



— 2018 —

SUSTAINABILITY AND SOCIAL RESPONSIBILITY *Report*





A message from **SPROUTS LEADERSHIP**

Caring for our world isn't just fundamental to the way we do business; it's central to who we are.

Sprouts is dedicated to being a responsible retailer. That means we operate our business with a focus on the environment, product quality and supply chain transparency, our team members, and our local communities.

In 2018, we furthered our commitment to the environment with programs that fight hunger and reduce waste. We donated 27 million pounds of food to local food banks, the equivalent to 23 million meals; diverted 35 million pounds of food to animal feed and compost facilities; and recycled 91 million pounds of cardboard. Without the hard work of more than 30,000 team members executing our programs, the food and cardboard we repurposed would otherwise have ended up in landfills rather than feeding people or reentering the farm and production cycle.

Maintaining the long-term viability of our environment encompasses more than reutilizing products and product inputs; it includes growing, sourcing, and delivering those products in ways that will secure them for future generations. That's why we focus on procuring innovative, healthy products that are grown and sourced responsibly. We're particularly proud of the advancements we've made in sourcing sustainable seafood: approximately 100% of Sprouts' fresh and frozen seafood is now sourced from responsibly managed fisheries! And, we continue to engage partners throughout our supply chain covering key product categories to make improvements through a variety of proven methods, and best practices focused on sourcing and general supply chain management.

At the heart of our business and our sustainability initiatives are dedicated and knowledgeable team members who bring to life the words "People Powered. Purpose Driven." We continue to improve compensation and benefit packages as our business evolves, while maintaining relentless devotion to training and developing our team members so that they can build fulfilling careers at Sprouts. In 2018, we promoted 28% of our store team members and filled 78% of new store manager positions with internal candidates. Additionally, our efforts to foster diversity led to our overall workforce being 48% racially diverse and 49% female. Our store safety initiative also resulted in a safety incident rate that is meaningfully lower than the Bureau of Labor Statistics' grocery benchmark average.

Sprouts' focus on people extends beyond our team members to all those in the communities we serve. In 2018, we conducted a Sprouts Day of Service during which our team members across the country volunteered over 2,000 hours in 28 community service events. And, in the wake of the Carolina hurricanes and the California wildfires, our team members provided food and water to first responders, financial aid to support relief efforts and helped their fellow team members in need through our paid time off Gift of Time donation program.

Our goals of stimulating positive change to our nation's health go beyond the food we sell. Since its founding in 2015, the Sprouts Healthy Communities Foundation has given \$7 million to local nonprofit partners that provide communities in need with access to healthy foods, create school nutrition education and farming programs, and deliver life-saving prenatal nutrition to at-risk mothers. In 2018, the Foundation supported more than 130 nonprofit partners, providing critical funding to health and wellness programs that empower children to live healthier lives.

As we continue to expand coast to coast, we look forward to deepening our sustainability initiatives while improving the lives of our communities for generations to come.

Sincerely,
Sprouts Executive Leadership Team








ENVIRONMENT

We are committed to creating a positive impact on our planet by engaging our team members, suppliers and strategic partners to implement programs that eliminate waste, fight hunger, reduce greenhouse gas emissions and save energy.

Food Waste Recovery

Following the EPA's Food Recovery Hierarchy, we have developed programs throughout our operations to support our zero-waste commitment, which is a 90% waste diversion rate as defined by the EPA.

SPROUTS FOLLOWS THE EPA'S FOOD RECOVERY HIERARCHY	SOURCE REDUCTION Minimize surplus food in stores	 Implemented new systems to assist with production planning, order quantities and shrink reduction across the organization
	FEED OUR COMMUNITIES Donate unmarketable food to hunger relief agencies	 FOOD RESCUE PROGRAM 27MM lbs. of food donated to local food banks, equivalent to 23MM meals
	FEED ANIMALS Divert food scraps from waste to animal feed	 ANIMAL FEED 28MM lbs. of food diverted to local cattle farms
	INDUSTRIAL DIVERSION Divert food scraps to digesters for resource recovery	 AEROBIC DIGESTERS 1MM lbs. of food diverted from landfills to waste water treatment facilities
	COMPOSTING Divert food scraps to create nutrient-rich soil	 COMPOSTING 7MM lbs. of food diverted to local composting facilities

Non-Food Waste Recycling



- 91MM lbs. of cardboard recycled
- Single-stream recycling active at 50% of stores
- 43MM single-use plastic bags recycled

Program Recognitions



EPA U.S. Food Loss and Waste 2030 Champion



20 stores received EPA Food Recovery Challenge Award



Feeding America Leadership Partner

Green Building



- All stores built to LEED Silver certification specifications
- 100 stores with 100% LED lighting
- Participate in the EPA's Energy Star Building Program designed to save energy, and help protect the environment



- 89 stores awarded Manomet Grocery Stewardship Certification for proven operational sustainability



- 76 EPA GreenChill Certified Stores

Transportation



Partner with EPA SmartWay carriers to advance supply chain sustainability and improve freight transportation efficiency



PRODUCT SOURCING

At Sprouts, we believe in empowering customers to eat healthier and purchase products that are better for the planet. Ninety percent of our more than 19,000 products are natural or organic and we continue to work with our vendors and supply chain partners to develop and execute best-in-class sourcing practices while always delivering on our value promise.



Sprouts Brand

From everyday staples to innovative specialty items, we develop our branded food products using simple and clean ingredients while delivering exceptional value, unique flavor profiles and quality that customers can trust.

SIMPLE & CLEAN INGREDIENTS

- ✓ Thousands of responsibly sourced products with certifications and attributes like USDA Organic, Non-GMO, Fair Trade Certified™, Gluten-free, Vegan and Plant-based
- ✓ Free from artificial colors, flavors, preservatives and sweeteners
- ✓ BPA-free packaging



Advancements in Seafood Sourcing

We are proud to source seafood from partners who are committed to preserving and protecting the health of our marine and freshwater ecosystems and the wellbeing of fishery-dependent communities, so current and future generations may continue to enjoy sustainable seafood.



2018 HIGHLIGHTS

- Approximately 100% of our fresh and frozen seafood is sourced from responsibly managed fisheries
- 100% of Sprouts Brand tuna will be pole and line caught by the end of 2019
- Developed sustainable seafood sourcing policy with sushi supplier, resulting in immediate improvements
- As a member of Global Aquaculture Alliance, became an advocate for seafood conservation
- Engaged in continuous supply chain sustainability improvements through biannual third party supplier audits

Local Brands

At Sprouts, we carry hundreds of local brands, which we define as made or produced in the state or within 500 miles. To educate our customers about the unique products we carry, we share brand stories across our digital platforms, and utilize dedicated signage and sampling events in store. In fact, it's not uncommon to see a local vendor at our grand openings sampling their products and engaging with guests.



Animal Welfare

In 2018, we conducted comprehensive animal welfare and supplier transparency assessments, and encouraged all vendors to meet or exceed industry best practices for ethical and sustainable methods. As an example, we're working with our suppliers to carry only cage-free eggs and completed the first phase of this commitment in 2016 when all of our Sprouts Brand eggs transitioned to cage-free or USDA Certified Organic.



Labeling

As a healthy grocer, we believe in ingredient transparency and take pride in offering a wide selection of products that reflect both great quality and value.



TEAM

It takes a unique person to work for Sprouts. They are someone who is passionate, driven, and ready to earn rewards, including competitive pay, excellent benefits, team member discounts, a fun and rewarding culture, and significant career advancement opportunities. We are committed to recruiting the best and the brightest in the industry because we know that our company's success depends on the passion of our team members.

As we continue to expand from coast to coast, so do the opportunities on our team. Last year, thanks to our growing footprint and robust training and development programs, we promoted 28% of our store team members.



EDUCATION, TRAINING AND SAFETY

- 510,000+ training hours
- 30,000 leadership development hours
- 75 scholarships awarded to Sprouts team members and their dependants
- Store safety initiatives led to a safety incident rate 17% below the Bureau of Labor Statistics' grocery benchmark average



WAGES AND BENEFITS

- \$10MM in wage investments supporting long-term compensation strategy
- \$12.2MM saved by team members with in-store discounts
- Enhanced comprehensive medical benefits, including paid vacation and sick time for all team members
- Added paid parental leave for all eligible team members



CULTURE

The diversity of our team members provides a welcoming shopping experience and fulfilling career opportunities for everyone in our local communities.

- *Gender Diversity:* 49% of our team members are female
- *Workforce Diversity:* 48% of our workforce is racially diverse
- *Military Hiring:* We hired 761 veterans in 2018 because we recognize their unique skills, and believe by hiring individuals who have served, we will become an even stronger organization



GROWTH OPPORTUNITIES

- Promoted 28% of store team members
- Store team members on average are promoted within one year from start date
- Created more than 3,500 new jobs
- 78% of open store manager positions were filled by internal candidates

HEALTHY LIVING HEROES

In 2018, we recognized more than a dozen team members for making significant changes in their lives by adopting healthy habits. In celebration of these Healthy Living Heroes, the Sprouts Foundation made \$30,000 in donations to local nonprofits on their behalf!

Below: The Keto Krew from Sprouts in Katy, Texas who lost a combined 200+ pounds and counting!



COMMUNITY

Our commitment to helping others in our community extends beyond our stores.

SPROUTS HEALTHY COMMUNITIES FOUNDATION

The Sprouts Healthy Communities Foundation promotes nutrition education and access to healthy foods, and has donated more than \$7 million to 260 nonprofit organizations since 2015. Through the creation of nutrition curricula, and investments in school and community-based gardens and farming programs, the foundation aims to empower the next generation to live a healthier life. Sprouts covers 100% of the Foundation's operating expenses, ensuring every dollar raised goes directly to these essential programs.

2018

2018 HIGHLIGHTS

- \$2 MM in nonprofit donations
- 85 local grants awarded to support children's nutrition education
- Distribution of life-saving vitamins to 2.6MM children and expectant mothers through Vitamin Angels



CARING FOR COMMUNITY

- Supported more than 850 community events
- Annual company-wide Day of Service resulted in 2K volunteer hours towards community events
- Hosted 70 in-store cooking demos with local registered dietitians