

CASE STUDY

A Closer Look at Sprouts' Food Waste Reduction Commitment & Best Practices

Progress on the Path to Cut Food Waste in Half by 2030



SPROUTS
FARMERS MARKET

Executive Summary

Sprouts Farmers Market, Inc., is a publicly traded supermarket chain headquartered in Phoenix, Arizona. In 2020, Sprouts signed on to the Pacific Coast Food Waste Commitment (PCFWC), and as a signatory, they are sharing their insights and best practices to help accelerate food waste reduction across the food industry.

Sprouts employs approximately 31,000 team members and operates approximately 380 stores in 23 states and is one of the largest specialty retailers of fresh, natural, and organic food in the country. In 2021, Sprouts' sales totaled \$6.1 billion, with approximately 58% of this amount coming from perishable items. Sprouts is not just committed to selling healthy living products, but it also seeks to foster goodness in the communities where it operates through positive environmental practices and social initiatives.

Key Food Waste Reduction Strategies

1 Sprouts partners with WM to create storewide waste “Scorecards” that direct corporate strategy and keep sustainability and diversion top of mind at all levels.

Each month, WM compiles data from its service networks, donation partners, and other third-party sources and normalizes these data points into a single reporting platform and scorecard. The data is aggregated into six categories to provide holistic visibility of all material streams: *rescued/donated produce, rescued/donated non-produce food, recycled food waste, other recyclables, cardboard, and landfill*. Sprouts sets targets for each category – based on in-depth store waste audits – and measures store performance against them.

2 Sprouts optimizes container sizes and load weights to reduce disposal expenses.

WM set a target weight for each waste container at Sprouts based on its size, material, and historic performance, and then established an optimum pickup schedule that made sure the container was as full as possible at each service. Many Sprouts locations also installed WM's proprietary compactor monitors as part of this strategy. These efforts reduced costs and on-road time for service vehicles, leading to fewer greenhouse gas emissions.

3 Sprouts diverts material going to landfill through team member training, signage, and improved culling procedures.

In-house sustainability training for all team members has increased their awareness and understanding of Scorecard targets and their associated cost savings. Branded posters placed in relevant locations serve as visual reminders. A two-box produce culling method in which staff decide what to cull for donation or food waste recycling in real time minimizes double-handling and saves on labor costs.



4

Sprouts improves produce freshness by reducing the distance between stores and distribution centers.

By shortening the distance produce travels, Sprouts is able to source more products from local farmers, improve distribution process efficiencies, and provide fresher produce to customers, which helps reduce the amount that goes to waste.

5

Sprouts helps customers reduce food waste at home.

Bulk bins and a selection of resources – including recipes, storage tips, and more – help customers develop their food management skills.

“Eliminating food waste and fighting hunger in our communities continues to be a priority for us. We will be a “Zero Waste” company by 2030.”

Sprouts 2021 ESG Report

1

Sprouts partners with WM to create storewide waste “Scorecards” that direct corporate strategy and keep sustainability and diversion top of mind at all levels

Sprouts’ partnership with WM (formerly Waste Management) has been important to their sustainability journey. WM’s National Accounts Program provides Sprouts with consolidated management of their waste and recycling program, enabling them to use data and analytics to identify strategic opportunities to control costs, optimize operations, and protect the environment.

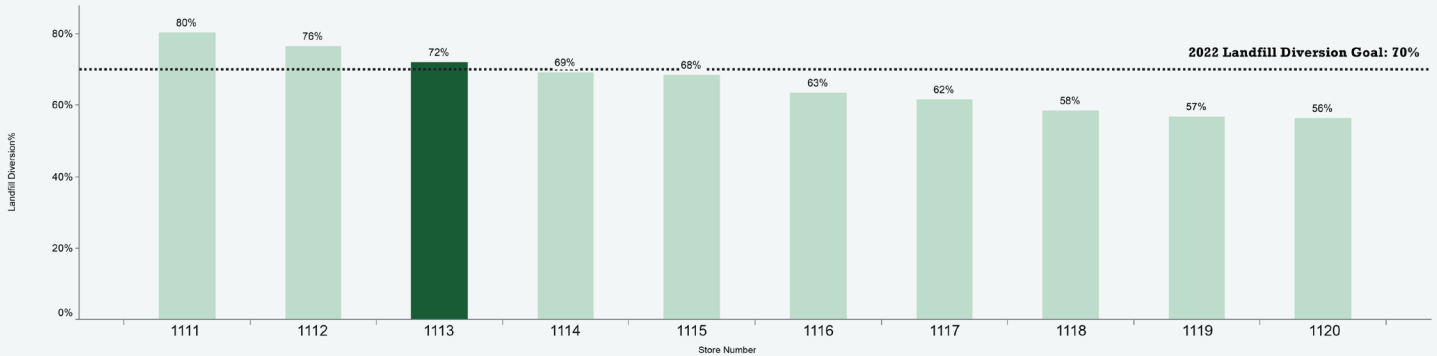
In 2019, WM created an analytics platform called the “Zero Waste Scorecard” to enable Sprouts to monitor their waste data and track diversion progress. Each month, WM compiles data from WM’s service networks, donation partners, and other third-party sources. WM normalizes these thousands of data points into a single reporting platform and Scorecard. Data is aggregated in six categories: *rescued/donated produce*, *rescued/donated non-produce food*, *recycled food waste*, *other recyclables*, *cardboard*, and *landfill*. Sprouts set percentage targets for each category, based on in-depth store waste audits – the four-page Scorecard compares store performance to others in the same district and uses a simple color-coded rating that visually communicates their status: green (on target), yellow (needs improvement), and red (underperforming). Twelve-month trending numbers track changes in performance, and the reports include suggestions for best practices and identify actionable steps each store can take to improve based on their scores. For example, Sprouts requires stores to keep locks on their trash compactors when not in use, and a member of the management team approves all materials before they can be disposed.

Monthly Scorecards are shared with store management and posted in each store office. Store team members receive training on Scorecard targets and the impact of sending food waste to landfill versus diversion to other streams.



District A

Mar/Apr Landfill Diversion Rate: **72%**



Total Landfill Diversion Status

Diversion Status by Program

- Cardboard Recycling
- Food Rescue Non-produce
- Food Rescue Produce
- Food Waste Recycling
- Other Recyclables

(An example of a Zero Waste Scorecard for a single Sprouts store)

ON TARGET NEEDS IMPROVEMENT UNDERPERFORMING

A recreation of the Sprouts Diversion Status by program*

This table displays diversion rates by program, with the target diversion rates listed at the top of the table shown in green. If you do not meet a target diversion rate, please refer to page 4 to review best practices for improvement.

STORE #	LANDFILL DIVERSION %		CARDBOARD % <small>(Baled Clean & Dry Cardboard Only)</small>		FOOD RESCUE NON PRODUCE % <small>(Donated Bakery, Deli, Dairy and Grocery Items)</small>		FOOD RESCUE PRODUCE % <small>(Donated Fruits, Vegetables and pre-packaged items)</small>		FOOD WASTE RECYCLING % <small>(Recycled moldy, rotten and out of code food waste through your cow chow, compost or digest programs)</small>		OTHER RECYCLABLES <small>(Single-Stream recycling, Meat Rendering, Soft Plastics)</small>	
	Targets	70%	40%	40%	10%	10%	10%	10%	10%	10%	0%	
1111	80%		38%		8%		12%		29%		3%	
1112	76%		58%		3%		2%		10%		3%	
1113	72%		34%		5%		13%		28%		2%	
1114	69%		21%		12%		11%		31%		5%	
1115	68%		29%		6%		0%		32%		2%	
1116	63%		38%		3%		10%		22%		1%	
1117	62%		42%		4%		3%		13%		0%	
1118	58%		20%		13%		3%		16%		7%	
1119	57%		30%		7%		7%		16%		3%	
1120	56%		32%		7%		3%		13%		1%	

(An aggregation of Scorecards for a number of Sprouts stores, analyzed on a regional level to compare progress.)

*Not actual data

To motivate stores to improve their sustainability practices, the Scorecard landfill diversion rates are factored in as a component for store leadership's bonus structure. The Sprouts sustainability team reviews aggregated district, region, and company-wide Scorecards, analyzing multiple views on performance, and the Scorecards provide transparent, timely insight into the impacts of various pilot and partner programs.

Scorecard Impacts

The Scorecards and their consistent, consolidated reporting on sustainability progress have helped Sprouts focus on issue areas and opportunities for improvement. For example, if cardboard diversion numbers at a particular store are low, this could signal an opportunity to dig deeper into the waste streams and processes to find out why. Is the cardboard ending up in the trash compactor? Is there a need to retrain team members on the process for handling clean cardboard? After changes are implemented, the Scorecard shows how impactful the intervention was. Sprouts adjusts targets for the six categories yearly, helping move toward their zero waste goals. Furthermore, the automated Scorecard system requires minimal team member time, making it easy to maintain.

Targeted Training and Audits

"Opportunity stores" are identified to receive additional training and may undergo visual or sort-and-weigh waste and recycling audits with WM and Sprouts' other sustainability partners. These audits provide powerful visual and quantitative analyses of gaps in programs and opportunities for improvement. The bottom 40 stores are engaged in an incentivized competition each year to improve their outcomes.

Future Scorecard Enhancements

WM and Sprouts are working on enhancements to the Scorecard. Current areas of exploration include adding financial and environmental impacts of unachieved targets and incorporating store shrink levels.

Given the success of the waste diversion scorecard, WM mirrored the format and created a custom "Sprouts Energy Scorecard" for implementation in the latter part of 2022.

Since 2019, the Scorecards have contributed to an 8% increase in company-wide diversion of food waste and recyclable products from landfill by motivating and engaging team members.



If you'd like to implement these strategies for your business, contact WM to see how you can advance your sustainability program, visit:

www.wm.com/us/en/business/national-accounts/cpn/get-in-touch

2

Sprouts optimizes container sizes and load weights to reduce disposal expenses

Sprouts originally relied on team member inspections to gauge container fullness and schedule pick up services, which led to over- or under-scheduling of pickups and extra labor for staff. WM enabled Sprouts to employ a more data-informed system using real-time information and historic service trends. WM set a target weight for each container based on its size, material, and historic performance, and then defined a strategic pickup schedule that would raise tonnage toward that goal. To reduce the risk of overloaded containers, the target weights also considered the service provider's maximum tonnage threshold for transporting the loads. Many locations installed WM's proprietary Compactor Monitoring Systems that transmit compactor pressure and power cycle information to WM's analyst team, which helps inform their pickup scheduling.

Optimization reviews are conducted twice a year. Store improvements in diversion and overall waste reduction impact trash container loads. Regular evaluation allows for service adjustments and additional cost savings. These spend reductions can help offset the cost of recycling programs.

Since implementing container optimization strategies with WM in 2019, **Sprouts increased the average days between trash compactor hauls by 33%, leading to cost savings.**



Sprouts diverts material going to landfill through team member training, signage, and improved culling procedures

Sprouts provides in-house sustainability training for all team members. New team members have in-store and online training for the Food Rescue Program. As visual reminders, Sprouts created branded department guidelines and posters establishing donation collection areas within each department.

Sprouts now uses a two-box culling method to save on labor costs and integrate sorting for donations into their daily practices on the sales floor. Under this program, team members decide what to cull for donation or food waste recycling in real time, sorting as they go so as to minimize double handling. There are two types of boxes on a cart – one set for donations (banana boxes with a lid on top for ease of food recovery, organization, transport, and stacking) and another set for food waste recycling (open boxes). Team members can use 4-5 boxes at a time to streamline the

process, reducing the time spent off the floor. Donation items that need to be in the cold chain are pulled day-of in the morning and put in cold storage. Sprouts reuses produce boxes for these culling procedures; plastic bins were tested but they were not viable options because they were more expensive and led to increased labor for routine cleaning.

As the product is sorted, it is scanned into two different categories for accounting purposes – donation or discard. This intentional systematizing of culling processes and documenting where culled food is going makes an enormous difference for Sprouts' ability to increase donations and track progress on diverting food waste from the landfill.



45% of all food donated by Sprouts in 2021 was fresh produce

4

Sprouts improves produce freshness by reducing the distance between stores and distribution centers

Sprouts' goal is to position fresh distribution centers within a 250-mile radius of stores. By the end of 2021, Sprouts had achieved this goal for more than 85% of stores. By shortening the distance produce travels, Sprouts is able to source more products from local farmers, improve distribution process efficiencies, and provide fresher produce, which in turn reduces food waste. It is too early to confirm through data whether there has been a resulting reduction in the amount of fresh produce shrink at those stores.

“Our two new produce distribution centers improve the freshness of our product while taking three million miles off the road.”

Jack Sinclair, Sprouts CEO



Projects in Progress

Sprouts is working on strengthening their food waste prevention strategies by conducting several internally run pilots targeting shrink at select stores. They are testing a combination of integrated software products to manage receiving, ordering, inventory, and markdowns:

- *thinStore* is a browser-based pricing and inventory management system designed to provide centralized execution of store tasks. Sprouts is using it for receiving, ordering, and inventory management.
- *Periscope* (by Invatron Systems Corp) tracks inventory. It supports in-store execution and oversight of fresh operations, including order replenishment, production planning, scale management, inventory management, and compliance and regulations. Periscope has proven extremely accurate at predicting demand and creating orders.
- Inventory date tracking software monitors inventory expiration dates, efficiently identifying and marking down items with soon-to-expire code dates. Sprouts is evaluating various software products that provide this service to sell more near-expiration items.
- *Markdown Manager* is a centralized markdown program that provides pricing control to ensure consistency of all marked down items across the store and throughout departments. The program determines the optimum markdown levels and the timing of markdowns, and it identifies goods for markdown. The technology has made the markdown process less time-consuming – giving team members more time to serve customers.

The enhanced demand planning facilitated by this newer software allows retailers to better forecast demand of perishable products and manage their inventory, so that less food is wasted and shrink is reduced. Discounting soon-to-be wasted food ensures that more people can access and afford nutritious fresh foods, less food is wasted, and Sprouts receives a modest return instead of paying for the disposal.

“Sprouts goal is to provide the freshest product available for our customers. This is goal achieved through our systems and controls.”

Sean Gannon, Sprouts Senior Manager
Process Improvement Shrink





5

Sprouts helps customers reduce food waste at home

According to the US EPA, buying food from bulk bins can save customers money and reduce food waste and packaging by allowing them to purchase the amount they need as opposed to a pre-packaged amount. Sprouts offers customers bulk products for 200 SKUs of nuts, seeds, candies, and grains.

Sprouts inspires and empowers their customers to make healthy and sustainable choices through resources and messaging on their website. Information includes recipes, explanations of different date labels, storage tips, and more.

Sprouts' Food Waste by the Numbers

In 2021, Sprouts generated 39,546 tons of food waste and recovered 78% (30,750 tons) through donation, recycling to animal feed, compost, energy generation, and meat recycling – the processing of meat, bones, seafood scraps, and chicken grease into animal feed, biofuels, and industrial oils.

Since implementing their successful Scorecard program in 2019 – along with processes to optimize waste service, train team members, and enhance overall produce sourcing practices – Sprouts has steadily reduced the amount of food waste generated and increased the amount of food recovered for recycling or donation.

Food Waste Management (Tons)			
Description	2019	2020	2021
Food Waste Generated	43,537	40,651	39,546
Food Waste Recovered	25,884	27,563	30,750
Food Waste Recovery Rate	59%	68%	78%

Waste and Recycling Management (Tons)			
Material Stream	2019	2020	2021
Landfill	70,335	57,568	52,814
Food Rescue Donation	13,500	13,530	16,100
Food Waste Recycling	12,059	13,507	14,004
Meat Recycling	325	525	645
Other Recycling (Cardboard/Plastic)	48,904	50,374	48,257
Total Tons	145,123	135,504	131,820
Tons Recycled	74,788	77,936	79,006
Landfill Diversion Rate	52%	58%	60%

Acknowledgments

This case study was written by Abbe & Associates, which has been working with Sprouts as a benefit to their participation in the Pacific Coast Food Waste Commitment.

About the Pacific Coast Food Waste Commitment

The Pacific Coast Food Waste Commitment (PCFWC) began in June 2016, when the PCC entered into the Pacific North American Climate Leadership Agreement and committed to advance organic waste prevention and recovery initiatives to reduce carbon emissions from the region's food waste stream. U.S. leaders in the food industry were invited to collaborate with area jurisdictions in a public-private commitment to cut the amount of wasted food in half by 2030 – a success metric aligned with United Nations Sustainable Development Goal 12.3 and other global, national, and regional commitments. To assist in moving the initiative forward, the PCC established collaborations with ReFED, WRAP, and World Wildlife Fund (WWF) as resource partners to provide expertise, additional philanthropic funding, and capacity for implementation. Cascadia Policy Solutions serves as facilitator for the effort and has provided foundational and ongoing critical support to the PCFWC since its inception.



Signatory Members

As of Summer 2022



About the Pacific Coast Collaborative

The Pacific Coast of North America represents the world's fifth-largest economy, a thriving region of 55 million people with a combined GDP of \$3 trillion. Through the Pacific Coast Collaborative (PCC), British Columbia, Washington, Oregon, California, and the cities of Seattle, Portland, San Francisco, Oakland, Los Angeles, and Vancouver, British Columbia are working together to build the sustainable low-carbon economy of the future. Formed in 2008, the PCC has established ambitious goals for reducing greenhouse gas emissions by at least 80 percent by the year 2050 through the transformation of energy systems, buildings, and transportation, and through food waste management – all of which would serve as a model for national and global action.