

*Sprouta*®



COMMUNICATION  
ON PROGRESS 2017



# CONTINUED SUPPORT FOR THE UN GLOBAL COMPACT FROM SPROUT FOUNDER & CEO MICHAEL STAUSHOLM

*April 2017*

To our stakeholders:

I am pleased to confirm that Sprout hereby reaffirms its support for the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment, and Anti-Corruption.

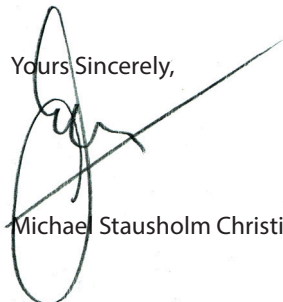
In this document, our first, annual Communication on Progress Report, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture, and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

At Sprout, we are on a journey and we hope to engage the world in our mission: To inspire people and businesses to adopt a more sustainable mindset. We want to make sustainability fun and easy to understand.

Everyone talks about sustainability. But what does it really mean? And where do we start? By creating the world's only sustainable pencil that can be turned into a plant after use, we have created a simple symbol of sustainability.

Let's do our bit to make this shared blue planet of ours a little greener for generations to come.

Yours Sincerely,



Michael Stausholm Christiansen



# INTRODUCTION

## SPROUT IS SUSTAINABILITY FOR EVERYONE

Sprout is a green start-up and the developer of the world's first sustainable pencil that can be planted after use. Our vision is to become the global leader in green and sustainable products. We sell both to businesses and to retailers in over 60 countries. As a company, we are developing rapidly and our sales and development potential remains relatively untapped.

*ULYSSES GRANT, an American general, jotted down battle plans with one. Otto von Bismarck, a Prussian chancellor, used his to tamp down the tobacco in his pipe. Vincent van Gogh used one to "draw a woman sewing" and found they "produce a marvellous black and are very agreeable to work with."*  
(<http://www.economist.com/node/17043890>)

## THE WORLD'S FIRST PLANTABLE PENCIL

Three students from Massachusetts Institute of Technology (MIT), Boston, came up with the idea for the pencil when they were challenged to "design the sustainable office article of tomorrow". The students set out to create the world's first plantable pencil. The Sprout pencil was designed to be made from sustainable wood with a dissolvable end capsule containing seeds.



1.

Write with  
your pencil



2.

Plant it -  
Add sunlight & water

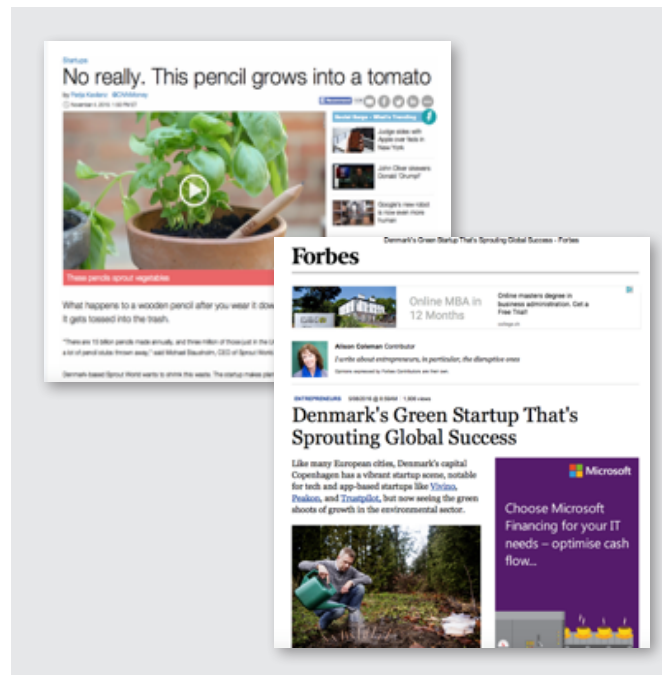


3.

Watch as new plants  
sprouts from the ground

## HUGE GLOBAL INTEREST

The first Sprout pencil was sold in the summer of 2013. There was overwhelming interest from press, bloggers, businesses, organizations, and consumers. Demand increased steadily as awareness spread across the globe through PR and word of mouth.



Bestseller 2016 - Both in EU and USA:

1) Basil 2) Mint and 3) Cherry Tomato

## UN GLOBAL COMPACT

March 1st. 2016 Sprout joined the world's largest CSR corporate citizenship initiative; UN Global Compact. As a responsible company, we respect the UN Global Compact's ten principles, and we are committed to internalizing them within our strategies, policies, and operations. Based on a materiality analysis, we have selected four principles we will focus on.

The four principles we wish to give extra focus:

### Human Rights

*Principle 2:*

Make sure that they/we are not complicit in human rights abuses.

### Labor

*Principle 6:*

The elimination of discrimination in respect of employment and occupation.

### Environment

*Principle 8:*

Undertake initiatives to promote greater environmental responsibility.

### Anti-Corruption

*Principle 10:*

Businesses should work against corruption in all its forms, including extortion and bribery.



# REVIEWING 2015

Just like in 2016, our focus in 2015 was on growth. This included activities such as the launch of our own webshop to engage the B2C market. We also went from five employees to 12, with a total of nine women and three men in the team. This meant having to move to a larger office facility, although we remain located in Taastrup, Denmark.

This was the year we started a great new Christmas tradition. Instead of giving company Christmas presents, we now use the money to buy Christmas gifts for orphans, which we buy ourselves from a wish list sent in by the children.

*In our first year, 2013, we sold about 100,000 pencils worldwide. In 2016, we sold roughly around 2,000,000 pencils. Our goal for 2020 is to sell 7,500,000 pencils.*

## ACTIVITIES

2015 was the year we sat down and made some very relevant and important goals for 2016:

- Set number of trees used to make Sprout pencils
- Code of Conduct for suppliers and self-assessment
- Sign up to the UN Global Compact
- Transparent supply chain
- Maternity Scheme

Sprout has always offered health and travel insurance to its employees. In addition to that, we have now devised a health and wellbeing policy and established five key steps to be met in relation to a healthy working environment. We succeeded in meeting all five steps in 2015.

The Sprout pencil is 100 % sustainable, made from FSC or PEFC wood, graphite, and NON-GMO seeds. We are working hard to ensure that all of our pencils will be made from FSC wood or other kinds of certified sustainable wood from local forestry.

We also offer our knowledge about sustainability to interested businesses and consumers. Our Founder & CEO Michael Stausholm has a blog in Børsen, a Danish business newspaper and in the Huffington Post. He writes about the dilemmas and challenges of working with sustainability. This is all part of our work with principle 8 (Environment): undertake initiatives to promote greater environmental responsibility.

*Each year about 3.5 billion pencils are made in the US, and around 15-20 billion are produced worldwide. That's a lot of pencils! In fact, 15 billion pencils laid out end to end would be enough to reach from the earth to the moon almost seven times! The precise number of trees needed depends on the size of the trees, so the exact figure changes depending on which type is used. The California Incense Cedar has varying dimensions but is about 60 feet high and 3-4 ft. in diameter on average.*

*Using these dimensions, and 15 billion pencils per year, means that about 60,000 trees are used to make pencils on an annual basis. (<http://www.economist.com/node/17043890>)*

## NUMBER OF TREES USED TO MAKE SPROUT PENCILS

### 2013

100.000 Pencils

0,4 tree



### 2016

2.000.000 Pencils

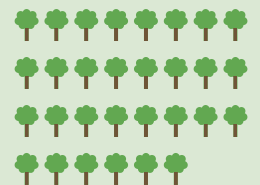
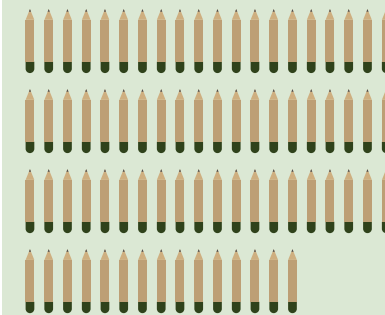
8 trees



### 2020

7.500.000 Pencils

30 trees



# REVIEWING THE PAST YEAR, 2016

2016 was a very busy year for Sprout. New employees joined, while other colleagues chose to take on new challenges elsewhere. Today our team is made up of 15 employees - 4 men, and 11 women.

*The average age is 42 and the age span is between 22 to 62 years old.*

For us here at Sprout, working with Human Rights in a business context is paramount, and it shapes all aspects of our work - from ensuring transparency in our supply chain to informing our process for hiring new employees.

We are aware of the risks of discrimination when hiring and dealing with our employees and we place focus on ensuring equal rights and opportunities for all. Today the majority of our employees are women - simply because they have been the most qualified candidates for the job.

This year we are pleased to present some exciting achievements. We:

- Established the Sprout "House Rules – Sustainability Report"
- Created the Sprout Suppliers Code of Conduct and a self-assessment sheet
- Signed up to the UN Global Compact
- Incorporated a "Beyond Compliance" Maternity scheme
- Made our supply chain transparent and identified our weak spots as a result.



## CHALLENGES

Between 2013 and till today, we have achieved a production growth rate of 2000 %, from selling 100,000 pencils in 2013 to selling approximately 2,000,000 pencils in 2016. This is fantastic and a clear sign of how the pencil can act as a strong symbol for today's focus on sustainability. But it also means that our suppliers are starting to face challenges in meeting demand. At present, we produce pencils in Poland for the European market and in the US for the American market.

At times, it may be impossible for our Polish supplier to meet demand and for us to avoid negatively impacting the working condition of our employees. For this reason, we have decided to produce a small number of orders for European customers at our US-based facility. This means we have a slightly higher CO2 footprint, but we are working hard to find a solution to this challenge.

# SUSTAINABLE DEVELOPMENT GOALS (SDG)

As a member of the UN Global Compact, we respect several of the global goals, and we work hard to engage them. Implementing the SDGs in our business strategy is both the right thing to do and the key to driving a sustainable business.

At Sprout, we find that working with the SDGs gives us a solid foundation for identifying opportunities for growth as well as for risk reduction by reviewing our entire supply chain to find new ways to incorporate the UNGC and SDGs.

We have chosen to engage the following four SDG goals – four areas we find that we have the greatest opportunity to achieve results by using our business, knowledge, and experience.

## SDG GOAL - #4: QUALITY EDUCATION

### GLOBAL CHALLENGE(S)

*Around 250 million children are not learning basic skills, even though half of them have spent at least four years in school.*

*Education is fundamental to the development of future workforces. It supports higher levels of productivity, adaptability, and innovation.*

*Education also fosters more stable and prosperous societies, i.e. larger and more sustainable markets for products and services.*

### ACTIVITY

*We contribute to greater awareness of and education about sustainability. We do this through strategic partnerships with educational institutions.*

*We wish to inspire more sustainable lifestyles by planting seeds in the public consciousness, using our pencil as an example to get people thinking more about recycling.*

### RESULTS

*In 2016 we teamed up with the gourmet restaurant Amass and their Green Kids Programme, which teaches children about plants and sustainability. We have also participated in KEAWEEK at Copenhagen School of Design and Technology – a whole week focused on innovation and sustainability.*

*Finally, this year Sprout was selected as a business case for four student groups participating in the Innovation Pilot Project at DTU (Technical University of Denmark).*

*In cooperation with the students, we talked about how to overcome challenges going forward with a new sprout product, complementary to the pencil, and brainstormed ideas on how to become even more sustainable.*

*Finally, we have successfully partnered with a sheltered workshop for people with disabilities, which works to bring previously marginalised groups into the formal economy through employment.*

### GOALS

*Our mission is to make products in a straightforward and comprehensible way, to help make it easier to understand what sustainability is all about.*

# SUSTAINABLE DEVELOPMENT GOALS (SDG)

## SDG GOAL - #12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

### GLOBAL CHALLENGE(S)

*A rising population, urbanisation and, overwhelmingly, economic growth, are driving an ever increasing demand for natural resources: energy, soil, water, and minerals. If current consumption trends continue, natural resources could be rapidly depleted.*

### ACTIVITY

*Ensuring sustainable consumption is a prerequisite for our entire business and so it is only natural for us to use our influence by informing and communicating our experiences. We hope our knowledge and expertise will be beneficial and useful to others who are going to work with similar materials, and products. Our CEO, Michael Stausholm delivers lectures to companies and organisations about sustainability and writes several blogs for various news channels*

### RESULTS

*This year we developed our Code of Conduct for Suppliers. All of our suppliers will receive a copy which they will be required to read and sign. We want to cooperate with our suppliers through continuous communication. If our suppliers are in doubt about any working conditions, we want to assist them either through understanding or information.*

### GOALS

*Increase consumer awareness of sustainable consumption. The ultimate goal is to create a circular economy, which is designed to produce no waste and no pollution. We aim to find one more pencil supplier, who can meet the demands in our code of conduct .*

## SDG GOAL - #13: TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

### GLOBAL CHALLENGE(S)

*The IPCC's (Intergovernmental Panel on Climate Change) review predicted that everyone on the planet is going to be affected in some way by the impacts of climate change and that further warming will cause long-lasting changes, increasing the likelihood of severe, pervasive and irreversible impacts for people and ecosystems.*

### ACTIVITY

*Sprout is engaging this goal by raising awareness. Sprout's vision is to help reduce the world's use of resources and be an active advocate for issues relating to sustainability - in terms of production, green products, and business.*

### RESULTS

*We have been working actively to promote respect for the environment via the development of sustainable products, and by using Michael's blogs in Børsen and the Huffington Post to further raise awareness. Also, Michael was one of the speakers at this year's "Sustainable Brand" conference held in Copenhagen.*

### GOALS

*All of our packing will go from being FSC certified to being made of recycled material. All of our pencils are made of FSC/PEFC wood or otherwise documented sustainable wood from local forestry.*

# SUSTAINABLE DEVELOPMENT GOALS (SDG)

## SDG GOAL - #15: LIFE ON LAND

### GLOBAL CHALLENGE(S)

*Terrestrial ecosystems are critical to all aspects of human life, with plants providing 80% of our diet and land habitats providing a range of crucial functions known as ecosystem services. However, human-induced drivers such as pollution, climate change, invasive species, overexploitation and land use change are causing unprecedented shifts, and in many cases degradation, of terrestrial ecosystems.*

### ACTIVITY

*2016 Sprout joined forces with the organisation (NGO) Forests of the World to support Earth Day 2016. The theme for Earth Day 2016 was "Trees for the Earth - let's start planting".*

### RESULTS

*Sprout made 3 pencils for this event with 3 tree seeds. 10 % of the sales went to the Forests of the World.*

### GOALS

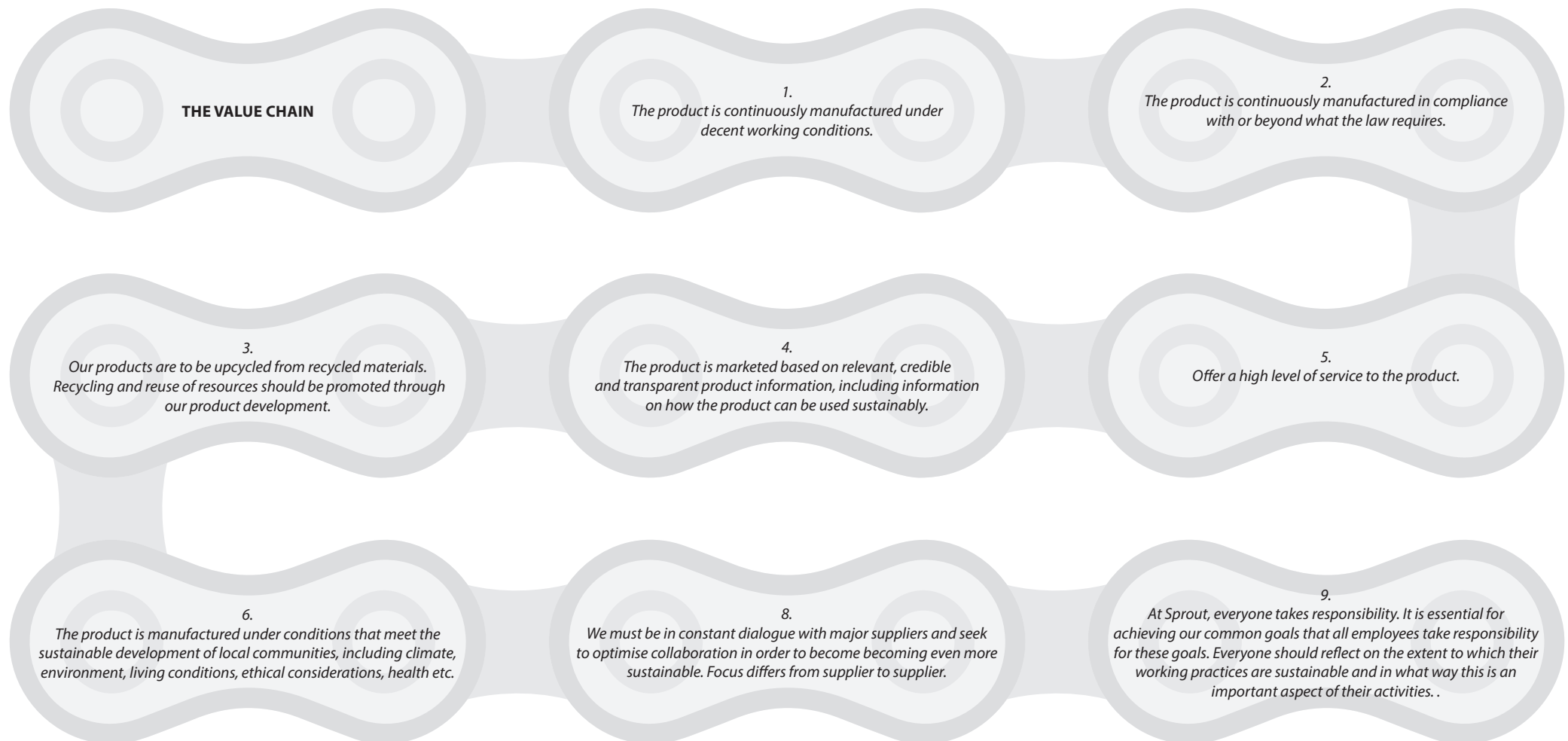
*Both Sprout and Forests of the World wish to protect the world's forests, both in terms of sustainable logging and conservation of the world's forests. It is also very important to us to ensure that all our pencils are FSC/ PEFC certified, and we work hard to achieve this. The same goes for our paper products as well.*



# INTRODUCTION TO SPROUT'S OPERATIONAL 2017 GOALS

Blueprint for good growth that delivers social and environmental value, as well as optimal economic benefit. We will reinforce sustainability throughout our business and take responsibility at every stage of the value chain.

The Council for Sustainable Development (RBE) has selected principles that characterise a “sustainable product”. At Sprout, we will work hard to safeguard sustainable set-ups in relation to these principles:



# CONCLUSION – SUSTAINABILITY FOR EVERYONE

Everyone talks about sustainability. But what does it really mean? And where do we start?

By creating the world's first and only plantable pencil that can be turned into a plant after use, we have made a simple symbol of sustainability.

*When the Sprout pencil is too short to use for its original purpose, give it a second life. Plant the end part of the pencil, and herbs, vegetables or flowers will start to grow.*

At Sprout, we are on a journey and we hope to engage the word in our mission: To inspire and encourage consumers, business leaders and stakeholders to adopt a more sustainable mindset. We want to make sustainability fun and easy to understand.

## GOALS 2016

This year we have achieved some exciting goals and set forth some new ones. We:

- Established the Sprout "House Rules - Sustainability Report"
- Created the Sprout Suppliers Code of Conduct and a self-assessment sheet
- Signed up to the UN Global Compact
- Incorporated a "beyond compliance" Maternity scheme
- Made our supply chain transparent and identified found our weak spots as a result

*Furthermore*

- Introduced a voluntary retirement scheme
- Produced a blueprint for working with the Sustainable Development Goals (SDG's)

## GOALS 2017

- Our packing and paper are to be made of recycled material
- Increase the importance of reusing and recycling materials in our product development phase
- Increase our focus on Responsible Supply Chain Management

Worldwide we are struggling with the same social -and environmental issues. It is worth trying to solve them together. That way, we can make our shared blue planet a little greener for generations to come.

## OUR PROMISE

We work hard to achieve good growth that delivers social and environmental value, as well as optimal economic benefit. We will safeguard sustainability throughout our business and take responsibility for every stage of the value chain.