



SUSTAINABILITY REPORT FY 21/22

GOOD TIMES FROM A GOOD PLACE

INTRODUCTION

Strategic approach, FY21/22 highlights and a message from our CEO.

NURTURING TERROIR

How we work across the supply chain to ensure raw ingredients are produced sustainably.

VALUING PEOPLE

Championing diversity, fairness and learning for our people and those in our supply chains.

CIRCULAR MAKING

Producing our products in ways that preserve natural resources and inspire wider action.

RESPONSIBLE HOSTING

Partnerships and campaigns that prevent and reduce the harmful use of alcohol.

GOVERNANCE

Proactive steps to foster ethical conduct, robust risk management and transparent governance.



WHO WE ARE AND WHAT WE STAND FOR

Rooted in a century of fine spirit-making heritage, today we are part of Pernod Ricard; the second-largest wine and spirits group in the world. As part of this global family, we are Créateurs de Convivialité, with a passion for progression – this openness to change and has defined us since day one.

The Absolut Company's portfolio of brands includes Absolut Vodka, Absolut Elyx, Malibu and Kahlúa. And while we call Sweden our home, our brands span more than 130 markets globally.

**WE ARE CRÉATEURS
DE CONVIVIALITÉ,
WITH A PASSION
FOR PROGRESSION**

We employ a diverse workforce of over 500 people, the majority of whom are based in Sweden between our Stockholm offices and our facilities in Åhus and Nöbbelöv, southern Sweden. Our global teams are united by our three company values: together, audacious, committed.

ONE SOURCE, ONE COMMUNITY

Absolut Vodka is among the largest international spirits brands in the world. With a protected geographical indication, every bottle comes from one source in southern Sweden with 500 years of vodka-making tradition. ‘One Source, One Community’ is our production philosophy, meaning that every aspect of the production journey takes place in and around the small town of Åhus. Here, we play a key role in local

economies, generating around 1,500 jobs in the region, whilst investing in community development partnerships.

GOOD TIMES FROM A GOOD PLACE

The Pernod Ricard sustainability and responsibility 2030 roadmap, Good Times from a Good Place, is a simple yet powerful promise to do the right thing and take the sustainable path, for our consumers, our business, society and the environment.



This report covers the FY21/22 (1 July 2021 to 30 June 2022) and the brands in The Absolut Company portfolio: Absolut Vodka, Absolut Elyx, Malibu and Kahlúa. Data varies between brands as we own and control the production sites for Absolut Vodka and Absolut Elyx, which are reported under the shared name Absolut Vodka. Data for Åhus Akvavit are also reported under Absolut Vodka. Malibu and Kahlúa are produced in plants that are owned and controlled by other entities within the Pernod Ricard group, as well as third parties. Read detailed data against targets under our transparent disclosures.



A MESSAGE FROM OUR CEO

DEAR STAKEHOLDER,

One of the standouts that differentiate, reinforce and define us as a company is a long-term and true commitment to sustainability.

Sustainability continues to be very high on our agenda despite the global economic, logistical and geopolitical challenges that we have all faced over the past year. Some events, such as Europe's energy crisis, have served to intensify the climate change debate, yet we remain as determined as we have ever been.

For Absolut Vodka, our distillery in Nöbbelöv remains one of the most efficient in the world, emitting nine times less CO2 per litre of alcohol than the average distillery – this is despite a rise in emission levels in FY22. Demand for spirits rose significantly, in particular vodka, and to meet this surge in demand we reopened our backup facility. Nevertheless, thanks to our great suppliers and committed employees we remain on track to meet our ambition of producing a fully carbon-neutral product by 2030.

Absolut Vodka's Sustainable Wheat Programme was relaunched with a

greater emphasis on biodiversity, climate and soil health. We will be working even closer with our ambitious Swedish farmers, having created a stronger compensation system for their action in improving the sustainability of wheat farming in Sweden. We continue to work closely with Ardagh, our glass manufacturing partner of 40 years, to support pioneering innovations that will enable us to drive down the carbon footprint of our product while also meeting our recycled glass target four years early.

Kahlúa's Coffee for Good project is making great progress. We launched Coffee for Good in 2016 wanting to help our coffee-growing communities sustain themselves ensuring that with or without Kahlúa, they can continue to make a good living. We set a goal that they would be able to sustainably farm enough coffee to provide 100 per cent of the coffee used in Kahlúa by 2022. As we move into FY23, we are entering the next phase of the project to build on its foundations.

Meanwhile, Malibu continues to optimize the use of plastic in packaging. Decreasing the use of virgin plastic,

while increasing the amount of recycled plastic in bottles and has also extended its successful collaboration with Plastic Bank by another year.

It's not just environmental sustainability that defines The Absolut Company. We are also defined by a passion for progression in societal values. Our brands are not primarily defined by their heritage, or by strict category regulations, unlike many other spirits companies. We are defined by what our brands can offer consumers beyond great-tasting products – be it a lifestyle, an attitude, or a mindset. The Absolut brand has always been a friend of the LGBTQIA+ community, for instance. We were breaking boundaries by taking a stand then when no other brands would – and we continue to break boundaries to this day progressing societal change.

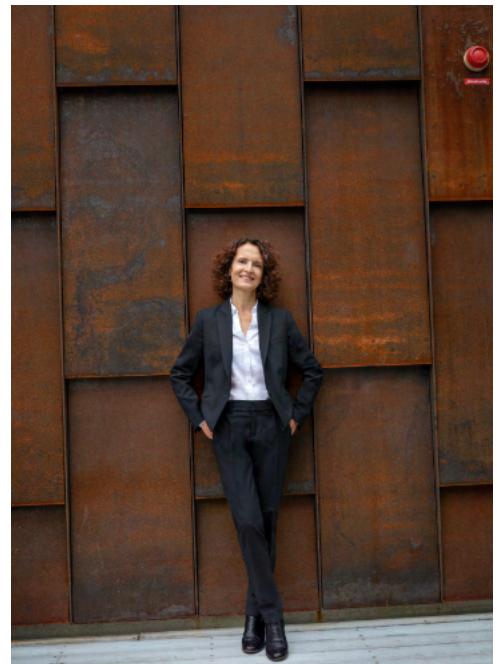
Under our strategic pillar of Responsible Hosting, Pernod Ricard launched a new digital labelling system providing our consumers with transparent information about our products.

The past 12 months have reinforced the fundamental importance of our sustainability and responsibility strategy

to business resilience and growth. Our long-standing business partnerships have proven invaluable time and time again. Their support has been immense, as has, of course, the support from our people and our loyal customers. So, thank you, everyone. As always, we welcome your thoughts and suggestions on our approach to sustainability and our progress.

Stephanie Durroux

*Chairman and Chief Executive Officer,
The Absolut Company, Pernod Ricard*





STRATEGY

As part of Pernod Ricard, we are committed to bringing Convivialité, or good times. But these good times must come from a good place – good for the people behind our products, good for the environment and good for our business. This is the basis of our sustainability and responsibility strategy. The strategy was developed in a process identifying and analyzing sustainability risks and material topics, and includes detailed KPIs and targets within all pillars.

KEY FACTS

It has been another challenging year for our industry, yet we have maintained momentum across our strategic sustainability commitments, meeting – and even exceeding – many social and environmental targets. Here are a few key facts and figures on our approach and achievements.

Our distillery in Nöbbelöv is one of the most energy efficient in the world*.

Malibu uses 30% recycled material in PET bottles.

A new pioneering 3-logo and digital label system to provide locally adapted consumer information.

Two paper bottles are in development as part of our “Future of Packaging” programme.

Our sustainable wheat programme has been updated, addressing climate, soil health and biodiversity.

Implementing a Safe Spaces programme collaborating with bars to create welcoming environments for the LGBTQIA+ community.

Production of Absolut Vodka will be fossil free by 2025 and by 2030 Absolut Vodka will be a carbon- neutral product.

Kahlúa is well on their way of reaching the goals set for the "Coffee for Good" initiative.

The gender split of our senior management remains balanced at 50/50.

* According to Beverage Industries Environmental Roundtable (BIER) benchmarking study based on data from 2020

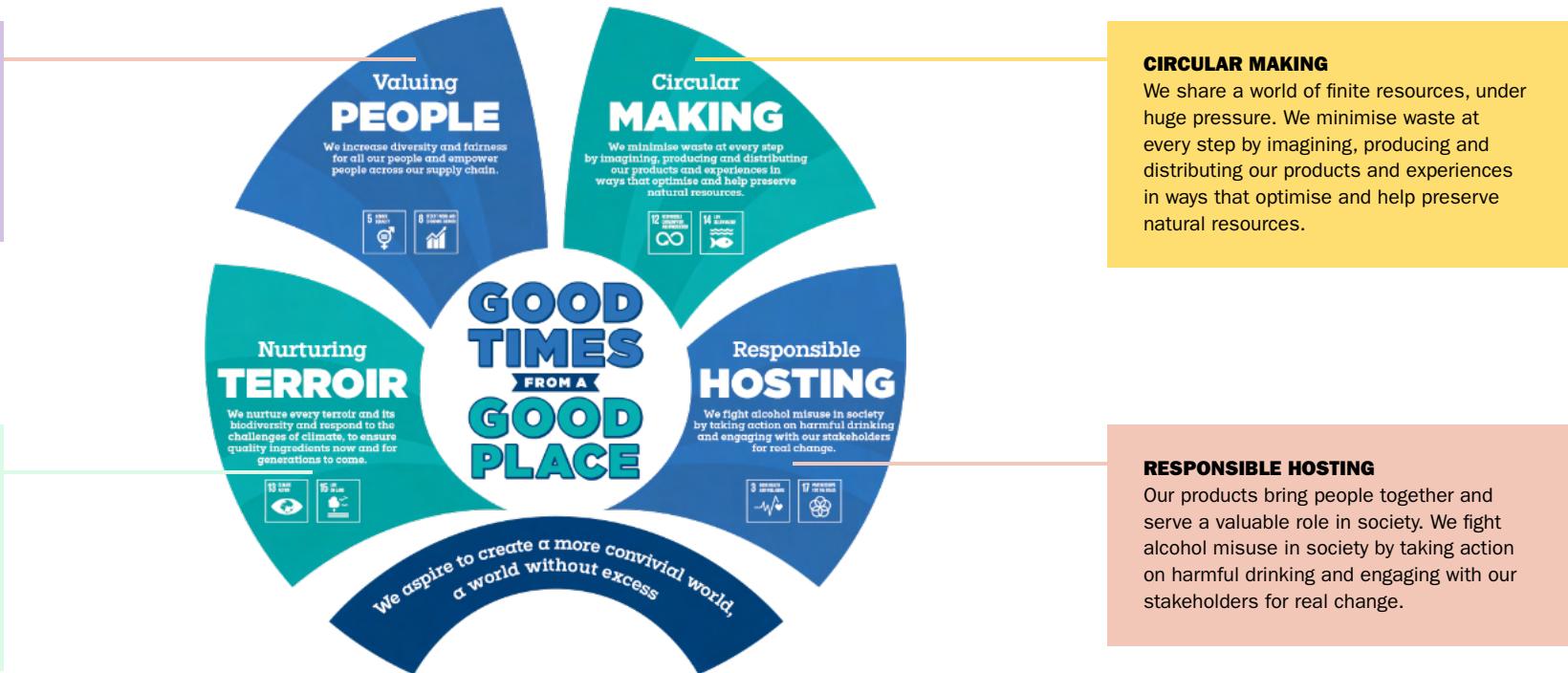
AS WE WORK TO BE A PROGRESSIVE AND RESPONSIBLE LEADER WITHIN THE SPIRITS INDUSTRY, WE SET AMBITIOUS TARGETS ACROSS FOUR STRATEGIC PILLARS.

VALUING PEOPLE

Convivialité is about sharing, warmth, care and respect for people everywhere. We increase diversity and fairness for all our people and empower those across our supply chain.

NURTURING TERROIR

Our products take their character from the land where they were grown. We nurture every terroir and its biodiversity and we respond to the challenges of climate change to ensure quality ingredients now – and for generations to come.



GOVERNANCE

Across our strategy is a commitment to responsible business – that is to say, integrity, transparency and ethical conduct within our operations and throughout our supply chains. Through good governance practices and open disclosure, we reduce exposure to risk and maintain business continuity, even in a rapidly-changing world. For more information about the Pernod Ricard Sustainability & Responsibility strategy please see the universal registration document found [here](#).

CIRCULAR MAKING

We share a world of finite resources, under huge pressure. We minimise waste at every step by imagining, producing and distributing our products and experiences in ways that optimise and help preserve natural resources.

RESPONSIBLE HOSTING

Our products bring people together and serve a valuable role in society. We fight alcohol misuse in society by taking action on harmful drinking and engaging with our stakeholders for real change.

A CONSUMER-CENTRIC APPROACH TO SUSTAINABILITY

The Absolut Company has long ‘walked the walk’ on sustainability but now we are talking about it more. We believe it is a strategy that makes perfect sense. After all, today consumers expect brands to be embracing sustainability – it is no longer a unique differentiator. Consumers increasingly want to be part of a brand’s journey, which has opened up an opportunity for us to engage with consumers to inform our strategic thinking related to sustainability.

We have a terrific opportunity to bring consumers on a journey with us. Consumers understand that brands aren’t going to get everything right on the first attempt. But if we engage and talk

to consumers, we can learn from them.

We have been ‘walking the walk’ on sustainability from our very beginnings. Our company’s founder L. O. Smith promoted local production and cared deeply for the health and wellbeing of his staff. His values and thoughts are ingrained in our company, shaping our work and our sustainability strategy.

Sustainability is driving the agenda seemingly everywhere but that is not the reason why we are talking to consumers about it now. We are doing it because it is important. We want to talk to people, to hear what is important to them in their lives.

It is why our Absolut and Malibu brands have Consumer Councils to get to the heart of what consumers think. The Councils have monthly discussions on a range of topics, while they exchange ideas in WhatsApp groups. To get an even fuller picture of consumer thinking, this proprietary research is complemented with, for example, concept testing, in-depth interviews and ethnographic research.

These Councils are informal – designed to prompt casual conversations to give us a chance to get really close to consumers and find out what’s important to them. We ask them what they expect from brands, why

IF WE ENGAGE AND TALK TO CONSUMERS, WE CAN LEARN FROM THEM



it is important, and what type of initiatives change their perceptions of a brand, be it negative or positive.

There is an age-old adage that says you “should listen to your elders” yet Gen Z is turning that phrase on its head and has emerged as the sustainable generation. It is why talking with Gen-Z is a key part of our focus. Younger people are often willing to pay more for sustainable products, while many will not work for a company that does not have a good record of sustainability.

And while environmental sustainability has taken centre stage, social sustainability is gaining increasing prominence. Today companies have to be able to show a track record of both their social engagement as well as

treating their workers well. We have always advocated diversity and inclusion – and our ‘Born to Mix’ campaign is just the latest in a long line of examples of us promoting societal values. We want to change society in how people think about each other and Born to Mix strives to do just that.

Sofia Heuer

Consumer Insights Director at The Absolut Company



NURTURING **TERROIR**

NATURE IS THE ORIGIN OF EVERYTHING WE DO AND PROMOTING SUSTAINABLE PRACTICES IN THE FARMING OF OUR RAW MATERIALS IS VITAL FOR US. WE NEED GOOD SOILS AND HIGH YIELDS TO MAKE THE MOST OF THE AGRICULTURAL LAND AND REDUCE OUR CARBON FOOTPRINT, WHILE STRENGTHENING BIODIVERSITY AND THE ECOSYSTEMS' CAPACITY FOR ADAPTATION TO CLIMATE CHANGE. OUR ROLE IS NOT TO DO THE FARMING, BUT TO MAKE SURE OUR FARMERS HAVE THE MEANS TO DO IT WELL.



Tina Robertsson

Sustainable Performance Director The Absolut Company

Preserving nature and its ecosystems is nothing new to us. It's what we've always believed in. And that's because all our products come from nature. Pernod Ricard produces and sources more than 120 ingredients from more than 70 countries to create its drinks including wheat, coffee and coconut.

To ensure we maintain healthy and resilient ecosystems, we are committed to nurturing every terroir and its biodiversity. We work hand in hand with our farmers, suppliers and communities to develop sustainable and regenerative agriculture practices. By doing this, we will help mitigate climate change, protect ecosystems, enhance biodiversity, restore the soil and improve livelihoods throughout the world.



SEPARATING THE WHEAT FROM THE CHAFF

As one of the largest purchasers of wheat in southern Sweden, we can make a difference by working closely with farmers and encouraging them to make sustainable improvements.

Wheat contributes a significant part of the company's total carbon footprint and we are working hard to improve the sustainability of the farms supplying us with wheat and reduce their impact on the environment.

Over the past 20 years, we have worked closely with farmers in southern Sweden through our Sustainable Wheat Programme. By collecting extensive data, we have a very clear picture of how individual farms perform in terms of sustainability. Already at the outset, we collected data from each field, on yield,

use of fertilisers and plant protection etc, but since 2018 we collect the data digitally, which gives whole new opportunities for analysis and feedback.

In FY22, we took the programme to the next level. We are increasing our focus on efforts for biodiversity, climate (CO2 emissions), water resources and soil health. In addition, we are creating a stronger compensation system, that reaches every farmer. We want this to contribute to more sustainable farming in our region.

Based on what we know about sustainable farming, we have put together a "smorgasbord" of actions that farmers can choose from to benefit from our sustainability premium. It is a point-based system that incentivises farmers



to reduce climate impact, nitrogen leakage, increase soil health and improve biodiversity.

For example, crop rotation including catch crops and legumes is an excellent agricultural practice that we encourage. This has a positive impact on weed pressure, soil compaction, mineralisation and, in the long run, also on climate, biodiversity and eutrophication, which are important environmental aspects in wheat cultivation. We have contributed to research comparing different crops that our farmers can grow when fields are fallow, so they and the planet can benefit.

We also promote farmers to optimise the use of fertilisers to reduce the problems of nutrient leakage to surrounding waters such as streams, wetlands and dams. And we give farmers extra points for promoting efforts that support a diversity of insects, like having flowering field edges and so-called ‘beetle banks’ that give space for insects to hibernate.

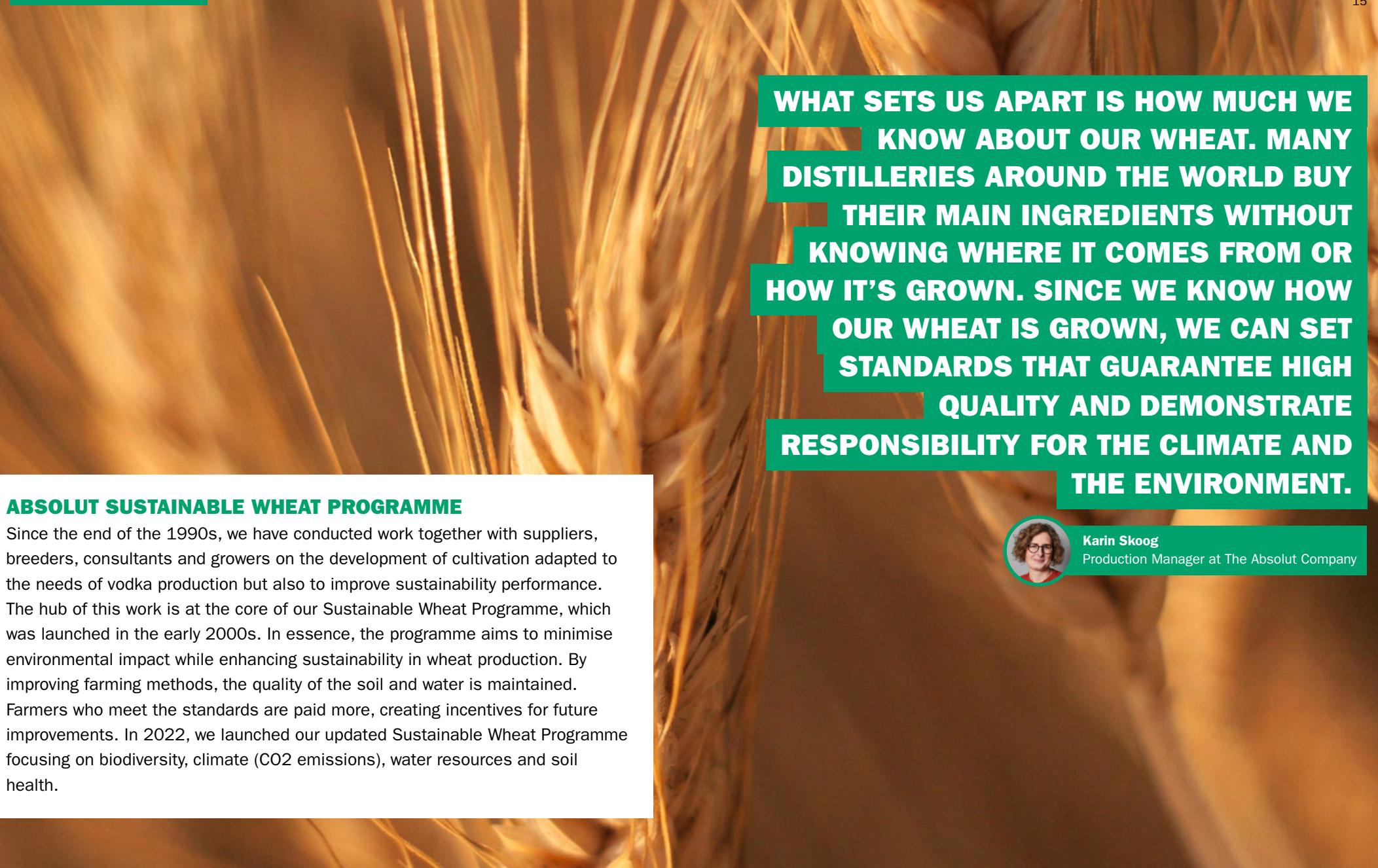
Our farmers can diversify their harvest and improve their soil health, which in

turn minimises the risk of crop diseases and gives increased yields. And the planet benefits, because fields with good crop rotation and the right intermediate crops emit fewer greenhouse gases and have greater biodiversity.

We are very conscious that no one farm is the same. They are all unique and work under different circumstances and so we do not make every farm fit the same mould. There are, of course, certain requirements they need to fulfil, but each farm must also be able to

choose which improvements are most suitable and feasible for them. We strongly believe in enabling and incentivising our farmers, not saying what they have to do to qualify for higher compensation.





WHAT SETS US APART IS HOW MUCH WE KNOW ABOUT OUR WHEAT. MANY DISTILLERIES AROUND THE WORLD BUY THEIR MAIN INGREDIENTS WITHOUT KNOWING WHERE IT COMES FROM OR HOW IT'S GROWN. SINCE WE KNOW HOW OUR WHEAT IS GROWN, WE CAN SET STANDARDS THAT GUARANTEE HIGH QUALITY AND DEMONSTRATE RESPONSIBILITY FOR THE CLIMATE AND THE ENVIRONMENT.

ABSOLUT SUSTAINABLE WHEAT PROGRAMME

Since the end of the 1990s, we have conducted work together with suppliers, breeders, consultants and growers on the development of cultivation adapted to the needs of vodka production but also to improve sustainability performance. The hub of this work is at the core of our Sustainable Wheat Programme, which was launched in the early 2000s. In essence, the programme aims to minimise environmental impact while enhancing sustainability in wheat production. By improving farming methods, the quality of the soil and water is maintained. Farmers who meet the standards are paid more, creating incentives for future improvements. In 2022, we launched our updated Sustainable Wheat Programme focusing on biodiversity, climate (CO2 emissions), water resources and soil health.



Karin Skoog
Production Manager at The Absolut Company

PROTECTING COCONUT FARMING COMMUNITIES

We are working with local farmers to improve farming methods.

As the iconic flavour for Malibu, we are committed to protecting coconut plantations and the communities that depend on it. Our Coconut Commitment, a five-year project that started in March 2020, is a promise to protect nature and the livelihoods of the small farming communities that depend on it. The coconuts Malibu use in its flavour are sourced mainly from the Philippines where coconut farming is a vital source of income for farmers and their families. However, falling coconut prices and limited use of modern techniques have led to

inefficiency, resulting in a decline in yields and income. Farmers also often struggle to access a marketplace that is dominated by third parties who cut down potential profits.

The project, which is focused on the provinces of Quezon and Camarines Norte, aims to transform cultivation and

NOW COVID-RESTRICTIONS HAVE EASED IN THE PHILIPPINES, WE ARE PLANNING TO CATCH UP ON SOME OF THE ACTIVITIES, PARTICULARLY REGARDING TRAINING. THIS WILL HELP LAY THE FOUNDATIONS FOR FARMERS TO IMPLEMENT TANGIBLE CHANGES TO IMPROVE THEIR LIVELIHOODS.



Lynne Millar
Purchasing Director, The Absolut Company



livelihoods by supporting safe working practices, collaborating with expert local partners to provide training and technical education, and developing innovative new ways to encourage long-term sustainability.

In June, a team from Malibu joined its partners on a five-day trip to the Philippines, travelling across the country to learn how we can improve the livelihoods of the farmers and families who we source the majority of our coconuts from.



The Philippines implemented some of the strictest and longest lockdowns during the pandemic, and travel restrictions to the country only eased in February 2022. During the height of the pandemic, the project team focused their activities on providing emergency food and sanitation supplies. And we pivoted into activities that haven't necessarily needed to be hands-on and on the ground.

And we have made some progress. We have set up three so-called 'demo farms' in three regions. These farms don't just grow coconuts – it can take up to eight years to grow a tree ready to harvest. Our Coconut Commitment aims to reduce local dependency on coconut sales. We want farmers to have the knowledge to grow 'cash crops' such as aubergines, broad beans and chillies that harvest more quickly and can diversify their income stream by selling to other markets. This so-called 'multi-cropping' is also an efficient use of their land and good for the soil.



OUR COMMITMENT

In early 2020, we set ourselves a target that by 2024, Malibu will be positively impacting the livelihood of 500 coconut farmers by increasing their income by an average of 15 per cent and increasing annual farm yield by an average of 20 per cent. We also hope to see at least 75 per cent of farmers using the Farm Sustainability Assessment tool, developed by the Sustainable Agriculture Initiative Platform. The goals of the project are aligned with the Philippine Development Plan 2017-2025.

Our aims include:

- implement sustainable farming methods
- increase yields and replace old trees
- introduce new crops to boost income
- improve access to water and sanitation
- provide training and technical support

COFFEE FOR GOOD: THREE PILLARS FOR SUCCESSFUL CHANGE

Arabica coffee is a key ingredient in Kahlúa and the majority of it comes from just four remote villages in north-east Mexico. We are six years into our 10-year project, Coffee for Good, and the progress has been encouraging across three pivotal themes.

With the booming global coffee trend and increased demand worldwide, we believe that businesses have a duty to protect the people and the fragile ecosystems that they rely upon. Kahlúa has always bought its 100 per cent Arabica coffee from Veracruz and in more recent years, through our Mexican suppliers, Cafiver. Although we knew our suppliers, a few years ago we came to realise that we

knew almost nothing about the coffee growers themselves.

Our Coffee for Good project launched in 2016 looked to change this. We wanted to help our coffee-growing communities sustain themselves – we don't buy all of the coffee the farmers grow – ensuring that with or without Kahlúa, they can continue to make a good living. We set a goal that they would be able to sustainably farm enough coffee to provide 100 per cent of the coffee used in Kahlúa by 2022.

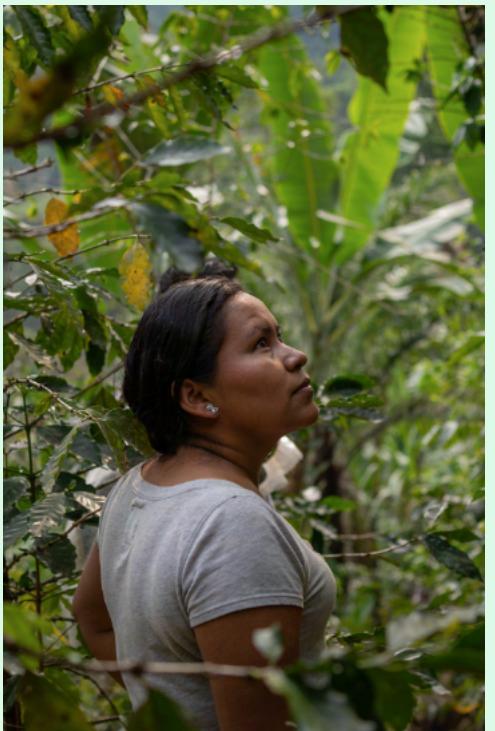
We partnered with the local NGO Fondo Para La Paz whose local knowledge, connections and skills have been

WE HAVE ACHIEVED OUR GOAL OF OUR FARMS PROVIDING 100 PER CENT OF KAHLÚA'S COFFEE



invaluable and started the project with one community – Ocotempa. Today, we are working with a total of four remote villages in the mountains of Veracruz (Ocotempa, Atempa, Oxtotitla, Coxtitla), and we are just about to add two more.

The project focuses on three pillars – social, economic and environmental – to help smallholder farmers overcome many of the challenges they face. By providing access to fresh water and sanitation, families have better living conditions;



providing extensive planting of seedlings and farmer training on how to best manage and nurture the young trees increased yields; and by providing farmers with the correct nutritional packages and fertilisers it has ensured that we are farming sustainably.

The results are extremely encouraging and we have achieved much more than our goal of our farms providing 100 per cent of Kahlúa's coffee. The farming families we have come to know and admire, including the next generation of growers, are changing. They are learning new skills, building resilience against climate change and financial hardship, and passing on that knowledge to others.

Coffee For Good's communities in Veracruz can see a long future for their farms, and our project is providing them with tools and the skills to ensure they continue to grow. So, while Kahlúa now has more sustainable sources for coffee than ever before – their businesses are benefiting from the programme too.



You have to take advantage of the environment without affecting it. Because we have been trained we can see that shade-grown coffee is of better quality because it has richer flavours.

Pedro Tezoco

Coffee grower



The first time I delivered coffee to Fondo Para La Paz I only gave him 2.7 kilos. Little by little, and through more dedication, the volume started to increase. Three years later I gave them one tonne of parchment coffee.

Balthazar Oltehua Jimenez

Coffee grower and field technician



I have always been at the forefront of the organisation in the community. For example, when the cisterns arrive, I'm responsible for how this material is distributed. I know my rights as a woman. I have the right to attend a meeting to make my point of view known and I have been encouraging other ladies to follow.

Christina Ixmatlahua

Coffee grower and female community leader

A VISIT TO VERACRUZ

Earlier this year, Kahlúa's Lynne Millar, director of purchasing and Giancarlo Martins, global marketing manager, returned to the villages to see how its Coffee for Good project is progressing.

A team from Kahlúa has been to the village regularly since the project began in 2016 but this was the first trip in three years as the pandemic prevented them from doing so. On their arrival, it was clear to Lynne and Giancarlo, that the ethos of sustainability is becoming embedded in villagers' everyday life. For example, they saw young children learning to make containers and pencil cases from plastic waste. On a huge canvas poster made by the children, on the school building, it read,

"be part of the solution not part of the pollution".

Such has been the speed of progress, the travelling Kahlúa team were able to

**WE WANTED TO
CELEBRATE WITH THE
FARMERS BECAUSE AFTER
SIX YEARS SO MUCH HAS
BEEN ACHIEVED. IT WAS
OUR AMBITION THAT ALL
THE COFFEE WE USE IS
FULLY SUSTAINABLE, I
AND IT IS NOW A REALITY.**



Lynne Millar
Purchasing Director, The Absolut Company

toast the project's success with the villagers and a small taster of Kahlúa in 2022. Many of the villagers had never seen or tasted Kahlúa, nor were many familiar with the brand. The team gave them a taster. They loved it and were proud of the impact they were having on a global brand such as ours.

On their five-day trip, Lynne and Giancarlo took the opportunity to visit several of the remotest farms to talk to the farmers, including two new villages that we are adding to the project, to understand their struggles and listen to their future plans. Some farms are piloting projects for vanilla, which takes five years to come to harvest. Vanilla could be a really valuable crop for them to sell to traders as it is very expensive, not so long ago it was worth more by weight than silver.

While targets have been reached and plans are afoot to continue improving farmers' lives, Lynne, who first visited the village six years ago, says the abiding difference she sees today is the role of women and how they have been empowered.

Lynne adds: "When the Coffee for Good project started, the role of women was to support their farmer husbands while looking after the family. They were very shy and had to walk for hours simply to collect water. But with many now having access to fresh water, they have more time and have been getting more involved by taking on leadership roles. The villages are full of powerful, strong, independent, business-minded women. Some are running their own farms. That evolution is just incredible and makes me feel very proud."

WHAT WE'VE ACHIEVED SO FAR



You have to tackle the challenges the farmers face from a three-dimensional view. There are environmental aspects such as deforestation and crop rotation. There are social aspects such as having running water. And then there are economic factors such as getting a better yield from the coffee they harvest.

Giancarlo Martins

Global Marketing Manager, Kahlúa

WHAT'S NEXT FOR COFFEE FOR GOOD?

With all boxes for Coffee for Good's initial goals ticked, Kahlúa is exploring new initiatives. It is currently working with two new villages, in addition to the original four. It will continue to provide training and support via Fondo Para la Paz, which has a team 'on the ground' to help and support farmers. It is also examining the potential for youth scholarships at local agricultural colleges. In the past, younger generations have been quick to migrate to Mexico City to seek work but through the project's success, many younger people believe that there is a future in coffee farming after all.

A photograph of a diverse group of people socializing outdoors at night. In the foreground, a woman with curly hair, wearing a white dress, is smiling and looking up at a man in a pink polo shirt who is holding a smartphone. To their right, a man wearing a camouflage bucket hat and glasses is seen from behind, wearing a black t-shirt. The background is filled with other people, some in conversation and others looking towards the camera. The scene is set against a backdrop of greenery and string lights.

VALUING PEOPLE

CREATING A STRONGER HEALTH AND SAFETY CULTURE WITH BOTH PHYSICAL AND MENTAL WELL-BEING IN MIND IS A PRIORITY IN AN INCREASINGLY COMPLEX AND UNCERTAIN ENVIRONMENT.



Kerstin Lindström
VP Human Resources, The Absolut Company



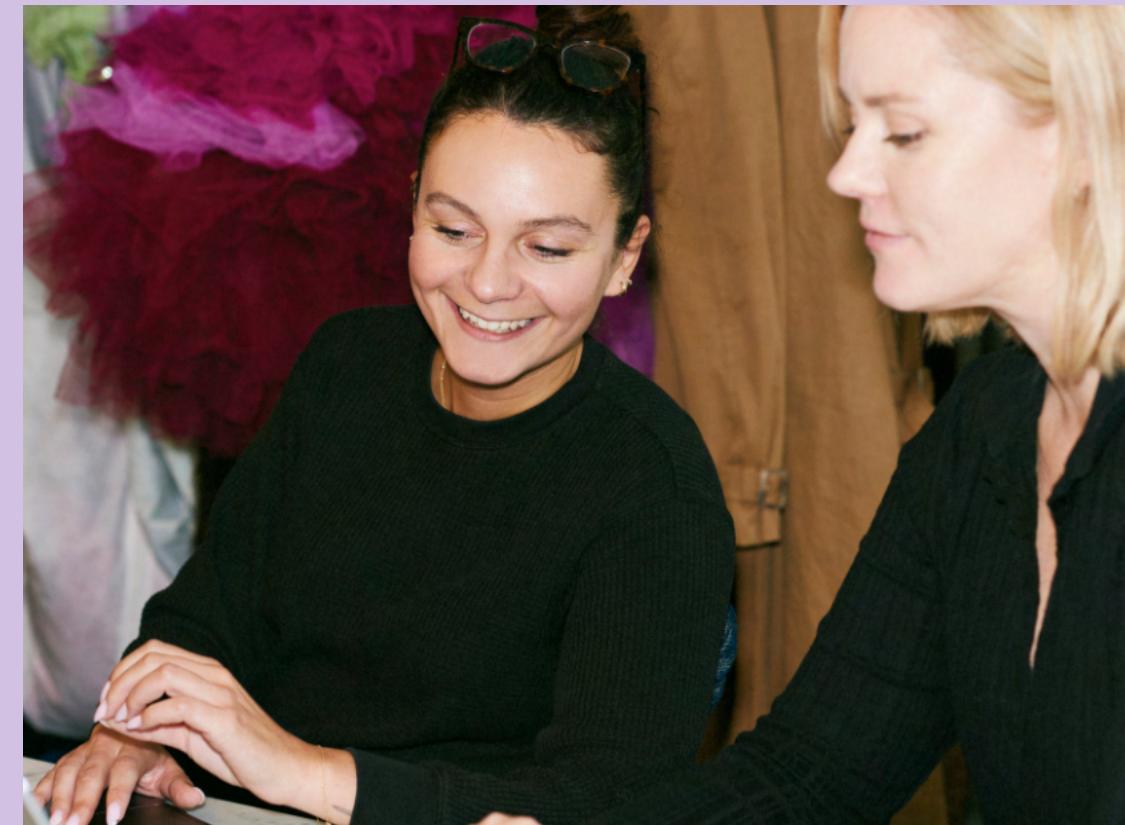
A SAFER AND HEALTHIER CULTURE

In 2021, we maintained momentum to achieve group-level health and safety goals, despite ongoing challenges caused by the pandemic and supply chain issues – with a focus on three key areas: zero injuries, high health numbers and a zero tolerance for abuse and discrimination.

Our ambition is to become ‘best in class’ across the wine and spirits industry aiming for zero lost time accidents (LTAs) by 2025. We are working hard to improve training across the company from operators to managers to safety representatives. Not only does the training emphasise the rules and procedures around safety, but it is also designed to improve the behaviour of employees so we become a safety-first culture.

Changing behaviours requires awareness, knowledge and strong leadership. In this light, we are developing a three-year health and safety roadmap, which will be broken down into action plans, training, audits and targets.

For example, we are using the renowned Bradley Curve, which illustrates the relationship between accidents and corporate culture. By looking at key behaviours and mindsets, we are able to progress and follow our improvement on the curve. We have recruited a new Health & Safety (H&S) manager and will train more H&S Champions, while we encourage our visitors and contractors to commit to our H&S ambitions too.



HEALTH NUMBERS

We talk about health numbers, rather than sickness rates and our goal is to have a rate of 96 per cent. This was lower last year (94.4 per cent) mainly due to Covid – we had a strict non-tolerance and asked people to stay at home with the slightest symptom. The health and mental well-being of our employees is paramount and 2021 saw several new initiatives.

- All managers undertook training in work environment area and specifically stress as one of the topics.
- Free stress test app and support from our healthcare provider if required a new health manual.

Operations specific actions:

- A new tool "Health Line" was investigated and will be implemented to help managers give pre-emptive support to staff.
- Free health checks for staff offered every two years, instead of every five years.
- New hygiene and safety rules (and signs) with clearer and stronger communication.

Stockholm specific actions:

- A health platform to support in both mental health as well as physical health. The platform also offers self-assessments in stress, trainings and articles in wellbeing.
- Health checkups for employees when needed.
- New reinstalled Health & Safety committee.

FEELING VALUED

Listening and responding to employee sentiment has been central to our approach to valuing our people. Our employee survey (November 2021) indicated that most employees felt supported with their welfare as a priority.

We are conscious that we need to do more in helping with work-life balance consignant that stress is an increasing problem for all

companies worldwide. During the pandemic, we supported our people with resilience training (remote), and proactive mental health sessions with our healthcare provider. For those who were suffering from stress, we provided extensive support with the help of a specialist external provider. Going forward, we will track wellbeing twice a year and we have introduced a 'stress pyramid' for managers to regularly discuss stress levels among teams.

IT'S BEEN A TOUGH YEAR FOR OUR ORGANISATION DUE TO HIGH DEMAND, COVID AND SUPPLY CHAIN CHALLENGES. BUT I AM REALLY PROUD OF OUR PEOPLE AND HOW WE PUSHED THROUGH TOGETHER.



Elisabeth Gehander
HR Director Operations, The Absolut Company



CAREER PATH: FROM HANDBALL TO PRODUCT INNOVATION

Elin Furelid, Director of Portfolio Innovation at Absolut Vodka, explains how a stream of supportive managers, focused leadership training and a flexible approach to working has enabled her to build a successful 17-year career at Absolut Vodka.

When Elin walked through the doors at V&S Absolut Spirits in 2005, she didn't plan on hanging around for much more than eight months, let alone 17 years (and counting).

Having ended her professional handball playing career playing for Panathlitikos Sykeon in Greece, Elin returned to Sweden. With just a dissertation to complete for her law degree finals, she

looked for a job that would simply enable her to "get into the working system" before having her first child. It was by luck, she says, that Elin landed an interim job as a personal assistant to the CEO at the then V&S Absolut Spirits. And at the time, there was no grand plan to pursue a career at one of the world's leading spirits companies. Far from it.

"I thought let's do it for eight months, have a baby and then become a lawyer. That was always my plan," says Elin. "But I was having so much fun. As you can't market alcohol in Sweden, I had no idea what a gem Absolut was. I was blown away by the creativity and how big and cool it was globally."



Having been given the opportunity to work with consumer contacts during her maternity leave, Elin was then offered a role back at the company when it ended. Again, there was no long-term career strategy in mind – her first goal was simply to secure a job at a company she admired greatly.

Buoyed by a supportive structure, it wasn't long before Elin was able to move on from being a personal assistant – initially to work on the commercial side of the business, where she had several roles, including a stint looking after the Nordic and Baltic region. However, the

creativity that had blown her mind when she first arrived has struck a chord and, in 2010, after having a second baby, she side-stepped into a role that bridged both commercial and marketing, working on the asset management side of the business. "I always knew I wanted to try marketing because I was so impressed by the creativity of the teams," she adds.

Supported by a slew of different managers, Elin, despite not having an official marketing qualification, was able to steer her career down a marketing path. She took on several positions, including global head roles, covering promotions, product design and product development and in May 2022 was appointed Director of Portfolio Innovation at Absolut Vodka.

A mother of four, Elin says the company's long-standing attitude around flexible working has been of huge benefit in enabling her to progress in her career despite the

vagaries of juggling childcare and work. "No one ever looks down on you for going home and picking up your kids at 4.30 pm because they know you're doing your work. It might not seem like a big thing but being given 'freedom with responsibility' is huge." Elin's journey hasn't been without its challenges though. She admits that as "a young female" she was often too quiet to get her points across in meetings and she has learned not to take things personally when work is being criticised. In the past, she says, teams had perhaps been too individualistic, working in silos, but this has improved markedly in recent years.

A self-described leader from the back, Elin is driven not by job titles but by having a "meaningful and fun job". It means that in her spare time when she's not playing sports with her four children or streaming series and documentaries with her husband, she is having a cup of coffee reading magazines, newsletters and blogs around packaging and design. After all, Elin loves solving problems.

WHAT DRIVES ME IS FINDING NEW TECHNIQUES FOR THE PLANET TO SURVIVE. I GET A TINGLING IN MY STOMACH WHEN I THINK ABOUT GETTING GREAT DESIGNS INTO PEOPLE'S HANDS WHILST TRYING TO FIND SOLUTIONS THAT ARE SUSTAINABLE AND MAKE A DIFFERENCE.

TRAINING:

"The leadership training at The Absolut Company is extremely focused on you, which really helps you develop your own leadership style. They listen. In my experience, if you let them know what you aspire to, they are always very supportive."

TEAMWORK:

"I often played as the playmaker in handball steering my teammates and making sure that we stayed positive. I learned so much about the importance of teamwork, rather than one person doing all of it and taking all the credit."

GENDER:

"The company has been very equal on the gender split for many years, particularly at a senior level. But diversity as a whole is a prerequisite for a successful company, now and in the future, I believe. Likewise, a flexible approach to working is super important – not only to retain female talent, but all talent."



Elin Furelid

Director Portfolio and Innovation, Absolut Vodka



CREATING AN LGBTQIA+ NETWORK

We are creating an internal network of employees to educate, foster and embrace a diverse non-discriminatory culture within The Absolut Company. Although in its early stages of planning, the network will look at the company's policies and processes, such as recruitment. It will also include employee surveys and seminars so the network's leadership team can understand what is important to employees and look at collaborations with other LGBTQIA+ networks from outside the company.



THERE HAS BEEN A LOT OF EXPOSURE IN THE MEDIA SHINING A LIGHT ON THE LGBTQIA+ COMMUNITY OVER THE PAST DECADE OR SO – FROM DRAG TO TRANSGENDER, WHETHER IT'S A TV SERIES, MUSIC OR CURRENT AFFAIRS. WE WANT OUR NETWORK TO EDUCATE AND PROVIDE A VOICE TO HELP FOSTER INCLUSIVITY ACROSS ALL ASPECTS OF THE ORGANISATION.



Maxime Henain
Communications Manager The Absolut Company



**THIS YEAR'S RESPONSIB'ALL DAY
WAS A WAY OF ENSURING THAT
EVERYONE UNDERSTANDS THE
IMPORTANCE OF PRESERVING
NATURE FOR OUR BUSINESS
AND THE COMMUNITIES
AROUND THEM**



Vanessa Wright
Chief Sustainability Officer, Pernod Ricard

RESPONSIB'ALL DAY 2022

Over a fun-packed, team-bonding few hours in the fields, Stockholm-based employees swapped their smartphones for shovels and garden hoes to put their newly-found green fingers to good use – weeding, digging, raking and seeding.

All 18,500 employees across the Pernod Ricard Group shut down their computers and left their desks on 16 June to join their local communities to help protect and restore nature. It was the Group's 10th Responsib'All Day – and for TACs employees based in Stockholm, this meant spending a day at the beautiful nearby farm, Karshamra Mat och Trädgård, to learn all about sustainable farming. Our operations employees, based in Åhus, spent their day at Absolut Home learning about our sustainable wheat programme and the importance of the Baltic Sea.

A GREEN OFFICE SUPPORTING LOCAL COMMUNITIES

We are striving towards being as sustainable as possible in everything that we do in our restaurants both in Åhus and Stockholm.

We aim to minimise our costs and support our local community by buying local produce. Purchasing produce during the pandemic proved challenging and an increasing number of local farmers emerged growing a wide selection of produce including vegetables, grains, dairy, meat, fish and poultry.

Today, all of our suppliers in Stockholm are within a 2km radius – shorter distances mean fewer carbon emissions, and we are also working on receiving

fewer deliveries overall. We even have an eco-agreement with our main supplier with a discounted price if we reduce our deliveries to once per week. To complement our move to source locally, we also have our own rooftop garden where we grow all kinds of herbs and produce.

A CLEAN PLATE STRATEGY

Reducing waste is a huge focus of ours. For example, kitchen leftovers and food left on our guests' plates are collected and then used by the City of Stockholm to regenerate into biofuel to power the City's buses. In addition, any other leftovers from the kitchen are sold as meals at a reduced price, meaning that

I AM A STRONG ADVOCATE FOR SOURCING LOCAL AND SUSTAINABLE PRODUCE AND PRODUCTS WHENEVER POSSIBLE



Conny Johansson
Restaurant Manager



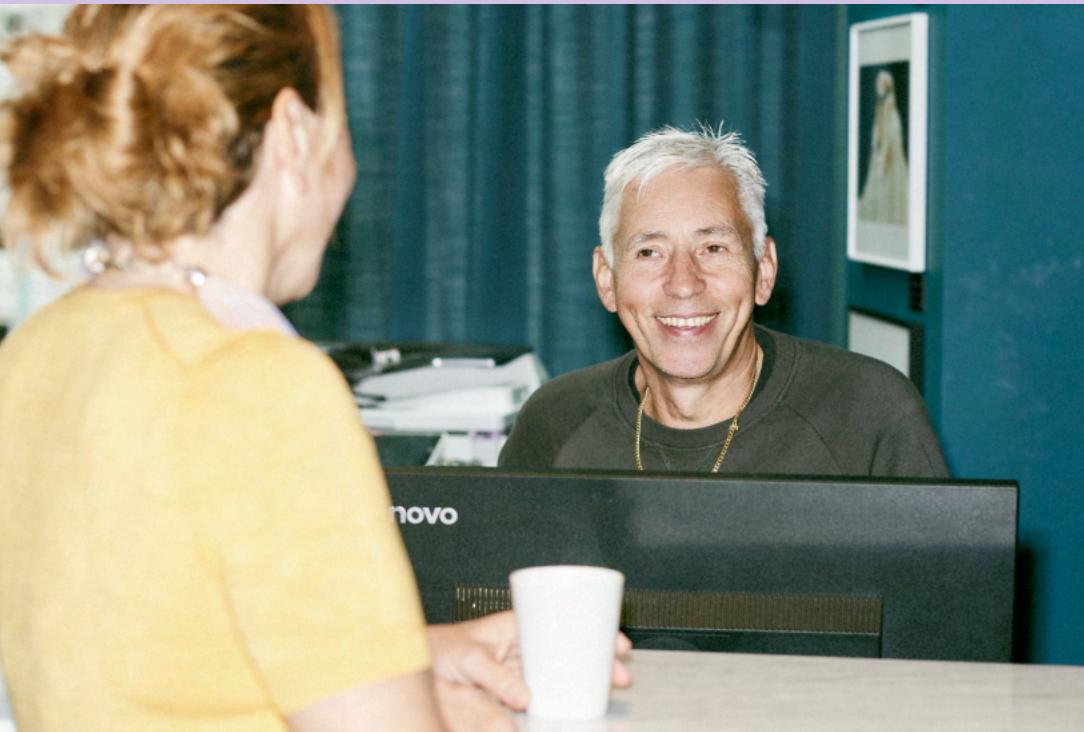
practically zero per cent of our restaurant's food is wasted.

We strive to educate our guests so they can help us keep waste to an absolute minimum. It can be challenging. In the past, we had several bins for paper and plastic, but we found the more bins you had the more confusing it could be and many just put all their rubbish in the nearest bin. We now have fewer bins and narrowed the choice (all food waste goes in one container) which has meant we

can reduce more waste. We also ask our guests to be mindful not to overestimate their orders. For example, we usually recommend ordering 20 when they have a 'Fika' for 30 since not everyone drinks coffee or eats cinnamon buns.

THE GREEN OFFICE PROJECT

In the past, we only separated cardboard from paper and glass in the Stockholm office. But we have come a long way since. Today, as part of our Green Office project, we recycle and separate the



WE ARE INSTALLING CHARGING STATIONS IN THE STAFF PARKING LOT TO ENCOURAGE THE USE OF ELECTRIC CARS



Björn Lorenz
Facility Manager, Head Office

majority of our waste, from batteries, electronics, and cardboard to compostables and different types of glass and lamps.

We have recycling containers all lined up with clear instructions for our employees to identify what to throw in each bin. We also give our people a helping hand. For example, when employees receive packages, we unbox them and place the contents directly on their desks or departments. That way, we can recycle their packaging for them and keep a tidier-looking office.

It's not just recycling that matters. We are replacing all our energy-saving lamps throughout the office (we're halfway there), with LED lights, which use 50 per cent of the energy and we have reduced about 2,500 square meters of office space during the past two years, as many of our staff work remotely, either at home or on the road.



CIRCULAR MAKING



**BY APPLYING A CIRCULAR MINDSET
AND BY BEING PREPARED TO TRY
AND TEST NEW TECHNOLOGIES,
WE ARE SYSTEMATICALLY DESIGNING
OUT WASTE, VIRGIN AND SINGLE-USE
MATERIALS AND CARBON EMISSIONS.**



Anna Schreil
VP Operations The Absolut Company

Our mindset and focus are to develop a circular business model that protects the world's finite natural resources and to minimise our carbon footprint. We are constantly looking at innovative ways to minimise our impact by reusing, reducing, rethinking or recycling at every step – from the packaging we use to the promotional items we produce and to the way we distribute our products.

CARBON ROADMAP: NAVIGATING A BUMP IN THE ROAD

A fundamental part of our sustainability strategy is a commitment to make Absolut Vodka a carbon-neutral product by 2030 and we remain on track despite a challenging year.

Since 2004, we have reduced carbon emissions per litre by 80 per cent at our bottling sites and distillery thanks to industry-leading energy innovations. We have extended our climate-smart actions into our wheat and glass supply chains, whilst driving down transport emissions.

DISTILLERY EFFICIENCY

In FY22, we experienced an unprecedented level of demand for vodka as the world got back to life post-pandemic. Bars and restaurants became a hive of activity again, while duty-free outlets opened their doors as cruise ships took to the seas and planes to the sky. Yet, while demand soared, supply chains remained fractured and delivery lead times increased dramatically.



Anna Schreil
VP Operations The Absolut Company

**RELATIONSHIPS HAVE BEEN PROVEN TO BE INVALUABLE.
IT IS THANKS TO OUR LONG-TERM PARTNERSHIPS THAT
OUR CARBON-NEUTRAL ROADMAP REMAINS ON TRACK.**



“When lead times are increasing, people psychologically tend to order more, just in case the next delivery doesn’t arrive on time.”

The forecast had been to produce 10.5 million cases in FY22 but in reality, production numbers rose by 30 per cent to 13.6 million cases. To be able to meet this unforeseen surge in demand, we reopened our backup facility, which, given its age, is not as carbon efficient as our main distillery. This caused our Scope 1 and 2 emissions – which we offset to 100 per cent – to rise to 4,804 tonnes in total – four times as much as FY21. The resulting carbon efficiency of our distillery and bottling was 39g CO₂/l vodka compared to the previous year’s 12g CO₂/l vodka.

Our increase in emissions was as much about pigs as it was vodka. We sell our main by-product of the distillation process, wet stillage, as feed to local pigs and cows and transport it sustainably. However, the unexpected increase in demand for vodka gave rise to excess stillage as we had more

stillage than the farmers had planned for. Subsequently, this harmed our overall emissions score, as we dried excess stillage (losing 90 per cent of the wet stillage which is water) at our emergency drying plant facility using fossil fuels.

“We remain one of the most energy-efficient distilleries in the world. Even this year our distillery in Nöbbelöv, close to Åhus, is 89 per cent more carbon efficient and emits nine times less per litre alcohol than the average distillery.”

Contingency plans have been made to bring our emissions level down again. Capacity, stability and agility are key. We are reviewing our operations so we can manage such fluctuations in demand more effectively.

We are also working more closely with markets to ensure forecasts are vetted from many perspectives and we are looking to work more closely with pig farmers, with contracting more of an option. And as part of a previous commitment for our facilities to be fossil

free by 2025, we continue to phase in renewable fuels, one of them being our waste spirits, to replace the remaining fossil fuels at the facilities.

BOTTLES AND OTHER PACKAGING

Since our distillery is so carbon efficient, around half of the carbon footprint of Absolut Vodka when it sits on the shelf comes from the natural gas used in the production of the bottle. Our glass supplier is today working very actively, with our support, to reduce energy consumption and start introducing alternative energy sources for production. We can see in the figures that the work pays off.

Recycling is a major part of our philosophy of being circular and we now use 53 per cent recycled glass, known as cullet (recycled glass) in our Absolut Vodka bottles. We are aiming to have 60 per cent recycled glass in Absolut Vodka bottles by 2025. By increasing recycled content, we not only support a sustainable circular economy in Sweden, but we also reduce carbon emissions,

mainly because less energy is needed to melt the raw material.

“We love to think that nothing is impossible. The idea to remove dividers in our boxes was met with some concern that bottles would be damaged. But they don’t and feedback suggests the change has gone very smoothly.”

It’s not just with our bottles that we can be more sustainable. We can make difference in the way we pack them for distribution. Last year we decided to remove all cardboard dividers in boxes for all Absolut Vodka Original in 700ml and 1000ml bottles going to Europe. This has led to lower costs, better efficiency in bottling lines and reduced needs for material (no dividers plus slightly smaller boxes).

SMARTER DISTRIBUTION

We don’t want to ship air; we want to ship goods. Over the past few years, our warehouse team have been working studiously to optimise how we load our containers. For example, we no longer use wooden pallets in the containers,

using slip sheets instead, which are made from layers of paper are much thinner and lighter than wooden pallets (see page 43 for more detail on optimising our distribution capabilities).

“ We have saved thousands of containers from being needlessly transported simply because our warehouse team figured out smart ways to optimise load and space.”

REDUCING WHEAT'S FOOTPRINT

Wheat is also a large part of our footprint and over the past year, we have increased our focus on efforts for biodiversity, climate (CO₂ emissions) and soil health with our updated Absolut Sustainable Wheat programme. This second stage of our initiative rewards farmers with credit for taking climate action, and you can read more on this on pages 13–15.



While working on emission reductions we are also looking at solutions for actually removing CO₂ from the air, both at the distillery and in the cultivation of wheat. At the distillery biogenic CO₂ (captured from the air by the growing wheat) is released as part of the wheat fermenting process. Some of it is collected, liquefied and sold to other industries. But we see the potential of collecting more and also joining the current drive to safely stow away the CO₂ in long-term

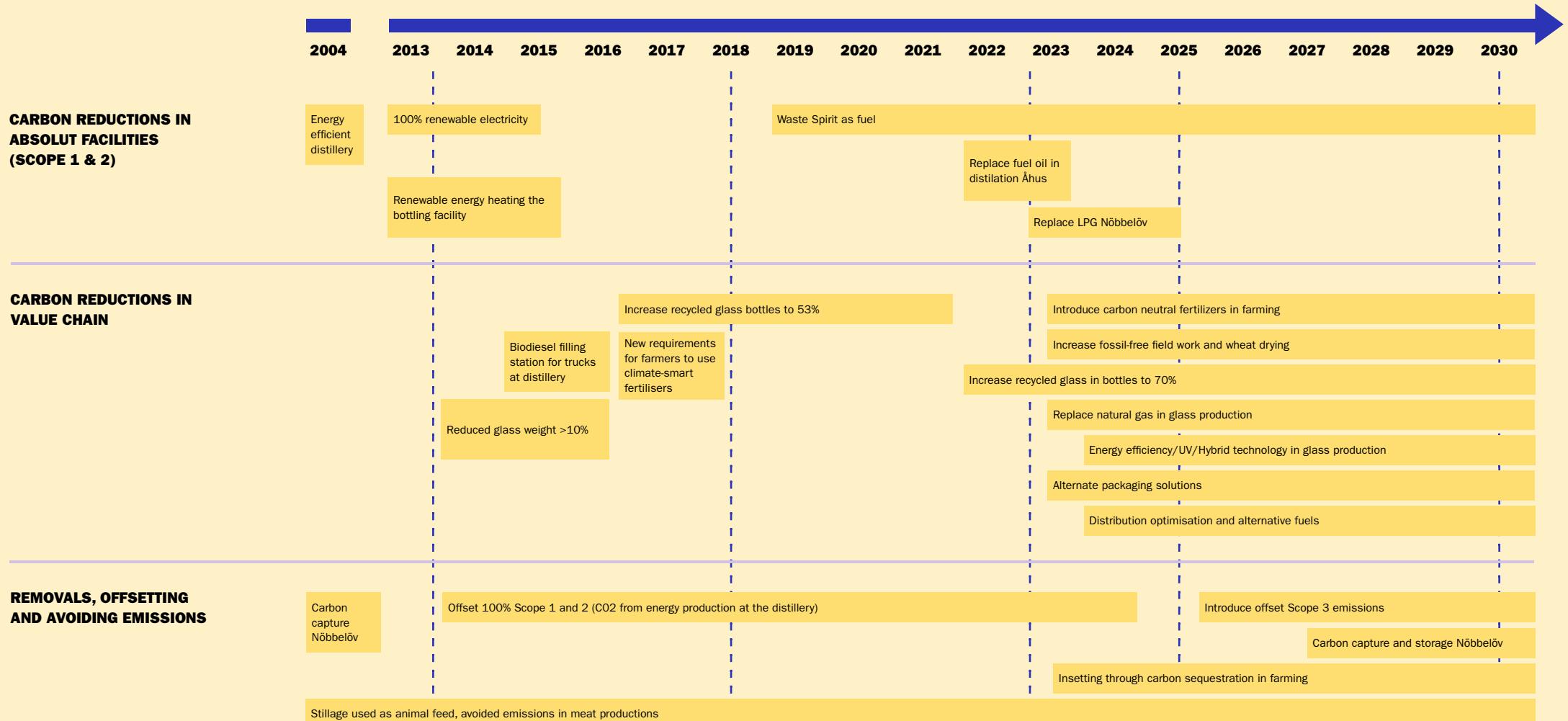
storage using Bio-Energy Carbon Capture and Storage (BECCS). A lot of research is also being done into how we can capture CO₂ in the soils where our wheat grows, and we follow this with great interest.

WE CAN NOW MEASURE WHAT FARMERS ARE DOING AND CALCULATE OUR OWN EMISSION FACTOR FOR WHEAT MORE PRECISELY



Anna Schreil
VP Operations The Absolut Company

ABSOLUT CARBON ROADMAP



CARBON NEUTRAL DISTILLERY

CARBON NEUTRAL DISTILLERY

WE ARE HERE

FOSSIL FREE PRODUCTION

CARBON NEUTRAL PRODUCT

RESHAPING AN ICONIC BOTTLE SUSTAINABLY

With glass bottle production representing around half of Absolut Vodka's climate impact, it is an area of priority in our pursuit of carbon neutrality by 2030.

Glass is an inert material that is excellent for preserving our vodka – and it can be recycled over and over again. Yet, the production of glass bottles still constitutes most of the emissions linked to packaging and almost half of Absolut's total climate impact.

With that in mind, a close partnership with the glass supplier Ardagh has always been important, and we share a long history. For over 40 years, Absolut's iconic bottle has been produced at its Limmared facility – Sweden's oldest operating glassworks founded in 1740.

The partnership was extended for another 10 years in 2019, ensuring the continuity of a long-term commitment and an opportunity to further reduce the carbon emissions from glass bottle production. One crucial goal of the partnership – which significantly reduces emissions from production – is to



continuously increase the amount of recycled glass in the Absolut bottle. The work has been successful so far; in less than a decade, the share of recycled glass has increased from 36 per cent to 53 per cent. Since the use of recycled glass reduces energy consumption and thus emissions, it makes a significant difference. In 2015 we reduced the weight of bottles cutting their carbon footprint by 10 per cent.

Arguably, the most critical effort underway is substituting the fuel used in glass production for renewable fuels and the introduction of hybrid technology. Absolut's clear glass bottle with its unique shape has always been a big part of the brand's identity, so reviewing the glass production must be done with caution. But since we are determined to

make a difference, we want every change that we make to be verified and scalable to the hundreds of millions of bottles that we sell every year.

WE MANAGED TO REACH OUR TARGET OF 50 PER CENT RECYCLED GLASS FOUR YEARS AHEAD OF TIME. NOW WE'RE LOOKING AT A REVISED TARGET AND WE WOULD LIKE TO ACHIEVE 60 PER CENT BY 2025



Tina Robertsson
Director of Sustainable Performance at Absolut

DISTILLING VODKA EFFICIENTLY FOR DECADES

The journey towards becoming one of the world's most energy-efficient distilleries started over three decades ago. Back then, sustainability was far from a buzzword and something that neither marketers nor investors paid that much attention to.

Yet, we made one of its most important investments to save energy consumption in the early 1990s, it was simply a question of common sense. We invested in a new spirits distillation plant that was put into operation in 1996 with the main goal of increasing the amount of vodka

we could produce without increasing our energy consumption. The new distillery went further and after just four years we had reduced its energy consumption by half. It wasn't long before Absolut opened an entirely new distillery just outside Åhus, this time with the specific purpose to reduce energy consumption even further. Within four years we had reduced our energy consumption by half again.

Today, thanks to the large investments made in the distillery roughly 20 and 30 years ago, it is now considered one of

*According to Beverage Industries Environmental Roundtable (BIER) benchmarking study based on data from 2020 our distillery uses 69% less energy per liter of distilled spirits than the average distillery.

WHAT IS REALLY COOL HERE IS THAT OUR UNDERLYING DISTILLATION CONCEPT, WHICH INCLUDES ENERGY CONSERVATION METHODS, HAS BEEN IN USE SINCE THE MID-EIGHTIES. IN SHORT, IT MEANS THAT WE USE COMPRESSORS TO TURN LOW-GRADE ENERGY INTO HIGH-GRADE ENERGY, WHICH WE CAN REUSE IN OUR DISTILLATION PROCESS.



Fredrik Åfeldt

Senior Technical Development Manager, Absolut

the world's most energy efficient.* Adding to that the fact that more than 75 per cent of the energy we use at our production sites comes from renewable sources, explains why our distillery emits

more than 85 per cent less carbon emissions per litre distilled spirits than the average distillery.



WATER: USE LESS, RECYCLE MORE

The Absolut Vodka distillery rests on one of the largest aquifers in Northern Europe and we have always been committed to responsible stewardship of this precious resource.

We have been working hard to reduce our water usage and year-on-year improvements between 2004 and 2021 had seen the amount we used in our vodka production fall by more than 25

per cent. However, last year, our usage increased slightly to 5.6 l of water per litre of vodka compared to 5.4 l in the previous year in the light of an unprecedented increase in levels of production, which forced us to use our old and less efficient distillation equipment to meet demand.

We have several ongoing projects to improve water efficiency and this year we

installed new equipment which recycles the clean water that is used as so-called ‘sealing water’ back to be used, instead of it being sent off to the wastewater treatment. This single action improves the water efficiency by approximately 0.15 l/ LPA, which corresponds to 7,500 m³ per year with 2022 production levels. Two similar projects are planned for 2023 to increase our water efficiency even more.

While we continue to minimise our water use, our 2030 ambition is to achieve water-neutral production, whereby all water withdrawn from the ground is used again or returned to the environment as clean, fresh water. Currently, almost half of the water we use is sent to nearby farms as part of stillage animal feed.

WATER EFFICIENCY

We have been reducing water usage in the production of Absolut Vodka since 2006.



GENERATING ENERGY FROM WASTE

Reducing waste is a key focus for us – and for the past four years, we have been using so-called waste spirits to reduce our use of liquefied propane gas (LPG) to generate energy at our Nöbbelöv distillery.

The distillery has a facility that is dedicated to distilling ‘waste spirits’, known as ‘slock II’, which include discarded flavoured vodkas with defective bottles or discontinued products. Slock II spirits must be disposed of without going down the drain, unlike so-called ‘slock I spirits’ which can be directly redistilled and rebottled.

WE ARE CURRENTLY WORKING ON A 'FUSEL OIL WASH' TO SEPARATE FUSEL OIL FROM WATER



Eva-Lena Ekblad
Process Engineer

Slock II spirits are distilled into ethanol and water, and the ethanol is then used to replace LPG used at the distillery. Since the outset, we have distilled 845,000 litres of slock II and generated 306,000 litres of ethanol used for steam power. And once combined with two other sources of unwanted substances and propanol from the main distillation at Nöbbelöv, we can generate around 20 per cent of the distillery’s steam power. We are currently working on a ‘fusel oil wash’ to separate fusel oil (a by-product of the alcoholic fermentation process) from water. If we can reduce the water content of the fusel oil to less than 10 per cent, we can use this too as a source of energy for the distillery.

Using discarded spirits in a resourceful and circular way is just one of several initiatives to reduce waste at our distillery. We send almost zero waste to landfill and recycle or reuse everything we can. However, with the high production levels of FY22, we also see an increase in waste, since most of it is related to our production.

Our main by-product of the distillation process, stillage (a protein-rich feed that is excellent fodder for animals) is continued to be used to feed a quarter of a million pigs and cattle in the south of Sweden each year. Mostly we sell the

WE USED TO SELL THIS WASTE AS AN AFFORDABLE ORGANIC SUBSTANCE. NOW WE CAN MAKE USE OF IT OURSELVES, REPLACING THE USE OF LPG FOR ENERGY AT OUR FACILITY.



Kerstin Karlström
Production Director, The Absolut Company

stillage wet, which has a lot of advantages, but this year we have also had to dry some of it.

RECYCLING WASTE

Waste spirits as a percentage of the total energy use in distillation and bottling of Absolut Vodka.

WASTE AND BY-PRODUCT GENERATED AT THE PRODUCTION OF ABSOLUT VODKA	FY22	FY21	FY20
Waste sent to recycling (tonnes)	1,314	994	975
Waste sent to incineration (tonnes)	588	144	151
Wet stillage sold (tonnes)	380,443	339,402	342,699
Dried stillage sold (tonnes)	4,150	0	233

REDUCING TRANSPORTATION EMISSIONS

As a relatively small player in a much bigger game, Absolut is determined to play its part in reducing its transportation emissions.

The emissions from the production of Absolut Vodka have been radically reduced over the years, but when it comes to distribution, we can optimise the way we fill the containers but it is more difficult to control the actual emissions. Lack of ownership is a big barrier – we don't own the boats, trucks and trains. Instead, we work with some of the biggest shipping lines, forwarders and truck companies in the world – and so we have to rely heavily on the transporters to change their ways.

Despite being a global brand, it can be a challenge for us to influence transport companies into implementing more sustainable solutions. The ships that we load our containers on can hold up to 25,000 TEUS (20 containers). Not even our yearly volume is big enough to fill up a ship of that size, which is why we joined the Clean Shipping Index, where several major players are included, to collaboratively push for more sustainable transport. And we continue to drive ahead on our own. In the spring, we will be testing a new Liquefied Natural Gas (LNG) vessel on a route to Korea. By running the ship on natural gas, it will radically reduce its emissions. We have also tested intermodal transports, where

the transport of goods is made using different modes of transport without any handling of the freight itself when changing mode. In our case, we shipped in three parts: truck, train and then truck again.

Truck transport is much easier to influence and improve than ocean freight. For a long time, we have only purchased freight on trucks with the best performance in terms of air pollution (Euro 6). The availability of biofuels and alternative fuels is still very limited in Europe, but we're constantly looking for new solutions. And over the past few years all deliveries within Sweden have been made using HVO.



Petra Åkerblom

Senior Customer Service & Logistics Manager at The Absolut Company

THE TRANSITION TO A NON-FOSSIL DISTRIBUTION SYSTEM IS NOT HAPPENING OVERNIGHT, BUT WE ARE DOING ALL THAT WE CAN TO ACCELERATE THE PROCESS

Emissions from the distribution of Absolut Vodka almost doubled last year, as we in some cases had little choice but to use air freight. This is mainly due to the increased sales, but also because the global distribution system was under extreme stress from Covid ramifications and the war in Ukraine.



99%
OF PRODUCTS
ON EXPORT



140
MARKETS
ACROSS THE GLOBE



70%
OF OUR PRODUCTS ARE
SHIPPED FROM SWEDISH PORTS

OPTIMISING DISTRIBUTION: MAKING EVERY INCH COUNT

Our ambition is to be as proactive as possible by customising cargo containers for each order to avoid overloading and generating excess manual work at the local warehouses. It is an ambition that we have been driving for more than 12 years and it is making a significant impact.

Absolut Vodka is produced in one of the most energy-efficient distilleries in the world, yet 99 per cent of our product is exported globally. Using ships to distribute our product is a very carbon-efficient method, but we fill the containers as much as possible to reduce the footprint even further.

We consider three factors when it comes to improving our transportation: weight, volume, and regional rules and

regulations. This year (FY22), we've loaded around 7,500 containers for distribution by ship and 3,000 trucks. Our containers are 40 feet or 20 feet long, and the requirements differ between them. The maximum cargo weight controls how much we can fill a 40-feet container – and we need to consider both weight and volume in a 20-feet container.

Based on our proprietary market research with customers and optimising the shipments, we can make suggestions on the quantities of each order. As a result, we now utilise 88 per cent of the space in the containers we send, compared to less than 80 per cent before we started this project in 2010. The optimisation is carried out by our forklift drivers at the warehouse in Åhus.

They can modify the cargo load by adding or removing layers of cases from the pallets with a clamp truck. For example, a driver can stack an extra layer of cases on each pallet when loading a 40-feet, and as a result can load 28 cases instead of 22, while still meeting the required weight. And when it comes to 20-feet containers, we typically load 21 to 24 pallets. We can rearrange the height so that every other pallet is nine cases tall and still within limits for weight and volume.

WE STRIVE TO BE PROGRESSIVE AND MAKE CHANGES FOR THE BETTER. WE ARE CONSTANTLY LOOKING TO IMPROVE THE WAY WE RUN THINGS TO BE MORE CLIMATE-FRIENDLY AND SET A GOOD STANDARD FOR THE INDUSTRY



Harri Tossavainen

Warehouse and Distribution Manager, The Absolut Company

A LIGHTER OPTION FOR SHIPPING

Today, several businesses within the Pernod Ricard Group use slip sheets or a blend of slip sheets and wooden pallets. However, most companies in the industry still use traditional wooden pallets and wrap their pallets in plastic.

So-called slip sheets are made from layers of paper which are much thinner and lighter than wooden pallets. They have a tensile strength of 3000 kg while only weighing 1 kg – a dramatic difference compared to a standard wooden pallet with a height of 150mm and weighing 25 kg! They are also reusable.

We use slip sheets to load containers going by boat – and they account for 90 per cent of our shipments. This means we are saving on average 600kg of

weight per container, around 40 extra cases (of 6 or 12 bottles), when compared to using traditional wooden pallets.

This optimisation cuts our environmental impact by 250-270 containers each year – or 4-4,5 million kg less cargo weight.

We now have a fossil-free fuel reach stacker. Put into use in November 2021 and powered by an eco-engine from Volvo, with a stop/start function, it is saving about 25 per cent in fuel consumption – the same as in many cars today. We run it in eco-mode and on biodiesel HVO (hydrotreated vegetable oil), which makes it completely fossil free. What's more, we have also swapped all internal cars at the facility for electric vehicles.

That's not all. Loading our containers in a way that doesn't require stretch reduces our plastic usage by approximately 45,000 kg per year.

The drive to optimise continues. Our goal is to increase our cargo load capacity from 94 per cent and cut the number of containers and trucks we dispatch even more. Health and safety are very important to us and we have started an initiative called Project Layerpicker, which will help us load the containers without putting too much physical and manual strain on the operators.



UPPING THE ANTE ON PLASTIC WASTE

Through innovation and collaboration, Malibu is driving the plastic waste reduction agenda.

We have been exploring ways to improve the use of plastic in packaging by looking to cut waste and increase the amount of recycled plastic in our bottles ever since we made our glass bottles lighter several years ago.

Plastic is a great vessel for protecting food, liquid and all kinds of consumer goods. It doesn't have to be the demon it is often perceived to be, but we do need to make sure that there is a recycling infrastructure in place to build a circular economy.

"Four years ahead of plan, Malibu has achieved its goal of using at least 25 per cent recycled plastic"

Progress is being made. As signatories to the New Plastics Economy, an initiative of the Ellen MacArthur Foundation (the charity inspired by the world-renowned sailor to create a circular economy), Pernod Ricard set out its stall to have at least 25 per cent recycled plastic in its packaging by 2025. Malibu not only met the target four years ahead of plan, it beat it. Today, Malibu bottles are made with 30 per cent recycled plastic.

With a certificate from the foundation in hand, our challenge now is how to drive the 30 per cent percentage of recycled content higher. The answer

could lie across the pond. As it stands, the manufacturer of Malibu's PET bottles buys all of its recycled plastic from Asia, where it is readily available. Most of our plastic packaging is sold in the US where the amount of recycled plastic content has been historically low due to a lack of

recycling infrastructure. But there are signs of an improvement and we are currently exploring ways to get ahead in the US.

Our sustainability plans at Malibu, include a partnership with Plastic Bank to support a plastic recycling ecosystem in the Philippines (the world's third-biggest

**WE LOVE SUMMERS.
WE WANT TO PROTECT
SUMMERS FOR
FUTURE GENERATIONS
TO COME.**



Alexander Klismo
Global Brand Manager

contributor to ocean plastic) while improving the lives of local communities at the same time. Such has been the success of our collaboration with Plastic Bank, we have just extended our partnership by another year.

The concept for Plastic Bank is simple. It recruits local people as collectors to gather plastic waste to be recycled directly from local beaches, riverbanks, neighbourhoods and households. The collectors get paid for the plastic they retrieve, providing them with an income, while tonnes of plastic are prevented from entering the ocean. In the case of our collaboration, it's the equivalent of five million single-use plastic bottles.

THE FUTURE OF PACKAGING

Over the past year, we have embarked on various initiatives and collaborations as we continue to look for alternative solutions to challenge the idea of packaging as we know it.

REDUCING WASTE IN ASIA

Our owner, Pernod Ricard has partnered with ecoSPIRITS, a low carbon, low waste spirits distribution technology provider, to pilot an innovative closed-loop distribution system in Hong Kong and Singapore. Absolut Vodka, along with other Pernod Ricard brands Beefeater London Dry Gin and Havana Club Rum are aiming to reduce waste and carbon emissions by transporting their product to bars in bulk and using reusable containers five times bigger than 75cl bottles.

TWO INITIATIVES, ONE GOAL

We are continuing our partnership with Paboco and the pioneering community of global brands to develop a fully recyclable, 100 per cent bio-based wood fibre bottle, “Absolut Paper”. Over the past year, we’ve taken significant steps towards our goal and have conducted successful tests using Absolut Vodka original as the wet goods. In parallel, we are exploring another paper bottle for the Malibu brand, there is nothing like some healthy competition to drive innovation.

A RECYCLABLE FIBRE CAP

Working with the Glatfelter Corporation, a leading global supplier of engineered materials, Swedish-based Blue Ocean Closure (BOC) and plastic packaging company Alpha Group, we are developing an innovative natural fibre-based screw cap for Absolut Vodka bottles. These uniquely designed caps are made from air-laid material that is formed, reeled, transported and pressed, resulting in a cap that is ocean biodegradable and recyclable.

With more than 80 bars across Hong Kong and Singapore involved in the pilot, the initiative will reduce Carbon emissions from packaging and distribution by an estimated average of 60 per cent.



Elin Furelid

Director Portfolio and Innovation, Absolut Vodka

Although different brands are pursuing different projects, they share the same overarching aim. We see great potential in each initiative – and once we have tested, scaled and produced an Absolut Paper bottle, we will aim to get it into the hands of consumers.



Louise Werner

Director Future Packaging, The Absolut Company

We plan to launch our natural fibre-based screw cap commercially in 2023, Blue Ocean Closures has already been nominated as a finalist for a 2022 Packaging Europe Sustainability Award.



Eric Näf

Director Packaging Development, The Absolut Company



RESPONSIBLE HOSTING

RESPONSIBLE HOSTING EMPHASISES THE SOCIAL DIMENSION OF OUR PRODUCTS. YOU MEET AND SHARE WHAT IS ON YOUR MIND AS WELL AS DRINK – AND IT SHOULD BE DONE RESPONSIBLY. IT'S AS SIMPLE AS THAT.



Paula Eriksson

VP Corporate Affairs & Communications, The Absolut Company

We want to ensure that our brands are enjoyed responsibly. Creating conviviality requires us to help adult consumers make responsible choices about whether and when to drink alcohol, and if they do so, in quantities that respect levels of moderate consumption.

Expectations of companies regarding public health have increased as the UN's Social Development Goals (SDGs) have risen to prominence. Drink companies are drawn into the debate and our responsible drinking initiatives are directly linked to SDG 3 regarding good health and well-being and SDG 17 on partnerships. We develop responsible drinking campaigns and programmes on our own and with partners to inform consumers and our employees about the risks of excessive drinking.



RESPONSIBLE DRINKING IS OUR RESPONSIBILITY

We have never been afraid of pushing boundaries to stand up for what is right – we have an important role to play in reminding people about drinking alcohol in moderation.

WE LOVE OUR PRODUCTS. CREATING CONVIVIALITY AND BEING IN EACH OTHER'S COMPANY ARE IMPORTANT TO US. IT IS ABOUT SETTING THE RIGHT NORMS AROUND ALCOHOL. WE WANT PEOPLE TO ENJOY OUR PRODUCTS RESPONSIBLY AND STYLISHLY.



Paula Eriksson

VP Corporate Affairs & Communications, The Absolut Company

We take our role as an ambassador for responsible drinking, and the part it can play in combating the harmful use of alcohol, very seriously. It is why responsible hosting forms part of our core CSR strategy – a strategy that embraces campaigns and programmes that inform both consumers and employees about the risks of excessive drinking.

Responsible hosting sets the standards for what the company believes is acceptable by encouraging responsible behaviour through advertising and partnerships and collaborations.

In recent years, Absolut has run several successful campaigns playing on a “hashtag responsibly” phrase, including #SexResponsibly #LoveResponsibly and #MixResponsibly. Our hashtag ads promote responsible behaviour – that you cannot use alcohol as a tool or an excuse for abuse. For instance, our #MixResponsibly drive was launched post-Covid as social restrictions were eased and people were once again socialising in bars and restaurants. We wanted everyone to be careful and respectful amidst all the enthusiasm of being able to meet up with friends again.

Sweden has one of the lowest numbers of road deaths per capita in the world, and our maternal care is very good. So, we focus our local efforts on preventing under-age drinking. This is where we

believe our investment can make a difference.

In collaboration with the Swedish Spirit & Wine Suppliers Association and the Swedish Brewers Association, TAC helps to fund the Prata Om Alkohol (PoA), Talk About Alcohol, programme. This school initiative helps teachers talk to their students about alcohol, and the risks that come with misuse. We also support Fryshuset and its initiative Frysbox youth inclusion project, run by former Swedish martial arts world champion, Pernilla Johansson, which aims to prevent teenagers from drinking alcohol by building their health and self-esteem.

STRIKING OUT TO SUPPORT YOUNG PEOPLE

The Absolut Company has supported Fryshuset's Frysbox initiative for several years. The support goes to activities aimed at preventing under-age drinking. Located in four cities across Sweden, classes are oversubscribed as waiting lists grow for young people, particularly girls, looking for guidance and support.

Frysbox is a collaborative effort between Fryshuset, one of Europe's largest youth organisations, and different martial arts associations. It aims to unlock self-confidence in young people so they can make positive choices and realise their potential. The initiative is an ideal fit for us, as research shows that boosting young people's self-esteem and confidence helps delay their first use of alcohol – and that a good level of self-worth will counteract destructive behaviour in general.

Rooted in martial arts, the initiative focuses on respect, body control, and cooperation. Each session includes an hour of physical activity and an hour of coaching from adult role models including its founder Pernilla Johansson, martial arts world champion and former police officer.

The results are very encouraging. Participants say they feel confident in being themselves and are mentally and physically strengthened. Those with different neurodevelopmental disorders feel they are allowed to be themselves – and feedback from parents is extremely positive.



100%
OF PARTICIPANTS SAID THEIR SELF-ESTEEM HAD INCREASED



THE SUPPORT WE GET HELPS US CONTINUE THIS PROJECT MAKING A DIFFERENCE IN MANY YOUNG PEOPLE'S LIVES. WE WANT TO KEEP THE TUITION FEE LOW, MAKING OUR PRACTICE AVAILABLE TO THOSE WHO MIGHT NEED IT THE MOST. IT'S WHY WE NEED SUPPORTERS LIKE THE ABSOLUT COMPANY, WHO BELIEVE IN US AND TRUST US.



Emma Södergren Wall
Fryshuset



DRINKING RESPONSIBLY AT HOME

Absolut Home brings to life the story behind a historic spirit and lets visitors learn the mastery of shaking up a real Cosmopolitan but all in a responsible way. For example, we use pouring measures and we never allow guests to serve themselves. Our bar always offer an alcohol-free alternative and guests of our cocktail classes and our bar are served water alongside their drink.

We are conscious of being responsible towards younger people. Under-18s can only participate in a tour if they are accompanied by an adult and our responsible drinking message forms part of the tour script. People underage cannot participate in a drink mixing session.

**ABSOLUT HOME IS A VERY IMPORTANT EMPLOYER
IN ÅHUS. FOR MANY YOUNG PEOPLE, THE
HOSPITALITY INDUSTRY IS THEIR FIRST JOB AND
FOR SOME, WE ARE THEIR FIRST EMPLOYER.
IT IS, THEREFORE, IMPORTANT THAT WE ARE A
ROLE MODEL FOR THEM ON HOW A SERIOUS AND
RESPONSIBLE EMPLOYER SHOULD ACT.**



Kenneth Hoffström
Site Director, Absolut Home

RESPONSIBLE HOSTING GOES DIGITAL

A new pioneering digital label system will better inform consumers about the products they purchase as well as responsible drinking.

In a pioneering move, Pernod Ricard has launched a new labelling system that will mean that by 2024, every bottle of the TAC brands will carry its own QR code on its back label. Once scanned with a smartphone, consumers will be directed to a web landing page where they will be able

to find more information about the company's products including ingredients, calories, health and local responsible drinking guidelines – all in their own language.

The new labelling system includes the addition of two warning logos on its packaging against underage drinking and drunk driving, complementing its pre-existing warning logo against drinking when pregnant.



Pernod Ricard
Créateurs de convivialité

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Pernod Ricard launches a pioneering global digital label solution to foster responsible consumer choices

As a company committed to responsible drinking, this new digital label system strives to respond to our customers' evolving needs. Now more than ever, consumers want to know what is in their drinks. Thanks to digital technology, this information can now be accessed easily.

[READ ARTICLE](#) ▾

RESPONSIBLE MARKETING

In the digital age, we have a huge responsibility to ensure that we are marketing our products to the right people in the right way.

There are, of course, certain regulations and codes we have to follow to ensure that we are advertising our brands responsibly. We work very closely with our legal team all the way through the process – from creative to production –

to keep us in check. Once finished, we share all marketing material with the Pernod Ricard Responsible Marketing Panel, which makes sure that we are not creating material with a primary appeal to minors or that encourages irresponsible drinking.

There are technicalities that we need to adhere to. There are two-second notices at the start of all videos, for instance, so

we can make people aware that the content they are about to view is alcohol-related. And we need to be mindful of where we promote our brands, ever so important in a world of abundant digital access – we mustn't be present on social media channels where the primary demographic can be underage.

ALCOHOL CAN BE FUN IF ENJOYED RESPONSIBLY BUT IT CAN HAVE SERIOUS HEALTH RISKS AND CONSEQUENCES FOR PEOPLE AND THEIR LOVED ONES IF MISUSED. AND BOTH WE AND CONSUMERS NEED TO BE REMINDED OF THAT.



WITH REGULATORY CONSTRAINTS COMES GREATER CREATIVITY – IT PUSHES US TO BE MORE CREATIVE WITH BOTH OUR CONTENT AND ADVERTISING



Ylva Lundberg
Marketing Manager, The Absolut Company

DIGITAL MARKETING CHECKLIST:

- Share all marketing material with the Pernod Ricard Responsible Marketing Panel
- Follow the Code for Commercial Communications
- Ensure we have 'age gates' on all websites and social media channels
- Responsible drinking messages on all content, with links to alcohol misuse organisations

GOVERNANCE





DRIVING POSITIVE, SUSTAINABLE OUTCOMES ACROSS THE VALUE CHAIN REQUIRES INTEGRITY, TRANSPARENCY AND ETHICAL CONDUCT WITHIN OUR BUSINESS.



Lars Ljungholm

VP Legal Affairs and General Counsel, The Absolut Company

ETHICAL CONDUCT

Pernod Ricard is transparent around its positions on key issues, with policies available for all to access on its website.

All employees are required to comply with the Pernod Code of Business Conduct and related policies to enable them to make informed decisions. Training in the Code is mandatory for the onboarding process and includes facts, examples and test questions.

We support a culture of speaking up without fear of retaliation against those who report actual or suspected breaches of any rules related to business conduct, compliance or ethics matters contained within the Code or provided by any legal, accounting or regulatory requirements, policies and standards. Employees, contractors, suppliers or any other stakeholder can flag any concerns in the Pernod Ricard secure Speak Up system where concerns can be raised locally or globally. Managed by an independent service provider, this tool can be used anonymously (where permitted by law) and is available in relevant languages via telephone or through the internet-based message interface, 24 hours a day, 7 days a week. The Absolut Company will investigate any concern raised in good faith.

ANTI-CORRUPTION

An important part of our approach to ethical conduct is taking action against corruption, bribery and unethical business practices. The Code of Business Conduct and related policies, such as the Group Anti-Bribery Policy, outline our procedures around anti-corruption, competition law and insider trading.

As per last year, we have had no reported incidents of corruption or bribery.



RISK MANAGEMENT

Identifying and managing environmental and social risks across our value chain is critical to our Sustainability & Responsibility strategy. We follow Pernod Ricard's robust risk management system, while also applying our own processes to assess risks specific to our company, from the production of raw materials to transportation and waste management. The social risks have largely been identified at the cultivation and production stages of our key ingredients in developing countries and we have also identified health risks at the consumption stage of our final products. To further help suppliers reduce their own risks and/or in selecting suppliers, we partner with EcoVadis.

[FIND OUT MORE IN THE PERNOD RICARD INTEGRATED ANNUAL REPORT ↗](#)

S&R GOVERNANCE MODEL

Sustainability and responsibility at the Pernod Ricard group level are overseen by the Board of Directors and its dedicated committee. It spans all central functions of the business, with taskforces dedicated to issues of material significance.

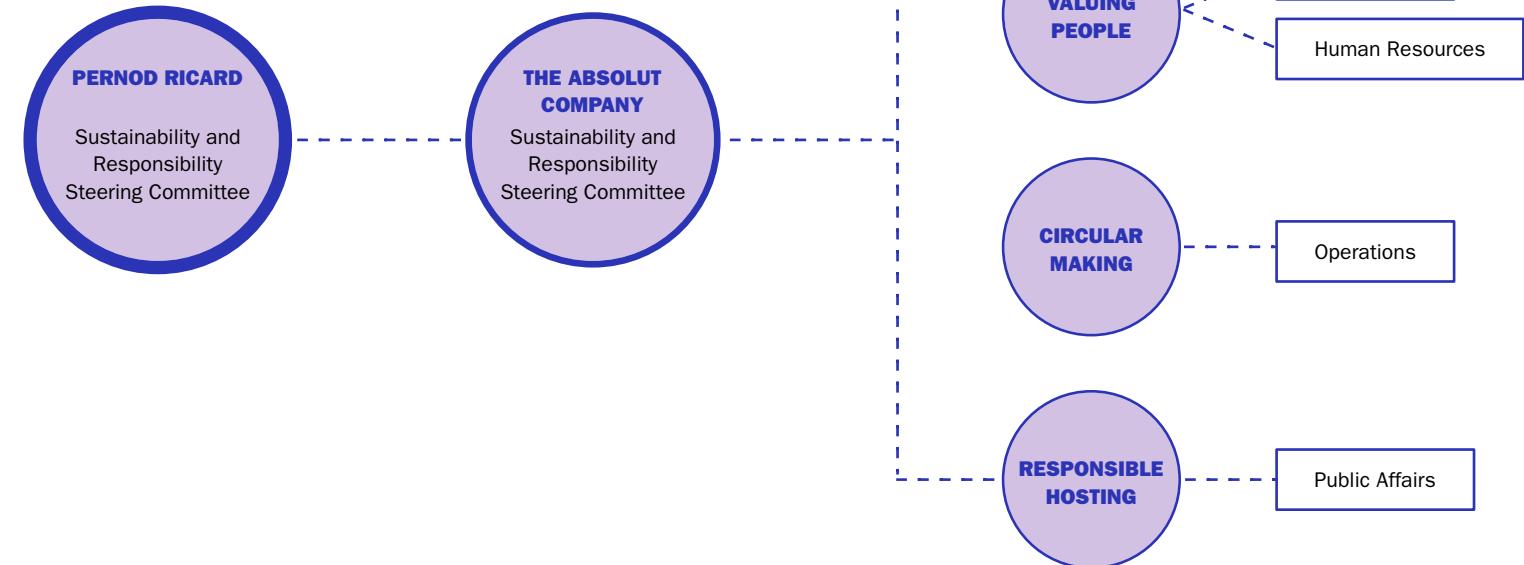
At The Absolut Company, sustainability and responsibility have the oversight of senior management, supported by operation experts. In FY20/21, we reinstated the sustainability and responsibility steering committee comprising our CEO, Chief Finance Officer and VP of Operations, Legal Affairs, Corporate Affairs and Communications and Human Resources, as well as Heads of Marketing and experts from across our operations and communications functions.

We ensure that we have the right expertise, structure and engagement in place to drive progress against targets

and action plans. The team is supported by cross-functional action groups on key topics.

Our work on sustainability and responsibility is also connected to our ways of working in our everyday operations. Many aspects are governed

within our management system in the Absolut Vodka production facilities, certified according to ISO 14001, ISO 50001, ISO 45001.



RESPONSIBLE SUPPLY CHAIN

Our suppliers play a vital role in ensuring we have a positive impact on the planet, the people and the communities we work with and depend upon.

By working together, we can create stronger business relationships. For example, we have a 40-year partnership with the Ardagh Group, our glass supplier and are working collaboratively to reduce the CO₂ emissions from glass production, which is one of the largest parts of our carbon footprint.

Recognising that there are differences in laws, customs and economic conditions that affect business practices around the world, we apply the Pernod Ricard Supplier Standards to all direct suppliers. That Standard covers Labour & Human Rights, Health & Safety, Environmental Impact, Integrity & Fair business practices, and Responsible Drinking. In turn, our suppliers must also ensure that the standard is observed by subcontracts.



WE WORK CLOSELY WITH ALL OUR SUPPLY PARTNERS AND IT'S BECAUSE OF OUR LONG-STANDING RELATIONSHIPS THAT WE REMAIN ON TARGET TO ACHIEVE OUR AMBITION



Anna Schreil
VP Operations, The Absolut Company



The Absolut Company
Pernod Ricard