

Pals

SUSTAINABILITY PROGRESS REPORT

REVIEW OF APRIL 2021-MARCH 2022 TARGETS



A YEAR ON...

Back in April 2021, our team sat down with sustainability experts, Go Well, to develop a plan to make positive changes for people and planet. To ensure all voices were heard, we spoke to our pals - team, suppliers, partners and consumers - to help direct the impact areas and commitments. Taking all the feedback onboard, Pals two year sustainability plan was established and released in September 2021.

One year on we've made some significant changes in the businesses and learnt a lot along the way. This progress report outlines the approach we took to tackling the targets set out in year one. We've had some wins such as achieving Toitū carbonzero certified organisation and launching our very first charity initiative, Unsung Pals but we've also had some challenges along the way. That's why we created this report so you can read how we've approached each target, the good and the bad.

Sustainability is never a done job and there's always more to be done to be a better business for people & planet. That's why following our first year of learning, we've pushed ourselves to do more and have added additional Year One targets into the sustainability plan which you can find at www.drinkpals.co.nz/sustainability

As always, we love hearing from our pals so drop us a line if you have any questions, feedback or challenges.

From the Pals team.



THE BIG ACHIEVEMENTS SO FAR...



CARBON ZERO BUSINESS

Pals is a Toitū carbonzero certified organisation and has gone beyond neutrality by offsetting our carbon footprint by 125%.



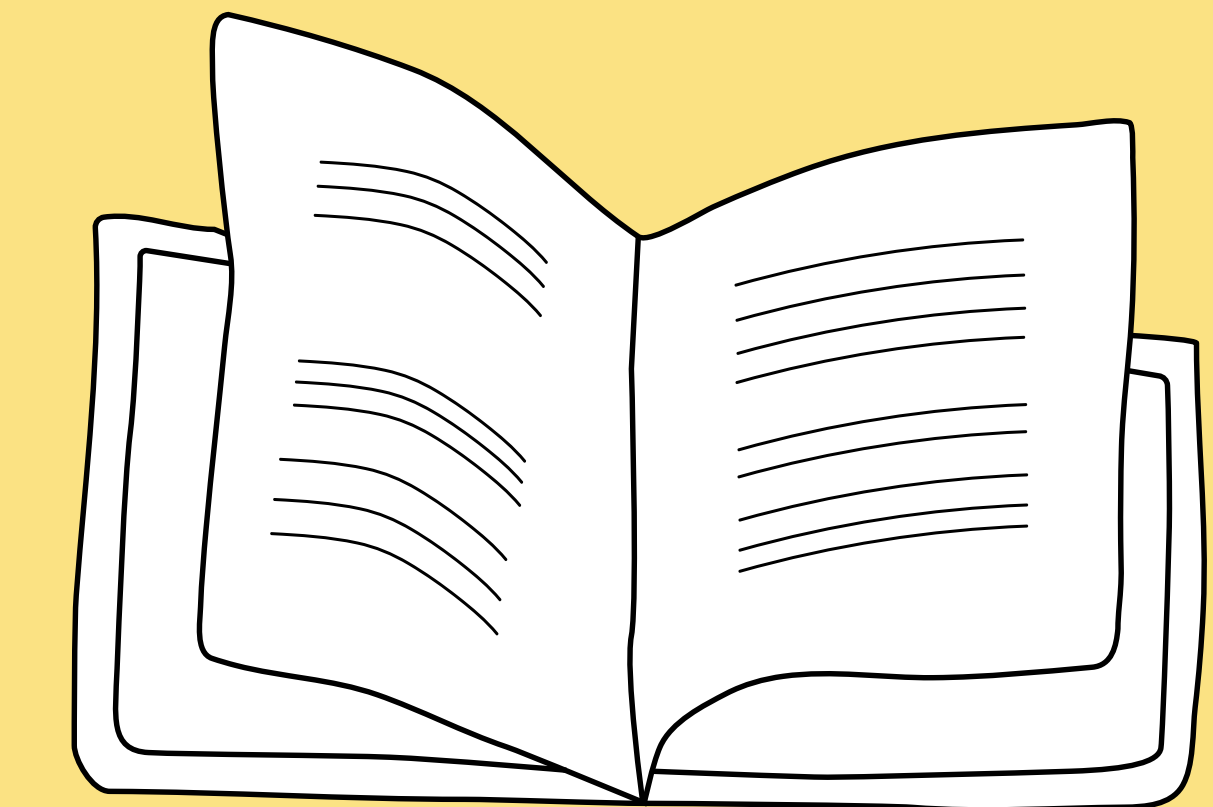
REDUCING FOOTPRINT

We're committed to reducing our footprint in the next three years with set targets and reduction projects.



UNSUNG PALS

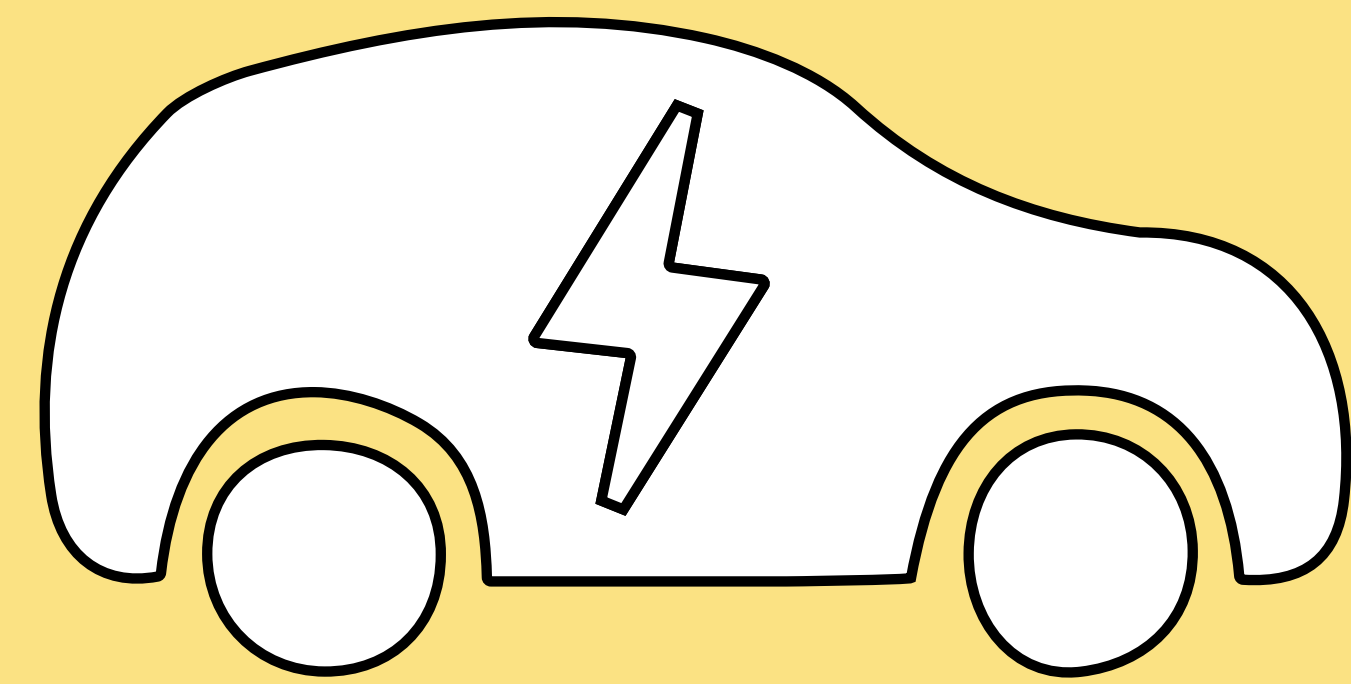
We proudly launched Unsung Pals last year - our charity initiative to reward and celebrate people who have done epic things for their community. We gave away \$30,000 split across three deserving Unsung Pals as a donation to their community work and a reward to say a big thanks for all their hard work.



SUPPLIER CODE OF CONDUCT

We have established a supplier screening and supplier code of conduct which includes expectations around positive labour practises, the environment and diversity and inclusion. Half of our significant suppliers have signed the supplier code of conduct so far.

THE BIG ACHIEVEMENTS SO FAR...



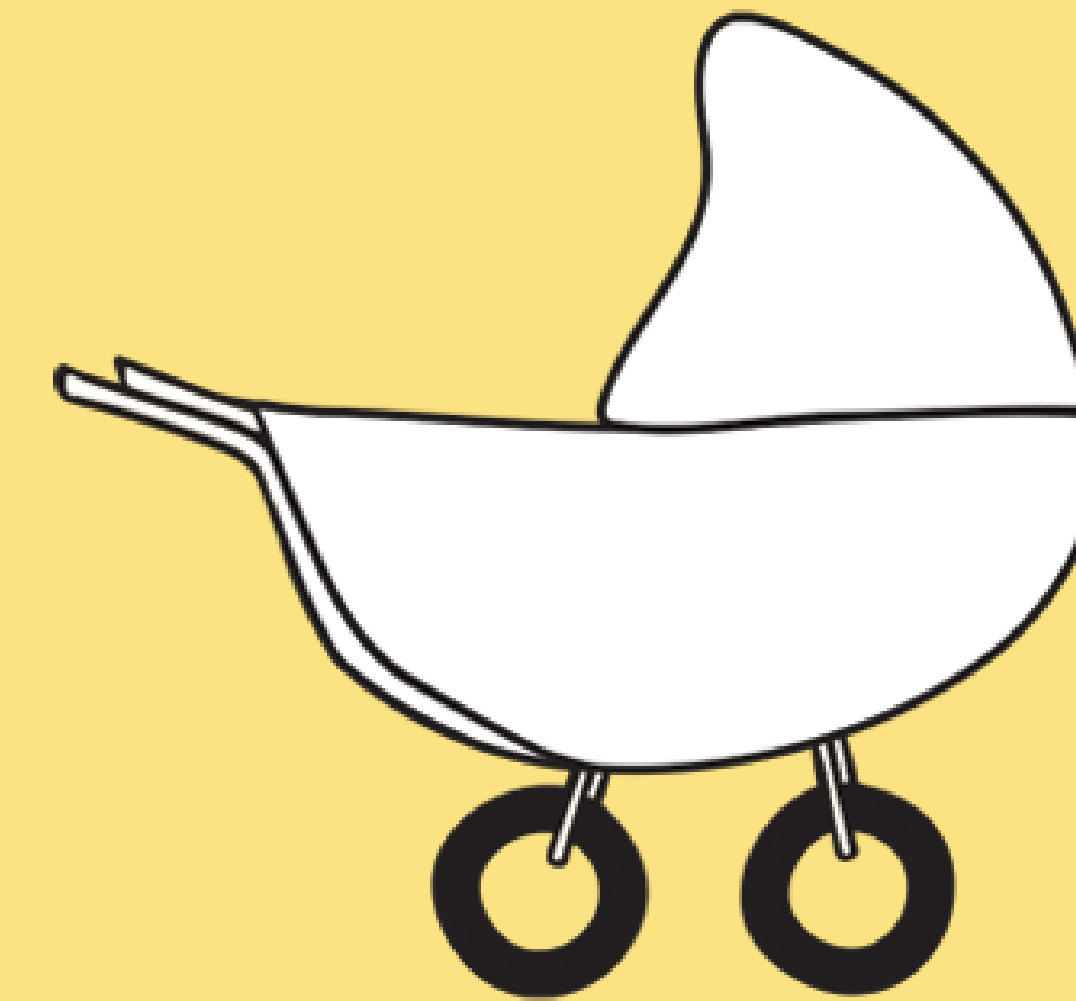
ELECTRIC CARS

To reduce our carbon emissions, we have changed two of three of Pals company cars to electric vehicles. We also offer incentives for the team to buy electric bikes.



VOLUNTEERING

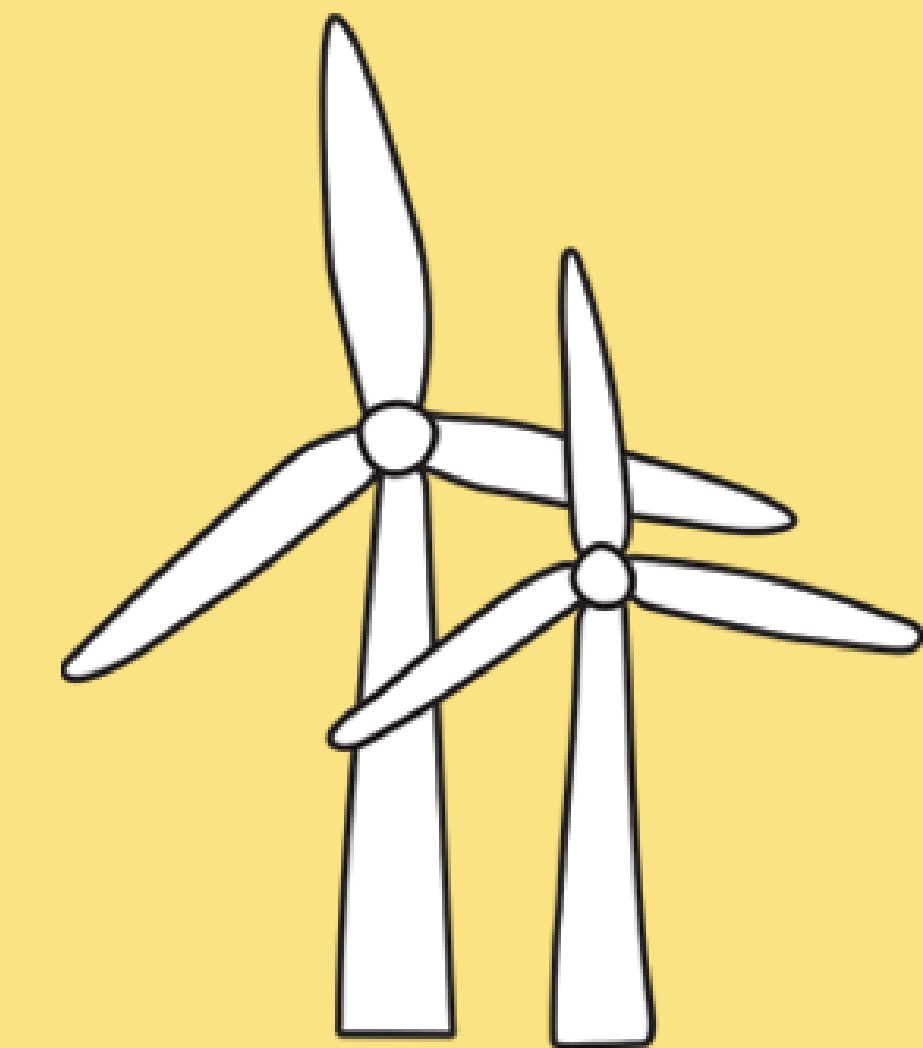
Our team contributed 36 hours of volunteering in our local community. In the last year, we've volunteered with Auckland City Mission to pack food parcels for families and individuals in hardship and the Kaipātiki Project at Eskdale Reserve to remove 120kg of invasive weeds and species from native trees.



PARENTAL BENEFITS

We now offer an enhanced maternity and paternity leave package to support our soon to be parent pals in our team.

For primary parents, we offer eligible employees up to 80% pay for 16 weeks or 13 weeks at full pay.



ECO ENERGY

Pals HQ is proudly powered by Eco-tricity, a carbon zero, renewable energy provider.



PLANET



Pals

Pals

VODKA, HAWKE'S BAY
LIME AND SODA


330 mL
5% ALC/VOL

GREENHOUSE GASSES (GHG)

OUR GOAL:

To minimise our emissions and be a carbon negative business.





| TARGET BY MARCH 2022 | PROGRESS | |
|---|---|--|
| Map our carbon footprint and establish regular record keeping of emissions. | ✓ | We have mapped Pals organisational carbon footprint for 2021-2022 and achieved Toitū net carbonzero organisational certification in November. Our first year reporting was quite a manual process so reporting regularly was not achievable. Going forward, we will report quarterly on Pals carbon emissions internally. |
| Develop a carbon reduction plan. | ✓ | As part of Pals Toitū net carbonzero organisational certification, we have developed a carbon reduction plan which can be found here . We're committed to reduce absolute category 1 and 2 GHG emissions by 50% and reduce intensity indirect emissions from category 3 by 25% by 2023 and to reduce intensity indirect emissions from category 4 by 2025. This aligns with science-based target methodology. |
| Establish carbon intensity per can. | ✓ | We have calculated our carbon intensity per can using the Toitū certified organisational data for FY21 and dividing it by the number of cans sold in the same year. It's important to track carbon intensity as Pals grows to identify opportunities for more carbon efficient processes. We will continue to measure each year and identify opportunities to reduce as part of the carbon reduction plan. |
| Develop a supplier code of conduct and a procurement policy that includes expectations relating to emissions. | ✓ | We have developed a supplier code of conduct which can be found here which has been signed by 2 of 4 of significant suppliers who represent 80% of our turnover. Our supplier code of conduct includes expectations around emissions for suppliers to proactively work with us to measure and reduce emissions. We have added in a new year two target to audit our suppliers to ensure they are meeting these standards. |
| Develop a policy on staff travel. | ✓ | We have written and circulated our staff travel policy to the team which is available on our HR server to read. The policy encourages staff to consider if travel is necessary for the meeting and to encourage online meetings. |
| Establish an annual Pals staff planting day. | ✓ | Due to Auckland Level 4 Covid-19 lockdown, our first planting day was cancelled and we missed season for planting native trees. However, native trees need support all year around to ensure they survive. So instead of planting, the Pals team headed to Eskdale reserve restoration, run by Kaipatiki Project for a day of weeding and removed 120kg of invasive weeds and an invasive species, Japanese Honeysuckle, which can smother the growth of native trees. |
| Begin planning communications strategy that includes climate messaging. |  | We aim to share informative sustainability communications on a quarterly basis with our consumers. |

MATERIALS MANAGEMENT

OUR GOAL:

Be a business that is designed for a circular economy.



| TARGET BY MARCH 2022 | PROGRESS | |
|---|---|---|
| Conduct an office bin audit and begin recording our waste in line with a material reduction plan. |  | We have completed a bin audit in the office and have now added composting and soft plastic bins to divert more waste from landfill. We have calculated our office waste as part of the Toitū net carbonzero organisational certification but we still need to implement regular measurements and targets of bin waste going forward. |
| Continue our investigations into onshore recycling for our cans. |  | As part of our investigation, we spoke to Visy (supplies and sorts post consumer aluminum cans), a WasteWise Advisor for Auckland Council and Waste Management (largest waste management company in New Zealand) and Toitu Envirocare. Aluminium cans are collected and sorted here in New Zealand however all metals get exported overseas to be recycled due to the high resale value. New Zealand cans get sent to Saudi Arabia to get recycled which is concerning given carbon miles and as a country, use of renewable energy is low. |
| Investigate increasing the amount of recycled content in our cans. |  | We have been in discussions with Visy Australia's technical team who calculated the % of recycled content used in our cans and determined that there was 46% recycled content. Visy purchases aluminium sheets from three suppliers globally and has limited control on the % of recycled content used in these sheets. We have added in an additional year two target to investigate opportunities to work within our category to influence the % of recycled content in our cans. |
| Review communications for disposal of packaging. |  | We promote our recycling messaging "leave no pal behind" across packaging and communications where applicable. We aim to share informative sustainability communications on a quarterly basis with our consumers including disposal of packaging. |
| Incorporate material management into our supplier code of conduct |  | Our supplier code of conduct requires our suppliers to dispose of waste in accordance with local environmental laws and regulations and have an environmental management system to measure, manage and minimise waste and adverse environmental impacts (recycling program, hazardous waste disposal, chemical waste disposal). We have added in a new target for year two to audit our suppliers to ensure they are meeting these standards. |
| Develop a policy on disposing of e-waste. |  | As part of our employee handbook & policies, we expect all staff to dispose of e-waste responsibly. We have set up a bin in our office which can collect e-waste. We have engaged with Abilities Recycling to be the provider of our e-waste. |

MATERIALS MANAGEMENT

OUR GOAL:

Be a business that is designed for a circular economy.



| TARGET BY MARCH 2022 | PROGRESS | |
|--|---|--|
| Trial the use of kegs for wholesale customers. |  | We have launched Pals kegs in 6 key retailers with ambitions to rolling out to new on-premise locations in the new year. |
| Investigate the alternatives to pallet wrap in our supply chain. |  | We investigated three types of alternative pallet wraps - a sugar cane wrap, thinner wrap, and a reusable wrap. When the sugar cane and the thinner wrap was tested on a pallet of Pals, the wrap could not hold the pallet securely. We identified there is a need to improve the grip of the Pals cardboard box to increase the pallet stability - this is a new target for year two in the sustainability plan. With the reusable wrap, we have ordered a custom wrap to run a test to see if it can transport a pallet effectively. This is a new year two target to run an internal trial of reusable pallet wraps to test viability in the supply chain. |
| Investigate the opportunity to work with waste management companies e.g. give back scheme. |  | We have scoped out a give back scheme project including initial meetings with suppliers and obtaining quotes for work but needs further development. We have added in an additional year two target to investigate launching a product designed for the circular economy. |

WATER

OUR GOAL:

To ensure we maximise efficiency of water usage and minimise wastage, avoiding any negative impacts.





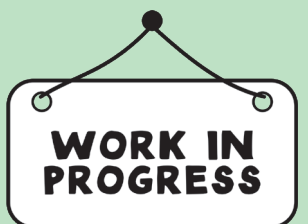

| TARGET BY MARCH 2022 | PROGRESS | |
|---|---|---|
| Engage with our supplier to measure our water use and establish per product efficiency. |  | As part of the Toitū net carbonzero organisational certification, we have measured and offsetted the water included in our cans between 2020-2021 and will continue to measure & include in future carbon footprint measurements. We are working closely with our contract manufacturer to establish measuring process water from manufacturing Pals to also be included in the measurement - this is a new target for year two. We have calculated our water intensity per can using the Toitū certified organisational data and will track over time. |
| Develop a supplier code of conduct that includes water management. |  | We have developed a supplier code of conduct which can be found here which has been signed by 2 of 4 of significant suppliers who represent 80% of our turnover. Our supplier code of conduct states that suppliers must comply with all applicable local laws and regulations relating to the use of water including their management of wastewater. We have added in a new target for year two to audit our suppliers to ensure they are meeting these standards. |
| Establish an annual Pals staff planting day with a focus on waterway restoration. |  | Due to Auckland Level 4 Covid-19 lockdown, our first planting day was cancelled and we missed season for planting native trees. We ran a 'weeding day' at Eskdale reserve instead. In 2022-2023, our planting day will support a waterway project and we've added in a new year two target to investigate supporting a waterway project in a formal capacity. |

ENERGY

OUR GOAL:

To work with our suppliers to transition to renewable energy.



| TARGET BY MARCH 2022 | PROGRESS | |
|---|---|--|
| Map our energy footprint for the office and with our manufacturer |  | As part of the Toitū net carbonzero organisational certification, we have measured & offset our office energy footprint for 2020 - 2021 and continue to measure this monthly internally. Pals HQ is also proudly powered by Eco-tricity, a carbon zero, renewable energy provider. We have engaged with our contract manufacturer to measure the energy associated from the production of Pals, but they weren't able to supply the data directly relating specifically to our energy use. We are working with this supplier to obtain this information and have carried over this target to year two. |
| Establish monthly monitoring of energy usage for the office. |  | We measure on Pals HQ energy usage each month to identify opportunities to improve which we will continue to do on a monthly basis. |
| Continue to engage with our manufacturers to increase the percentage of renewable energy used. |  | We have engaged with our contract manufacturer to discuss the viability about moving to renewable energy. The energy at the site is purchased by the landlord of the site of our contract manufacturer. We have identified the supplier and our contract manufacturer is discussing the viability with their landlord to move to renewable energy. Conversations taken longer expected due to a site move and Covid-19. This will continue to be a focus our plans in 2022. |
| Investigate increasing the amount of recycled content in our cans (recycled aluminum uses significantly less energy than virgin). |  | We have been in discussions with Visy Australia's technical team who calculated the % of recycled content used in our cans and determined that there was 46% recycled content. Visy purchases aluminium sheets from three suppliers globally and has no control on the % of recycled content used in these sheets. We have added in an additional year two target to investigate opportunities to work within our category to influence the % of recycled content in our cans. |



PALS




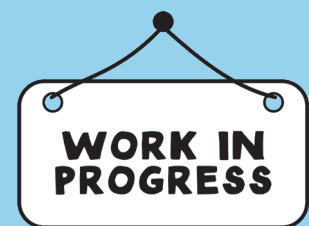


DIVERSITY & INCLUSION



OUR GOAL:

To be a business and brand recognised for being diverse and inclusive.

| TARGET BY MARCH 2022 | PROGRESS | |
|--|---|---|
| <p>Develop an employee handbook which includes code of ethics and diversity and inclusion principles.</p> |  | <p>We have established an employee handbook for all team members which we developed alongside HR experts, MyHR. The employee handbook and all contracts includes a code of ethics and diversity and inclusion expectations of all our team members.</p> |
| <p>Ensure we are taking all reasonable steps to avoid unconscious bias within our recruitment process and providing equal opportunity for all.</p> |  | <p>Working with MyHR, we have reviewed all job descriptions to ensure they are using diverse and equitable language and include an Equal Opportunity employee statement. When recruiting, we ensured at least two members of the team reviewed applications to mitigate unconscious bias. Being a diverse and inclusive business needs continuous work so we've included additional goals for 2022 including establishing an internal recruitment process and diversity & inclusion training.</p> |
| <p>Develop a supplier code of conduct that includes a diversity and inclusion policy.</p> |  | <p>We have developed a supplier code of conduct which can be found here which has been signed by 2 of 4 of significant suppliers who represent 80% of our turnover. We have also developed an outsourced labour policy for companies that Pals outsources labour to e.g marketing agencies etc. The supplier code of conduct and the outsourced labour policy states that suppliers promote positive labour practises (aligned with Ethical Trading Initiative (ETI) Base Code) and are Equal Opportunity Employers, opposing all forms of discrimination. For screening of new suppliers, we have included a question if a supplier abides by the Ethical Trading Initiative and has an internal diversity & inclusion policy. We have added in a new target for year two to audit our suppliers to ensure they are meeting these standards.</p> |
| <p>Ensure Pals has diversity in our brand communications and works with partners to promote diversity both internally and externally.</p> |  | <p>We have started to make changes to ensure our communications are more diverse - for example, three out of the four photoshoots done in the last year included models from diverse backgrounds which we will continue to include for future photoshoots. For all event photography, we have established a briefing document includes a requirement to shoot a mix of diverse people at that event which has resulted in much more inclusive content that Pals shares in communications. We have identified there is more to do in this space and have added additional target for all photoshoots for Pals going forward to include a broad representation of models and ensure talent casting is open to anyone regardless of gender, ethnicity, size, disability and sexual orientation.</p> |



COMMUNITY



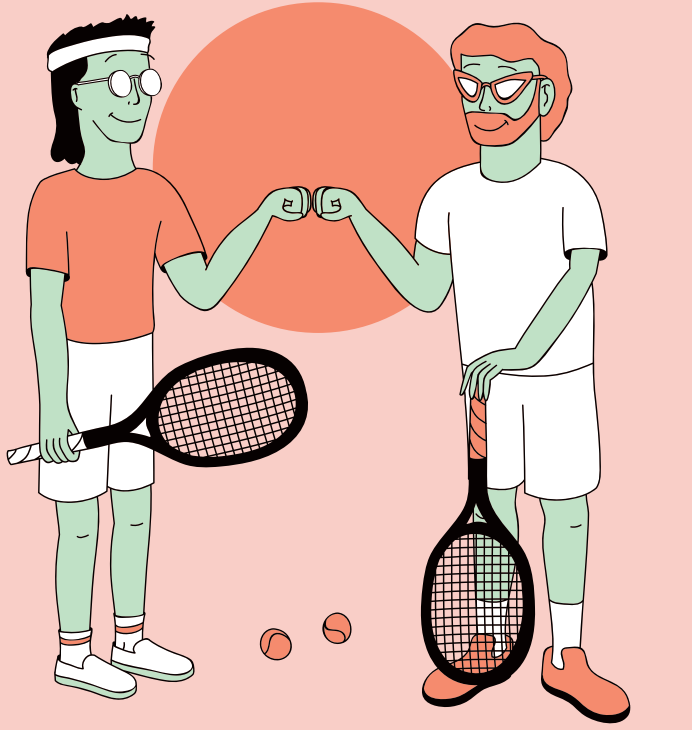
Pals



COMMUNITY

OUR GOAL:

To engage positively with our wider community.



| TARGET BY MARCH 2022 | PROGRESS | |
|--|----------|--|
| Commit to doing 2 x full days per person a year for volunteering in our local community. | ✓ | Last year, the Pals team did 36 hours of volunteering in our local community and now hosts quarterly team volunteering days for all team members and co-founders to join and positively impact our local community. In the last year, we've volunteered with Auckland City Mission to pack food parcels for families and individuals in hardship and the Kaipātiki Project at Eskdale Reserve to remove 120kg of invasive weeds and species from native trees. Note, due to COVID-19, two of the volunteering days had to be cancelled. |
| Investigate Pals giveback plan. | ✓ | We proudly launched Unsung Pals, last year - our charity initiative to reward and celebrate people who have done epic things for their community. We gave away \$30,000 split across three deserving Unsung Pals - each received a prize up to the value of \$10,000 (NZD) including; the reward chosen by their nominator pal up to the value of \$5,000 and a \$5,000 donation to their community work or to a charity of their choice to help them keep doing their thing. We have chosen three amazing winners which you can read about here and see how they have used their prize. |
| Ensure we promote responsible drinking through our communications. | ✓ | We now ensure all new members of the marketing & sales team review the ASA guidelines as part of their induction. Last year, Pals worked with Waka Kotahi (NZ Transport Agency) with their 'don't drink and drive' campaign to promote the message further to our followers. |
| Be transparent in our communication of the sustainability journey. | ✓ | We work with pals within our network - Toitu and Go Well to review our communications on sustainability to ensure our messaging is transparent and truthful. |
| Develop a stakeholder engagement plan. | ✓ | While developing Pals sustainability plan, we identified people that we work closely with - agencies, suppliers, Pals team and more - to tell us what social or environmental impacts Pals should consider as part of the plan. The feedback was included into the strategy and the final strategy shared with the stakeholders to review and feedback. We will look to do this every two years when the sustainability plan is established. |
| Continue to support individuals, clubs and businesses in our local community. | ✓ | Pals regularly donates product to community and charity events. This year, we've donated Pals to a number of community and charity events including fundraisers for Parkinson's, Melanoma and Breast Cancer, underground community DJ's event and local art shows and cafe openings. |

Thanks Pal!

