplishment and plan to add even more reusable pallet wraps and bands to our operations in 2020. (see figs. 2 & 3)



fig. 3 - Pounds of Single-Use Plastic Film Purchase from 2017-2019



fig. 2 - Reusable Pallet Wrap & Bands

compostable paper produce & bulk bags

In addition to adding more compostable paper bag dispensers to all the produce departments, they have been installed in all four stores' bulk departments making the option to reduce plastic much more accessible to customers. This reduces the need for customers to use plastic single-use produce/bulk bags, which would end up in the landfill.

refillable propane cylinders

2019 was Oliver's first full year using only refillable 1 lb propane cylinders in our maintenance, bakery and deli departments. In 2019, we eliminated 44 cylinders (.02 tons) from entering the hazardous waste stream through this effort. Propane cylinders are often a source of dangerous explosions and fires in landfills and in transport and we are proud to be reducing this risk while also reducing hazardous waste.

WE ARE STEWARDS OF THE ENVIRONMENT

100% recycled & reusable utensils



Preserve utensil dispenser

On November 15, 2019 (America Recycles day), all of Oliver's Markets transitioned from individually wrapped, virgin plastic single-use utensils to Preserve's 100% recycled and reusable dishwasher-safe BPA-free utensils. Because of this initiative, by the end of 2019, 38% of Oliver's plastic to-go utensil stock was made from 100% recycled plastic and the number of utensils distributed to customers for to-go meals was reduced by 186,240!

buckets to local businesses, community organizations and community members for reuse. In 2019, we repurposed 480 buckets to local beekeepers, farmers, gardeners, litter cleanup crews, and emergency kit builders and beginning ice skaters! This effort extends the life of this waste material while preventing the need for new material to be used and wasted.

packing peanuts

Through a new partnership with Santa Rosa Custom Packaging, we diverted approximately 300 96 gal bags full of packing peanuts (collected from shipments to Oliver's) from the local landfill, and instead of becoming waste, they were repurposed as packing material for shipments to extend their usable life before being disposed of.

used cooking grease recycling

In 2019 through Environmental Pump Services, Oliver's recycled a total of 34.23 tons of grease, diverting 8,198 gallons from entering the waste stream. It was recycled into fuel that does was not sourced from fossil fuels. The amount recycled was enough to power roughly 683 small cars!



WASTE DIVERSION

plastic buckets to community

At Oliver's, we strongly believe in reusing before recycling whenever possible. So when we noticed that tons of perfectly good plastic buckets from our deli deliveries were ending up in the recycling bins, we reached out to the community to see if anyone would be interested in taking them for free. We were overwhelmed with the response and began a coordinated effort to get them diverted from the waste stream to people in need. 2019 was the first full year of diverting used food-grade plastic



Emergency kit using Oliver's bucket

WE ARE STEWARDS OF THE ENVIRONMENT

REDUCE, REUSE, RECYCLE

wine cork recycling

In 2019, through its continued partnership with ReCORK, Oliver's Markets' customers recycled a total of approximately 226,047 corks (1.26 tons or 2,512 lbs.). These corks get recycled into new products (such as shoe soles, yoga blocks, and more). By offering this service to its customers, between 2016 and 2019 Oliver's helped divert a total of 3.27 tons (6,531 lbs.) – approximately 587,813 corks – from Sonoma County's local landfill.



soft plastic recycling

In 2019, Oliver's Market recycled (through Moresco Distributing) a total of 23.58 tons (47,160 lbs.) of soft plastic (e.g. pallet wrap, shrink wrap, bubble wrap, plastic bags, etc.), which diverted waste from being sent to our local landfill. Oliver's recycled 240 lbs. less in 2019 than in 2018, which could mean we are generating less soft plastic waste via reusable pallet wraps & bands, or we aren't recycling the soft

plastic as well as we could be. We hope to incorporate more reusables in 2020 to reduce the need to recycle this material as much. (see fig. 6)

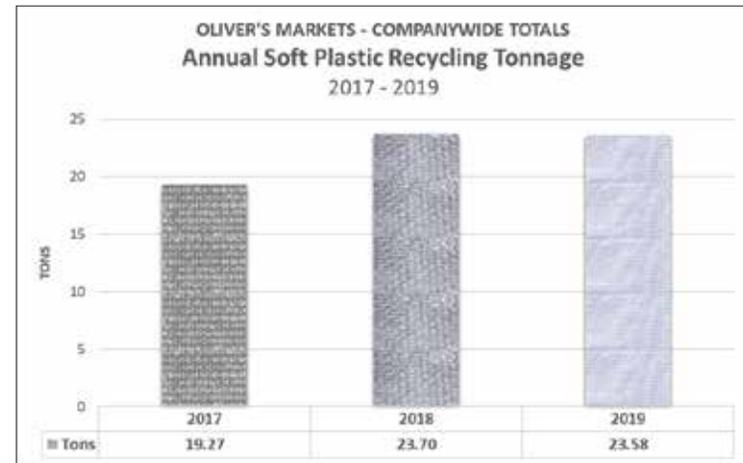


fig. 6 - Companywide soft plastic recycling tonnage from 2017-2019

buying recycled

In 2019, the entire company transitioned its general office paper from 30% recycled to 100% recycled paper. By making this change, we are increasing the chance that paper gets recycled by supporting the recycling market and drastically reducing the amount of virgin forest product in the entire Oliver's paper supply.



PAPER MADE FROM
100% RECYCLED FIBER,
100% POST-CONSUMER FIBER



WE ARE STEWARDS OF THE ENVIRONMENT

WE VALUE ENERGY

At Oliver's Market we know the local and global impact energy consumption has on our communities and the environment, so we continually look for ways to increase our positive impact by making efficiency improvements, harnessing local power and by relying on off-the-grid energy sources as much as possible.

led retrofits

In December of 2019, the entire parking lot at the Stony Point Oliver's location was retrofitted with LED lamps making it brighter and safer as well as energy efficient. We look forward to significant energy usage reduction due to this effort in 2020 with an estimated annual savings of 83,242 kWh. Plans are in motion to retrofit most of Oliver's locations by the end of 2020 and expect to see a significant drop in energy use by 2021.



LED lamps in use at Stony Point

local renewable power

As a CleanStart customer of Sonoma Clean Power (SCP) since it first launched in 2014, a large percentage of energy used to run our stores is offset with local renewable power. In 2019, it was 50% local renewable energy, primarily from local Geothermal, Wind, and Large Hydroelectric power sources. SCP's CleanStart energy product is 97% carbon-free, making it a great energy option.

solar power at corporate

In 2018, Oliver's invested in a 60 kW Solar System at its Corporate Headquarters and 2019 was the first full year that it was in operation. In 2019, we continued to see an energy usage reduction of nearly 90,000 kWh annually even though in 2019 it did go up slightly compared to 2018. This was probably due to construction for office renovations. This annual savings amounted to enough electricity to power over 8 single-family homes for a year. (see fig. 7)



fig. 7 - Energy usage at Corporate Headquarters from 2014-2019

WE ARE STEWARDS OF THE ENVIRONMENT

OTHER WAYS WE WORK TO BE SUSTAINABLE

recycled irrigation at stony point

Oliver's Market's Stony Point location is the only location eligible to purchase recycled irrigation water and in 2019, 1,074,000 gallons of recycled water was used for irrigation. This is a slight increase, probably due to a warmer year, but we are always looking into ways to reduce our irrigation water usage and watch these trends closely, even though it is recycled water.

oliver's wellness program river cleanups

Oliver's collaborated with Clean River Alliance, to set up volunteer clean-up days where Oliver's Wellness Program employees could earn credits toward a higher employee discount at Oliver's. Employees participated in a total of three creek clean-ups at sites from Santa Rosa to Cloverdale in 2019. An average of 500 lbs. of waste was collected at each clean-up, making these events both fun, educational and productive.



Members of the Oliver's Wellness Program participating in a river cleanup in collaboration with the Clean River Alliance.

