

The Pals logo is displayed in a white rounded rectangle with a faint palm tree pattern. The logo itself is in a black, cursive script with a thick underline.

***Pals***

**SUSTAINABILITY Y2  
PROGRESS REPORT**

REVIEW OF APRIL 2022 - MARCH 2023 TARGETS





# TWO YEARS ON...

Back in April 2021, we sat down with a blank sheet of paper and an ambition to create a pathway to be a more sustainable business - a business that reduced its impact on the planet and took care of our pals and the wider community. At the time, it felt like a daunting but exciting road ahead, but we knew that this was the right thing to do to build a brand that leaves legacy that we were all really proud of.

We spoke to all our pals - team, suppliers, partners and consumers to deeply understand how the businesses impacted people and planet. Working with sustainability experts Go Well and carefully considering our impact areas under the Sustainable Development Goals framework, Pals' two year sustainability plan was established and released in September 2021. This was then followed by the release of the Pals Y1 progress report and now Pals Y2 progress report. This report outlines the approach we took to tackling the targets set out to achieve in year 2.

Fast forward two years, and we've made some significant changes in the business and have learnt a lot along the way. This year, we're proud to announce our wins, such as becoming a Certified B Corporation™ company and reducing our packaging waste through significant cardboard reduction. However, we've faced challenges in achieving some of our targets because, let's face it, making changes to become a sustainable business isn't always straight forward.

That's exactly why we put together this report. We want you to see how we tackled each target, the wins, the hurdles and valuable lessons along the way. These experiences will help shape the next roadmap for Pals sustainability for the next two years.

We invite you to give the report a read, and as always, we love hearing from our pals. So, if you have any thoughts or feedback, don't hesitate to get in touch.

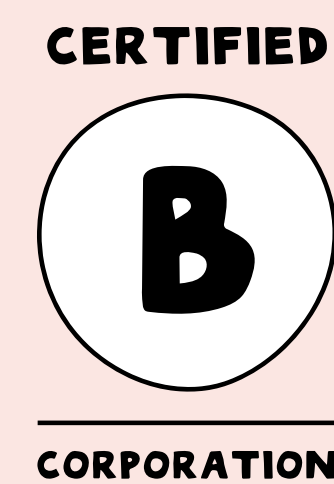
From,  
**THE PALS TEAM**



**Pals**



# WHAT WE'VE ACHIEVED IN THE LAST YEAR



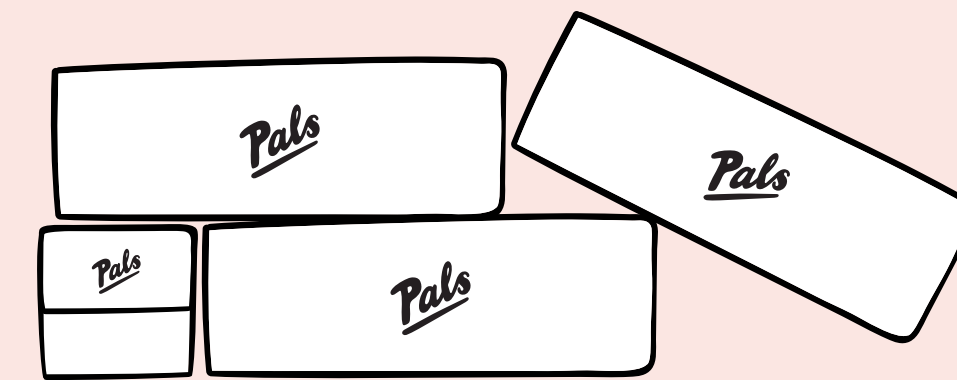
Pals is officially a Certified B Corporation™ company!

So what does this mean? As NZ's first B Corp certified RTD\*, Pals meets a high standard of social and environmental performance, accountability and transparency.

Becoming certified was a huge undertaking for our small team going through a rigorous review of the key impacts across our business - from governance, workers, community, environment and customers.

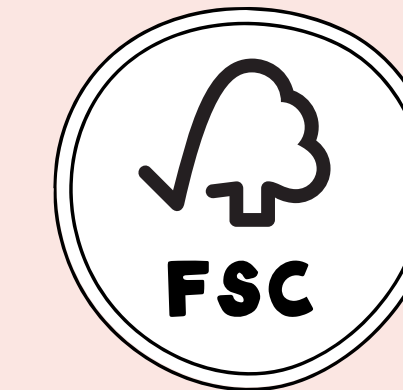
This is just the beginning as we continue to improve our impact and go the extra mile for our pals, the planet and the community.

\*Alcoholic RTD



We've reduced cardboard packaging waste by 20%!

With a simple redesign of our boxes and moving to a lighter board, we've been able to maximise the printing process with our packaging supplier. Plus we also gave our boxes a bit of a spruce up, double win!



All Pals packaging is 100% FSC mix certified!

So what does this mean? The Forest Stewardship Council (FSC) is an international organisation dedicated to promoting responsible management of the world's forests. This certification means that Pals cardboard is made using materials that supports responsible forestry including zero deforestation, fair wage and work environment, conservation and community rights.



We proudly re-launched Unsung Pals, our charity initiative to reward and celebrate people who have done epic things in their community with a donation of \$25,000.

Our winner, Tania Lewis Rickard is the founder of Kai Aroha - a not for profit organisation providing a free community meal every Monday night in Pāpāmoa; to anyone and everyone in need of kai.

To hear more about Tania's story and why she is the quintessential 'Unsung Pal', head to [www.drinkpals.co.nz/unsungpals](http://www.drinkpals.co.nz/unsungpals)



Pals has recertified as Toitū net carbonzero organisation!

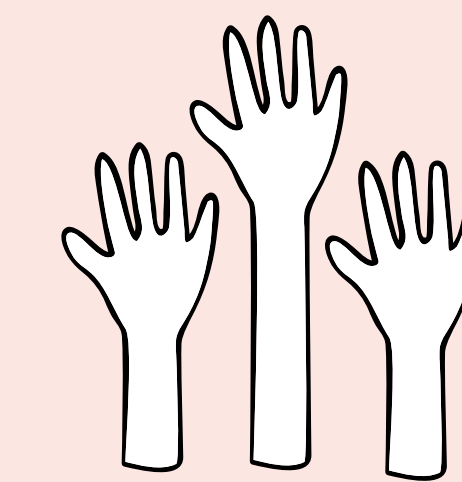
We were able to achieve a 60% reduction of category 1 and 2 GHG through moving to majority of company cars to e-vehicles and changing to a carbon zero energy provider for the office. We're still working on ways to make reductions throughout our supply chain.



We're a proud pride pledge member!

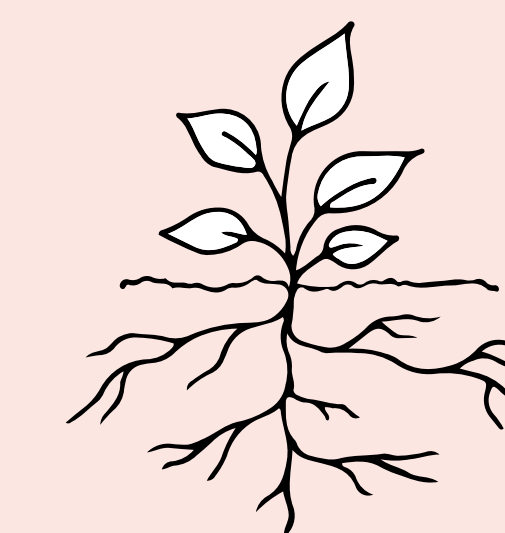
Pals supports Pride Pledge, initiative to increase visibility, inclusion and safety for LGBTTQIA+ people.

The team has undertaken Rainbow Awareness Training to improve the understanding of LGBTTQIA + people and the rainbow communities. This will continue to be a focus to ensure Pals is a safe & inclusive place for these communities.



Team wellbeing

We have introduced new employee benefits such as Friday 2pm finishes, Birthday leave, concert and sports ticket allowance and set up a culture team to help make Pals a better place to work.



The Pals team volunteered with the Kaipātiki Project to plant native trees as part of our annual tree planting day.

# PLANET









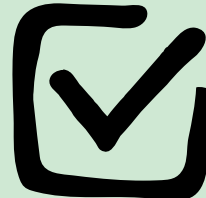
# GREENHOUSE GASES

## OUR GOAL:

To minimise our emissions and be a carbon negative business.

### TARGET BY MARCH 2023

### PROGRESS

Implement the carbon reduction plan		<p>As part of Pals Toitū net carbonzero organisational certification, we developed a carbon reduction plan. We 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.</p> <p>In our second year of verification, we were able to achieve a 60% reduction of category 1 and 2 GHG (Pals direct emissions) through moving to majority of company cars to e-vehicles and changing to a carbon zero energy provider for the office.</p> <p>We made a 3% reduction in absolute emissions from category 3 (transportation emissions) however this was due to one major packaging supplier changing the process of how they on charge freight. Being a growing a business, Pals category 4 indirect emissions (emissions from suppliers including packaging and manufacturing emissions) increased by 57% driven from increased volume of product sold despite an increase in recycled content used in cans from 46% - 56%. We will look to revise our carbon reduction plan in 2023 to continue to make reductions across all facets of the business.</p>
Offset our unavoidable emissions by more than 100%.		To achieve Toitū net carbonzero organisational certification, we offset 125% of our minimum boundary with 100% New Zealand carbon credits.
Investigate opportunities to support staff reducing their commuting emissions.		We implemented a staff incentive of \$300 allowance to all staff to purchase a bike or kick scooters (push or electric) to get to work. We are also trialing office e-bikes for team to get to meetings that are nearby to reduce emissions.
Investigate mapping emissions to a product level		We engaged with Toitū and Ekos to explore the measurement of Pals emissions to a product level. However, at the time both options were cost prohibitive to the business. We will continue to investigate opportunities to map product emissions in the future.
Establish a regular meeting with all s uppliers to check-in on their progress on sustainability initiatives and share our learnings.		We have established a monthly & quarterly scorecard meeting with our key suppliers which provides an opportunity for Pals and our suppliers to share our carbon measurements & discuss opportunities to reduce on a regular basis.





# GREENHOUSE GASES

## OUR GOAL:

To minimise our emissions and be a carbon negative business.

### TARGET BY MARCH 2023

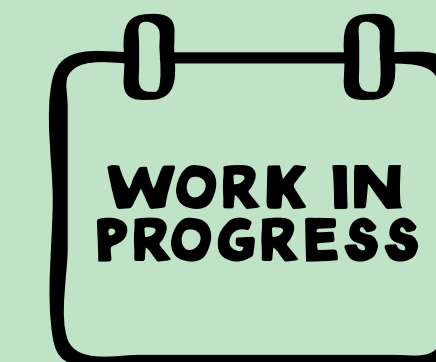
### PROGRESS

Invest with an expert supply chain consultant to review and optimise our supply chain to reduce emissions.\*



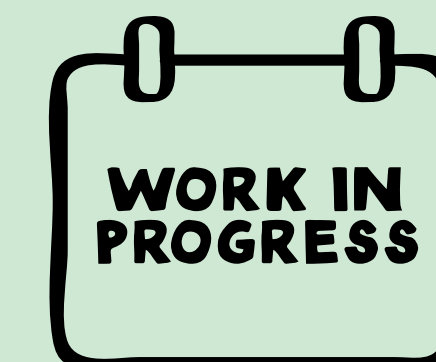
We have not yet invested with a supply chain expert to review our supply chain but it is a key project for 2023. We have however hired a supply chain & logistics manager internally who is focused on continuous improvement of Pals supply chain.

Engage with logistics and freight partners to influence emissions reductions.\*



We are in the process of a logistics and freight tender and as part of requirements, each supplier needed to submit show how their business were making commitments to reduce carbon emissions which will help form the decision on which partner we will proceed with. Once on-boarded, we will establish a quarterly scorecard meeting to discuss carbon reduction opportunities.

Report quarterly on our organisational carbon footprint at internal monthly meetings.\*



Carbon footprint measurement is quite a manual process so reporting quarterly was not achievable. Going forward, we will report annually on Pals carbon emissions internally.

Continue to measure carbon intensity per can.\*



We have continued to calculate our carbon intensity per can using the Toitū certified organisational data for FY22 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.

Engage with contract manufacturer to develop an environmental plan which includes targets relating to emissions, materials management water management, and renewable energy.



We met with our contract manufacturer to present the Sustainable Business Network Climate Action Toolkit and took them through the benefits of establishing a sustainability strategy to their business, sharing learnings from our journey. Our contract manufacturer has highlighted that this is an area they are keen to investigate further. We will continue to engage with them as part our quarterly scorecard meetings.





# MATERIALS MANAGEMENT

## OUR GOAL:

Be a business that is designed for a circular economy.

### TARGET BY MARCH 2023

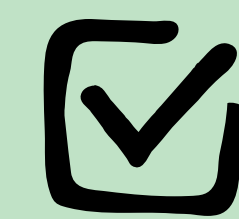
### PROGRESS

Ensure 100% of our suppliers have signed up to our supplier code of conduct



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 haven't been able to sign up all of our suppliers due to their company policy around not signing individual company supplier code of conducts however both suppliers meet Sedex certification and have environmental management systems in place to reduce waste and promote the circular economy for resources.

100% of fibre packaging to be FSC certified



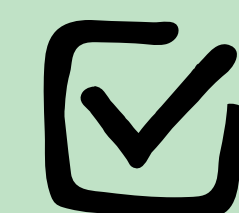
The Forest Stewardship Council (FSC) is an international, non-governmental organisation dedicated to promoting responsible management of the world's forests. Working closely with our packaging supplier, we have been able to achieve FSC mix certification across all the cardboard sourced for Pals. This certification means that Pals cardboard is made using materials that supports responsible forestry including zero deforestation, fair wage and work environment, conservation and community rights.

Run an internal trial of reusable pallet wraps to test viability in the supply chain



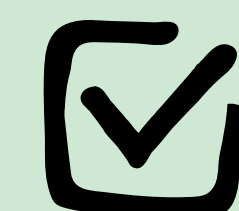
We explored the opportunity to use reusable pallet wraps in our supply chain however Pals pallets have a high product quantity per pallet. Having a high product quantity per pallet is efficient for transportation & reducing carbon emissions however it does mean that each pallet requires a lot of stability & support and the reusable wraps weren't able to secure the pallet efficiently without product being damaged through transportation.

Investigate redesigning Pals cardboard boxes to reduce the weight of cardboard used per box.\*



We've reduced cardboard packaging waste by 20%! With a simple redesign of our boxes and moving to a lighter board, we've been able to maximise the printing process with our packaging supplier.

Investigate the most sustainable solution (carbon & environmental impact) for 4 pack clips on Pals Australian products.\*



We have investigated a variety of alternative packaging options for the 4 pack clips including a recycled FSC locally produced cardboard wrap and will be rolling out this packaging later on this year.

# MATERIALS MANAGEMENT

## OUR GOAL:

Be a business that is designed for a circular economy.

### TARGET BY MARCH 2023

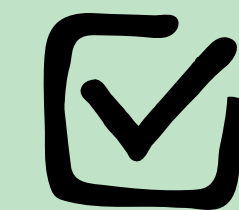
### PROGRESS

Launch kegs & reusable cups at Pals' lead activations.\*



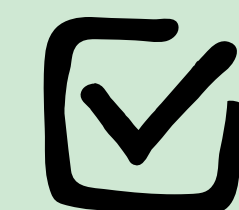
We engaged with two suppliers to quote producing reusable cups for led activations however we were unable to get the cups in-time for the summer activation which in turn was cancelled due to weather. We will continue to explore this opportunity for future Pals lead events.

Investigate launching a product designed for the circular economy.\*



We investigated the opportunity of creating a large volume product than 330ml cans and discussed the opportunity with a key retailer. However given that this product is alcohol, we felt there was a risk that this product format may promote irresponsible drinking. We have focused our efforts into increasing the distribution of Pals kegs sold on-premise where Pals are now sold in venues across New Zealand. By moving to a keg format, this saves approximately 150 cans per keg sold.

Investigate opportunities to work within our category to influence the % of recycled content in our cans.\*



Our biggest emission impact comes from the virgin aluminum in our cans. Our can supplier, Visy purchases aluminium sheets from three suppliers globally and has limited control on the % of recycled content used in these sheets. However, there has been an increase in the % of recycled content used in our cans from 46% - 56% in the last year due to the mix of supply of the aluminum sheets. In order to raise this issue further within our network, we engaged with Sustainable Business Network to put forward this topic onto their challenge hub ([see here](#)) which is a public forum for businesses to connect and discuss and solve challenges within their business or sector. We also meet with one of our competitors to discuss collaboratively working on this issue with our suppliers to make this a priority in their business. We will continue to find opportunities to keep this issue top of mind with our supplier.



# WATER

## OUR GOAL:

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

### TARGET BY MARCH 2023

### PROGRESS

Ensure 100% of our suppliers have signed our code of conduct



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 haven't been able to sign up all of our suppliers due to their company policy around not signing individual company supplier code of conducts but both have environmental management systems in place to use natural resources including water responsibly to minimise the environmental impacts of the manufacturing processes.

Investigate supporting a waterway project in a formal capacity.\*



We engaged with two waterway restoration projects to explore supporting them on a formal capacity. At the same time, we also developed & launched the Pals charity programme *Unsung Pals* in 2021 and 2022. We are a small business with limited resources so we decided the best use of the charity budget would be to invest into *Unsung Pals* and growing the awareness & impact of this program. We have financially supported *Kaipātiki Project* as part of our annual planting days and will continue to do so in the future.

Work with contract manufacturer to measure their process water and establish a full per product efficiency for Pals (currently only water in can).\*



We worked closely with our contract manufacturer to find a methodology to measure the process water in Pals production. However the methodology does require more development to ensure it is accurate and is able to be measured over time. We will continue to work with our supplier to find the best solution to measure this. We have measured the water used in Pals products as part of the as part of Pals *Toitū* net carbonzero organisational certification and will continue to do this.



# ENERGY

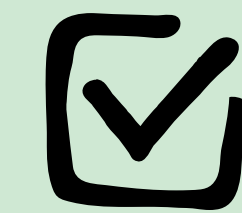
## OUR GOAL:

To work with our suppliers to transition to renewable energy.

### TARGET BY MARCH 2023

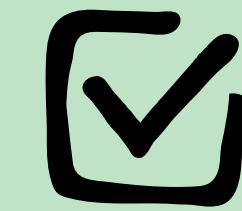
### PROGRESS

Map our energy footprint with our manufacturer and establish an energy efficiency per product.



We were able to measure the energy used in the production of Pals and energy per can with our contract manufacturer and this has been measured and included as part of our Toitū net carbonzero organisational certification.

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 is purchased by the landlord of which there are multiple tenants connected to same meters. This means it is currently outside of the control of our contract manufacturer but we will continue to raise this as a discussion point as part of our regular scorecard meetings with them.

Propose energy audit options to contract manufacturer to improve efficiencies at the manufacturing site.\*



We engaged with an energy audit supplier to visit our contract manufacturer and put forward a quote for an energy audit at their manufacturing plant. Our contract manufacturer has since completed an energy audit of their site which identified opportunities to reduce energy onsite. Our contract manufacturer has said they have committed capex spend to facilitate this change.





# PALS





# DIVERSITY & INCLUSION

## OUR GOAL:

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

### TARGET BY MARCH 2023

### PROGRESS

100% of our suppliers have signed our supplier code of conduct



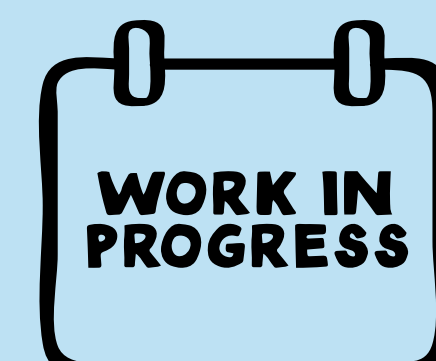
We have developed a supplier code of conduct which can be found [here](#) which has been signed by 2 of 4 of significant suppliers who represent 80% of our turnover. We haven't been able to sign up all of our suppliers due to their company policy around not signing individual company supplier code of conducts. 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 as to whether a supplier abides by the Ethical Trading Initiative and has an internal diversity & inclusion policy.

Establish an internal recruitment process to reduce unconscious bias



We have been working with MyHR, HR experts to develop an internal recruitment process however we haven't been able to find the right solution for this process yet. We are a small team who manage recruitment internally with no HR team so the process needs to more custom built for our business. This will continue to be a focus to ensure we find a solution to minimise unconscious bias in the recruitment process.

All managers undergo diversity & inclusion training.



We investigated a few avenues for diversity & inclusion training but haven't yet found a suitable program that suits Pals needs. We have become a Pride Pledge partner and the team has undertaken Rainbow Awareness Training to improve the understanding of LGBTTQIA + people and the rainbow communities. This will continue to be a focus to ensure Pals is a safe & inclusive place for these communities.

Continue to run yearly engagement surveys to measure team satisfaction and guide initiatives to improve workplace culture



We ran our second team engagement survey and we will continue to run engagement surveys on an annual basis to continue to make Pals a great place to work.



# DIVERSITY & INCLUSION

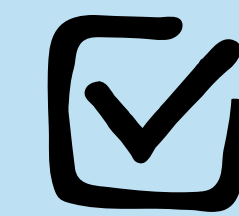
## OUR GOAL:

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

### TARGET BY MARCH 2023

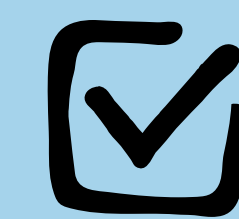
### PROGRESS

Establish 1 x additional day holiday for team members who celebrate non western holidays.



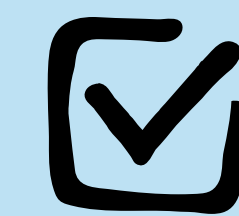
We explored this opportunity but decided that there would be a bigger impact on team satisfaction if an extra days holiday was accessible to everyone in our team. We established 'birthday leave' which each team member is able to take a days holiday on during their birthday. If a team member doesn't celebrate birthdays (ie as part of their religion), the team member would still be able to access this days holiday on a chosen date as a agreed by their manager.

All photoshoots for Pals going forward include a broad representation of models and ensure talent casting is open to anyone regardless of gender, ethnicity, size, disability and sexual orientation.\*



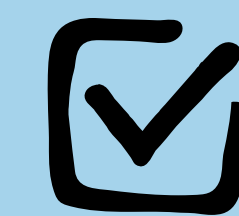
We have started to make changes to ensure our communications are more diverse - for example, all photoshoots done in the last year included models from diverse backgrounds which we will continue to include for future photoshoots. For all event photography, we have established a briefing document includes 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.

Ensure ongoing social media content is accessible to those with visual disabilities.\*



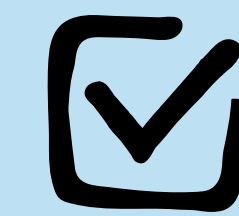
We have now included alt text captions on all social media posts to ensure that our content is accessible to those with visual disabilities.

Review of gifting, ambassador & party invite lists to ensure a broad representation of attendees.\*



We have completed an audit of our gifting, ambassador and party invite lists to ensure there is a broad representation of attendees of ender, ethnicity, size, disability and sexual orientation.

Continue to support LGBTQIA+ events throughout the year.\*



We regularly donate stock to community & charity events including those which are LGBTQIA+ focused including Euphoria Social, a mental health & inclusivity organisation and Platypus Pride event.



**COMMUNITY**





# COMMUNITY

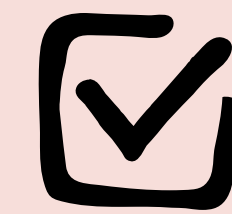
## OUR GOAL:

To engage positively with our wider community.

### TARGET BY MARCH 2023

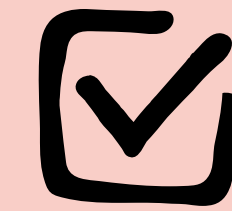
### PROGRESS

Establish Pals giveback plan / Re-run  
Unsung Pals charity initiative.\*



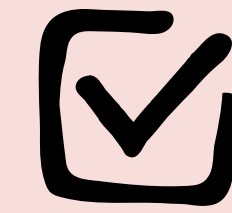
We proudly re-launched *Unsung Pals*, our charity initiative to reward and celebrate people who have done epic things in their community with a donation of \$25,000. Our winner, Tania Lewis Rickard is the founder of Kai Aroha - a not for profit organisation providing a free community meal every Monday night in Pāpāmoa; to anyone and everyone in need of kai. To hear more about Tania's story and why she is the quintessential 'Unsung Pal', head to [www.drinkpals.co.nz/unsungpals](http://www.drinkpals.co.nz/unsungpals)

Investigate additional charity giveback  
opportunities.\*



We investigated additional charity giveback opportunities for Pals. At the same time, we also developed & launched the Pals charity programme *Unsung Pals* in 2021 and 2022. We are a small business with limited resources so we decided the best use of the charity budget would be to invest into *Unsung Pals* and growing the awareness & impact of this program.

Feature 0% products every quarter in our  
social media content.\*



We have featured Pals 0% in our social media content (posts & stories) on a quarterly basis and have also extended the range of our 0% products and have plans in the future to further extend and promote the range of our 0% alcohol products.

Communicate to consumers & stakeholders  
twice a year on Pals progress with  
sustainability plan.\*



We have shared our progress on our sustainability plans through the launch of our progress reports and sharing our achievements like B Corp through social media. We will continue update key stakeholders on our progress through annual progress reports that will be accessible via our website [www.drinkpals.co.nz/sustainability](http://www.drinkpals.co.nz/sustainability).

Continue to host quarterly half day  
volunteering for the team.\*



Last year, the Pals team volunteered with the Kaipātiki Project to plant native trees. Being a small team with limited resources, running quarterly half day volunteering was a big time commitment for our team so we are looking to evolve the amount of volunteering days we commit to within one given year to ensure it is manageable with the team's workload.



**THANKS PAL!**



***Pals***