

2023

E&A Scheer ESG Strategy



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EAS

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E&A Scheer values and drivers

E&A Scheer plays a pivotal role in the global rum industry. As one of the largest buyers of bulk rum and as a global supplier of Rum as an ingredient we have the intention to further use and expand our leadership in various ways. We feel the responsibility to act within our means with regards to Environmental, Social and Governance (ESG) related issues in the supply chain. For years, the core values of the company have been Excellence, Respect, Integrity, and Resourcefulness. Based on these long standing and deeply integrated values all members of the Scheer team feel we can make a significant and sustainable impact within our supply chain. We like to guide all employees and stakeholders in our value chain to act in line with these principles. Our Corporate Social Responsibility (CSR) policy mission established as early as 2012 also referred to this mission: *E&A Scheer wants to be “the leading example in our supply chain for transparent and socially responsible business and to motivate others to join this movement”*

We feel the responsibility to take action within our means with regards to Environment, Social and Governance (ESG) related issues in the supply chain. We aim to leverage our liaison position in this supply chain between producer and client/consumer to promote taking responsible action for people and planet. We want to enable efforts that work towards several UN Sustainable Development Goals and where required go beyond existing certifications. For this, it is important we anchor ESG policies within our own company whilst reaching out to others to work together on a set number of initiatives.

To do this, we have outlined our ESG mission for the next 5-10 years. Based on that mission we have set clear goals for the short, medium, and long term and defined measurable actions. It is important to realise that this is a journey towards ever better ESG policies, which will require time and team effort. Our journey to become an important ESG based Rum company will be monitored through several standards including our own supplier rating through the SEDEX platform. We have identified 3 UNSDG goals that we will build our strategy on.

MISSION

Our ESG mission is described as follows:

'E&A Scheer will take its responsibility to play a pro-active and leading role in various projects regarding ESG initiatives, whether initiated by itself or by joining initiatives by others. We aim to be transparent during this process, reporting our progress through various means so stakeholders can be aware and participate in our efforts. Our focus will be towards action related to 3 selected UN Sustainable Development Goals, being

8, 12 and 13

Fig 1 UN SDG's



SCOPES

In ESG related discussions there is often a mention of scopes the company aims to operate in.

Scope 1 includes all direct effects from the company's own business activities.

Scope 2 includes activities of those from direct suppliers such as transport companies and external storage facilities

Scope 3 is a wider scope of both suppliers and customers that are related to the life cycle of the product. In our case the suppliers of the Rum liquid for example.

Fig 3 shows a graphic depiction of this in the case of carbon emissions for which we have carried out a base line study.

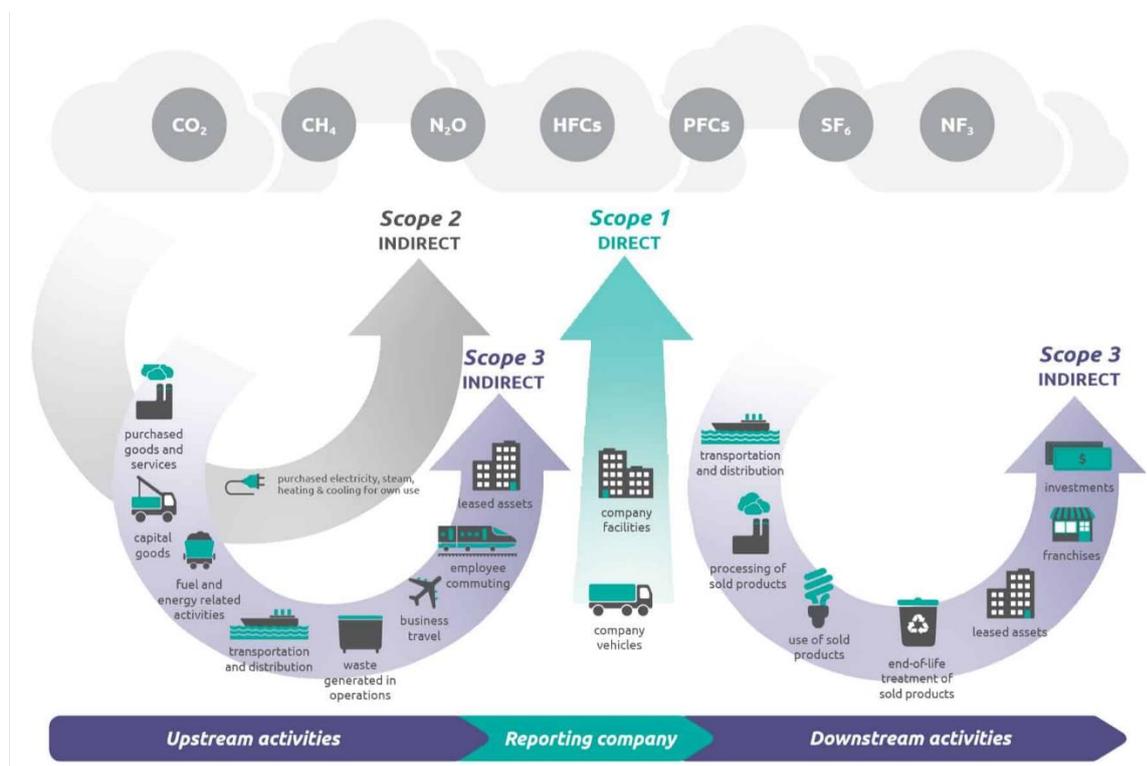


Fig 3 Scopes

ENVIRONMENT

With respect to the Environment section of our ESG strategy it is important to realise that as the entire world is affected by climate change this increasingly impacts our supply base. Producers are often located in climate disaster prone areas such as the Caribbean, Central America, Africa, and Southeast Asia. Extreme weather circumstances such as unexpected drought or heavy rain and typhoons are considered important risks. Climate change has in some circumstances led to temporary reduced output, reduced income for our partners and hence impacted their workforce. Failing sugar cane crops and heat stress due to changing weather conditions for example may directly impact some our partners.

The main focus here is that global warming a.o is exacerbated by carbon emissions. Therefore, we must set our own goals towards mitigating this global problem.

As a company we pledge to pursue the following environmental mission:

1. To be a carbon neutral company by 2027 following the program as laid out by the Science Based Initiatives (SBCi)
2. To target effective water usage and minimize waste.
3. Recycle our waste products where possible.

The following SDG goals are relevant in this respect and will form the basis for our actions:
SDG 13 and 12



SDG 13: Take urgent action to combat climate change and its impacts.

Towards this goal we will reduce our carbon footprint to gradually zero by 2027. After our initial baseline study, we will aim to accelerate this for Scope 1&2, followed by concrete actions with our partners within Scope 3. This relates also to 12.1 and 12.2

In 2022 we defined an actual emission goal to combat climate change.



SDG 12: Sustainable consumption and production is about doing more and better with less. We will explore resourceful ways to improve our own blending operation, logistics and material handling within our Scope 1&2. This involves amongst others our energy and gas usage, commuting , and production efficiency. Furthermore, we will

benchmark our current and new suppliers in terms of their sustainable production processes with a focus on energy efficiency and waste management as also described under SDG 12.

It is also about decoupling economic growth from environmental degradation, increasing resource efficiency, and promoting sustainable lifestyles.

12.1 Sustainable consumption

In terms of sustainable consumption, we will endeavour to work within our value chain to reduce wastage of both packaging and liquid. We also want to contribute to healthy lifestyle choices with a focus of reducing quantity over quality of alcoholic products. This is congruent with our policy of increasingly offering a premium quality product.

12.2 Responsible production.

With regards to responsible production in the case of E&A Scheer we have measured our impact within our own scope (1&2). By the end of 2023 solar power will generate sufficient energy to make us self-sustainable. As a backup we will only purchase green energy.

Our water usage will be scrutinized and further improved where possible.

12.3 Water waste management

For our scope 3 responsible production we aim to target projects relating to wastewater (effluent or vinasse) management resulting from the distillery process. Not only can the effluent form an obstacle for further growth of a particular distillery, hence impacting its economic viability, but it could also be a source of water pollution of both ground water and surrounding rivers if not handled responsibly.

Positively, the effluent is rich in several important minerals such as potassium (salt), nitrogen and phosphor. Various bigger distilleries have taken steps to control this through concentration of the effluent and use it as a fertiliser for the cane fields creating a circular loop. For others this is difficult as the effluent may contain too much salt or acid and technological solutions need to be found to reduce these components further for an efficient use. E&A Scheer would like to enable transfer of knowledge between parties to promote a useful and circular usage of water used in the distillery process and support those that have not yet been able to find an adequate solution.

12.4 Responsible energy usage.

As Rum distilleries generally have a high need of energy (both electricity and gas) it is important to work with our suppliers to reduce this as much as possible. A big benefit could be that the by-product of the sugar cane pressing is 'bagasse' the extracted cane. In some sugar processing facilities and distilleries, the bagasse is burned in an oven, the heat of which is translated to steam and through the steam turbines electricity is fed back to the operation. Some factories are even able to feed back to the grid and as such are renewable energy producers themselves. We like to identify origins and factories where the same can be supported and as such help them to become an energy neutral production facility.

12.5 The CO2 emissions

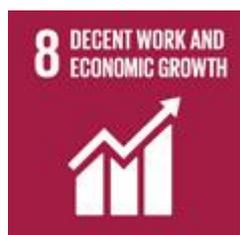
These emissions from a Rum distillery can be collected and then captured using a freezing installation. The CO2 becomes a liquid that again can be sold to the beverage industry. As such distilleries can become practically carbon neutral. We want to learn and promote transfer of knowledge between various origins to make such investment a reality where this is not yet the case.

SOCIAL

With regards to the Social section of our ESG strategy, it is important to note that E&A Scheer has already incorporated various social policies within its core values. This includes Integrity and Respect and a strong sense of a Scheer ‘family culture’. To further enhance and support these values we want to set some additional targets to become an even more inclusive company and an Excellent employer and value chain partner.

The company pledges to be transparent towards all our stakeholders and have respect for equality, without distinction of any kind. This concerns, but is not limited to, race, gender, language, sexuality, religion, political opinion and national origin. We like to stimulate our employees to improve their skills and personalities through education. We want to work with our upstream supply chain partners to ensure the workforce is treated well and has access to basic education where needed.

The following SDG does apply: 8



[Goal 8 | Department of Economic and Social Affairs \(un.org\)](https://un.org/sdgs/8/)

SDG 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

Towards this goal we aim to have a development-oriented policy that will stimulate our employees’ skills development through inhouse and external training with clearly monitored growth paths even if that means within their current role.

Furthermore, we will support efforts within our supply chain to paying fair prices that should benefit the ultimate blue-collar workforce. In close cooperation with our suppliers, we will look for projects (e.g. FairTrade, Bonsucro) that ensure such benefits reach their ultimate goal.

We aim to measure and monitor any signs of forced labour, child labour and human trafficking in our supply chain. We want to ensure secure working environments for all workers, be it in our own facilities or those of our suppliers and clients. To do this we will have to independently establish proof that no such activities exist within our direct supply chain. This study will be finalised before end of 2023

GOVERNANCE

The way the company is governed is important to both financial stakeholders, employees and other important stakeholders alike. Within E&A Scheer already many policies are in place to offer transparency and risk management to work in the interest of its shareholders. We have introduced a Code of Conduct and have various HR policies to guarantee a safe working environment for all staff. The following topics are the most relevant in this respect.

Codes of business conduct addresses business ethics and whether the company's code of conduct and compliance practices are designed to prevent bribery and corruption in the organization. Companies active in countries with weak anti-corruption laws are exposed to additional reputational and legal risks. At E&A Scheer we have implemented a Code of Conduct as of 2022 as part of our ESG journey but mostly to reconfirm the values we already adhered to in practice.

Risk and crisis management examines the effectiveness of the company's risk management organization and practices, including the independence of risk management from business lines as well as the identification of long-term risks, their potential impact, and the company's mitigation efforts. Through various independent audits of our shareholders (Liberty Advisor Group) including topics such as GDPR and cyber security it was confirmed that we apply best practices, whilst we strive for continued improvements.

Supply chain management is becoming increasingly important as companies expand to operate on a global level. When a company outsources its production, services, or business processes, it also outsources its own corporate responsibilities and its reputation. Companies need to have strategies in place to manage the associated risks and opportunities posed by their supply chain. Through the registration of our core suppliers on the SEDEX platform we have mapped potential risks and are able to address these in direct relation with the suppliers.

The tax strategy criteria examines the degree to which the company has a clear policy on its approach to taxation issues and an awareness of the extra-financial risks associated with the company's tax practices. Through our yearly audits and supported by independent advisory memos we are confident to meet all criteria in this respect.

The materiality score aims to assess the company's ability to identify the sources of long-term value creation, understand the link between long-term issues and the business case, develop long-term metrics, and transparently report these items publicly. Our track record shows we are able to continuously identify long term strategies that benefit the bottom line of the company as well as create value for our partners in the value chain.

The policy influence criteria valuates the amount of money companies are allocating to organizations whose primary role is to create or influence public policy, legislation, and regulations. Companies are also asked to disclose the largest contributions to such groups. At E&A Scheer we do not donate any funds to any public organisation but rather seek cooperation for the benefit of the greater community.

Impact measurement and valuation strives to assess whether companies have business programs for social needs, such as strategic social investments, and if they are measuring and valuing their broader societal impacts with metrics. Companies need to analyze the

impacts of externalities that are not currently reflected in financial accounting, but which, over time, may have the potential of becoming priced in.

During 2022 we have further enhanced our internal social development programs including more formal training on the job such as the Rum Blender Training Program, as well as external training and courses. An internal confidante is available at all times for staff to be speak openly about any issues that may occur. Our Code of Conduct and Personnel Manual already show the companies determination to ensure the well-being our of our staff, including Health and Safety

As of 2023 we are in the final steps of mapping the social needs of our partners through the SEDEX platform and in discussions to support social programs in some of the origins we source our raw material. Further details will be made available once these have materialised.