

COMMUNICATION ON PROGRESS REPORT 2020

*“The most effective way to
reduce waste is to not create it
in the first place.”*

Sprouts[®]

LETTER FROM THE CEO

September 2020

To our stakeholders:

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

In this, our third, annual Communication on Progress, September 2020 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 World, we are on a journey and we hope to engage the world in our mission:

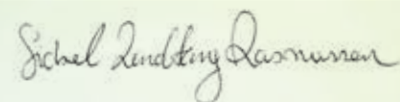
Let's Make the World Sprout.

Through our range of small everyday innovations, we want to make sustainability visible and be a force for change. We want our products to tell stories that inspire people to reflect, change their behavior and put sustainability top of the agenda.

We strive to make sustainability fun and easy-to-understand, both for adults, kids and businesses. If we all make small changes in our everyday life, together we can have a huge impact and make sure that our common planet will be a great green place for many generations to come.


By planting a Sprout pencil instead of just throwing it out, you can make sustainability visible to others. And inspire them to make small changes in their daily life. Also, our new zero Plastic Sprout Spoon, will have the changes to make a positive impact, a zero plastic product.

Sincerely yours,



Sidsel Lundtang Rasmussen
CEO

*EPA (United States Environment Protection Agency)
has 5 ideas on How to Reduce and Reuse.
One of them says: Buy reusable over disposable items.
Look for items that can be reused; the little things can add up.*



*“Buy reusable
over disposable items.
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SPROUT WORLD - IN BRIEF

Don't use and throw. Use and grow!

Sprout is a company that cares about the planet by minimizing waste and developing sprouting products with a second purpose. We believe that small steps can make a difference. If you can plant a pencil stub, what else can you do to recycle more? It's our hope to inspire everyone to live a life with an awareness of the environment and its future. To put it in simple terms - we're passionate about turning pencil stubs into plants.

Sprout Vision:

Creating a more sustainable future

Sprout on a Mission

Our mission is championing green change, but we know that achieving this isn't always easy. We believe that by taking small steps using simple innovative solutions like the plantable Sprout pencil, positive change is possible. Sprout products are for everyone to enjoy and have some fun together. They encourage people to move away from the computer or cellphone and to start growing plants from pencils.

Since our launch in 2013, millions of people have enjoyed receiving plantable Sprout pencils as gifts. They make a great green gift for a friend or loved one, or they can be used as a sustainable corporate gift. Choose the plantable Sprout pencil and 'Let's make the world Sprout'.

Sprout's idea of sustainability

At Sprout, we work with our entire production phase; from the development of an idea to the product and the packaging, through to how the product is treated in the use phase and finally, how it can be recycled or included in nature's life cycle.

Our goal is for all products to be recyclable - to be made from recycled materials or certified sustainable material and to be plastic-free. At Sprout, we're aware of our responsibilities. We must respect and preserve biodiversity and we consider in all our actions the effects of our operations and what impact our products have on the future generations.

What sustainability means to Sprout is to create the best possible conditions and opportunities for people and the environment both now and in the future. We do this, among other things, through our core competence; the development and sale of green sustainable consumer products.

How we work

Sustainability is not just something we encourage our customers to promote. We incorporate it into all aspects of our business at Sprout- we aim for zero waste products. Sprout breaks with the idea of a linear economy that starts with the extraction of resources and ends up as waste. That's why we produce products with a second life, that contribute to a circular economy and thereby a more sustainable world.

WELCOME TO
A WORLD OF SMALL
EVERYDAY INNOVA-
TIONS THAT INSPIRES
GREEN CHANGE

UNFOLDING THE YEAR OF 2019



In 2018, Founder and Chairman of the Board Michael Stausholm bought an amazing zero plastic invention, a teabag and spoon in one. The spoon was invented by a young German man who wished to make it part of the Sprout family. The Sprout Spoon was launched Q1 2019.

The Sprout Spoon is different from the plantable Sprout pencil because it can't be planted to have a second life. So, why make it a Sprout product? Well, because this product champions something that's just as important as zero waste products - zero plastic products. This is a high priority at Sprout.

Michael Stausholm explains:

"A German inventor came up with the idea of the sustainable teaspoon as an alternative to conventional plastic spoons. When one orders a cup of tea on an airplane, as a rule, one is given a teabag, a plastic spoon and a serviette to place the used tea bag on.

In the case of the Sprout Spoon, none of this is needed: A tea bag is namely attached to the spoon that's made of bio-degradable cardboard. After use, the tea bag is simply squeezed, and the spoon is folded so that the surface it lies on doesn't get wet.

The Sprout Spoon is imprinted using 100% plant-based, TÜV-tested dyes and after disposal, the spoon decomposes completely within two months. The Sprout Spoon is another ideal green promotional product because it can be customized with a company logo and colors."



Plastic free

Fully biodegradable

Stitched with organic cotton

No artificial flavors

Non-toxic print and dyes

Renewable fibers

Organic tea blends

Sustainable production

THE SPROUTING YEAR OF 2019

Results

2019 had some exciting results:

- We achieved a 75% growth, with a turnover of 34 million Danish Kroner. This is a clear result of the higher demand for our pencils and a well-run production with very little waste in the assembly phase.
- We launched our new Sprout member. The Sprout Spoon, a spoon and teabag in one. A zero-plastic product.
- we decided to be Branded House only selling owned Sprout patented products.
- We expanded our team, going from 12 employees in 2018 to 20 in 2019.
- We started working with a new production partner in Poland. A small family-owned company who focuses on quality, good working conditions and sustainable production.
- Founder, Michael Stausholm still holds the stock majority.

Challenges

2019 exceeded our expectations in many areas. The economy was improved, and the team was more skilled and stronger than ever before.

The challenges of being a growing company is the momentum. This speed must be both maintained and controlled. This work has been a joint effort of the entire team, with the primary moderators being the Founder Michael Stausholm and CEO Sidsel Lundtang Rasmussen.

2018 and 2019 have been years of tremendous growth. Growth means speed and quick decisions. Development and long-term strategy have stagnated while Sprout found the right speed. 2020, on the other hand, will be a year of development and long-term strategy. There will again be an increased focus on sustainability. Different areas will receive special focus. New products are coming.

It's a characteristic of Sprout that both our ups and downs are taken together as a team. We are all passionate about our work and about Sprout.

Going to work every day and feeling that you are helping to make a difference is all that matters.

This intrinsic motivation is important and a large part of the management responsibility. A subject we hold sacred and eternally top-of-mind.

UN Global Compact

On 1st March 2016 Sprout joined the world's largest CSR corporate citizenship initiative; UN Global Compact.



We wish to show our responsibility to respect the UN Global Compact's ten principles and commitment to internalize these within the company's strategies, policies, and operations. Based on a materiality analysis, we selected four principles to focus on.

The four principles we wish to give extra focus to are:

- Human Rights: Principle 2: make sure that 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.

BUSINESS & HUMAN RIGHTS

Working with Human Rights at Sprout in a business context is paramount. It shows in everything we do – from keeping track to transparency in our supply chain to how we hire new employees. We are aware of the risks of discrimination in employment; and consequently, the focus is also on equal rights and opportunities for all.

Supporting the Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) are a universal call to action set by the United Nations to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. IFU contributes to the SDGs by promoting private sector investments, which support sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner.

At Sprout, we work strategically with the SDGs. Therefore, we have chosen to focus primarily on 4 SDGs, which are both important in our own practice, but where we can also use others with our flagship product, The Sprout pencil, as the means to inspire sustainable consumption.



What: SDG # 4 : Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

How: Through collaboration with educational institutions. Over the years, we have given presentations, taught and held workshops all based on sustainability. These cover idea generation, product design, production, sales, through to the end consumer's responsibility.



What: SDG # 12 : Responsible Consumption and Production - especially 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse – Sprout can make a positive impact and through our products inspire both B2B businesses and end-consumers to re-think the way they use and throw out. Instead, we need to reuse/rethink and with our everyday small innovation – re-grow.

How: Through Blockchain technology we can ensure transparency throughout the entire supply chain and to the end consumer. Put simply, blockchain provides a verifiable record as to who buys what from whom. This means our sustainability claims can be counter-checked and verified by consumers, suppliers and partners.

More and more customers demand sustainable practices in the choice of products they buy. Forbes notes that around 60% of consumers are likelier to buy products with clearly defined sustainability policies. This is most evident in the success of fashion brands like Allbirds and Veja, both of which are known for their sustainable business practices.

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS



What: SDG # 15: Protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

HOW: We wish to support SW4SW (Sustainable Wood 4 Sustainable World). We support their approach in making global sustainable forest value chains.

Our aim is to support a small sustainable forestry and their work, through audits and help to comply with current legislation and compliance with the 10 UNGC principles, as well as conducting sustainable forestry.



What: SDG # 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

HOW: We will aim to develop partnerships with organizations whose aim is sustainable wood and a new way of securing a global value chain.

We will orchestrate collaboration across sectors, industries, brands and educational institutions to support sustainable development both in idea development, product design, procurement of materials and in general the whole process from idea to product.

WHAT IS A SUSTAINABLE PRODUCT?

At Sprout, we continue to work hard on safeguarding sustainable the set-ups in relation to the principles set forth by RBE (The Council for Sustainable Development), who has selected the following six principles that characterize a “sustainable product”.

These principles are guidelines on our How To, working with the UNGC principles.

1. The product is manufactured under decent working conditions.
2. The product is manufactured in compliance with or beyond what the law requires.
3. The product has better environmental performance than most similar products. Our products are to be upcycled from recycled materials. Upcycling, also known as creative recycling, is the process of transforming by-products, waste, unusable or unwanted products into new materials or products of better quality and that are environmentally friendly. The recycling and reuse of resources should be promoted through our product development. Existing products must be re-thought and produced from recycled materials.
4. The product is marketed based on relevant, credible and transparent product information, including information on how the product can be used sustainably. Our sustainability strategy and vision must be communicated through information and education. These include an educational context in which we must share our experiences, challenges, and opportunities. As well as through our newsletter and social media where an increased focus on sustainable consumption should have a central place.
5. Offer a high level of service to the product.
6. The product is manufactured under conditions that meet the sustainable development of local communities, including climate, environment, living conditions, ethical considerations, health etc.

“At Sprout, we don’t believe that planting pencils can save the world, but our mission is to inspire everyone; children, adults and companies to make small changes in their everyday lives, which when added up, make a big difference.”



SproutTM

LET'S MAKE THE WORLD SPROUT

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