

## **Stock Spirits Group PLC SASB Report 2020**

This is our second year of reporting against the Sustainable Accounting Standards Board's (SASB) standards, applicable to the Alcoholic Beverages industry and we have endeavoured to provide more in-depth data, along with more commentary on the work that has been undertaken during the financial year to 30 September 2020.

### **Environmental Management**

The Group's approach to environmental protection during the year was driven by the introduction of environmental guidelines in the following areas:

- efficient water management
- Efficient energy and climate footprint
- respect for materials and raw materials
- efficient waste management

Environmental management is an integral part of our business operations and decision-making. In addition to economic outcomes, we also include the analysis of potential environmental effects in our decision making.

### **Environmental Policy**

We have agreed to:

- implement an effective environmental management system in all our production facilities,
- implement organisational solutions ensuring compliance with environmental regulations,
- seek product, technology and process solutions in our development and investment that reduces the environmental impact,
- take action aimed at economical and rational use of natural raw materials, in particular water,
- improve energy efficiency of our production processes on a regular basis,
- analyse, monitor, and optimise our carbon footprint by boosting energy efficiency, searching for more sustainable energy sources, and reducing our own emissions,
- use raw materials and packaging materials sensibly to maximise their economical use and recycling at the packaging design stage, and consider the most environmentally effective materials and design,
- ensure effective collection and segregation of waste in order to minimise the volume sent to landfill,
- protect valuable natural areas against the potential impact of our production facilities,
- capture environmental risks in our risk management strategy, such as threats to the local environment due to potential incidents, including leaks or other emissions of harmful substances,
- build environmental awareness with our employees and key suppliers and promote behaviours consistent with the principles of sustainable development,

- respond to any incidents that may result in increased emissions into the environment and investigate all irregularities reported by our employees, suppliers, representatives of the local community and other stakeholders,
- engage with our stakeholders, including suppliers, partners and the local community to discuss reducing the environmental impact of our operations and production
- monitor our key environmental indicators and performance on a regular basis
- appoint individuals from the senior management team to be responsible for environmental performance.

Effective process management systems protect our facilities against deviations from accepted environmental protection regulations and standards. Our plants in Poland, the Czech Republic, and Germany have implemented certified environmental management systems in accordance with ISO14001 which covers environmental risk factors.

In 2019, we assessed our key suppliers for their environmental impact and this has been repeated in 2020. During the year, we entered into an agreement with EcoVadis to continue our commitment to improving our environmental initiatives and support the collection of data for Scope 3 from our suppliers. EcoVadis will assist our suppliers in sustainability analysis and assessments on environment and sustainable procurement, which will help us to develop more sustainable products.

### **Governance**

The Responsible Business Committee has been given delegated authority to manage ESG on behalf of the Board. We have an environment team who provides the executive input into the Responsible Business Committee and they are responsible for formulating the Environmental strategy. The Responsible Business Committee reports to the Board at each meeting.

### **Scope of Reporting**

Environmental data is collected and reported for all locations, including the offices. The scope of reporting is based on the World Resources Institute/World Business Council for Sustainable Development Greenhouse Gas Protocol: Corporate Accounting and Reporting Standard, Revised Edition (WRI/WBCSD Protocol).

We monitor the market for changes and use international best practice for the disclosure of non-financial information in our reporting which includes reporting under SASB and following the guidelines of ISO 26000 and GRI Standards.

We include all entities in our reporting, however, some sites may be excluded if they do not currently collect specific data (e.g. water consumption in an office) or if the data is immaterial and this will be indicated each time in the report.

Where possible, we report actual consumption based on purchase documents and/or metering data. This is the case with purchased packaging materials, fuels, electricity, heat, and water. Gas emissions are estimated based on the consumption of utilities (electricity, heat, and individual fuels). For fuels, conversion factors are used. We use the official location-based conversion factors provided by DEFRA and available on the DEFRA website at (<http://www.ukconversionfactorscarbonsmart.co.uk>).

Environmental impact is reviewed every year with a view to evaluating data and the size of effects.

Environmental data regarding newly acquired assets are included in reporting in the new financial year after the end of the first full calendar year from the acquisition.

Our main environmental impact comes from our factories located in Lublin in Poland, Plzen and Pradlo in the Czech Republic and Baltic in Germany. We operate bottling production in the Czech Republic and Poland and a distillery producing spirit from local raw materials in Germany. The micro distillery acquired in Italy in 2019 will be included in reporting from October 2021.

The base year is from 1 October 2014 to 30 September 2015. The chosen base year applies to all environmental objectives, except for packaging which started on 1 October 2019. The base year provides the basis for tracking progress towards greenhouse gas emissions target. The relevance of the base year is verified annually based on any changes in our business footprint.

In our 2020 report, we have included environmental data and disclosed utilities efficiency indicators per one litre of finished product in a bottle. This report covers the environmental impact report for the financial year: 1 October 2019 to 30 September 2020.

### **Energy Management**

We will increase our energy efficiency through optimising our processes and other solutions and reducing our carbon footprint per product unit.

We look to identify, examine and implement processes that reduce energy demand such as changes related to the metering of consumption on a process-by-process basis and shutting down non-critical infrastructure elements during downtimes (e.g. weekends and holiday periods) in the plants, or the replacement of standard lighting with LED systems in our offices and production areas. We also look to work with our suppliers to reduce energy consumption. We supply fridges to our customers and aim to use those with the least impact on the environment.

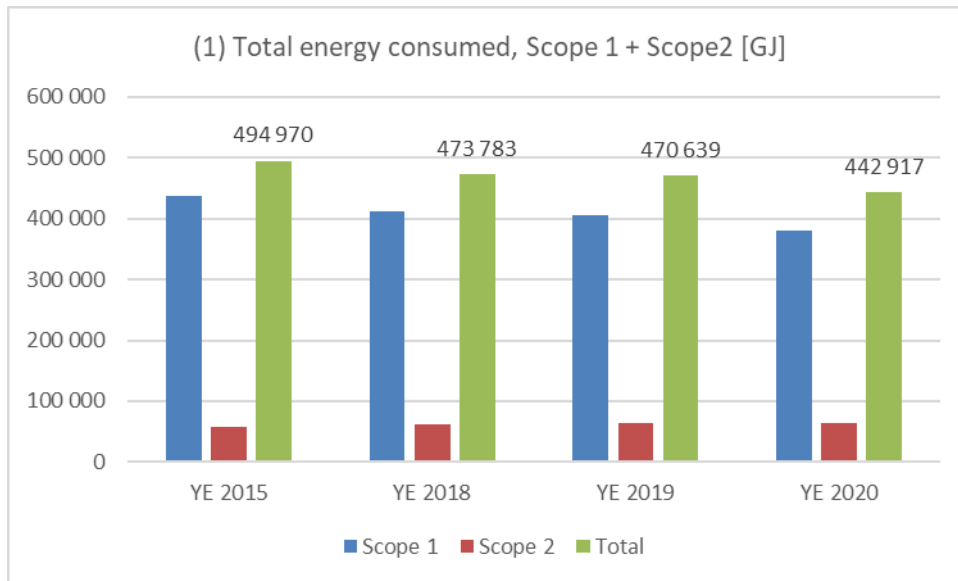
In 2021 100% of electricity supplied to our factories in the Czech Republic, Poland, and Germany will come from renewable energy sources.

Over the next three years, we will continue to working on reducing our emissions from direct and indirect operations. We will analyse and measure the carbon footprint of individual products and work with our suppliers to reduce the impact during the production process.

#### **(1) Total energy consumed (gigajoule (GJ))**

This is the range of energy consumption covering energy from all sources, including purchased externally (Scope 1 and 2 GHG):

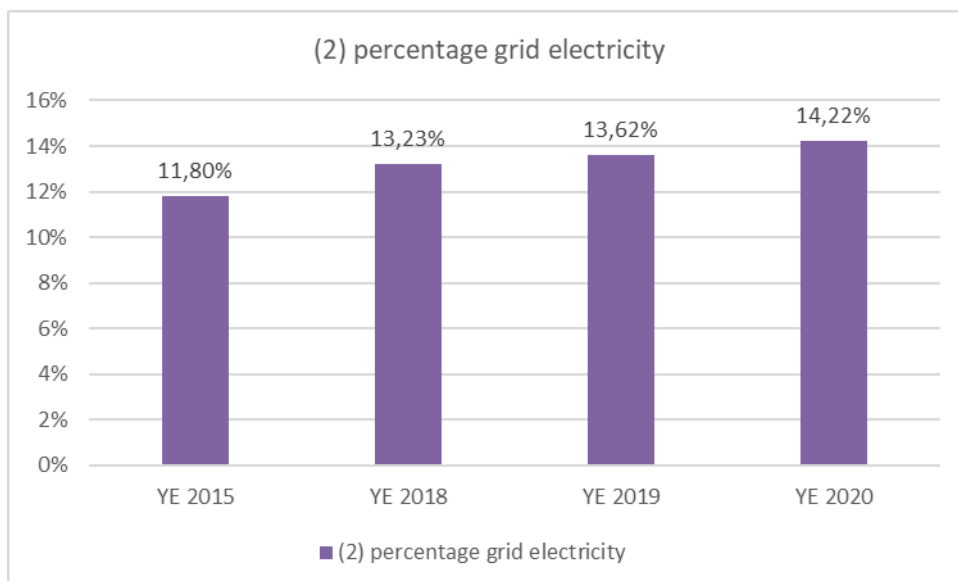
**2020: 442,917 GJ** (2019: -5.9%, base year 2015: -10.5%)



**(2) Percentage grid electricity (GJ)**

This is the percentage share of consumed electricity supplied from the power grid:

**2020: 14.2%**



**(3) Percentage renewable**

Due to the location of our plants, we are unable to incorporate wind farms or large-size photovoltaic installations. To offset our emissions, from January 2021 we are purchasing fully green energy (including from hydropower facilities) for our plants in Germany, the Czech Republic and Poland.

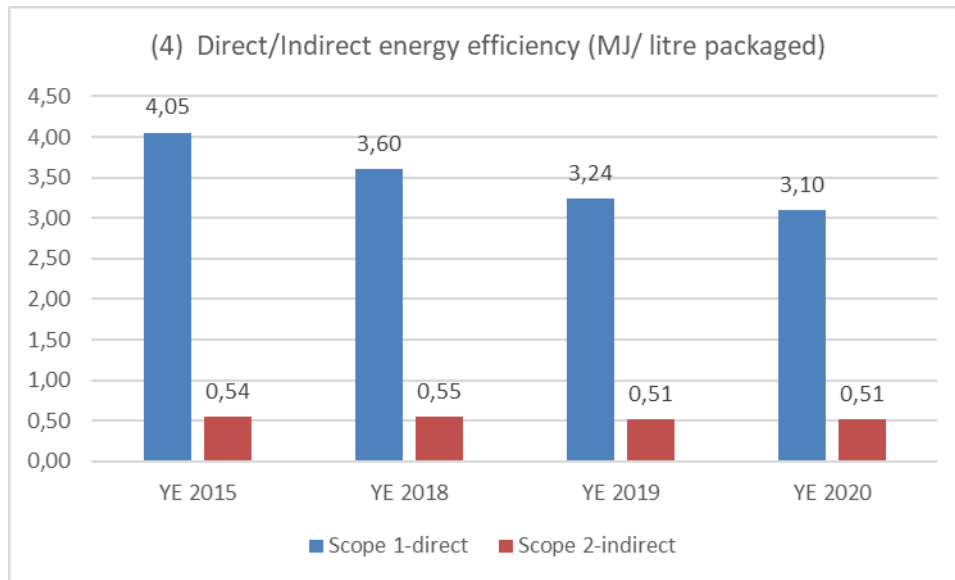
In monitoring our energy consumption, we have adopted efficiency indicators per one litre of packaged product:

- Direct energy efficiency (megajoules (MJ)/ litre packaged)

**2020: 3.10 MJ/ litre packaged**

- Indirect energy efficiency (MJ/ litre packaged)

**2020: 0.51 MJ/ litre packaged**



#### Case Study: Lublin (Poland) Distillery

We are building a new distillery on our existing site in Lublin which will produce 100,000 litres of spirits a day. The focus of the build has been on using innovative technology and pro-ecological solutions such as:

- Modern photovoltaic installation and lighting based entirely on LED technology
- An optimised production process to minimise the need for thermal energy.
- The unique technical connection of individual production nodes which will save up to three million cubic metres of natural gas per year.
- A fermentation plant built using closed technology, meaning that no odour will be released externally
- Effluent from the plant, as well as sewage, will be treated in a new, highly efficient Company effluent treatment plant. As a result, the treated wastewater collected will significantly exceed all national and European purity standards
- Shielding of buildings and using the appropriate construction and technologies will ensure the distillery causes very little noise pollution for the local community
- Planting living 'green walls' on the roof and side facades to improve water holding capacity, absorb dust from the plant surroundings and increase the visual quality of the building
- The plant will also collect rainwater which will be reused for a number of purposes including for watering the greenery on the distillery building.

## **Water Management**

Water is the key raw material used in our production and we aim to limit the use of water where we can, through optimising our processes using technology. We use a closed loop system in our rectification installation at the Lublin plant (Poland): a total of 495m<sup>3</sup> of water circulates the two loops per hour with no waste generated. This approach significantly reduces water demand inside the installation. Closed circulation systems use small quantities of water to make up for any losses caused by evaporation and through the condensation recovery from steam, we save up to 5,200m<sup>3</sup> of water per year. This water can be used to top up depleted resources in the closed system.

Our production sites source water from their own underground intakes and external suppliers and we use no or limited water from the municipal supply systems to avoid generating extra demand at the cost of local residents, especially in periods when there may be supply shortages. Water management in the plants is controlled by monitoring the water consumption and quality, and maintenance of the installations and equipment to ensure top-level performance. We comply with the legal requirements in each location and have the required water abstraction permits and contracts with suppliers. Each plant has specific target water consumption levels per one litre of finished product.

The key environmental risks defined in the ISO 140001 environmental management system address water management and specifically the risk of:

- contamination of main water intakes,
- poor quality of water used for production,
- low water level in own intakes.

We have never had an issue with contamination of water intakes as a result of external risks such as sabotage, however, we approach these threats very seriously, even though the probability is low, if it did occur, it would stop the entire production in a plant. Our intakes have been classified as special supervision areas with assigned risk lists and measures intended to alleviate them. In addition to monitoring the water quality for both physical, chemical, and biological agents, legal protection zones have been set up for our water intakes, and any works and activities nearby have been limited. In the wells, the water table is measured periodically, and the well efficiency is tested. The above measures are intended to prevent excessive and unnecessary use of water resources. Access to our wells is secured to protect our water resources against intentional third-party activity.

Poor water quality is a risk to production, however, we have never had an issue with water quality. We carry out quality control at the exit of the water softening and osmosis station and the water hardness warning system will stop the installation operation automatically if pre-set hardness levels are exceeded. We carry out regular maintenance of the installation and complete regular quality control to ensure a consistent quality of water is achieved in our finished products.

Another risk is the potential lowering of water levels in our own intakes which would result in reduced or suspended production. Climate change may increase the likelihood of this risk in the future. We do not locate new production plants in areas where water is scarce, however, some of our current operating facilities are old and built when there were no water restrictions in place. We analyse the impact of production on water resources, especially in periods of increased water

scarcity. In 2019 we carried out comprehensive tests on the technical condition and efficiency of our water intakes in Poland and these were compared to the 1986 measures and this showed there had been no depletion in the levels, which is due to prudent water management and continuing initiatives during the 40-year period to protect the water intakes. This has enabled us to operate sustainably, to keep the resources unchanged and in a good condition. The Lublin plant sources water from chalk deposits which are of a high quality and used for the finished product. These deposits are much deeper than those used by the local community and our production activities do not impact on the level of water resources used by our neighbours. As the draw-off comes from old geological deposits we make a continuous effort to protect it and this year we introduced the continuous monitoring of the water status in our own intakes which has allowed us to better understand any fluctuations in the water deposit and be able to respond quickly to any irregularities related to climate change, such as drought and warm, snowless winters. Snow cover is the main source for the recovery of surface water resources, however, in the long run, it can also affect water quantities in deep underground reservoirs.

In 2020, risk analysis and assessments have been carried out for our own intakes and surveys were completed on the companies that supply our water to all our production sites using the AQUEDUCT tool. In all individual locations the risk to the availability of water resources was reviewed (including water stress, depletion of water resources, interim variability, seasonal variability, groundwater level drops, river flood risk, coastal flood risk and drought risk). We undertake to reduce our water intake for auxiliary processes, e.g. by considering the use of rainwater for watering green areas and making use of wastewater.

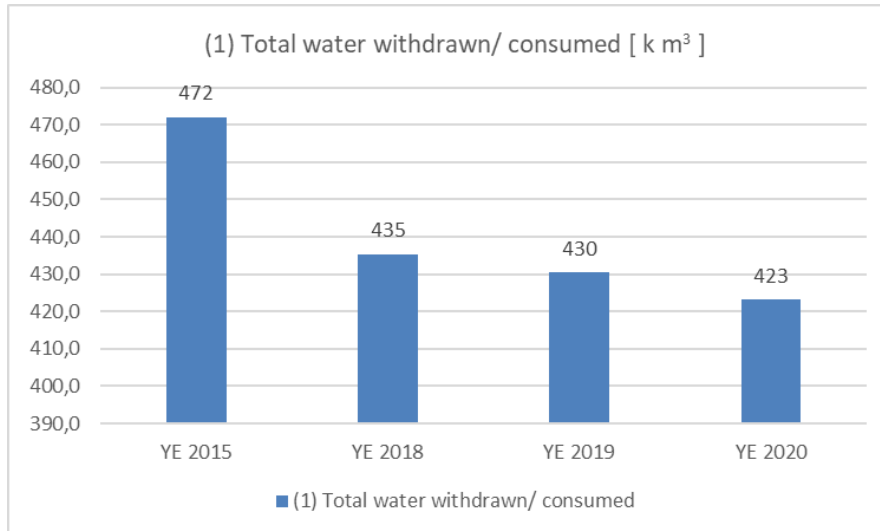
We continually monitor the quality of our water and waste discharged from the premises of the production facilities using solutions, such as buffering, to limit the discharge of Chemical Oxygen Demand (COD) and Biochemical Oxygen Demand (BOD) wastewater by implementing process controls that mix high load waste with that of lower load. Our plants do not have their own sewage treatment facilities and use external suppliers (municipal sewage treatment plants) and we monitor their operating parameters periodically. The sewage treatment plants that collect our waste meet all legal requirements and discharge treated sewage into the environment while observing all required parameters.

We have processes in place to minimise the risk of leaks that may contaminate the natural environment, including the water resources used in our facilities. A risk assessment of possible industrial accidents has been carried out and procedures have been developed to prevent them and to respond to them if they occurred. During the year we installed containment bunds at tank unloading and loading areas to eliminate the risk of leakage in this area. We also set up specialist emergency response groups who received training in prevention and fast response to failure and emergency situations which was supported by specialist fire-fighting units.

### **(1) Total water withdrawn**

We report the amount of water withdrawn (water withdrawn equals water consumed) in thousands of cubic meters for the plants and warehouse (excluding commercial offices).

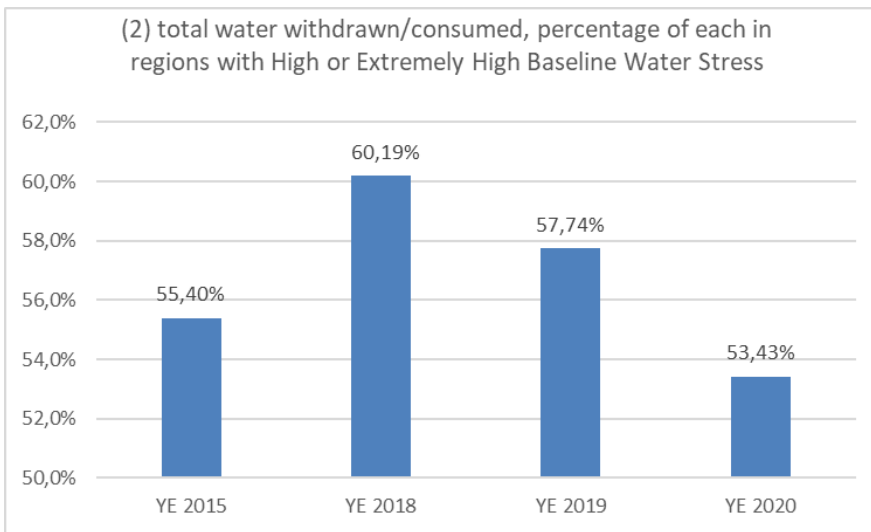
**2020: 423.1 k m<sup>3</sup> (2019: 1.6%, 2015 base year: 10.4%)**



**(2) Total water consumed/ withdrawn, percentage of each in regions with High or Extremely High Baseline Water Stress**

We report the % of water withdrawn (water withdrawn equals water consumed) in locations with high or extremely high baseline water stress, including production plants but excluding office locations.

**2020: 53.43%**



In the table below we have set out the levels of water stress across the Group factories.

Location	Level of Water Stress
Germany	High (40–80%)
Czech Republic	Low-medium (10–20%)
Lublin, Poland	Medium-high (20–40%)

- Source: Aqueduct

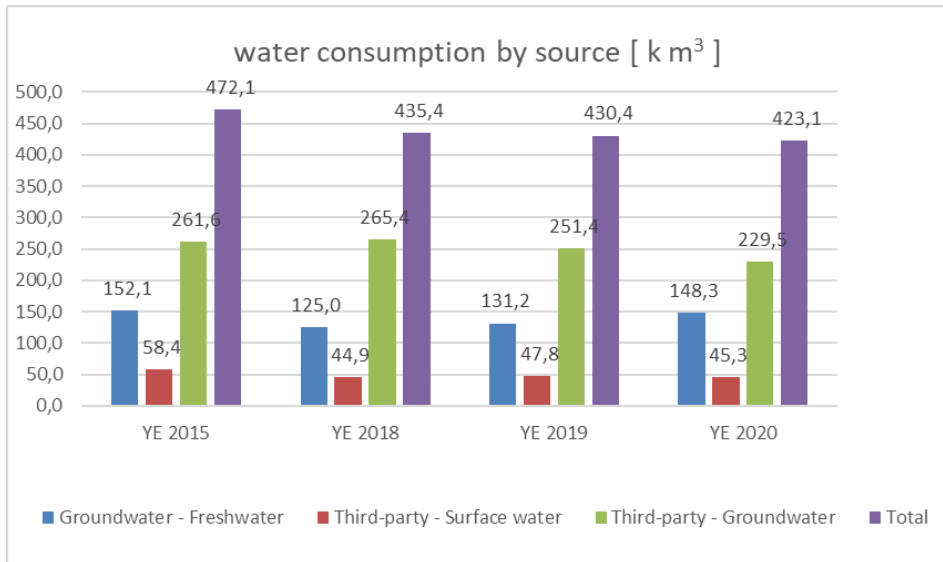


### Water collected according to sources (2020 year)

- Groundwater (borehole/well)  
Freshwater ( $\leq 1,000$  mg/L Total Dissolved Solids) – **148.3** thousand  $m^3$

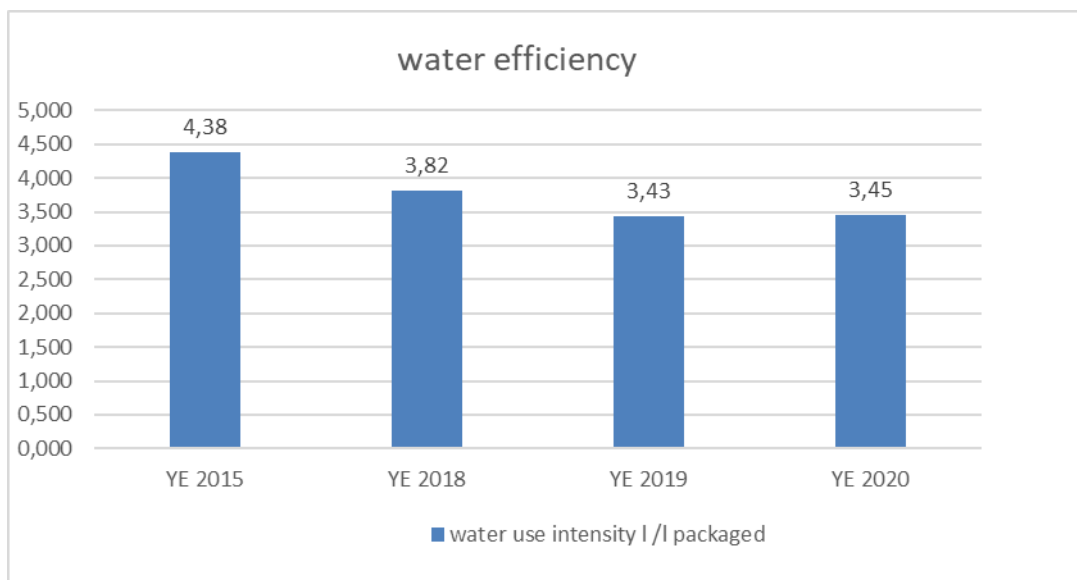
Total third-party water withdrawal by withdrawal source

- ✓ Surface water – **45.3** thousand  $m^3$
- ✓ Groundwater – **229.5** Thousand  $m^3$



- **Water efficiency index**

We provide the consumption of water per litre of litre packaged (excluding commercial offices).



In 2020 the quality of wastewater discharged from our industrial plants and offices, expressed by the BOD and COD indicators, was 100% compliant with the local requirements and regulations. We

have not reported any incidents related to the inferior quality of wastewater discharged into the environment by the owners of sewage treatment plants that we cooperate with.

### **Responsible Drinking**

#### **Percentage of total advertising impressions made on individuals at or above the legal drinking**

All advertising impressions are targeted to those above the legal drinking age in each country. We comply with the UK Code of Advertising Practice (CAP) and the equivalent guidance in each of our countries that no digital marketing media should be used to advertise alcohol if over 25% of its audience is younger than the legal drinking age, which is 18 years of age in all our core markets.

#### **Number of incidents of non-compliance with industry or regulatory labelling and/or marketing**

None.

#### **Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labelling**

Zero, we have not suffered any losses from any related legal proceedings.

#### **Description of efforts to promote responsible consumption**

We are conscious that our products should be enjoyed responsibly by those who choose to drink them, and we do not want irresponsible drinking to harm the health of our consumers or others who may be affected. We believe that efforts to reduce the misuse of alcohol are most effective if all parties involved (including authorities, individuals and producers) work together.

In the UK, we subscribe to Drinkaware, Portman Group Code of Practice and the alcoholic drinks section of the UK Code of Advertising Practice.

During the year, Stock Polska continued its long-standing and highly active membership of ZP Polski Przemysł Spirytusowy (ZP PPS), the trade organisation which, as part of its work, promotes responsible drinking through educational programmes and public campaigns. Local and national responsible alcohol campaigns were collaborated on between the Company and ZP PPS throughout the year. A significant part of the responsible drinking activity in Poland is carried out across social media and through campaigns which ran across the year. Stock Polska continued its workshops for retailers, to provide guidelines on 'Responsible selling and serving of alcoholic beverages'.

Both our Czech Republic and Slovakia businesses are founding and active members of 'Fórum PSR' (drink responsibly), which brings together the countries' major spirits producers and distributors to work against alcohol abuse. This Forum addresses issues related to alcohol consumption and tries to raise awareness of the negative effects of irresponsible drinking. We continued to use the 'PSR, (drink responsibly)' platform within our media, in-store and other brand communication. Forum members have also pledged to observe a code of conduct that strictly regulates their advertising activities. During the year an agreement was reached with the Czech Union of Spirits

Producers and Distributors on new self-regulatory measures which will be valid in both the Czech Republic and Slovakia.

Italy continued to be a member of Federvini, the national trade association founded in 1917 which, as part of its role, promotes responsible drinking using educational and informative programmes

#### **Case Study: Alcohol: 'Always Responsibly' campaign in Poland**

Always Responsibly was launched in 2016 with the objective of increasing Poland's awareness on the alcohol content of various beverages e.g. beer, wine, vodka, and on the responsible consumption of alcohol.

The campaign focuses on the message that 'alcohol is alcohol' (a=a=a) – every alcoholic beverage contains the same substance therefore no matter what you choose to drink, you should always drink it in a responsible way.

Awareness has been raised through a variety of activities including 178 billboards across nine Polish cities reaching approximately one million people per day; a series of workshops to train sellers on how to responsibly sell and serve alcoholic beverages; and a successful social media campaign on Facebook and Instagram designed to educate followers on alcohol content and the rules of responsible consumption, which gained nearly 10 million views.

#### **Packaging Lifecycle Management**

Our Procurement, New Product Development, R&D, Technology and Quality control departments in all of our locations focus on environmentally friendly solutions while designing or re-designing our products. The majority of our products are contained in glass bottles.

Our products are closed with aluminium, plastic, rubber or cork closures. Aluminium closures have the potential to be 100% recycled, depending on the type of sealant used for the closure. Our suppliers have confirmed the level of recycled raw material used in our closures is between 0% and 65% and we are working with our suppliers to increase this. With regard to plastic packaging, our suppliers have the potential to recycle 100% of the packaging, however, they do not use any recycled material (granulate) in their production process and we will work with them to increase the level of recycled materials used going forward.

Bottles and closed finish products used a variety of labels and is the last element. This is the last primary packaging element used in the standard production process. Sustainability and durability of our labels is vital for market and product safety, because the label is the only written communication platform between us and our consumers to enable us to inform them of the specific qualities of the products. There are very strict regulatory requirements in the area of consumer communication and risk phrases, which requires high durability and sustainability of labels. This is especially true in black markets such as Poland, where producers are not allowed to advertise their product. We use a variety of labels including paper, which are glued to the bottles using traditional labelling technology, plastic based PSL (Pressure Sensitive Labels) which do not require glue, heat, solvent or water to be applied to packages and generate less waste, and full sleeves used for limited editions.

Our suppliers confirmed the recyclability of the labels is between 0 and 100%, depending on the technology used, however, 50% of our suppliers do not use any recyclable materials in their production process.

Secondary packaging is cardboard cartons, wrap foil, and recycled wooden pallets. The pallets are 100% recyclable and re-used many times. Most of our leading suppliers are members of the Sedex or EcoVadis certification bodies and declare 100% recyclability of their products. Most use components coming from recycled materials during the production of our specific cartons. The level of recycling is between 49%-100%. Wrap foils are the most difficult and least recyclable part of the secondary packaging we use and we work with recycling companies so that production waste and losses are properly collected, recycled and properly stored.

**(1) Total weight of packaging,**

We provide the number of purchased packaging items

**2020: 104,612 tons**

**(2) percentage made from recycled and/or renewable materials,**

**2020: 31%**

**(3) percentage that is recyclable, reusable, and/or compostable**

**2020: 99.9%**

We meet the legally required levels of recycling and recovery of packaging placed in our markets.

Our production plants consume a significant amount of glass (bottles at over 94% of all packaging), metal (caps), plastics (labels and packaging film) and paper (cartons as packaging for finished products). We will continue to increase the efficient use of our raw materials and components for production.

The efficiency of materials is taken into account when designing and manufacturing our finished products, which includes optimising the weight of the raw materials, as well as looking to make the packaging recyclable and using sustainably sourced materials.

We use a specific set of criteria to assess proposals from our suppliers to ensure the packaging is not only designed well and looks good, but also takes into account its environmental credentials such as reducing the weight of the materials used. This is then weighed up against the higher cost of the environmentally friendly products and consumer preference. An example is using less labels on our bottles. Consumer research is carried out in our markets to obtain feedback on whether consumers are interested in more environmentally friendly products or not.

We engage with our packaging suppliers to look at reducing the amount of packaging used to transport our raw materials and increase the amount of recycled or recyclable materials used in the packaging to reduce the environmental impact. An example of this has been in the Czech Republic where a change to the design of 180 types of cardboard packaging made in 2019 reduced the average weight by 10% and also the reduction of layers of cardboard from five to three, which reduced the weight of the packaging.

**Case Study: Żołądkowa de Luxe awarded 'Made for Recycling' seal**

During the year, Interseroh, a leading global recycling and environmental services company and raw material provider, awarded their 'Made for Recycling' seal to Żołądkowa de Luxe.

In collaboration with the BIFA environmental institute, Interseroh have developed a three-stage points system to assess the recycling capability of packaging which requires analysis and evaluation of the packaging as well as the entire after-life process (collection, sorting, recycling and processing). Receiving such an accolade, which is validated by the Fraunhofer Institute for Process Engineering and Packaging (IVV), provides us with confirmation that we're on the right track, as our teams continue to work towards optimising our product packaging for recycling.

**Environmental & Social Impacts of Ingredient Supply Chain**

We are discussing with our suppliers, how to assess the environmental and social impacts of our ingredients. We will assess our suppliers as part of the selection process to continue to reduce the impact.

In 2020 we signed an agreement with EcoVadis to further develop the capacities and capabilities of assessment of our suppliers. As a world-leading provider of sustainability analysis and rating of companies, EcoVadis assesses the environmental and social impact of companies based on international sustainability standards, including the Global Reporting Initiative and the United Nations Global Compact, and covering the four key topics of Environment, Labour and Human Rights, Ethics and Sustainable Procurement. By partnering with EcoVadis, we will be able to better understand the environmental and social impacts of our key suppliers.

EcoVadis will provide an efficient, systematic and consistent way to assess suppliers across a wide variety of industries, helping us to strengthen the sustainability of our supply chain as well as our own operations. This closer collaboration with our key trading partners can also help us to develop more sustainable products.

**Ingredient Sourcing**

**Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress**

We are a producer and distributor of spirits. All spirits categories are based on different types and grades of ethanol, water and additives. Additives can be divided into juices, fragrances (flavours plus macerated herbs), sugar and other. Following the EU and country specific legal regulations all

additives which are used in our production process are of certified natural origin. The priority beverage ingredients in the descending order are:

1. Ethanol alcohol: comes from in-house or external production. The in-house production is divided into the full end to end process of destination and rectification, in-house rectification of the market sourced raw ethanol, in-house wine distillation. The market sourced ethanol alcohol can be divided into the following categories: grain origin premium alcohol, grain origin neutral alcohol, molasses origin neutral alcohol, sugar cane origin neutral alcohol (rum), grappa, wine distillates and whiskey. We produce and purchase the ethanol alcohol based on grains grown in Poland and north-east Germany. Key grains used are: corn, triticale, rye, barley and wheat. Molasses used for ethanol production are based on the sugar beet production in Central and Eastern Europe, while sugar cane alcohol is supplied from plantations in the Caribbean. Our Grappa comes from Franciacorta in northern Italy, and is produced by Distillerie Franciacorta, which we acquired in 2019.
2. Sugar: we source the sugar used for production of flavoured spirits and liqueurs from sugar beet which is grown in Poland, the Czech Republic, and South European countries, including Italy.
3. Additives, fragrances and juices: we source flavours, fragrances and juices based only on natural sources and with confirmed origins. The same applies to herbs purchased for macerates production. The majority of supplies are from Europe, however some flavours and fragrances are sourced worldwide.

We monitor the risks related to the supply of liquid ingredients through monitoring water resources. Due to climate change, we monitor the grain harvests in case of any local droughts and if there is an issue, we will secure supplies from less impacted areas. We also discuss regularly the fields, yields, forecast with the key grains, alcohol, sugar, grapes (vinacce) and flavours suppliers, in order to limit the risk and be able to replace sourcing from impacted areas.

Currently we do not envisage any serious threats coming from the environmental or social area which may impact our ability to source ingredients and subsequently produce our products.