

# SPROUTS FARMERS MARKET



# 2022 ESG REPORT

FIND YOUR HEALTHY!



*I hope that you find that this report reflects our dedication to continue building upon our efforts in the ESG space.*



## LETTER FROM THE CEO

### DEAR STAKEHOLDERS,

We talk a lot at Sprouts about ‘doing well by doing good.’ To us this means executing on our strategy and delivering value to our owners while doing the right thing for all stakeholders—our team members, customers, communities, vendor partners, and the planet we all share. We do not believe in sacrificing one for any other, and the success we saw in 2022 is a demonstration of this philosophy in action.

Our 31,000+ team members drove our strategic priorities forward and delivered another year of strong growth and financial performance. Equally as rewarding, we accelerated our environmental, social, and governance initiatives across the business. As you’ll read in more detail in this report, 2022 was a banner year for our key ESG focus areas.

We made meaningful strides in fostering our culture of caring and inclusion while also investing heavily in our team members’ career development and financial, physical, and mental well-being. We sourced more innovative products that meet our target

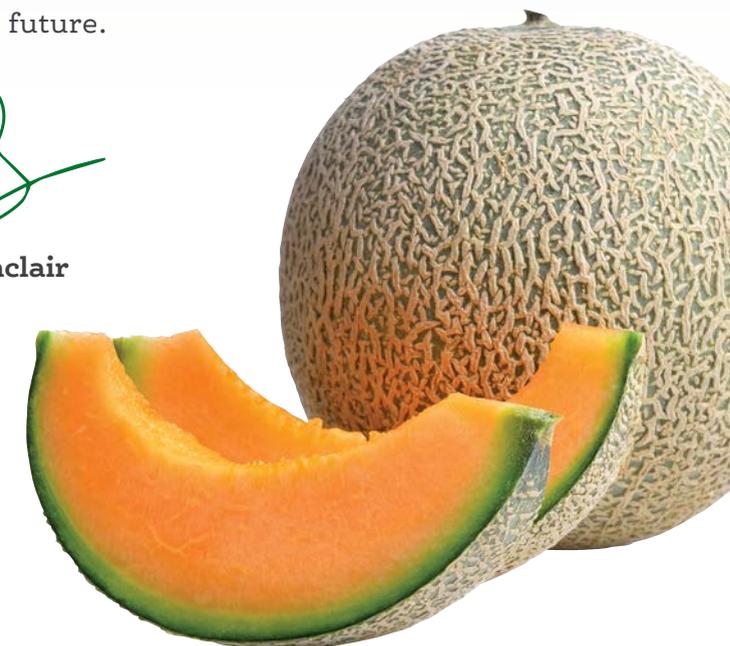
customers’ desire for healthy, attribute-based foods that have a lower environmental impact and higher societal benefit. We worked with more small and minority- and women-owned businesses, building upon our reputation as a truly unique brand incubator in the healthy food space. We reduced more food waste and donated more meals to those in need than any year in our company’s history. We funded more nutrition education programs for children in underserved communities than ever before. We committed to removing single use plastic and paper bags at checkout by the end of 2023, which is already paying dividends for the planet as of the publication of this letter. And we made progress in understanding our carbon emissions profile which will lead to carbon reduction target setting in due course.

There is, of course, a great amount of detail behind all of this work and I encourage you to read the following pages to learn more. I am delighted that Sprouts is being recognized for its ESG efforts by reputable agencies such as MSCI, which ranked Sprouts as a ‘AAA’

rated leader in the space, and Corporate Knights which ranked Sprouts as one of the 100 Most Sustainable Corporations in the World. I am incredibly proud of the work the teams across the business are doing to make our ESG work come alive, and I hope you find that this report reflects our dedication to continue building upon our efforts.

We carried the momentum from 2022 into 2023 and I am confident we will continue to leverage our unique strengths to deliver even more value to our stakeholders well into the future.

**Jack Sinclair**  
CEO



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This 2022 ESG Report contains “forward-looking statements” that reflect our current views about future events and involve known risks and uncertainties that may cause our actual results to be materially different from those expressed by the forward-looking statements. Unless otherwise indicated, information included in this 2022 ESG Report is as of our 2022 fiscal year ended January 1, 2023. All references to “Sprouts” in this report are to Sprouts Farmers Market, Inc., a Delaware corporation, and its consolidated subsidiaries.



## WHO WE ARE



## ESG AT SPROUTS



## ENVIRONMENT



## SOCIAL

## GOVERNANCE & OVERSIGHT



# WHO WE ARE

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# OUR STORY

True to our farm-stand heritage, Sprouts Farmers Market offers a unique grocery experience featuring an open layout with fresh produce at the heart of the store. Sprouts inspires wellness with a carefully curated assortment of better-for-you products paired with purpose-driven people. As a healthy grocer, we continue to bring the latest in wholesome, innovative products made with lifestyle-friendly ingredients such as organic, plant-based, and gluten-free. Headquartered in Phoenix, Arizona and one of the largest and fastest growing specialty retailers of fresh, natural, and organic food in the United States, we employ approximately 31,000 team members and operate more than 380 stores in 23 states nationwide. To learn more about us, and the good we bring to our communities, visit [sprouts.com](https://sprouts.com).

## 2022 HIGHLIGHTS

**\$6.4B**

in net sales

Opened

**16 NEW STORES**

Sprouts Brand products reached

**\$1B**

in sales

Launched approximately

**8,400**

new and differentiated products

**6M**

customers engaged across digital platforms





# OUR VALUES

Our values were created with input from team members across the company and country, and they form the foundation of our unique culture.

These values guide the decisions we make and create a culture of inclusion and belonging.

## CARE

We care for each other, our customers, and our planet.

## OWN IT

We work as a team to deliver excellence in all we do and celebrate our success.

## LOVE BEING DIFFERENT

Our diverse team members and products create a unique experience for our customers.



# ESG AT SPROUTS

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Starr Ranch Growers supplies  
Washington grown cherries  
for Sprouts stores.





# COMPANY STRATEGY & ESG



## *INSPIRE & ENGAGE OUR TALENT TO CREATE A BEST PLACE TO WORK*

Developing our culture of caring and inclusion with diverse talent and rewards



## *WINNING WITH OUR TARGET CUSTOMERS*

Encouraging healthy living and wellness through innovative products and supplier partnerships that are better for the environment



## *UPDATED FORMAT AND EXPAND IN SELECT MARKETS*

Smaller format with less carbon intensive operations, taking advantage of infill expansion efficiencies



## *CREATE AN ADVANTAGED FRESH SUPPLY CHAIN*

88% of stores are within 250 miles of a produce distribution center, increasing freshness, reducing food waste, and lowering transportation miles



## *REFINED BRAND AND MARKETING APPROACH*

Digital forward strategy customized to our customer dietary and lifestyle preferences reduces carbon footprint



# STAKEHOLDER ENGAGEMENT & MATERIALITY

Over the last few years, we have worked with third-party ESG advisors to engage with our stakeholders on matters material to our business including Sprouts leadership, team members, investors, suppliers, non-governmental organizations, sustainability professionals and academics. Our materiality approach consisted of a benchmark review of peers, leading ESG ratings, and frameworks such as SASB, MSCI, ISS ESG, and Sustainalytics. We also conducted a series of internal and external in-depth interviews with stakeholders to identify a list of most relevant topics for Sprouts.



## ENVIRONMENT

Sustainable Sourcing

Climate Change

Renewable Energy

Plastics & Packaging

Waste Management

## SOCIAL

Nutrition & Health

Responsible Sourcing

Diversity, Equity, & Inclusion

Human Capital Development

Community Impact

Health, Safety, & Well-being

## GOVERNANCE

Product Quality & Safety

Board Management & Oversight

Data Privacy & Cybersecurity

Ethics & Compliance

Executive Remuneration



*At Sprouts, we are proud of the positive impact our business has on the environment, our team members, and the communities we serve and are honored to receive a AAA rating from MSCI and to be designated a Global 100 most sustainable corporation in the world by Corporate Knights.*



**Brandon Lombardi**  
Chief Sustainability Officer



# ENVIRONMENTAL HIGHLIGHTS



## SUSTAINABLE SOURCING

**\$3.2B** in sales of products with a social or environmental attribute

**26%** of total sales from organic products

**21%** increase in plant-based alternatives sales



## CLIMATE

**51K** MT CO2e averted through food recovery programs

✓ Completed Scope 3 carbon emissions inventory

**55** stores received EPA GreenChill certifications for refrigeration management



## WASTE

**87%** food waste recovery rate

**32M** pounds of food donated

**69%** total landfill diversion rate



## PACKAGING & PLASTICS

**100%** reusable bags at checkout by end of 2023

**2.5M** meat trays transitioned from polystyrene to widely recyclable #1 PET trays

**800K** pounds of plastic bags and film recycled

# SOCIAL HIGHLIGHTS



## RESPONSIBLE SOURCING

**\$200M** in sales of products from minority- and women-owned suppliers

**\$145M** in sales from over 200 local produce suppliers

**100%** of seafood meets our responsible seafood sourcing policy



## TEAM MEMBER DEVELOPMENT

**1,600** jobs created through new store openings

**24%** of team members promoted

**64%** of store manager positions filled with internal candidates



## DIVERSITY, EQUITY, & INCLUSION

**77%** of promotions company-wide were female and/or racially/ethnically diverse team members

**600+** team member resource group members

**11,280** hours of culture reinforcement content delivered



## COMMUNITY

**\$3.2M** invested in school garden and nutrition education programs

**400** educators united for the first-ever nationwide school garden education summit

**4,000** volunteer service hours delivered, including Sprouts' Annual Day of Service

# GOVERNANCE HIGHLIGHTS



## CORPORATE GOVERNANCE

**88%** of Board members are independent

**38%** of Board members are female or racially/ethnically diverse

✓ Dedicated Board and executive oversight of ESG



## ETHICS & COMPLIANCE

✓ Completed human rights risk assessment

✓ Expanded internal human rights training

✓ Ethics hotline for anonymous reporting of concerns



## RISK MANAGEMENT & CYBERSECURITY

✓ ESG risks incorporated into ERM strategy

✓ No material data or cybersecurity breaches

✓ Board oversight of risk management and cybersecurity by Risk Committee



# SUSTAINABLE DEVELOPMENT GOALS

Our ESG efforts are aligned with the United Nations Sustainable Development Goals (SDGs).



## Zero Hunger

Our food rescue program, nonprofit grant making, and volunteerism support efforts to end hunger and build equitable food systems.



## Good Health and Well-Being

We promote the health and well-being of customers, team members, and communities through our sales of healthy products and practices around sourcing, safety, employment, and community support.



## Quality Education

Our Foundation is uniquely focused on supporting school garden programs that integrate science, math, and writing lessons with health and nutrition education. We offer our team members professional development opportunities and scholarships, building the next generation of leaders in retail.



## Clean Water and Sanitation

We design our stores to conserve water through efficient equipment and we conduct regular site audits and training to ensure this precious resource is being conserved.



## Decent Work and Economic Growth

Our job creation, pay practices, and team member development and inclusion policies, along with our Supplier Code of Conduct and Commitment to Human Rights, guide us in providing good work and sustainable economic growth while respecting human rights across our supply chain.



## Reduced Inequalities

Along with our commitment to developing a diverse and inclusive workplace, we help reduce inequalities on a global scale through our support of equitable food systems, responsible sourcing practices, and human rights across our supply chain.



## Responsible Consumption and Production

We offer a wide variety of products that are grown, sourced, produced and distributed in ways that are environmentally and socially responsible, including thousands of organic, non-GMO and plant-based items. We also favor reusable, recyclable or compostable packaging, and are moving towards 30% recycled contents used in our Sprouts Brand packaging.



## Climate Action

We invest in carbon reduction measures to lower our carbon intensity in our operations such as reducing our new store size, investing in lower global warming potential (GWP) refrigerants, incorporating green building practices, and streamlining our distribution network.



## Life Below Water

In addition to identifying areas where we can conserve water in our stores, we contribute to protecting our oceans through our sustainable seafood sourcing practices and our initiatives to reduce plastic waste.



## Life On Land

Our local sourcing, combined with our commitment to source from suppliers using sustainable agricultural practices, help to create a positive impact on biodiversity.

# ENVIRONMENT

Better Produce Farms uses sustainable practices in growing strawberries for Sprouts stores.



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# SUSTAINABLE SOURCING



Millions of customers choose Sprouts because they can find products that are grown and produced in ways that are healthier for people and the planet. Our stores are stocked with a wide variety of organically grown, non-GMO, and plant-based options that lower the environmental impact of the food consumed.





## Organic

Certified organic products avoid the use of synthetic pesticides and fertilizers, antibiotics, added hormones, and genetically modified organisms. Additionally, organic farming practices are known to be better for the environment and planet health.

### Rescued Organics Produce

According to ReFED, a national non-profit organization dedicated to ending food loss and waste, each year six billion pounds of produce goes uneaten due to the shape, size, or minor blemishes on perfectly healthy fruits and vegetables. We are on a mission to help reduce wasted produce due to these imperfections and increase the accessibility of organic produce as part of a healthy diet. In 2022, We introduced our “Rescued Organics” program, which involves sourcing off-spec or imperfect produce to support local farmers to make the most out of each of their crops.

### Biodiversity

Conventional agriculture is heavily dependent upon chemical inputs and practices that can have a negative impact on biodiversity. We support products and brands that are grown and sourced in ways that protect biodiversity in nature and support a balanced ecosystem. By offering customers grass-fed meat and dairy, and a wide variety of organic, regenerative and non-GMO products, we are contributing to a more sustainable food system that supports biodiversity.

### Regenerative

Regenerative agriculture is a systems-based approach to farming that builds soil, increases biodiversity, and respects workers and animals on farm. Some regenerative practices include rotating and alternating crops, no-till soil management, integrating livestock and cover crops, and minimizing chemical inputs. We partner with a number of innovative vendors and growers who employ regenerative practices on farm.



At Sprouts, we offer and market a variety of innovative products that are produced with regenerative agricultural practices.



“

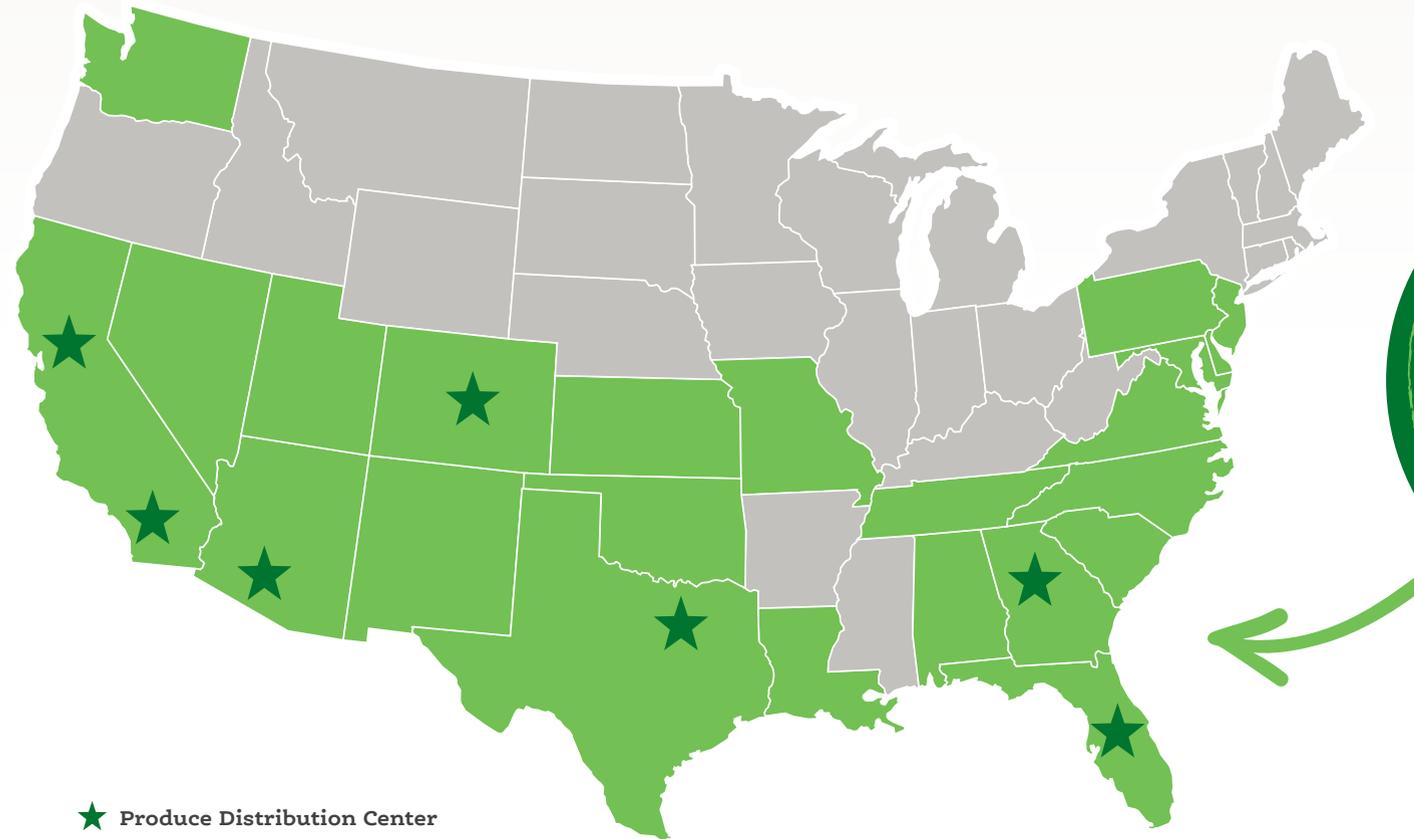
*At CMI Orchards, we believe that it's what's inside that counts. In America as much as 30% of all apples and pears grown don't make the cut, abandoned for cosmetic reasons. Partners like Sprouts recognize that natural tree fruit grows in all shapes and sizes and wise shoppers recognize that imperfections should be celebrated. As growers, having opportunities to sell "the whole tree," including blemished fruit that is just as tasty and delicious inside, helps to keep us in business. This is what a true partnership looks like—from the tree to table.*

”

**Mike Wade**  
CMI Orchards  
Rescued Organics farmer partner

## Local Produce

Our long-term, sustainable business strategy involves increasing our local product offering. Locally sourced products have the triple benefit of lowering our transportation-related greenhouse gas emissions, supporting local businesses, and appealing to our target customers. We source local produce from over 200 local produce suppliers in 18 states.



★ Produce Distribution Center



Sprouts store team members take a field day led by our local sourcing team in Florida.

## Plant-based

A plant-based diet is nutrient-dense and provides essential vitamins, minerals, fiber, and plant-based protein. Plant-based products also lower greenhouse gas emissions and improve land use while minimizing soil, air, and water pollution. We are always on the hunt for the newest, most innovative plant-based and vegan products, and we make it easy to spot which items are plant-based with convenient in-store messaging. We are also a destination for innovative seafood alternatives from plant-based fish fillets, sticks, and tuna which is an emerging category that helps relieve pressure on our oceans.



In 2022, we continued to expand our unique and innovative plant-based assortment, increasing the category by **21%** year-over-year



In our new store format, we make finding plant-based meat alternatives even easier with a dedicated frozen bunker full of customer favorites and the latest plant-based innovations.



Our product promotions such as 'Plant-Based Tastes Great' not only bring awareness to these items but also encourage customers to try new products and contribute to a high-fiber, low-carbon diet.





## Seafood

Responsibly sourcing seafood allows us to help preserve the integrity of our oceans and the planet by ensuring safe and healthy seafood for future generations.

Our responsibly sourced seafood supports fisheries who reduce the pressure on our ecosystems caused by overfishing and habitat-damaging fishing methods. Our suppliers are expected to comply with our [Responsible Seafood Policy](#) which requires fisheries and farm operations to undergo a rigorous process to ensure that their practices comply with requirements that have been established by international experts. Non-certified seafood species from countries that have robust regulatory oversight and sound scientific management practices are eligible for inclusion as a source of supply on a case-by-case basis.



## Palm Oil

To reduce the negative impact of palm oil cultivation, we committed to only sourcing Roundtable on Sustainable Palm Oil (RSPO) certified palm oil or equivalent in our Sprouts Brand products by year-end 2022 under our [Palm Oil Policy](#). We are pleased to announce that we have worked with our supplier partners to complete this transition and meet our commitment.



**100%**  
of our seafood is sourced to our Responsible Seafood standards



# CLIMATE



We believe it is important for companies take meaningful steps to reduce their emissions due to the inherent risks posed by climate change.

Sprouts is a high-growth specialty food retailer with planned new store growth of 10% annually, beginning in 2024. Our growth makes it even more important that we focus on our Scope 1, 2, and 3 emissions going forward.

What are Scope 1, 2, and 3 emissions?

- **Scope 1** involves direct emissions from owned or controlled sources such as refrigeration to keep our food cold.
- **Scope 2** covers indirect emissions from the generation of purchased electricity, heating, and cooling we consume.
- **Scope 3** includes all other indirect emissions in our value chain mostly driven by the products we sell.

We are working with a third-party expert on a modeled Scope 1 & 2 scenario that involves a meaningful reduction target. The modeling includes our store growth as well as ongoing emissions reduction initiatives and considers off-site renewable energy projects to balance energy related emissions.

## Scope 1 & 2 Emissions

An important initiative for offsetting emissions growth is the change to the size of our store format made as part of our long-term strategy. Our previous store prototype was 30,000 sq. ft. Our new store prototype is closer to 23,000 sq. ft. This 23% decrease in average store size will reduce our emissions intensity on a per store basis.

In addition, we continue to invest in energy efficiency technologies to reduce our electricity usage in our stores and distribution centers. Some of the technologies include energy efficient LED lighting and energy management systems to monitor our energy consumption.

We are investing in new CO<sub>2</sub> refrigeration in some markets, retrofitting high-GWP refrigerants to low-GWP options, and leveraging automated refrigeration leak detection monitoring systems.

We are also investigating options to drive down total absolute Scope 1 & 2 emissions as our business grows, including renewable energy sourcing and generation.

## Scope 3 Emissions

Due to the nature of our business, our wider value chain Scope 3 emissions make up the bulk of our carbon footprint. This is the first year that we have conducted a comprehensive Scope 3 emissions inventory.

Purchased goods was the most intensive of our Scope 3 emissions categories. We partnered with HowGood, an independent research company with a robust product sustainability database. By drawing on HowGood's data set of granular emission factors of 33,000 ingredients, we can more accurately understand our product-related carbon footprint. These insights will help support our supply chain strategy that both limits the risks associated with climate change as well as seeks upside opportunities for improved social and environmental performance.

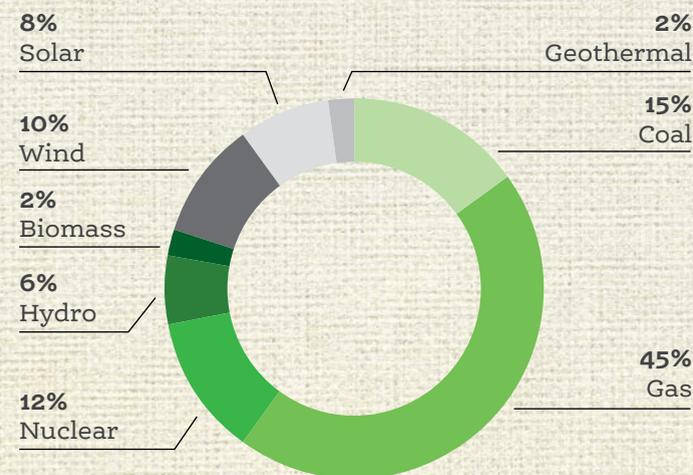
Our Scope 3 transportation-related emissions continue to trend in the right direction. We are proud to be an EPA SmartWay partner since 2016 and to be recognized as a 2022 SmartWay High Performer. Of our outbound transportation partner miles, 82% were from EPA SmartWay certified carriers that advance supply chain sustainability and freight transportation efficiency. Our partners also backhaul recyclables from our stores to distribution centers to maximize the efficiency of our transportation miles and zero waste efforts. In addition, our store growth plan involves building new stores within 250 miles of our DCs, reducing our transportation miles going forward.

## SCOPE 1, 2, AND 3 CARBON EMISSIONS

Scopes and Categories	Metric tons CO <sub>2</sub> e (in thousands)	% of Total
<b>Scope 1: Direct emissions from owned/controlled operations</b>	114	6.4%
<b>Scope 2: Indirect emissions from the use of purchased electricity</b>	118	6.6%
<b>Scope 3.1: Purchased goods and services*</b>	1,402	78.9%
<b>Scope 3.3: Fuel- and energy-related activities</b>	23	1.3%
<b>Scope 3.4: Upstream transportation and distribution</b>	43	2.4%
<b>Scope 3.5: Waste generated in operations</b>	25	1.4%
<b>Scope 3.7: Employee commuting</b>	53	3.0%
<b>Total All Scopes</b>	<b>1,778</b>	<b>100%</b>

\*Represents carbon footprint of more than 90% of total purchased goods spend.

## ENERGY GENERATION MIX



Generation mix based on EPA Emissions & Generation Resource Integrated Database (eGRID) 2021, Summary Dataset.



## GHG EMISSIONS TREND

Metric tons CO <sub>2</sub> e (in thousands)	2020	2021	2022
<b>Scope 1: Direct emissions from owned/controlled operations</b>	90	99	114
<b>Scope 2: Indirect emissions from the use of purchased electricity</b>	122	117	118
<b>Total Scope 1 and 2 emissions</b>	<b>212</b>	<b>216</b>	<b>232</b>

## ENERGY USAGE

Energy Source	2020	2021	2022
<b>Electricity (MWh)</b>	314,405	319,357	334,047
<b>Natural Gas (Dth)</b>	538,478	562,526	540,003
<b>Store Count</b>	362	374	386

**61%**  
of stores have  
LED lighting

New Fullerton, CA  
distribution center  
is LEED certified and  
will be equipped with  
solar power

Reduced the size of our  
new store format by

**23%**

**39%**

of energy sourced is  
from clean and/or  
renewable sources



# WASTE & MATERIAL RECOVERY



We have committed to becoming “Zero-Waste” company by 2030. That means 90% or more of our waste will be diverted from the landfill.

Our approach to managing waste and recyclables in our operations is based on the ISO 14001 environmental management system. We prioritize food donations to our food rescue partners and divert inedible food to local farms and compost facilities. We work with over 400 food rescue organizations from coast to coast, distributing much needed fresh, wholesome, and nutrient-dense foods to those in need.

To manage the recovery of the other materials generated in our stores we engage with multiple stakeholder groups to identify the best practices for material recovery and provide robust training for all our store team members.



**32M**  
pounds of food donated

**47%**  
of donations were fresh produce

“  
*Sprouts has been a committed, valued partner of Feeding America for more than a decade, helping to provide millions of nutritious meals through the Feeding America network of partner food banks. We thank you for helping people who experience food insecurity gain access to the food and resources they need to thrive.*



**Diane Letson**  
Vice President, Feeding America



## FOOD WASTE MANAGEMENT

	2020	2021	2022
<b>Tons Food Waste Generated</b>	40,656	39,546	35,896
<b>Tons Food Waste Recovered</b>	27,563	30,750	31,377
<b>Food Waste Recovery Rate</b>	<b>68%</b>	<b>78%</b>	<b>87%</b>



Sprouts is diverting food waste to Ancient Nutrition's regenerative farms as compost and feed for more than 3,000 cows, water buffalo, chickens, and ducks.

“

*We believe at Ancient Nutrition, in partnership with Sprouts, we can heal the planet, feed the world and transform health—one bite, one capsule, and one millimeter of topsoil at a time.*

”

Jordan Rubin  
Ancient Nutrition  
Founder and CEO



## LANDFILL DIVERSION

Material Stream	2020	2021	2022
<b>Landfill</b>	57,568	52,814	42,184
<b>Regulated Materials (HazWaste)</b>	18	20	14
<b>Cardboard Recycling</b>	48,904	46,712	44,477
<b>Food Rescue Donation</b>	13,530	16,100	16,186
<b>Organics (Food Waste Recycling)</b>	13,507	14,004	14,143
<b>Mixed Recycling</b>	913	1,010	1,097
<b>Soft-plastics Recycling</b>	556	515	423
<b>Meat Rendering</b>	525	645	1,127
<b>Waste Prevention (Reusable Plastic Containers)</b>	—	—	228
<b>Waste Reduction (Pallet Recovery)</b>	—	13,336	14,870
<b>Total Tons Generated</b>	135,521	145,156	134,749
<b>Tons Prevented/Recycled</b>	77,936	92,322	92,551
<b>Landfill Diversion Rate</b>	58%	64%	69%



# PACKAGING & PLASTICS



Food packaging makes up a large portion of plastic waste in the U.S., and we are committed to doing our part to reduce waste by offering our customers a wide variety of non-prepackaged products, developing sustainable packaging, and offering single-stream recycling in most of our stores.

## Sprouts Brand Packaging

We prioritize packaging that is reusable, recyclable, or compostable for Sprouts Brand products. We strive to include 30% recycled content in Sprouts Brand packaging and prioritize raw materials that are sourced responsibly.



## Reusable Bags Only!

In 2022, we began developing a strategy to remove single-use paper and plastic bags from our checkout lanes by the end of 2023. This decision will remove over 200 million single use plastic bags from circulation each year. We have also eliminated paper bags at checkout since they are generally not reusable and most often not recycled (80% of paper bags end up in a landfill); Paper bag manufacturing also has a high environment cost in terms of water, energy and raw materials. Our decision to transition to reusable bags will avoid 30 million single-use paper bags annually. Customers are encouraged to bring in their reusable bags when shopping. For customers who need to purchase a reusable bag, we have reusable options starting at \$.10 each which are made from 40% post-consumer recycled material that can be reused at least 125 times.



*Our customers tell us how much they appreciate Sprouts' care for the planet and our commitment to doing what's right for our collective future. The decision to shift to reusable bags is one of many ways Sprouts will have an even bigger impact on the environment.*



**Nick Konat**  
President and Chief Operating Officer



## Removal of Non-Recyclable Polystyrene Packaging

Non-recyclable polystyrene packaging is prevalent in most grocery dairy and meat departments. In our meat department, we have committed to removing all non-recyclable polystyrene meat trays by the end of 2023.

## Bulk Offerings

Our bulk product offerings provide customers with the opportunity to reduce waste from packaging. Customers can buy 200 SKUs of nuts, seeds, candies, and grains with their own reusable bags, jars, or containers. We also offer reusable bulk and produce bags for added convenience.

We partner with suppliers to offer reusable milk containers in our dairy department. Customers place a deposit on a reusable glass milk container and bring it back to our stores where they are collected, cleaned, sanitized, and placed back into production.



**100%**  
of eggs packaged in recyclable fiberboard or plastic containers



**2.5M**  
meat trays transitioned to recyclable PET containers



# WATER



We are committed to reducing water consumption in our operations. In 2022, our average water consumption was 858 kilogallons (Kgal) per store. Compared to 2020, our water usage in 2022 decreased almost 5% per store.

We have worked with third-party consultants to review our usage and identify areas where we can conserve. Our highest area of consumption is in stores located in warm weather climates due to refrigeration cooling tower operations. We continue to implement equipment and technologies that improve water efficiency.

In our food prep areas, we utilize low-flow pre-rinse spray valves and in our restrooms, we use high-efficiency toilets and urinals. These efforts not only improve our bottom line, they also help to conserve this increasingly valuable resource.

To address water risk in our supply chain, we've engaged with key suppliers that are heavily dependent upon water to produce their crops. Our suppliers are taking several approaches to mitigate against water scarcity and invest in resource efficiencies. Examples include implementing more efficient water distribution methods such as drip irrigation, more drought tolerant varieties of plants, and exploring alternative growing regions. We source our produce from a geographically diverse network of farmers, so we are not dependent on a single growing region in the event of a severe or prolonged localized water shortage. Additionally, we continue to source from a network of suppliers that utilize controlled environment agriculture (CEA), which use 95% less water and 97% less land than their conventional counterparts.



Starr Ranch Growers in Washington uses drip irrigation in growing apples sold at Sprouts.

**\$100M**  
in sales of  
CEA produce



# SOCIAL

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# HEALTHY FOOD & LIFESTYLE

Since our founding, Sprouts has been on the forefront of food innovation and has paved the way for natural food trends for over two decades. We carry a differentiated assortment of innovative fresh, natural, and organic products that resonate with our customers and inspire healthy living for everyone.

Our target customers are health enthusiasts and experience seekers. They are engaged and connected to what they eat, how it makes them feel, how it's grown, and where it comes from. We feature thousands of responsibly sourced products with attributes designed to support the needs of our target customers and a wide range of lifestyles, preferences, and dietary needs, including organic, paleo, plant-based, non-GMO, fair trade, gluten-free, vegan, grass-fed, raw, cruelty-free, humane certified, and more.

With product attribute callouts, promotions, recipes, and healthy living resources in-store, on our Sprouts app, and on our website, we inspire and empower our customers to make healthy choices every day. What we do for our customers reflects our long-held belief that good food should make us feel good – from the way it tastes, to how it affects health, to its impact on the planet.



## FIND YOUR HEALTHY!

CHEF MATT

Our chef-created meals offer delicious attribute-based creations that make eating healthy and sustainable easy and accessible.

GRASSFED BUTTER

RESPONSIBLY SOURCED COD

LOCALLY GROWN BASIL

RESCUED ORGANIC SWEET POTATOES

SEASONAL CORN





## Sprouts Brand Products

Our philosophy behind the Sprouts Brand is to elevate the everyday with a broad assortment of products that are fun to explore, differentiated, offer incredible taste, quality, value, and experience, and are only available at Sprouts. In curating an assortment of Sprouts Brand products that our customers can trust, our merchant team focuses on four key areas:

### Taste

We believe food should be enjoyed without sacrificing quality, taste, or variety. We take pride in developing and introducing new, on-trend options to fit the needs of a healthy lifestyle.

### Experience

We follow global trends to seek out the most exciting and innovative products to offer unique eating experiences; experiences that are made by products only found at Sprouts.

### Quality

It is important to our customers and it is important to us. We strive to offer an array of need-specific, natural, and organic products for every customer's desire. We ensure that our food items, health and beauty, or cleaning products do not contain any of over 150 ingredients of concern. Examples include artificial colors, flavors, preservatives, and many other chemical ingredients. Our teams review science-based data to establish high ingredient standards and work with our vendors and Sprouts Brand manufacturers to ensure our requirements are met.

### Authority

Delivering high-quality products from trusted sources that meet product safety requirements and that support and promote healthy lifestyles.



**\$1B**

in sales of Sprouts Brand products

**3,000+**

Sprouts Brand products

**400+**

new Sprouts Brand items introduced in 2022

## Product Innovation

Our approach to product innovation starts with our health enthusiast and experience seeker target customers.

Our "Foraging" team constantly scans the globe for new, innovative, and differentiated products with purpose that appeal to our discerning customer base.

We aim to be the go-to retailer for product and brand innovation by incubating new brands and dedicating innovation centers in our stores to showcase new product launches. We provide product training for our front-line team members and foster a culture of innovation and differentiation.



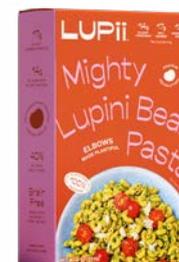
*Sprouts seeks to be the most innovative health and wellness retailer in the country. We pride ourselves on supporting small businesses, many times from kitchen to shelf.*



**Kim Coffin**  
Senior Vice President, Chief Forager



UPCYCLED INGREDIENT CERTIFIED



REGENERATIVE

BLACK-OWNED



BETTER FOR YOU  
FUNCTIONAL  
INGREDIENTS



## Food Safety

Monitoring proper food safety is the most important thing we do. Protecting the health and safety of our customers is paramount. Our team of food safety professionals ensure standards are maintained that deliver wholesome products from farm to family. Our food safety leaders regularly report to our executive team and Board, and we continually enhance food safety by investing in processes, technology, and training.

Some of the ways we work to mitigate and manage food safety risks within our supply chain and stores are:

- **Provide our team members with best-in-class in-person and online food safety training**
- **Monthly food safety store audits**
- **Food safety documentation from our suppliers**
- **Require supplier compliance with Global Food Safety Initiative (GFSI) standards**
- **Conduct audits of Sprouts Brand product manufacturers to validate quality and food safety processes**
- **Establish a robust reporting framework should a recall arise ensuring that 100% recovery occurs with traceability to the producer**



**26,775**  
store-level food safety training hours completed

**5,872**  
food safety in-store inspections conducted

# RESPONSIBLE SOURCING

## Human Rights

We believe in the importance of respecting human rights as defined by the UN Guiding Principles on Business and Human Rights (UNGPs). In 2022, we published our [Commitment to Human Rights](#) setting forth our commitment to respecting internationally recognized human rights and aspirations to align with UNGPs.

We are taking steps to embed our Commitment to Human Rights in our operations and supply chain. We completed our first risk assessment and are actively engaging suppliers who provide us with commodities from countries known to have less robust oversight. Our team members with purchasing responsibilities have received human rights training and human rights risks have been embedded into our enterprise risk management framework.



**\$1.2B**  
in sales of products with  
a supply chain social  
attribute



Wholesum Farms in Arizona grows organic and fair-trade certified tomatoes for Sprouts.



## Supplier Diversity

We believe that sourcing products from minority- and women-owned businesses supports the economic well-being of the communities we serve. This effort also builds on our strategy to win with our target customers by providing them with innovative products from emerging brands.

We continue to refine and enhance our supplier diversity development program to attract, retain, and grow our relationships with minority and woman-owned suppliers.



## J&C TROPICALS

J&C Tropicals is a minority-owned family farm that grows a variety of tropical fruit and root vegetables in our Florida market. J&C brings their growing expertise from their heritage dating back to 19th century Cuba.





## Animal Welfare

Ensuring the physical, behavioral, and mental well-being of farm animals throughout our supply chain is the right thing to do. Responsible animal welfare is also important to our target customers and our business strategy. As part of our efforts to responsibly source meat and dairy products, we are engaging with our suppliers, NGOs, and other relevant stakeholders to ensure that our policies and processes are progressive, meaningful, and help drive the industry forward.

We regularly survey and engage with our animal protein suppliers to review their animal welfare practices on farm and in their processing facilities to ensure the following Five Freedoms of animal welfare are being met:

- 1 Freedom from hunger or thirst
- 2 Freedom from discomfort
- 3 Freedom from pain, injury, or disease
- 4 Freedom to express normal behavior
- 5 Freedom from fear and distress



## PASTUREBIRD

Pasturebird chickens are humanely raised on pasture 24/7/365 where they can forage for nutrient dense grasses, bugs, and seeds. Pasturebird mobile chicken coops are rotated throughout the pasture improving soil and providing shelter from predators.



## Chicken

We've made progress within our chicken supply chain to improve the livelihoods of millions of chickens on farm and have created a road map for continuous improvement. Our goals to improve chicken welfare are aligned with components of the Better Chicken Commitment.

We are committed to improving chicken welfare via environmental enrichments by 2024, reduced stocking density by 2025, and more humane processing through controlled-atmosphere stunning (CAS) by 2026.

We also recognize the welfare issues experienced by conventional breeds of chickens raised for meat production and will monitor developments as research continues to evolve. We will continue to look for ways to adopt higher-welfare breeds in our supply chain. We will also update our progress annually and verify compliance with our goals through third-party audits.



**OUR ORGANIC CHICKENS ARE RAISED WITH THE FREEDOM TO MOVE ABOUT, ARE CERTIFIED HUMANE, AND MEET ALL GLOBAL ANIMAL PARTNERSHIP STEP 3 REQUIREMENTS**

## Pork

By the end of 2024, 75% of the whole and processed pork sold in our meat department will be sourced from group-housed or gestation-crate free housing systems, with a goal to reach 100% by the end of 2025. In group-housed systems, after pregnancy is confirmed (typically 4-6 weeks), sows are moved to an open-pen where they are free to move around and socialize for the remainder of their term. We are actively working with our suppliers to reduce time in confinement during the breeding phase of production. Moving to a gestation-crate free supply over time is our goal.

In 2022, 61% of our whole and processed pork sales were sourced from group-housed or gestation-crate free systems (45% and 16% respectively), while 100% of our Sprouts brand whole pork product was sourced from group-housed systems.



**61% OF OUR PORK SALES ARE FROM GROUP-HOUSED OR GESTATION CRATE-FREE HOUSING SYSTEMS**

## Beef

At Sprouts we offer a wide selection of grass fed and organic beef from cows that are never given antibiotics or added hormones.



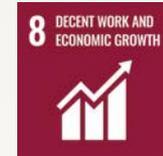
**58% OF OUR TOTAL BEEF SALES ORIGINATED FROM GRASS FED OR ORGANIC FARMS**

## Eggs

In 2016, we committed to sourcing 100% of our eggs from cage-free, free-range, or pasture-raised production systems by 2022. We are proud to share that we met our goal and have expanded our sourcing from higher welfare free-range and pasture-raised egg production systems to 65%. With more room to roam, these birds are better able to socialize and exhibit their natural behaviors.

**65% OF OUR EGG SALES WERE FROM HIGHER-WELFARE FREE-RANGE OR PASTURE-RAISED EGG PRODUCTION SYSTEMS**





# TEAM MEMBER DEVELOPMENT

Sprouts is a great place to work with significant growth opportunities for our approximately 31,000 team members.

Our team members share our Values, have a love of food, and care about serving our customers along their healthy living journey. We created 1,600 new jobs in 2022 to support our store openings, and we love supporting our team members in growing their careers.

To that end, we provide robust job training and leadership programs, and individual development plans that resulted in 24% of team members being promoted in 2022. We also offer retail industry educational opportunities to further team member career aspirations such as the opportunity to participate in the Western Association of Food Chains Retail Management Certificate Program that provides the core skills and knowledge to move into a management role in the retail industry. During 2022, 64 Sprouts team members enrolled in this program.

**674,000** hours of in-store training delivered

**58** scholarships awarded to team members and dependents

**8,910** leadership training hours delivered

**37** Sprouts Leadership program graduates



# DIVERSITY, EQUITY, & INCLUSION



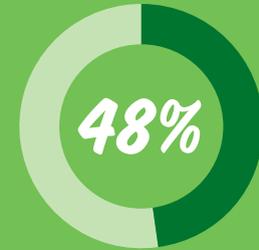
We pride ourselves on providing an inclusive, respectful, and caring culture. We are an equal opportunity employer, and our diversity is represented from the clerk level to senior leadership. We make hiring and promotional decisions that consider the inclusion of underrepresented team members, and we ensure diverse candidate slates are presented to our hiring managers.

We launched our first Team Member Resource Group (TMRG) in 2021 with Inspiring Women@Sprouts to help support our female team members. In 2022, to support our LGBTQ+, Hispanic & Latin, and Black/African American team members, we expanded with three additional TMRGs, bringing our current total to over 600 participants.



## 2022 Workforce Diversity

All Team Members



Racially/Ethnically Diverse



Female

Leadership  
(Vice President,  
Sr. Vice President,  
C-Suite)



Racially/Ethnically Diverse



Female

Promotions  
Across All  
Store Roles



Racially/Ethnically Diverse



Female



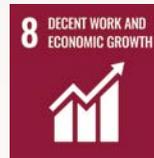
“One of our core Values at Sprouts is that we Love Being Different. That means intentionally creating a workplace where inclusion and belonging are foundational and fundamental. We believe our continued focus on improving gender and ethnic/racial diversity will not only make Sprouts an incredible company to work for, it will create even more value for our stakeholders.”



**Timmi Zalatoris**  
Chief Human Resources Officer



# REWARDS & WELLNESS



Because we are a people-powered business, we are proud to continuously invest in our workforce by offering competitive salaries and wages. We proactively make changes to our total rewards programs to attract the talent that will support our growth strategy and will elevate the customer experience. Furthermore, we offer comprehensive, relevant, and market competitive benefits to all eligible team members.

- We offer well-being services and support dedicated to the mental, physical, emotional, and financial well-being of our team members
- We have a quarterly bonus plan for which all store team members are eligible
- We provide paid parental leave for new mothers and fathers
- We offer a paid sick time policy for all team members and offer generous leave programs
- All hourly team members are eligible for semi-annual reviews and merit increases

None of our team members are subject to collective bargaining agreements. We consider our relations with our team members to be good: we have never experienced a strike or work stoppage. We are proud of our team members' dedication to meeting our customers' needs and expectations.

**\$18.99/HR**

average pay rate for store team members

**\$14M**

in bonuses paid out to field team members

**74%**

of our team member health care premiums covered by Sprouts

**\$18.6M**

in store discounts received by team members



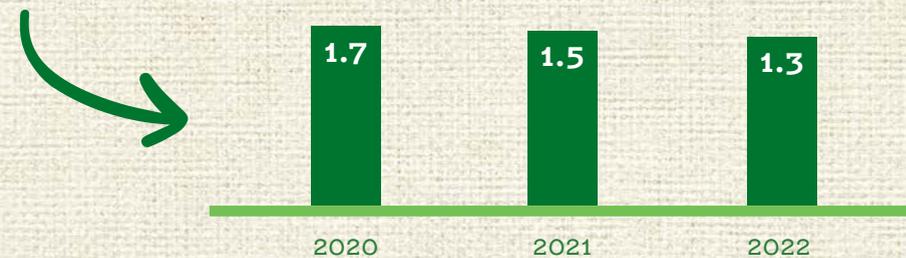
# TEAM MEMBER SAFETY



We are committed to maintaining a safe environment for our team members and customers. Our stores implement various programs to reduce and eliminate hazards, resulting in a safer workplace and improved shopping experience.

Our strong safety record is attributed to the dedication of our store team members to the mindful execution of their work on a daily basis, continued training, and the emphasis placed by leadership on safety.

Workers' Safety Claims per \$1M in Payroll



**5,400**  
safety audits completed

**105,000**  
hours of safety training delivered

**12%**  
reduction in worker safety claims



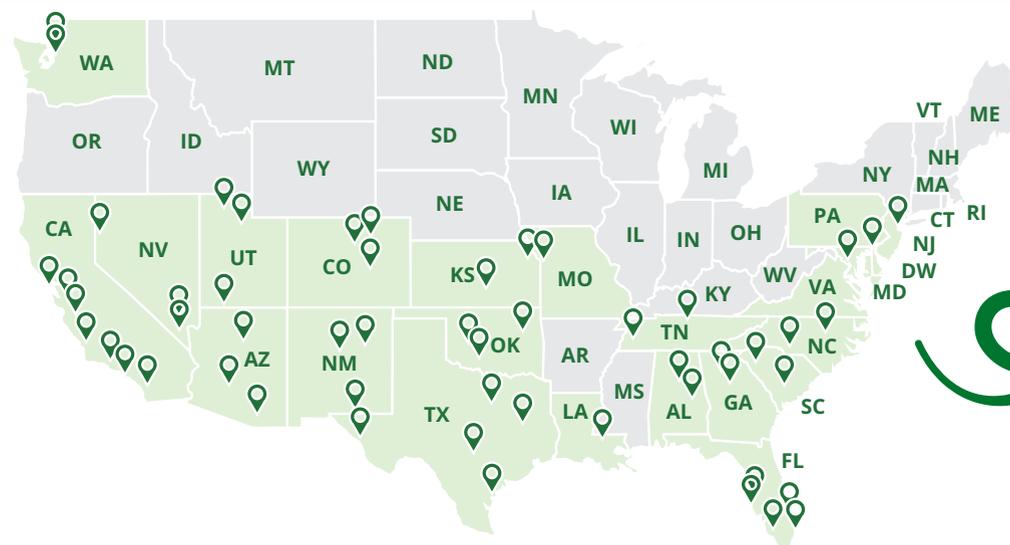
# COMMUNITY

Giving back to the communities where our team members live, work, and play has always been one of our top priorities. The Sprouts Healthy Communities Foundation, a 501(c)(3) nonprofit organization, is helping kids grow healthy through nutrition education and hands-on gardening programs that bring learning to life. In partnership with nonprofit partners from elementary school gardens to youth cooking programs, we are teaching children how to grow and prepare fresh, nutritious foods, empowering them with the tools to develop healthy eating habits to last a lifetime.

The Foundation's nonprofit partners reach students during the school day and in after-school programs, teaching invaluable nutrition education lessons designed to help children develop.



In April 2022, our Foundation hosted the first-ever national Growing School Gardens Summit in Denver, Colorado, uniting over 400 school garden educators for four days of learning. With more than 50 workshop presentations, as well as field trips and guest speakers, attendees came away from the Summit with strong professional connections, new educational resources, and a broader sense of the scale and impact of the larger school garden community.



**3M**

students have participated in our school garden programs

**12M**

hours of student nutrition education

**120**

nonprofit partners from coast-to-coast



# GOVERNANCE & OVERSIGHT

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# ESG LEADERSHIP & OVERSIGHT

ESG leadership at Sprouts begins with our Board and executive leadership team. Our Board is highly engaged in our ESG matters given that many of our ESG initiatives are built into and complement our long-term growth strategy.

While our full Board reviews ESG matters on at least an annual basis, each Board committee has been delegated oversight responsibility for various aspects of our ESG program within their purview. Our Nominating and Corporate Governance Committee is primarily responsible for oversight of our ESG activities,

as well as our corporate governance policies and practices. Our Audit Committee oversees and reviews our ESG disclosures included in our financial statements and the adequacy and effectiveness of internal controls related to such disclosures.

Our Compensation Committee reviews our strategies related to human capital management, including talent acquisition, development and retention, and

diversity, equity, and inclusion initiatives. Our Risk Committee oversees and reviews risks related to our ESG actions, reporting and disclosures. Kristen Blum, an independent member of our Board, serves as Chairperson of the Sprouts Healthy Communities Foundation to provide independent oversight and Board-level visibility to the Foundation’s mission and operations.

Every Sprouts executive is expected to consider ESG matters in the oversight of their business units. Our Sustainability team reports directly to our Chief Sustainability Officer, who is part of our executive leadership team, ensuring executive visibility to our ESG progress. The Sustainability team embeds ESG initiatives into our daily activities and meets periodically with internal stakeholders such as Operations, New Store Development, Supply Chain, Marketing, and Merchandising.

As a publicly traded company, Sprouts is committed to creating long-term shareholder value while being mindful of the importance of ESG concerns. To that end, we engage in outreach efforts to our largest shareholders on an annual basis to discuss the ESG matters that are important to them. In late 2022 and early 2023, we engaged with shareholders that collectively held approximately 28% of our outstanding shares. These discussions are then reported to our Board and suggestions are implemented, including incorporating shareholder feedback into this ESG report.



*Our Board of Directors is committed to the highest standards of corporate governance and ethical business conduct and oversees Sprouts’ ESG activities to take into account the varied interests of our many stakeholders.*



**Terri Funk Graham**  
Chairperson, Nominating and Corporate Governance Committee



# CORPORATE GOVERNANCE

Sprouts' Board oversees our Chief Executive Officer and executive leadership team in the development and execution of our long-term strategy and the ethical operation of our company on a day-to-day basis. Our governance structure promotes principled actions, independent oversight, effective decision-making, and monitoring of both compliance and performance.

Our Board is composed of deeply experienced corporate leaders with diverse backgrounds and balanced, complementary skill sets. Our current Board leadership structure separates the Chief Executive Officer and Chairman of the Board roles. We believe our Board composition ensures independent viewpoints in the oversight of our business and our leadership structure approximately allocates responsibility between our Board members and management.

The Board has four standing committees that help with its oversight responsibilities: Audit, Compensation, Nominating and Corporate Governance, and Risk. Each committee is composed entirely of independent directors and performs the duties as summarized in our [Proxy Statement](#).

## Board Diversity

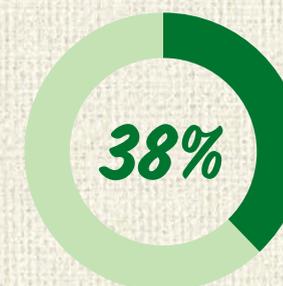
Our directors represent a range of backgrounds and experiences. 25% of our directors are female and 25% are ethnically diverse. Our Board is committed to improving its gender and ethnic diversity and will continue to make appointing diverse Board members a priority going forward. While we do not have a formal policy outlining the diversity standards to be considered when evaluating director candidates, our objective is to foster diversity of thought and experience on our Board. To accomplish that objective, the Nominating and Corporate Governance Committee considers ethnic and gender diversity, as well as differences in perspective, professional experience, education, skill and other qualities in the context of the needs of our Board. Nominees are not discriminated against on the basis of age, race, ethnicity, religion, national origin, sex, sexual orientation, disability, or any other basis. The Nominating and Corporate Governance Committee evaluates its effectiveness in achieving diversity on the Board through its annual review of Board member composition. Our current directors reflect these efforts and the importance of diversity to the Board. Ms. Blum and Ms. Graham each serve in leadership roles on our Board as committee chairs and have previously served as director coaches for 50/50 Women on Boards™, the leading global education and advocacy campaign driving the movement toward gender balance and diversity on corporate boards.

## Board Demographics

As of January 1, 2023



Independent



Female or Racially/  
Ethnically Diverse



Average Age



Average Years of Tenure

# ESG CONSIDERATIONS IN COMPENSATION



The Compensation Committee of the Board has developed an executive compensation program that is designed to align pay with company performance, motivate and incentivize our executive leadership team, and be competitive with market practices.

Our mix of compensation, including long-term equity performance awards and an annual performance-based cash bonus program tied to company financial and operational metrics, closely links executive officer compensation to company performance.

ESG factors are embedded into our company's long-term strategy, and our Board considers the performance of our executive leadership responsible for driving the success of our strategic initiatives when making compensation decisions.

**WASTE DIVERSION EFFORTS AND STORE SAFETY CONDITIONS FACTOR INTO OUR STORE MANAGER BONUS OPPORTUNITY.**

As an example, our strategy of creating an advantaged fresh supply chain involves successfully operating our produce distribution and fresh supply chain to increase access to local farmers and provide fresher produce for our customers, which reduces food waste and lowers our transportation-related carbon footprint.

Our initiative of winning with our health enthusiast and experience seeker target customers demands sustainable and responsible sourcing practices which support effective merchandising strategies that appeal to those target customers. Another key initiative is delivering on our rapid unit growth which requires attracting and retaining talent by creating a safe, rewarding, diverse, and inclusive place to work for our team members.

Our executive leadership responsible for these, and other strategic initiatives, are evaluated and compensated based, in part, on the success of these initiatives. The Compensation Committee of our Board will continue to explore mechanisms for incorporating appropriate ESG metrics into our executive compensation program.

## SUSTAINABLE FINANCE

In March 2022, we replaced our credit facility with a new \$700 million revolving credit facility and worked with our lenders to establish an adjustable interest rate linked to our performance against key ESG metrics, comprised of Board diversity and sales of products with environmental and social sustainability attributes. When we achieve these ESG targets, we will receive a five basis point reduction on our interest rate on drawn amounts and one basis point reduction on unused amounts, resulting in tangible savings for our company. We believe this sustainably linked credit facility represents an important alignment of our financing strategy and ESG goals and delivers positive outcomes for all our stakeholders. We have achieved these ESG goals for the first year of the credit facility and will continue to report on our progress against these ESG goals going forward.

# ETHICS & COMPLIANCE

Our success depends upon conducting ourselves with integrity, honesty, and in compliance with the law. The Sprouts Code of Conduct and Ethics (the Code) reflects this commitment and provides the Board, executive leadership, and team members with the tools and guidance to work ethically and responsibly.

Acting ethically and with integrity helps us maintain our reputation with our customers as a preferred shopping destination, with our team members as a safe and welcoming place to work, and with our communities and stakeholders as a responsible corporate citizen. We expect our team members, regardless of level or role, to adhere to the highest standards of ethical business conduct when dealing with fellow team members, customers, vendors, or third parties.

The Code, along with the Sprouts Team Member Handbook and Policies and Procedures, provide information, resources, and tools necessary to conduct ourselves in accordance with those standards. Our Chief Executive Officer and senior financial officers follow additional ethical guidelines and standards, as do all Sprouts directors. Topics covered include policies around non-retaliation; management and

supervision; quality and customer service; customer and team member safety; team member privacy; non-discrimination and harassment; public accommodation and non-discrimination; professional development; conflicts of interest (including transactions with related persons, gifts and entertainment, financial interests, and business opportunities); trade practices; fair dealing; anti-corruption and anti-bribery, compliance with laws regarding child labor, anti-slavery and anti-human trafficking; financial integrity; record retention; money laundering; the use of Sprouts assets (including confidential information, insider trading, intellectual property, physical and electronic assets, and imports and exports); environmental compliance; political involvement; and community and charity involvement.

Violations of the Code by team members may result in disciplinary action up to discharge. In furtherance of our commitment to ethical conduct, we maintain an Ethics Helpline operated by an independent third-party company to make it as convenient and comfortable as possible for our team members to send questions, concerns, and comments to our senior management on a confidential basis. The Ethics Helpline can also be used to report questions or concerns involving our accounting, auditing, financial reporting, or internal controls. On a quarterly basis, the Audit Committee of our Board receives a summary of any calls regarding accounting, auditing, financial reporting, or internal controls, and our Risk Committee receives a summary of all other calls placed to the Ethics Helpline.

Team members are encouraged to report any ethical concerns to management. Anonymous concerns may be reported to our third-party managed Ethics Helpline: 1-855-748-5773 or [speakoutsprouts.ethicspoint.com](https://speakoutsprouts.ethicspoint.com).





# RISK MANAGEMENT



Sprouts' robust enterprise risk management (ERM) program involves processes across our organization designed to identify potential risks, assess and prioritize those risks, and implement strategies to mitigate, manage, or avoid risk so that we may achieve our strategic goals. Our ERM team reports directly to our Chief Legal Officer to ensure executive-level alignment and visibility to the risks we face and our efforts to mitigate their impact on our company.

Our Board's Risk Committee oversees our risk management processes, including reviewing the ERM program and specific risks we face on a quarterly basis (including those related to cybersecurity, critical systems, and ESG matters, among others). The Risk Committee then provides input on the appropriate level of risk for our company and reviews management's strategies for adequately mitigating and managing our risks.

Although the Risk Committee administers this general risk management oversight function, the Board's other committees support our Board in discharging its oversight duties and addressing risks inherent in their respective areas. Our Board receives regular updates on our ERM program and retains oversight responsibility over our key strategic risks.

# DATA PRIVACY & CYBERSECURITY



Respecting privacy and safeguarding the personal information of our customers and team members is crucial to our success.

We rely on information technology systems for point-of-sale processing in our stores, supply chain, financial reporting, human resources, store operations, and various other processes and transactions. We continuously invest in security technology tools, training, and best practices to strengthen security, and we maintain an appropriate cyber insurance coverage. Investments in security technology tools include robust email filtration, endpoint protection, data loss prevention, and business continuity and recovery technologies.

The Risk Committee of our Board, led by Kristen Blum, an expert in cybersecurity, technology functional leadership, and digital transformation, oversees managements' mitigation of cyber risks and data privacy efforts.

All full-time and part-time team members as well as contractors are required to complete security awareness training upon hire and annually. Additionally, Sprouts' security posture is measured periodically against the NIST Cybersecurity Framework by a third-party performance measurement audit.

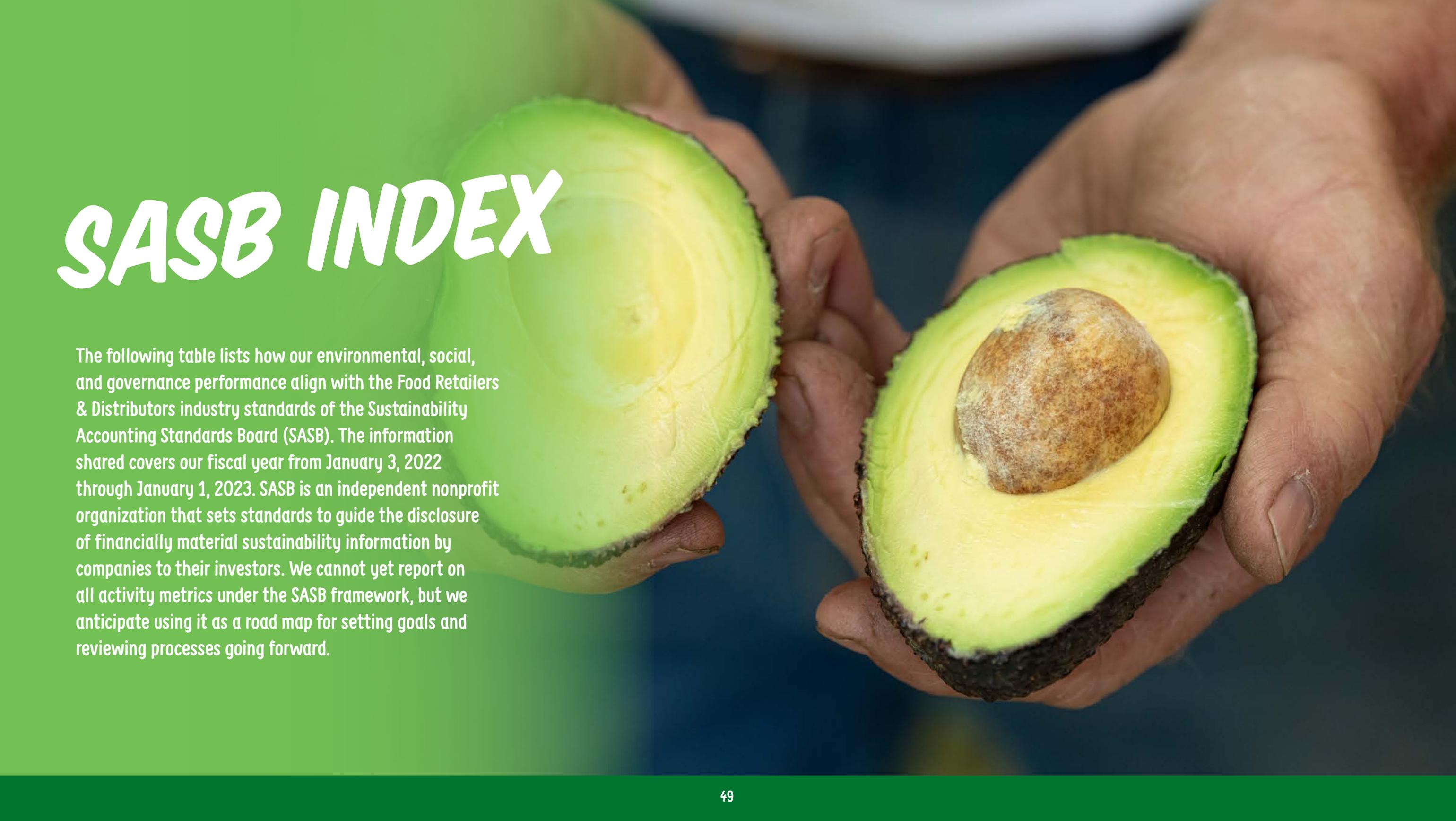
Additional details that explain how we collect, protect, use, and disclose personal information can be found on our [Privacy Policy](#) webpage, which is updated frequently to align with applicable data privacy laws and industry best practices.

Additional information on our governance efforts can be found on our investor relations website, located at [investors.sprouts.com](#), including our Board committee charters, code of ethics and other governance documents, as well as our public filings with the Securities and Exchange Commission, including our 2022 Annual Report on Form 10-K and 2023 Proxy Statement.

*Companies across industries are facing unprecedented complexity in the overall risk landscape. A critical function of boards today is ensuring appropriate and proactive mitigation strategies that support resilient businesses. I'm proud of the progress Sprouts has made in managing its risk profile and management's deep focus on the importance of building a best-in-class ERM program.*



**Kristen Blum**  
Chairperson, Risk Committee



# SASB INDEX

The following table lists how our environmental, social, and governance performance align with the Food Retailers & Distributors industry standards of the Sustainability Accounting Standards Board (SASB). The information shared covers our fiscal year from January 3, 2022 through January 1, 2023. SASB is an independent nonprofit organization that sets standards to guide the disclosure of financially material sustainability information by companies to their investors. We cannot yet report on all activity metrics under the SASB framework, but we anticipate using it as a road map for setting goals and reviewing processes going forward.



TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	2022 RESPONSE
<b>Fleet Fuel Management</b>	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-FR-110a.1	21,742,458 GJ related to outbound deliveries of product to stores, 0% renewable
<b>Air Emissions from Refrigeration</b>	Gross global Scope 1 emissions from refrigerants	Quantitative	Metric tons CO <sub>2</sub> -e	FB-FR-110b.1	85,029 MTCO <sub>2</sub> e
<b>Air Emissions from Refrigeration</b>	Percentage of refrigerants consumed with zero ozone depleting potential	Quantitative	Percentage (%) by weight	FB-FR-110b.2	98%
<b>Air Emissions from Refrigeration</b>	Average refrigerant emissions rate	Quantitative	Percentage (%)	FB-FR-110b.3	22%
<b>Energy Management</b>	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable energy	Quantitative	Gigajoules (GJ), Percentage (%)	FB-FR-130a.1	(1) 1,202,569 GJ (2) 100% grid electricity (3) 0% renewable energy
<b>Food Waste Management</b>	Amount of food waste generated, percentage diverted from the waste stream	Quantitative	Metric tons (t), Percentage (%)	FB-FR-150a.1	35,896 tons 87% of food waste generated was diverted from the waste stream
<b>Data Security</b>	(1) Number of data security breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	Quantitative	n/a	FB-FR-230a.1	Zero data breaches
<b>Data Security</b>	Description of approach to identifying and addressing data security risks	Discussion and Analysis	Number, Percentage (%)	FB-FR-230a.2	(1) Board level oversight of cyber risks and data security (2) IT systems audited annually by a 3rd party (3) Training on data security for all employees completed upon hiring and then annually thereafter (4) See Data Privacy and Cybersecurity section in 2022 ESG Report pg. 48.
<b>Food Safety</b>	High-risk food safety violation rate	Quantitative	Rate	FB-FR-250a.1	(1) 268 out of 1,397 inspections had a high-risk food safety violation (2) 19% high-risk food safety violation rate
<b>Food Safety</b>	(1) Number of recalls, (2) number of units recalled, (3) percentage for private-label products	Quantitative	Number, Percentage (%)	FB-FR-250a.2	(1) 2 class I food safety related recalls, (2) 23,328 class I food safety recall units, (3) 1 class I recall was private label 50%
<b>Product Health &amp; Nutrition</b>	Revenue from products labeled and marketed to promote health and nutrition attributes	Quantitative	U.S. Dollars (\$)	FB-FR-260a.1	\$3.3 billion in revenue from products labeled and marketed to promote health and nutrition attributes
<b>Product Health &amp; Nutrition</b>	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	Discussion and Analysis	n/a	FB-FR-260a.2	(1) We maintain a list of over 150 ingredients that are excluded from use in Sprouts brand products and reformulate non-conforming products to meet our standards. Our Director of Food Science manages the list and routinely monitors science based data, consumer sentiment, and legislation to inform it's contents. (2) See Sprouts Brand section in 2022 ESG Report pg. 31.



TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	2022 RESPONSE
<b>Product Labeling &amp; Marketing</b>	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	Quantitative	Number	FB-FR-270a.1	None
<b>Product Labeling &amp; Marketing</b>	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labeling practices	Quantitative	U.S. Dollars (\$)	FB-FR-270a.2	None
<b>Product Labeling &amp; Marketing</b>	Revenue from products labeled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Quantitative	U.S. Dollars (\$)	FB-FR-270a.3	(2) 1,957,530,185 in revenue of products labeled as non-GMO
<b>Labor Practices</b>	(1) Average hourly wage and (2) percentage of in-store and distribution centers employees earning minimum wage, by region	Quantitative	U.S. Dollars (\$), Percentage (%)	FB-FR-310a.1	(1) \$18.99
<b>Labor Practices</b>	Percentage of active workforce covered under collective bargaining agreements	Quantitative	Percentage (%)	FB-FR-310a.2	0%
<b>Labor Practices</b>	(1) Number of work stoppages and (2) total days idle	Quantitative	Number, Days	FB-FR-310a.3	(1) Zero work stoppages, (2) Zero days idle
<b>Labor Practices</b>	Total amount of monetary losses as a result of legal proceedings associated with: (1) labor law violations and (2) employment discrimination	Quantitative	U.S. Dollars (\$)	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	Quantitative	U.S. Dollars (\$)	FB-FR-430a.1	\$3,250,330,954 in revenue from third-party certified to an environmental and/or social standard
<b>Management of Environmental &amp; Social Impacts in the Supply Chain</b>	(1) Percentage of revenue from (1) eggs that originated from a cage-free environment and (2) pork produced without the use of gestation-crates	Quantitative	Percentage (%) by revenue	FB-FR-430a.2	(1) 100% of eggs sold were from cage-free or better facilities (2) 100% of Sprouts brand whole pork was sourced from group-housed facilities, 61% of all pork sold in Sprouts' meat department was raised in group-housed or better housing systems
<b>Management of Environmental &amp; Social Impacts in the Supply Chain</b>	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	Discussion and Analysis	n/a	FB-FR-430a.3	(1) Sprouts conducts a variety of supply chain audits annually for supplier social and environmental performance.  (2) See 2022 ESG Report Sustainable Sourcing section beginning on pg. 15 and Responsible Sourcing section beginning on pg. 34.
<b>Management of Environmental &amp; Social Impacts in the Supply Chain</b>	Description of strategies to reduce the environmental impact of packaging	Discussion and Analysis	n/a	FB-FR-430a.4	See Packaging & Plastics section in 2022 ESG Report pg. 26.

# SPROUTS<sup>®</sup>

## FARMERS MARKET



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