



# GREENHOUSE GAS REPORT FOR

*Sprout*

2021

# INTRODUCTION

Sprout has estimated the greenhouse gas (GHG) emissions associated with the company's activities to get an overview of the company's impact on the climate and provide the basis for reducing the GHG emissions.

This GHG report presents the findings of Sprout's GHG inventory for 2021 along with an introduction to Sprout's approach for estimating and reducing its GHG emissions. The calculation background is compiled in a complementary document which can be obtained on request.

The GHG report and inventory have been prepared based on the guidelines from the international accounting and reporting standard, GHG Protocol Corporate Standard.

This is Sprout's first GHG report and the results presented cover the period from January 1<sup>st</sup> 2021 to December 31<sup>st</sup> 2021.

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# ABOUT SPROUT

We believe that sustainable change is possible through small innovations. Sprout is motivated to make a difference by making sustainable actions manageable and tangible for everyone. We do this by rethinking everyday products and making them more sustainable by using simple, innovative solutions.

We're proud to work with world-leading brands, like IKEA, Porsche, and Coca-Cola, along with brands whose sole purpose is to conserve the planet's ecosystem and the animals and marine life that inhabit it.

*Sprout*



# PURPOSE OF OUR GHG REPORT

The purpose of this GHG report is:

- To report the GHG emissions and GHG reduction targets of Sprout in a consistent and transparent manner
- To create an informed basis for ongoing GHG reduction efforts in Sprout's own operations and in the value chain
- To track Sprout's GHG reductions or increases over time
- To involve stakeholders and partners in reducing GHG emissions
- To improve data quality and calculation methods used in the GHG inventory



# GHG REDUCTION TARGETS AND ACTIONS

Sprout wants to contribute to achieving the goals set in the Paris Agreement; limiting the global temperature increase to 1,5 °C compared to pre-industrial levels. Therefore, Sprout has set the following Science Based targets:

BASE YEAR = 2021	2030	2040
Scope 1 and 2	50% reduction from base year	95% reduction from base year and removal of remaining emissions
Scope 3	Measure and define short term goals. KPIs will be set for emissions related to the turnover.	

This GHG report and LCAs of the Sprout pencil and makeup liner has helped us to gain insight into our climate impact and to set our science based targets. The next step for Sprout is to turn our insight into action. Sprout has made an action plan to start reducing our GHG emissions and involving both our suppliers and customers to take part in this process. Sprout wants to:

- Increase renewable energy in production from 50% to 70% by 2030
- Change to more energy efficient equipment in the production
- Procure paper and packaging locally
- Procure renewable energy for our office
- Engage and commit all corners of our organization in our GHG reduction journey
- Set targets to influence suppliers' climate action and use climate action as a metric when selecting new suppliers
- Increase the amount of supplier specific data in scope 3 to make it more accurate and operational

# GREENHOUSE GAS PROTOCOL

At Sprout we calculate and report our GHG inventory according to the GHG protocol.

The GHG Protocol is a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). It consists of a series of internationally recognized standards for accounting and reporting GHG emissions.

It includes *the six greenhouse gases mentioned in the Kyoto protocol*: Carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbon (HFCs), perfluorocarbon (PFCs) and sulfur hexafluoride (SF<sub>6</sub>). 1 kg of each GHG can be converted to CO<sub>2</sub> equivalents (kg CO<sub>2</sub>e) and added up to represent *the total GHG emissions*.

The GHG Protocol is the recommended standard for corporate GHG emission accounting according to The Danish Government Climate Partnerships<sup>1</sup> and the Danish Business Council and Global Compact Network Denmark<sup>2</sup>.

## BASIC PRINCIPLES:

**Relevance:** The GHG inventory must reflect the company's GHG emissions allowing the company to make relevant decisions and act based on the results.

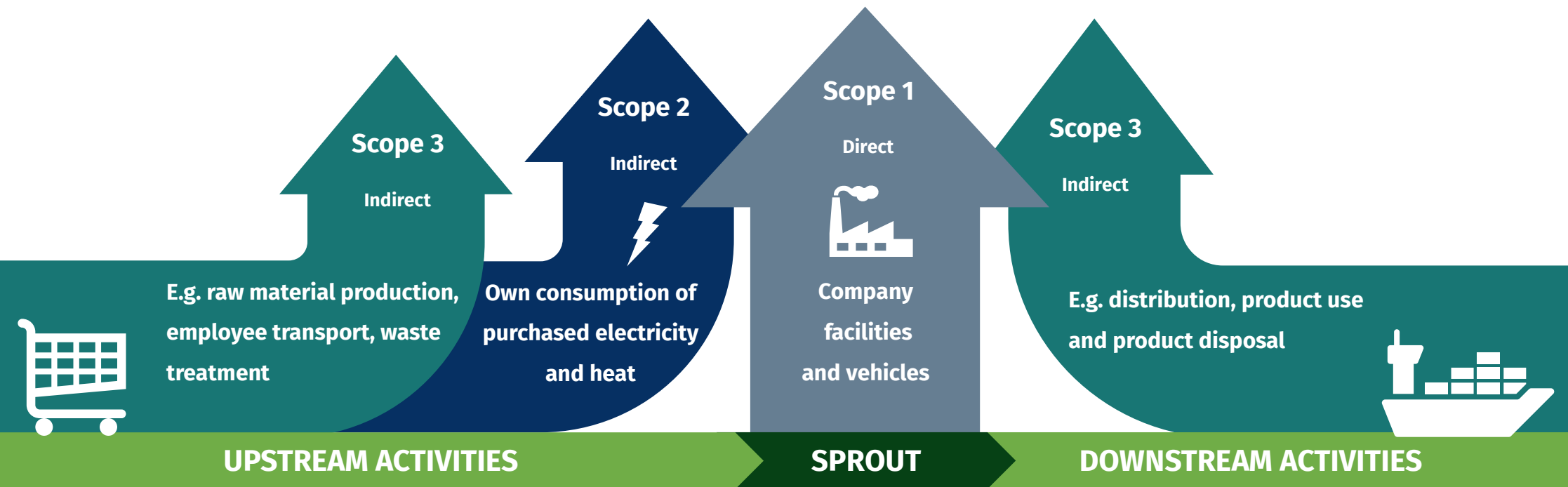
**Completeness:** The company must quantify and report all GHG emission sources within the boundary set by the company. And describe if and why something IS NOT included.

**Consistency:** The company must use methods that allow them to compare the results over time. Changes in data collection, boundaries, methods, or other relevant aspects are described and justified.

**Transparency:** Assumptions, opt-outs, calculation methods, etc. must be justified by facts and causality and described in an understandable manner.

**Accuracy:** Quantification of GHGs must not over- or underestimate the actual GHG emissions. The results must have a high credibility and integrity to provide basis for decision-making.

# SCOPE 1, 2, AND 3 – WHAT DOES IT MEAN?



## SCOPES 1, 2, AND 3

Within the GHG protocol, GHG emissions are divided into three “scopes”.

**Scope 1** includes emissions from a company's own locations and machines (e.g. consumption of gasoline, diesel, or natural gas).

**Scope 2** includes emissions associated with the production of the energy that a company buys (e.g. electricity and district heating).

**Scope 3** includes emissions associated with the company's value chain (e.g. procurement and waste management).

# TECHNICAL TERMS

## What are biogenic and fossil CO<sub>2</sub> emissions?

The terms *fossil* and *biogenic* carbon or CO<sub>2</sub> are frequently used in GHG accounting.

Chemically, the two types of carbon or CO<sub>2</sub> are identical and they have the same effect on the climate when released. It is the source of the carbon that gives them different names.

Biogenic carbon is absorbed by, stored in, and emitted from biological sources such as plants, trees and soils.

Fossil carbon originates from resources such as coal, oil and gas that have been formed through geological processes over millennia.

The use of fossil resources increases the carbon in the atmosphere-biosphere by introducing carbon from the geological carbon pool. This is not the case for biogenic carbon. This is the reason why we differentiate between *fossil* and *biogenic* carbon.

According to the GHG protocol the biogenic CO<sub>2</sub> emissions should be reported separately from the fossil CO<sub>2</sub> emissions.



## Positive and negative CO<sub>2</sub> emissions

CO<sub>2</sub> is a GHG that can both be absorbed by, stored in and emitted by various processes.

When a process absorbs more CO<sub>2</sub> than it emits it will lead to a **“negative” CO<sub>2</sub> emission**. This means that a negative CO<sub>2</sub> emission (i.e. -2000 kg CO<sub>2</sub>) is **good for the climate**, because it reduces the amount of CO<sub>2</sub> in the atmosphere.

When a process emits more CO<sub>2</sub> than it absorbs it will lead to a **“positive” CO<sub>2</sub> emission**. This means that a positive CO<sub>2</sub> emission (i.e. +1000 kg CO<sub>2</sub>) is **bad for the climate**, because it increases the amount of CO<sub>2</sub> in the atmosphere.



# TECHNICAL TERMS - CONTINUED

What are location and market-based CO<sub>2</sub>e emissions?

The terms location-based and market-based are related to different ways of calculating CO<sub>2</sub>e emissions from the use of electricity.

- the **location-based method** reflects the emissions from the average electricity in the region where the company is located and connected to the grid. The purchase of renewable energy certificates does not influence the location-based emissions.
- the **market-based method** reflects the emissions from the electricity a company purchases “contractually” and not necessarily the electricity on the grid that the company is connected to. When a company purchases renewable energy certificates the market-based method reflects a lower emission than the location-based method. When a company does not purchase renewable energy certificates the market-based method will reflect a higher emission than the location-based method.

According to the GHG Protocol a company may include its purchase of renewable electricity in its GHG inventory. However, it is important that the company reports its emissions both with and without the purchase of renewable electricity.

On page 12 Sprout’s emissions are presented using both methods. In the rest of the report the market-based method has been used for representation in tables and graphs.



# BOUNDARY SETTING

According to the GHG Protocol, GHG emission sources within scope 1 and 2 may not be counted in the GHG inventory of several companies. However, the same source of emissions can count in one company's scope 1 or 2 and in another company's scope 3. This could be Sprout's suppliers' scope 1 and 2 emissions, which are counted in Sprout's scope 3 emissions, or Sprout's customers, who count Sprout's scope 1 and 2 emissions in their scope 3.

In order to avoid double counting of the same emissions in several companies' scope 1 and 2, a company must choose an organizational boundary for its GHG inventory. Sprout has chosen to quantify and report its GHG emissions according to the principle of *operational control*. Therefore, it is the sources of GHG emissions over which Sprout has operational control that are counted in Sprout's scope 1 and 2. The remaining GHG emissions are accounted for in scope 3. In the table below the scopes and categories included in Sprout's GHG inventory are listed along with relevant emission sources for Sprout.

INCLUDED SCOPE/CATEGORY	EMISSION SOURCES FOR SPROUT
Scope 1	Natural gas for heating
	Diesel and petrol for vehicles
Scope 2	Purchased electricity
	Purchased district heating
Scope 3, Category 1: Purchased goods and services	Purchased goods and services incl. production of Sprout products
Scope 3, Category 3: Upstream energy and fuels	Extraction and production of fuels used in scope 1, 2 and 3.7
	Transmission- and distribution losses for electricity



# BOUNDARY SETTING (CONTINUED)

INCLUDED SCOPE/CATEGORY	EMISSION SOURCES FOR SPROUT
Scope 3, Category 5: Waste generate in operations	Waste management
Scope 3, Category 7: Employee commuting	Employee commuting
Scope 3, Category 9: Downstream transport and distribution	Transport of products to customers
Scope 3, Category 11: Use of sold products	Disposal of product packaging and pencil shavings
Scope 3, Category 12: End-of-life of sold products	Disposal of Sprout products (mix of waste disposal and planting)

In the table below the scopes and categories excluded from Sprouts GHG inventory are listed along with an explanation for why the scope/category was not included.

EXCLUDED SCOPE/CATEGORY	REASON FOR EXCLUSION
Scope 3, Category 2: Capital goods	Not relevant – all purchased good and services included in category 1
Scope 3, Category 4: Upstream transport and distribution	Not relevant – upstream transport included in Scope 3.1
Scope 3, Category 6: Business travel	Not relevant – no business trips in 2021 (will be included next year)
Scope 3: Category 8: Upstream leased assets	Not relevant – no upstream leased assets or included in scope 1 and 2
Scope 3, Category 10: Processing of sold products	Not relevant – no processing of sold products
Scope 3, Category 13: Downstream leased assets	Not relevant – no downstream leased assets
Scope 3, Category 14: Franchises	Not relevant – no franchises
Scope 3, Category 15: Investments	Not relevant – no investments



# EMISSION OVERVIEW 2021

EMISSION SOURCE	TON CO <sub>2</sub> E 2021 (FOSSIL) LOCATION BASED	TON CO <sub>2</sub> E 2021 (FOSSIL) MARKET BASED	TON CO <sub>2</sub> 2021 (BIOGENIC)
<b>Scope 1</b>	<b>9,2</b>	<b>9,2</b>	<b>-</b>
Diesel	1,7	1,7	-
Petrol	0,4	0,4	-
Natural gas	7,2	7,2	-
<b>Scope 2</b>	<b>0,3</b>	<b>0,5</b>	<b>-</b>
District heating	0,2	0,2	-
Electricity	0,1	0,3	-
<b>Scope 3</b>	<b>227,0</b>	<b>227,0</b>	<b>10,3</b>
1. Purchased goods and services	186,2	186,2	-7,4
3. Oil and energy related services	4,8	4,8	-
5. Waste management	<0,1	<0,1	-
7. Employee commuting	14,6	15,3	-
9. Downstream transport and distribution	21,0	21,0	-
11. Use of sold products	-0,4	-0,4	16,1
12. End-of-life of sold products	<0,1	<0,1	1,6
<b>Total scope 1 + 2 + 3</b>	<b>236,0</b>	<b>236,7</b>	<b>10,3</b>

Sprout's emissions are presented above using both the location- and the market-based methods. In the rest of the report the market-based method has been used for representation in tables and graphs.



# KEY FIGURES 2021

Unit

2021 FOSSIL CO2

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## ABSOLUTE EMISSIONS

CO <sub>2</sub> e scope 1 + 2	ton CO <sub>2</sub> e	9,7
CO <sub>2</sub> e scope 1 + 2 + 3	ton CO <sub>2</sub> e	236,7

## CO<sub>2</sub>E-INTENSITY

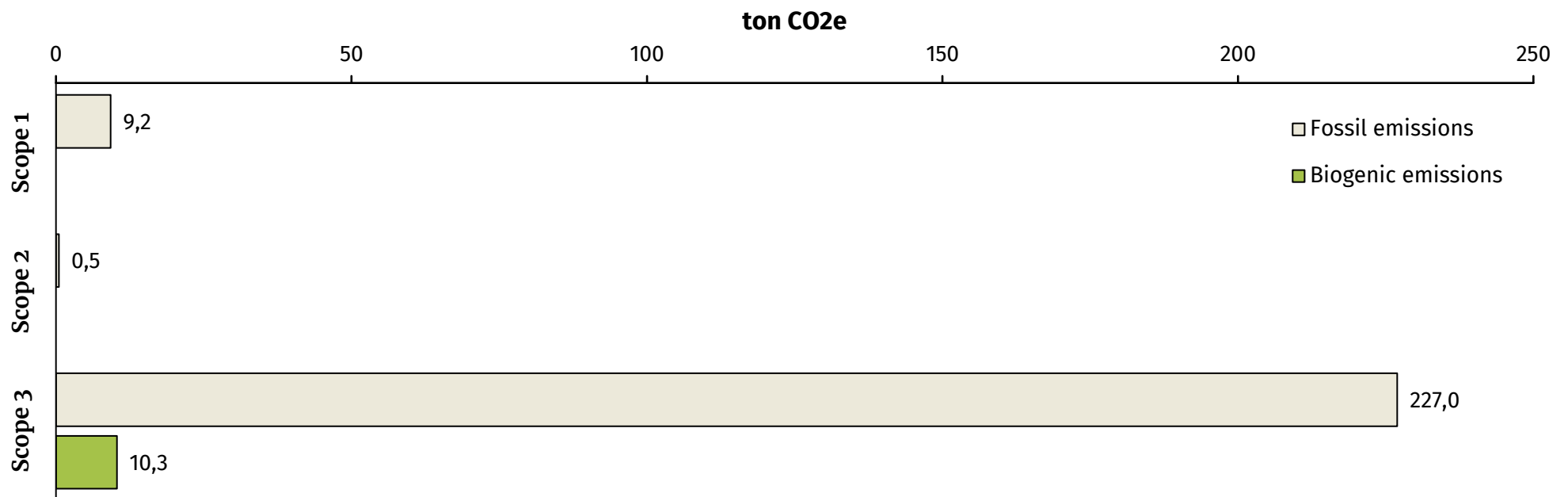
CO <sub>2</sub> e-intensity per revenue	ton CO <sub>2</sub> e scope 1+2/million US\$	1,9
CO <sub>2</sub> e-intensity per revenue incl. value chain	ton CO <sub>2</sub> e scope 1+2+3/million US\$	46,6
CO <sub>2</sub> e-intensity per produced unit	kg CO <sub>2</sub> e scope 1+2/pencils produced	0,002
CO <sub>2</sub> e-intensity per produced unit incl. value chain	kg CO <sub>2</sub> e scope 1+2+3/pencils produced	0,045
CO <sub>2</sub> e-intensity per employee	ton CO <sub>2</sub> e scope 1+2/employee	0,7
CO <sub>2</sub> e-intensity per employee incl. value chain	ton CO <sub>2</sub> e scope 1+2+3/employee	16,7



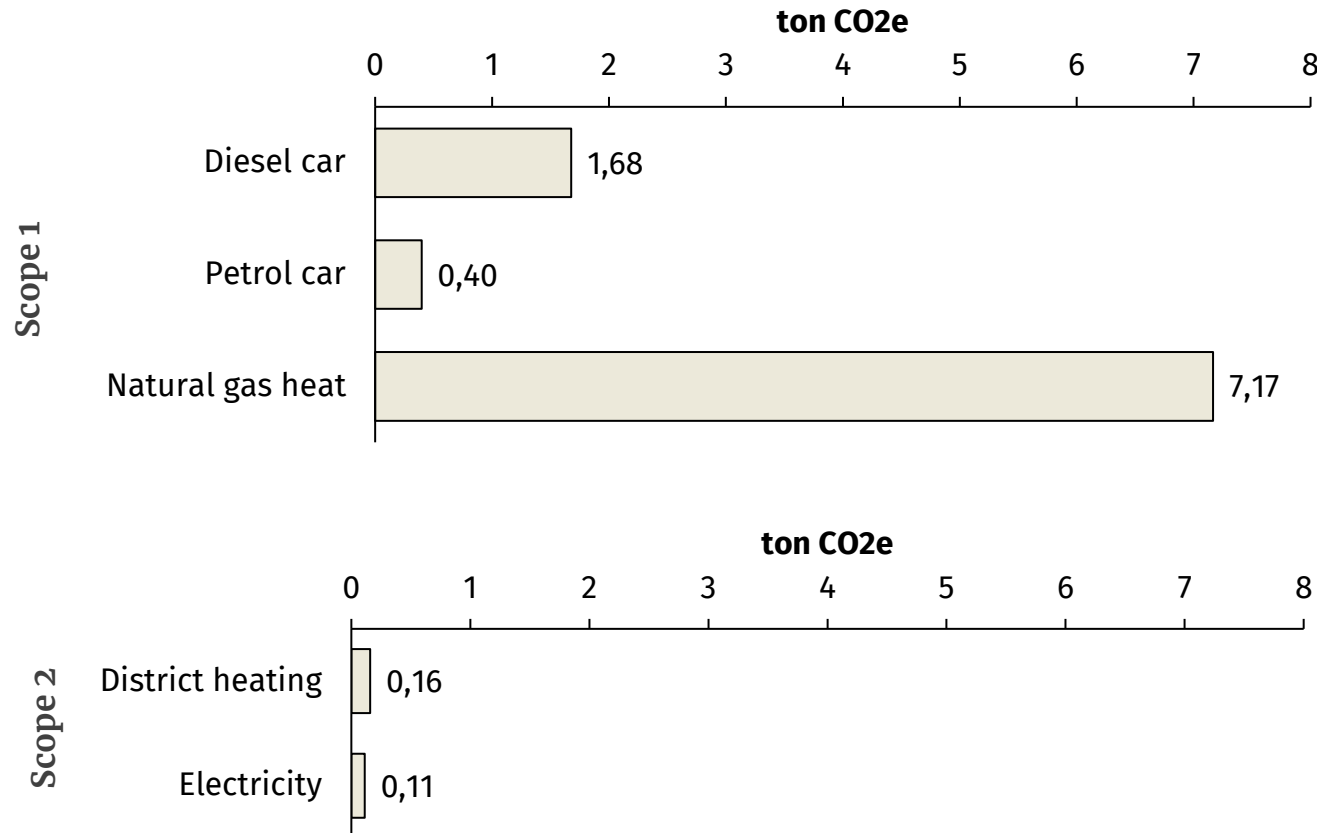
# EMISSIONS PER SCOPE

## THE LARGEST EMISSIONS ARE IN SCOPE 3

For 2021, scope 3 constitutes the largest share of Sprout's GHG emissions and accounts for 96% of the total fossil emissions. This includes purchased goods and services, oil and energy related services, waste generation in operations, employee commuting, downstream transport and distribution, use of Sprout products and end-of-life of Sprout products. The overview below shows both the fossil emissions and biogenic emissions arising from Sprout's operations. For more information on fossil and biogenic CO<sub>2</sub> emissions, please refer to page 8.



# EMISSIONS IN SCOPE 1 AND 2



## HEATING AND NATURAL GAS ARE THE LARGEST EMISSION SOURCES

Natural gas for heating is the largest single contributor to the scope 1 and 2 emissions for Sprout. The heating sources for Sprout's offices consist of both natural gas and district heating in 2021 due to two relocations during the year. The consumption at the three different locations make up the natural gas and district heating consumption and the consumed electricity.

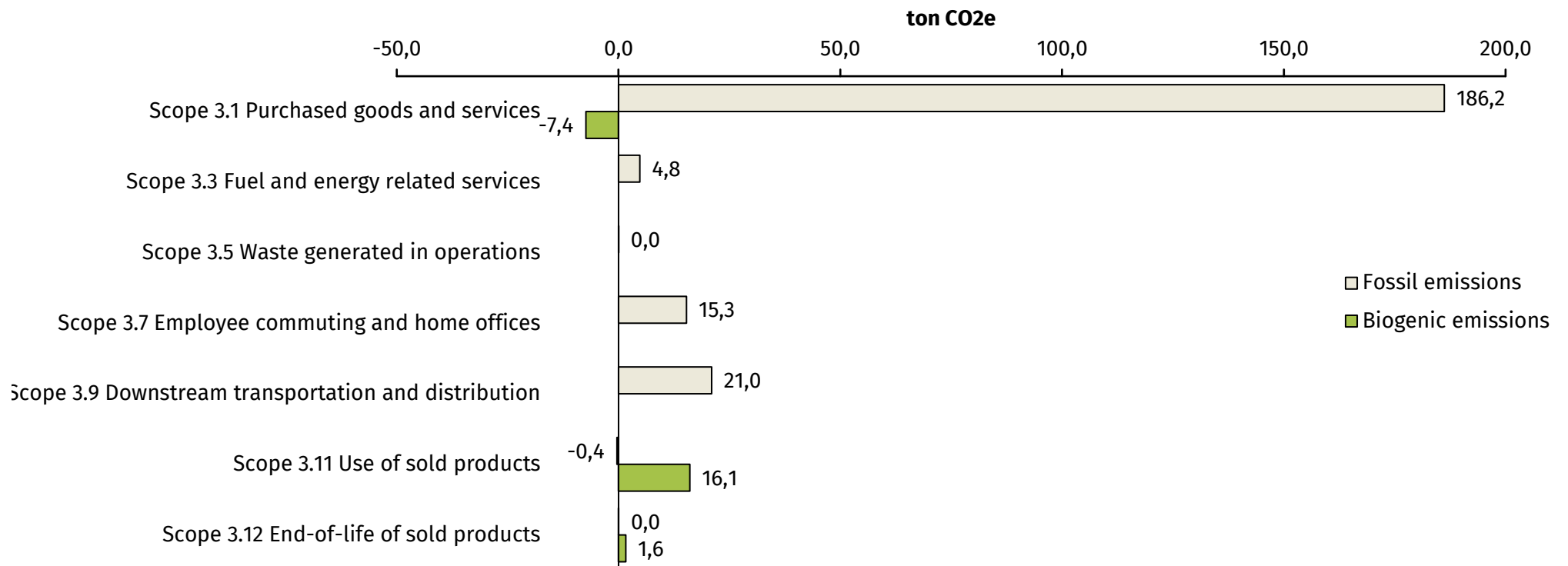
The current location of Sprout since October 2021 has district heating, which has a lower GHG emission per kWh than natural gas heating. Therefore, it is expected that the emissions from heating will decrease in 2022.



# EMISSIONS PER SCOPE 3 CATEGORY

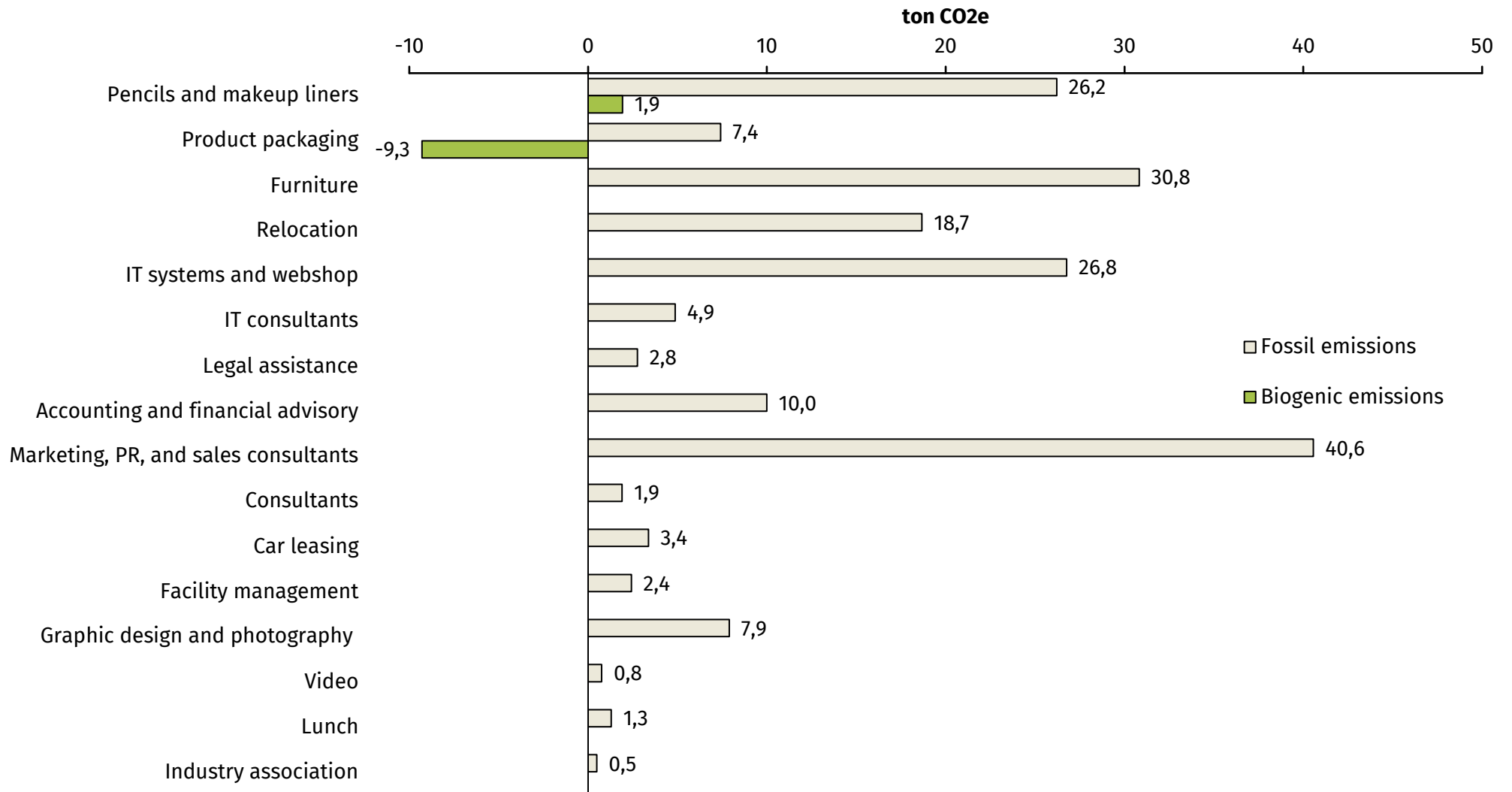
## THE LARGEST SCOPE 3 CONTRIBUTION COMES FROM PURCHASE OF GOODS AND SERVICES INCLUDING SPROUT'S OWN PRODUCTS

Scope 3 is the largest contributor to the total GHG emissions. On the figure below, the scope 3 emissions are divided into the included scope 3 categories. For fossil CO<sub>2</sub> emissions the largest category is the 3.1 *Purchased goods and services*, which includes the production of Sprout's own products. This category is illustrated more in depth on the next page. The remaining categories will be explored on the following pages.





# SCOPE 3 CATEGORY 1: PURCHASED GOODS AND SERVICES



## **THE LARGEST CONTRIBUTORS TO SCOPE 3.1 EMISSIONS ARE PRODUCTION OF SPROUT PRODUCTS AND MARKETING RELATED SERVICES**

On the figure above, the emissions related to purchased goods and services are shown. Some of the most notable emissions come from services that sprout purchase such as marketing and IT. The relocation in 2021 and furniture also contributed largely. The sourcing of materials for and production of Sprout products (pencils and makeup liners) also contribute significantly along with the packaging used for Sprout products. It should be mentioned that there is higher uncertainty related to the emissions from all other sources than the Sprout products and product packaging in this category due to the calculation methods. The emissions from Sprout products and packaging were calculated through a detailed life cycle analysis, while the remaining goods and services were estimated based on the spend-based method. For the Sprout products and product packaging the biogenic emissions are also accounted for. Biogenic emissions are the sum of uptake of CO<sub>2</sub> from the atmosphere into natural materials during growth (i.e. wood) and the emissions of CO<sub>2</sub> from degradation of natural (non-fossil) materials and from soil. For more information on fossil and biogenic CO<sub>2</sub> emissions, please refer to page 8.

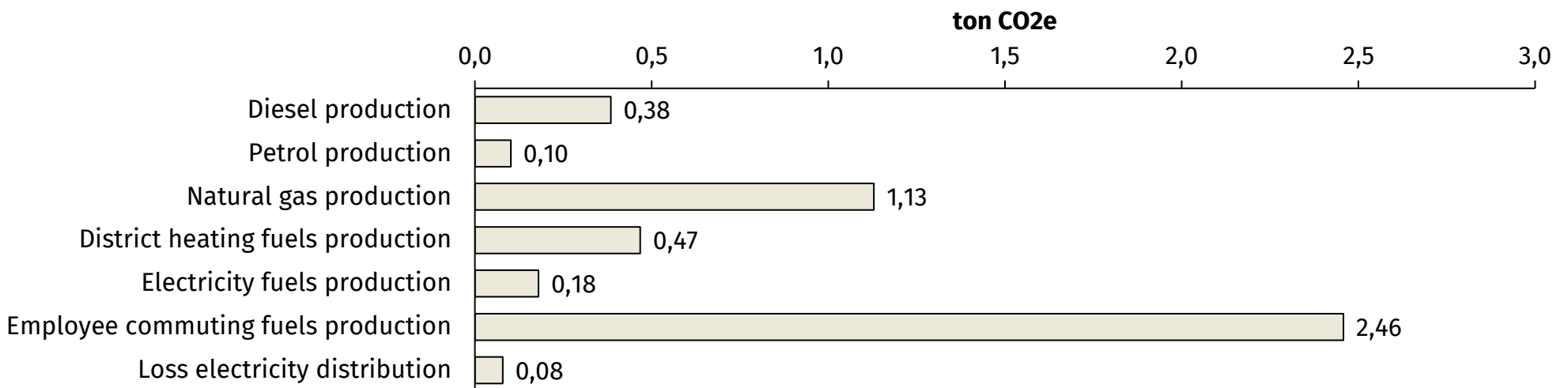


# SCOPE 3 CATEGORY 3: UPSTREAM ENERGY AND FUELS

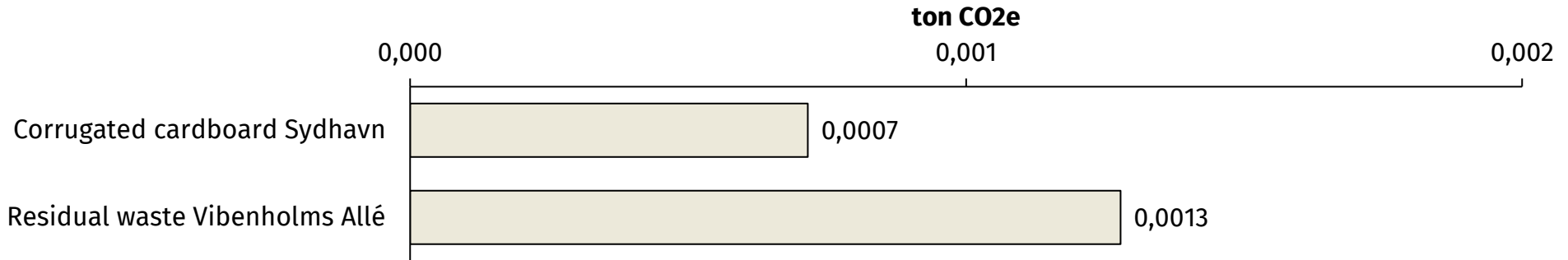
Scope 3.3 includes fuel and energy related emissions that are not already included in scope 1 and 2. Since scope 1 and 2 only account for the direct emissions from burning fuels in engines or to produce energy, scope 3.3 includes the upstream emissions from extraction, production/refinery and distribution of the fuels up until the moment before they are burned.

For Sprout, the scope 3.3 emissions include upstream extraction and production of natural gas used for heating and upstream extraction and production of a mix fuels used in the production of district heating and electricity. Furthermore, scope 3.3 includes emissions from the losses related to distribution of electricity. In this inventory we have included the upstream emissions from fuels used for transport and energy in both scope 1, 2 and 3.7.

Employee commuting is the single largest contributor to this category. The percentage use of different commuting methods for Sprout employees is shown in scope 3.7.

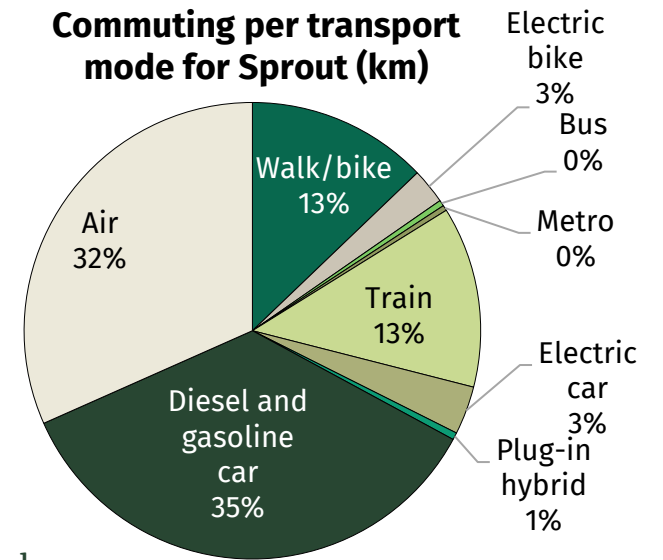
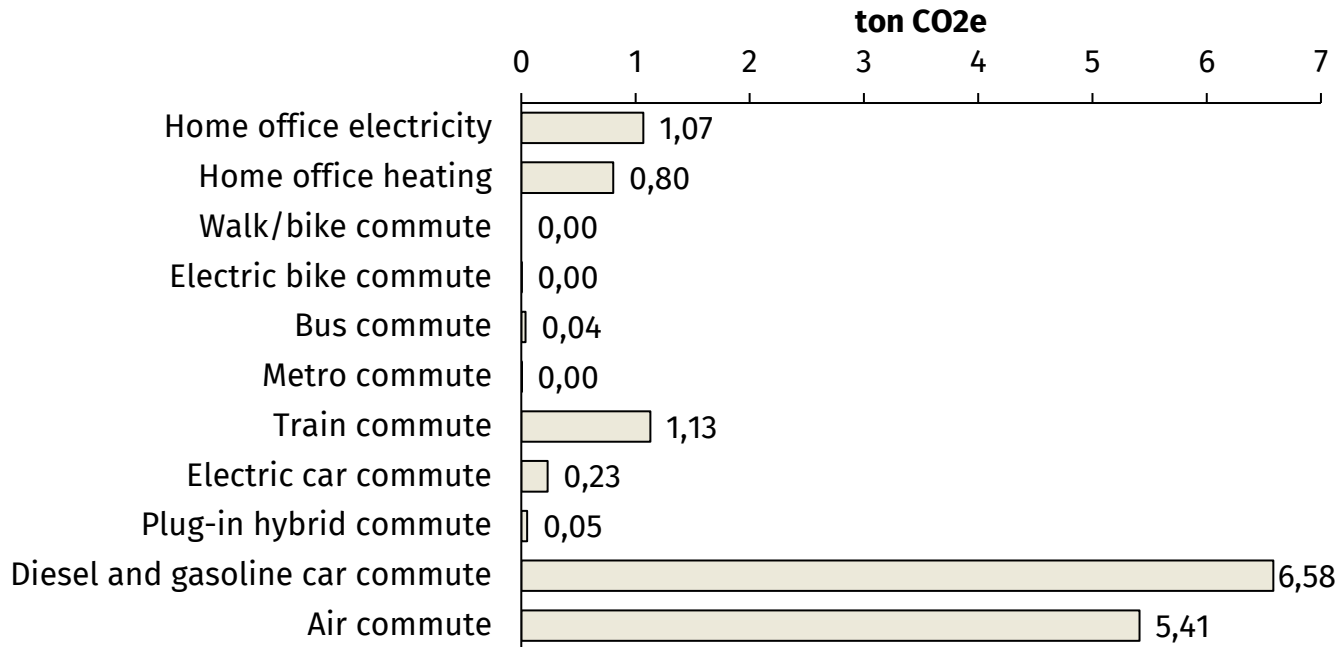


# SCOPE 3 CATEGORY 5: WASTE



The greenhouse gas emissions from waste generated in operations are shown in the figure above. The emissions include the management of corrugated cardboard and residual waste. Corrugated cardboard waste management is the largest contributor to this category, which is due to larger amounts of cardboard waste than residual waste. The emissions for management of 1 kg cardboard waste and 1 kg residual waste are equal due to the fact that only the emissions from waste collection are included and the emissions from treatment (recycling and waste-to-energy) are attributed to the consumer of recycled material and energy produced (in line with GHG protocol guidance).

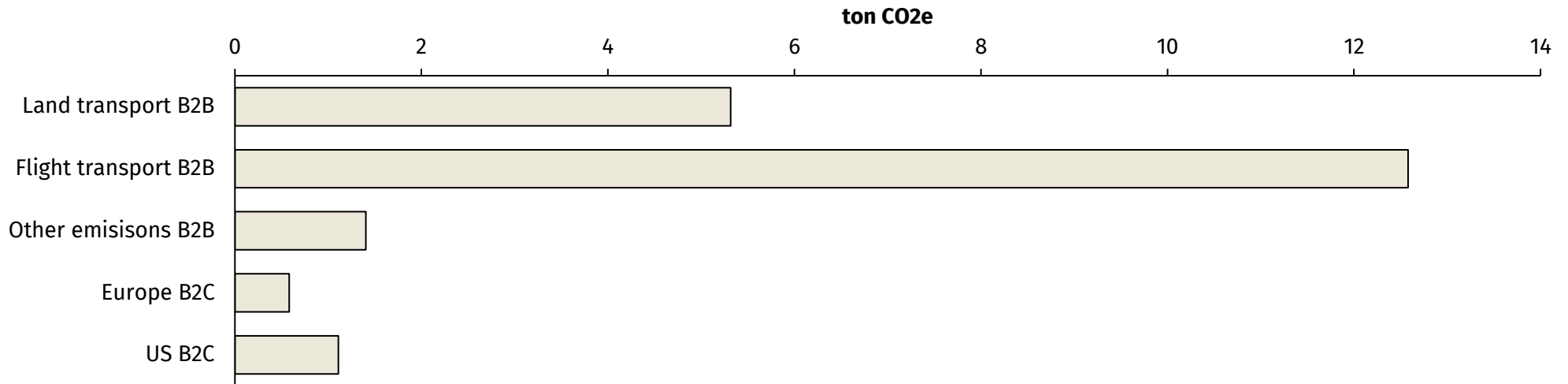
# SCOPE 3 CATEGORY 7: COMMUTING AND HOME OFFICE



The emissions in scope 3.7 include both employee commuting and emissions from increased energy use related to employees working from home. The largest contributor is the commuting by flight, followed by diesel and gasoline cars. These transport modes also makeup approximately 2/3 of the kilometers that Sprout employees commute in total. While walking, biking and public transport make up approximately 1/4 of the total kilometers they account for less than 10% of the total commuting emissions .



# SCOPE 3 CATEGORY 9: DOWNSTREAM TRANSPORT



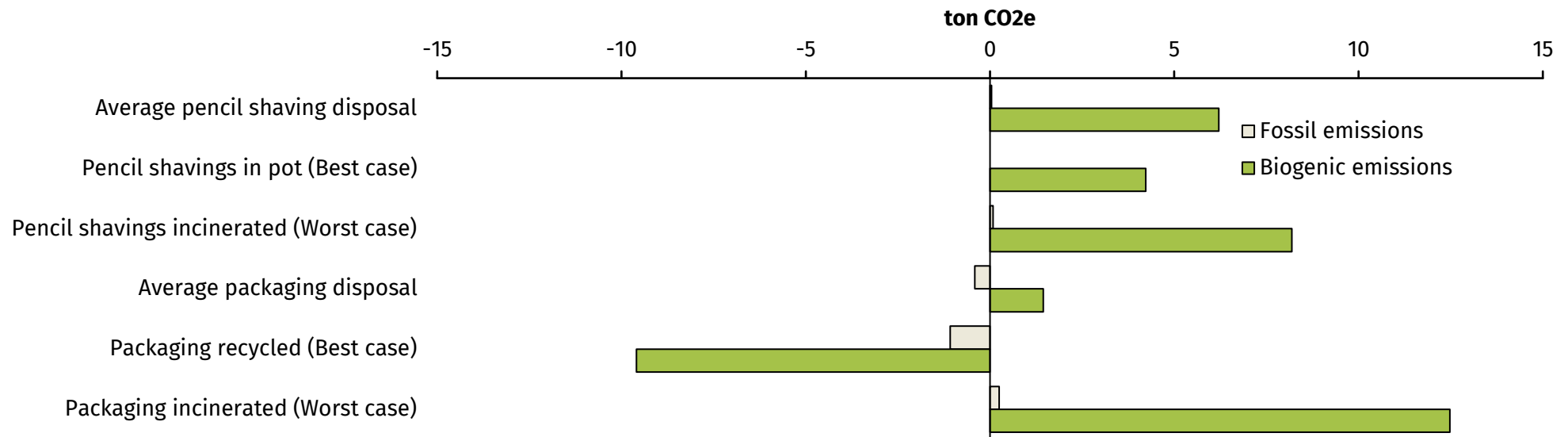
The emissions in scope 3.9 include the delivery of Sprout products to business customers (B2B) and private customers (B2C).

The B2B distribution partner delivered supplier-specific emissions for Sprouts purchased services. The emissions are divided into transport by land and air with air transport accounting for the largest part. Other emissions related to distribution include the distribution partner's facility operation.

Emissions from the B2C distribution partner were estimated by Sprout. This partner picks up Sprout products in Poland and takes the products to large distribution centers across Europe and the US. The partner then delivers the products to the customer from these distribution centers. Both the transport from the production site to the distribution center and transport from the distribution center to the customer are included for Europe, whereas only transport until the distribution center is included for the US.



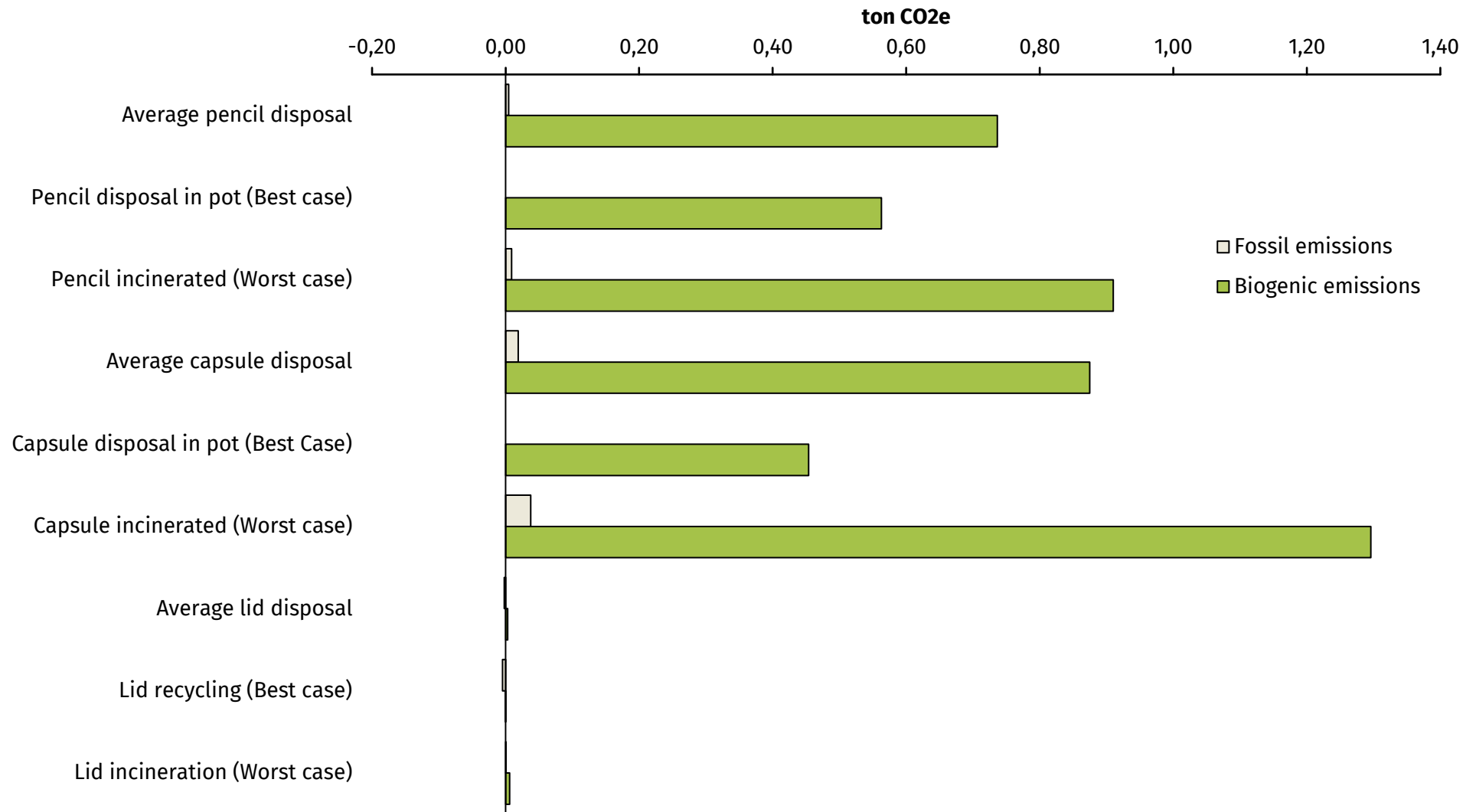
# SCOPE 3 CATEGORY 11: USE OF PRODUCTS



Scope 3.11 includes the use phase of Sprout products from when the customer receives them and until before they are disposed of. This includes disposal of the product packaging and disposal of the pencil shavings during use (it is assumed that 90% of the pencil is disposed of at this stage). Two scenarios for disposal have been used; a best case scenario where the packaging is recycled and the pencil shavings are put in the soil of a pot where the pencil will eventually be planted, and a worst case scenario where both packaging and pencil shavings are incinerated with residual waste. The average, best and worst case scenarios are shown in the graph. The average scenarios has been used for calculation of the total emissions of Sprout. The biogenic emissions dominate this category because the materials disposed of are paper and wood, which contain biogenic carbon. The negative fossil emission from recycled packaging is due to the recycled materials replacing virgin materials. Especially for packaging there is a big difference between the recycling and incineration scenarios with recycling having the largest benefits.



# SCOPE 3 CATEGORY 12: END-OF-LIFE OF PRODUCTS





Scope 3.12 includes the end-of-life phase of Sprout pencils and makeup liners. The end-of-life phase includes the emissions that occur when the Sprout pencils are spent and either disposed of or planted. The remaining 10% of the pencils, the capsules at the end of pencils and - additionally for the makeup liner - the lids are disposed of at this stage. Since the amount of plant mass resulting from planting the Sprout pencil is very variable, the CO<sub>2</sub> uptake from planting the Sprout pencil has not been included here. However, this topic is discussed in our makeup liner life cycle assessment (LCA).

Two scenarios for disposal have been used; a best case scenario where the pencil and capsule are disposed of in a plant pot and the lid of the makeup liner is recycled, and a worst case scenario where all parts are incinerated.

The highest biogenic emissions arise from incineration of the wood and the capsule (and lid for the makeup liner). The fossil emissions arise from incineration of the capsule and the wood. It is shown in the graph that it is beneficial to plant the Sprout liner instead of throwing it in the residual waste.

