



Code of Conduct (Code of Ethics)

This Code of Conduct has been developed in recognition of the importance of the ten principles of the UN Global Compact and is viewed as an important means of integrating the Compact's principles into Sprouts operations. The Code of Conduct addresses the issues included in the Compact in the areas of human rights, labor, environment, and anti-corruption.

Sprout is committed to run its business on ethically and environmentally sound principles. We wish to ensure that we act responsibly in accordance with ethical, legal, and international standards of behavior and we endeavor to continuously improve our social and environmental performance.

Sprout supports the United Nations Universal Declaration of Human Rights.

We expect our suppliers to uphold similar principles. This Code is designed to explain our expectations in more detail to our own business ethics and expectations to our suppliers.

In the case of non-compliance with our Code of Conduct, we will focus on the suppliers' ability and willingness to demonstrate continuous improvements. We feel confident that cooperation and dialog will result in a more efficient partnership, which both parties will benefit from.

Kind regards

Sidsel Lundtang Rasmussen

2022

Chief Sustainability Officer
Sidsel Lundtang Rasmussen



Purpose of Sprout's Code of Conduct for suppliers

The purpose of this Code of Conduct is to explain how we work and to ensure that our suppliers operate in accordance with internationally recognized minimum standards on human rights including, labor rights, environmentally sound practice, and anti-corruption. Sprout, therefore, expects suppliers to continuously work to meet these minimum standards.

Sprout adheres to the content of this Code and expects the same of its suppliers. Compliance with or willingness to work on compliance with the requirements of this Code is, therefore, a condition of any agreement or contract between Sprout and its suppliers.

The aim of this Code is not to cease the business relationship between Sprout and suppliers if non-compliance were to be identified, but to help suppliers to continuously improve their management of adverse impacts. Sprout is, therefore, willing to work with suppliers to achieve compliance with the provisions of this Code. However, Sprout will not conduct business with a supplier if compliance with the terms of this Code is deemed impossible and the supplier shows no willingness to cooperate / or ability to mitigate identified adverse impacts.

Sprout is aware that our company's actions and procurement practices can influence suppliers' ability to comply with the requirements of this Code. Therefore, Sprout will assess any adverse impacts it may cause or contribute to through its purchasing, compliance, and other supply chain practices. This includes ensuring that the following purchasing practices do not negatively impact suppliers' ability to meet the requirements set out in this Code:

- Lead time
- Order volume versus production capacity
- Product development process
- Pricing
- Order size fluctuation and consistency of orders



In addition, Sprout shall periodically review the adequacy and continuing effectiveness of this Code.

General Principles

This Code outlines necessary processes and minimum standards. Sprout will not accept any attempt to use the requirements as a means to lower existing standards. When complying with this Code, suppliers shall take all necessary measures to ensure that they do not unintentionally leave workers and other beneficiaries in a worse position than before this Code was introduced.

International Principles and Legal Compliance

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.

The provisions as set out in this Code establish minimum requirements to suppliers. These minimum requirements are based on the general principles contained in the UN Global Compact as made operational with the UN Guiding Principles on Business and Human Rights, referencing the International Bill of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, the United Nations Convention against Corruption. Furthermore, the Code rests on the OECD Guidelines for Multinational Enterprises, 2011 Edition.

In addition to meeting the requirements of this Code, suppliers shall comply with all national laws and regulations, as well as other applicable standards.

Where there are differences between the terms of this Code and national laws or other applicable standards, suppliers shall adhere to the higher requirements. The same applies to Sprout.

Conflicts between the provisions of this Code and national laws or other applicable standards shall be evaluated by Sprout in cooperation with its supplier and relevant stakeholders in order to establish the most appropriate course of action that will help



to foster respect for the international principles outlined above. If any conflicts are detected, suppliers must inform Sprout immediately.

Minimum standards for suppliers

The minimum standards of this Code extend to all Sprout's suppliers and all their workers, regardless of their status or relationship with suppliers. This Code, therefore, also applies to workers who are engaged informally, on short-term contracts, or on a part-time basis.

Suppliers are responsible for ensuring that their business relationships, including their sub-suppliers have adequate processes to manage their adverse impacts on human rights including, labor rights, environmental, and anti-corruption principles in place. This includes sub-suppliers classified as home-based workers or small farmers. As part of this obligation, a supplier shall:

- Require sub-suppliers to inform the supplier about other business entities in the supply chain taking part in the production of each order
- Use its leverage to make sub-suppliers work towards meeting the requirements of this Code
- Undertake reasonable efforts to check that sub-suppliers operate in conformance with this Code

Compliance with Applicable Laws and Standards

We comply with all international, national, and local laws and standards relating to employment, environmental, purchasing and manufacturing practices. We expect our suppliers to do the same. In situations of a dispute between national and international laws, the local country's national laws are to be met.

Employment Practices

At Sprout, we ensure and safe guide the working practices of our employees regarding rights such as equal pay for equal work, a living wage, rest, leisure and paid holidays and protecting children and young people from exploitation. Sprout complies with or exceeds national and internationally accepted standards. We expect our suppliers to do the same.

We expect all suppliers to strive towards reducing any potential negative impact on human rights and to provide employees with safe and healthy working conditions.



Environmental Practices

We expect our suppliers to comply with the environmental standards and regulations relevant to their business and to practice sound environmental principles in their operations.

Sustainable wood, either FSC, PEFC or local certification

Our Sprout pencil is our flagship product, and it is paramount for us, that the wood comes from sustainably managed forests. We work with suppliers that can provide FSC (mostly in Europe) or PEFC (North America) wood.

Both PEFC and FSC are committed to achieving the same end goal; the certification of forests to credible, independently verified standards of responsible forest management. Both the European Union and the US Government recognize PEFC certification as providing proof of sustainable forest management.

Recycled materials

When working with packaging, whether it is boxing, paper etc., the material should be made of the highest sustainable materials. Our goal, in cooperation with suppliers, is to keep exploring new and even better packaging ideas. The goal is for less packaging and to be 100 % plastic-free.

We expect our suppliers to undertake initiatives to promote greater environmental responsibility and to communicate this so it inspires other in the field to do the same.

ANTI-BRIBERY & ANTI-CORRUPTION

Running a company out of Denmark includes a long-standing tradition of fairness, loyalty, and transparency.

According to the 2019 Corruption Perceptions Index (CPI) - With 87/100 points, Denmark is as a global leader on the CPI.

<https://www.transparency.org/news/feature/cpi2018-western-europe-eu-regional-analysis>



The CPI is an index produced by Transparency International, the global civil society organization leading the fight against corruption. The list has been produced since 1995, and Denmark has never been ranked lower than number 4 in the world.

Sprout does not, and shall ensure that its management, employees, and sub-contractors do not pay any commission, fees or grant any rebates to third parties, including its employees, officers or agents, in order to obtain a commercial advantage or any other action constituting bribery or corruption according to the relevant legislation.

We are proud to combine sustainability, innovation, creativity and not least act with modern standards of business ethics.

Continuous collaboration

Sprout may monitor the operations of suppliers with the purpose of gaining insight into how suppliers manage their impacts on human rights, including labor rights, environmental, and anti-corruption principles.

Sprout expects all suppliers at any time to be able to declare in writing its stage of implementation in relation to the requirements contained in this Code. Suppliers are expected at any point to willingly cooperate in answering further questions, self-assessments and if deemed necessary, cooperate with Sprout in improving systems to manage adverse impacts on human rights, including labor rights, environmental, and anti-corruption principles.

Suppliers shall accommodate visits from Sprout. This includes providing physical access to any representative from Sprout or assigned by our company. Sprout reserves the right to let an independent third party of our choice make on-site inspections to verify compliance with the requirements of this Code.

Where instances of non-compliance are detected because of supplier visits, suppliers will be given a fixed period of time to self-correct any issues. In the event of failure to self-correct a problem, Sprout is willing to engage in a constructive dialog with suppliers to develop and implement action plans, with appropriate timescales for implementation and improvements to be achieved.

Agreement to abide by action plans allows for the continuation of a business relationship, as long as Sprout finds that suppliers are implementing the plan in good



faith. In the event of repeated and serious breaches of the requirements of this Code, it will have a serious impact on further business relationships.