Climate-Related Financial Risk & Resilience Disclosure

1. Executive Summary

1.1 Company Overview

Sprouts Farmers Market, Inc. ("Sprouts") operates more than 480 stores across 25 states and is a leading specialty retailer of fresh, natural, and organic foods. Environmental and weather-related conditions could directly affect our core business, from agricultural supply chains and energy usage to store operations and logistics.

1.2 Disclosure Scope and Framework Alignment

This disclosure, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework, evaluates physical and transition-related business risks, identifies opportunities, and outlines risk management practices, metrics, and targets.

1.3 Key Findings

- Physical risks such as drought, heat, wind, wildfires, storms, flooding, and grid instability pose operational and supply chain risks.
- Transition risks from regulatory requirements, energy market dynamics, refrigeration standards, and evolving consumer demand may affect costs and competitiveness.
- Opportunities exist in energy efficiency, resilient store construction, local and diversified sourcing strategies, and efficiency-driven cost savings.

2. Governance

2.1 Board Oversight

Leadership and accountability for environmental and sustainability-related matters begin with the Sprouts Board of Directors. The Nominating and Governance Committee oversees sustainability-related policies, programs, and disclosures, while the Risk Committee monitors our exposure to macro-level business risks, including climate-related disruption.

The Chief Sustainability Officer (CSO) provides periodic updates to the Board on climate-related risks, opportunities, regulatory developments, and resilience measures to ensure these issues remain visible at the highest governance level of our organization.

2.2 Management Oversight

Our executive leadership team integrates environmental and climate-related considerations into operational planning, capital investment decisions, store development, supply chain management, and enterprise risk processes.

The CSO oversees sustainability strategy, supported by a cross-functional sustainability team engaged with:

- Enterprise Risk Management
- Operations & Facilities
- New Store Development
- Supply Chain & Logistics
- Merchandising

Management also conducts annual outreach with major shareholders, which may include dialogue on sustainability and climate-related topics, with relevant insights shared with the Board as appropriate.

3. Strategy

We evaluate how environmental, energy, and regulatory risks and opportunities may affect our long-term strategy, store growth, sourcing reliability, and brand differentiation, assessing potential impacts across near, medium, and long-term time horizons. While we have not yet completed a formal climate scenario analysis, we recognize 1.5°C-aligned transition risks relevant to our operations and value chain and consider these risks qualitatively in strategic planning. We are evaluating future analytical approaches to further strengthen our climate-related risk assessment over time.

3.1 Climate-Related Risks

The following tables summarize key physical and transition-related risks identified through our risk review process, along with potential business impacts and mitigation measures.

3.1.1 Physical Risks

We face exposure to physical risks due to the geographic distribution of our stores and sourcing across regions of the United States that are more frequently affected by extreme weather and natural hazards.

Physical Risks	Potential Financial Impacts	Mitigation & Resilience Measures
Extreme Heat	Higher refrigeration and HVAC loads, increased operating costs, and greater spoilage risk for temperature-sensitive products.	Energy-efficient store design and equipment upgrades including LED lighting and energy management practices.
Drought & Water Scarcity	Reduced crop yields and increased sourcing costs, particularly for produce sourced heavily from California.	Diversified sourcing approaches and supplier engagement strategies that support supply continuity and soil health.
Severe Storms	Facility damage, temporary store closures, inventory loss, workforce disruption, and transportation delays.	Hurricane-resilient construction in certain regions and disaster-readiness planning for stores and distribution centers.
Wildfires	Air quality impacts affecting store operations and workforce safety, logistics interruptions, and possible store or DC closures.	Operational contingency planning and regional disaster readiness planning.
Grid Instability & Power Outages	Disruption to refrigeration, store operations, and distribution center functionality leading to potential product spoilage.	Backup generator quick-connect capability in select new stores and solar/battery storage in certain locations.

3.1.2 Transition Risks

Transition risks reflect regulatory, economic, and market changes affecting energy use, equipment standards, and consumer expectations.

Transition Risks	Potential Financial Impacts	Mitigation & Management Measures
Policy and Market Conditions	Changes in environmental, energy, and equipment-related regulations may increase compliance costs or require operational adjustments.	Monitoring regulatory developments and integrating regulatory considerations into capital planning.
Refrigerant Requirements	Phaseout of high-GWP refrigerants may require equipment retrofits or replacement.	Deployment of lower-GWP refrigeration technologies including CO_2 systems in select new stores.
Energy Cost Volatility	Rising electricity and natural gas costs may increase operating expenses across the store portfolio.	Energy efficiency initiatives including LED lighting upgrades and improved energy management.
Consumer Preference Shifts	Growing demand for sustainability attributes may influence product assortment expectations and brand perception.	Expansion of product transparency initiatives and sourcing strategies that support soil health and supply continuity.

3.2 Climate-Related Opportunities

We have identified several opportunities aligned with customer expectations and operational efficiency:

- **Sourcing approaches** - Support supply continuity and soil health.
- **Energy efficiency projects** – Reduce long-term operating costs.
- **Low-GWP refrigeration investments** – Reduce emissions intensity and regulatory exposure.
- **Resilient infrastructure** – On-site solar, battery storage, and EV readiness improve energy reliability and long-term cost control.

3.3 Team & Community Support

When disasters strike, we support our most severely impacted team members by providing:

- Temporary hotel stays for affected team members and their families.
- Gift cards for essential needs like food and clothing.
- Store-level round-up campaigns administered through The Sprouts Healthy Community Foundation to direct support toward community-based disaster relief partners.

4. Risk Management

We integrate climate-related risks into our Enterprise Risk Management (ERM) framework and evaluate them alongside financial, operational, and strategic risks.

Processes include:

- Annual ERM risk assessments considering likelihood, financial impact, and timing.
- Category-level supply chain risk reviews, especially in higher risk commodities.
- Monitoring regulatory developments, including evolving environmental rules.
- Development of disaster-readiness and continuity plans for stores and distribution centers.

5. Metrics & Targets

Sprouts tracks greenhouse gas (GHG) emissions, energy consumption, and related intensity metrics to support operational efficiency, risk management, and long-term planning. These metrics inform capital allocation decisions, enable performance benchmarking, and support progress monitoring across store operations and the supply chain. Emissions and energy data are subject to internal controls and periodic review to promote consistency, accuracy, and comparability over time.

GHG emissions are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Standard, using an operational control boundary. Global warming potentials are based on IPCC AR6 values. Scope 2 emissions are reported on a market-based basis where supplier-specific data is available. Conservative assumptions are applied to reduce the risk of underestimation or

double counting, with methodologies refined over time as data quality and availability improve.

Scope 3 emissions are estimated using a hybrid approach that prioritizes primary, mass-based activity data where available, supplemented by environmentally extended input-output (EEIO) modeling.

5.1 Greenhouse Gas Emissions (tCO_2e)

Metric	2023	2024	2025
Total GHG Emissions	2,715,878	2,484,884	2,592,754
Scope 1	139,735	123,096	124,659
Scope 2 - Market	127,131	137,952	129,014
Scope 3*	2,449,012	2,223,836	2,339,081
Scope 1 and 2	**266,866**	**261,048**	**253,673**

*Scope 3 emissions are estimated using a combination of supplier activity data and modeled emissions factors. Year-over-year changes reflect both business activity and methodology/model updates.

5.2 Energy Consumption

Metric	2023	2024	2025
Electricity (MWh)	353,145	385,904	411,783
Natural Gas (MWh)	180,569	187,387	197,575

5.3 Intensity Metrics

Metric	2023	2024	2025
Scope 1 & 2 Carbon Intensity (tCO_2e / 1,000 ft^2)	24	22	20
Total Carbon Intensity (tCO_2e / 1,000 ft^2)	240	205	200
Total Carbon Intensity (tCO_2e / $M revenue)	397	322	294
Energy Intensity (MWh / 1,000 ft^2)	47	47	47
Energy Intensity (kBtu / 1,000 ft^2)	161	161	160

5.4 Targets

Sprouts has established Scope 1 and Scope 2 (S1 & S2) greenhouse gas (GHG) emissions intensity reduction target of 25% per 1,000 ft^2 by 2033, using 2023 as the baseline year. S1 & S2 emissions intensity was 24 tCO_2e per 1,000 ft^2 in 2023, declined to 22 tCO_2e per 1,000 ft^2 in 2024, and further improved to 20 tCO_2e per 1,000 ft^2 in 2025, demonstrating continued year-over-year progress. A 25% reduction from the 2023 baseline corresponds to a target emissions intensity of approximately 18 tCO_2e per 1,000 ft^2 by 2033.

This intensity-based target supports continued store growth while improving operational efficiency across the store portfolio. Normalizing emissions on a per-square-foot basis enables consistent performance tracking across an expanding footprint and enhances comparability over time.

Progress toward the target is not expected to be linear and may vary based on the timing and scale of capital investments, new store openings, regional electricity grid characteristics, and equipment replacement cycles. Certain initiatives, such as refrigeration system conversions or major facility retrofits, may result in step-change improvements rather than incremental annual reductions.

Progress is supported through ongoing operational efficiency measures and capital investments, including energy-efficient store design, LED lighting upgrades, deployment of lower-GWP refrigeration systems, enhanced energy management practices, and equipment replacement aligned with performance, reliability, and regulatory requirements.

6. Stakeholder Engagement

We engage with stakeholders to inform environmental risk management, operational resilience, and long-term value creation:

- **Customers** – Trends in organic and differentiated food offerings, ingredient transparency, and product attributes.
- **Suppliers & Growers** – Strengthening supply continuity, agricultural resilience, and sourcing reliability
- **Investors** – Governance, risk management, disclosure practices, and long-term business resilience.
- **Team Members** – Training on operational efficiency, safety, and business continuity.
- **Community & NGO Partners** – Food recovery, agricultural support programs, and disaster response coordination where appropriate.

7. Disclaimer

This disclosure focuses on climate-related risks and opportunities, prepared in alignment with the recommendations of the TCFD and pursuant to California SB 261. Additional information on our broader sustainability commitments can be found at https://www.sprouts.com/about/sustainability/.

This content may contain forward-looking statements based on current expectations, assumptions, and available data regarding anticipated developments and other factors. These statements are not historical facts and do not guarantee future performance. They are subject to risks, uncertainties, and assumptions that may change over time. Actual outcomes may differ materially from those expressed or implied. Forward-looking statements speak only as of the date of publication, and Sprouts undertakes no obligation to update them except as required by law.

Sprouts is committed to evolving its climate-related disclosures to provide meaningful, decision-useful information to stakeholders as scientific understanding, market dynamics, and regulatory frameworks continue to develop.

We welcome stakeholder feedback on this disclosure and encourage you to contact us at sustainability@sprouts.com.