



Qualifying Explanatory Statement

First Period: January 1st, 2019, to December 31st, 2019.

5th Generation
Single Family Estate

Naturally Aged
without Sugar

Global Rum Producer
of the Year (IWSC '17)

Fair Trade Certified
& Sustainably Sourced

Introduction:

This document forms the Qualifying Explanatory Statement to demonstrate that Compañía Licorera de Nicaragua, S.A. has achieved carbon neutrality for its Flor de Caña production during the period from January 1st, 2019 to December 31st, 2019. Additionally, it emphasizes its commitment to remain carbon neutral for the period starting on January 1st, 2020 and ending on December 31st, 2020. It also states a Carbon Management Plan that will take place in the following years to reduce the carbon footprint for subsequent certifications. All previously mentioned is, and will continue to be, in accordance with the PAS2060 standard.

Section 1: General Information

PAS 2060 Requirement	Client Response
Entity making PAS 2060 declaration:	Compañía Licorera de Nicaragua, S.A. (CLNSA)
Subject of PAS 2060 declaration:	Flor de Caña (product)
Description of Subject:	Flor de Caña is CLNSA’s main rum brand, which has achieved multiple international recognitions, such as “The Best Rum Producer in the World 2017” by the International Wine & Spirits Competition and the “Best Rum Distillery 2019” by the International Rum Conference. In addition, Flor de Caña production has demonstrated its commitment to the environment by achieving prestigious sustainability certifications: Bonsucro, Fair Trade, and ISCC Plus.
Rationale for selection of the subject:	The scope and subject include all emissions derived from the Flor de Caña production, distribution, sale and end of life (cradle-to-grave), with the final goal of offsetting these emissions to produce Carbon Neutral top-quality premium rums.
Type of conformity assessment:	Independent 3 rd Party Certification
Baseline date for PAS 2060 programme:	January 1 st , 2019 – December 31 st , 2019
Individuals responsible for evaluation and provision of data necessary for declaration:	Álvaro Martínez – Chief Operations Officer Tomás Cano – Operations Manager Elianne Peñalba – International Operations Manager Ernesto Bravo – Process Engineer Ariana Sáenz – Integrated Management Systems Coordinator

Section 2: Declaration of Achievement of Carbon Neutrality

PAS 2060 Requirement	Client Response
Declaration of achievement:	Carbon neutrality for Flor de Caña was achieved by CLNSA in accordance to PAS 2060 for the period starting on January 1 st , 2019 and ending on December 31 st , 2019. This was certified by Carbon Trust Assurance on April 20 th , 2020 (estimate date).
Recorded carbon footprint of the subject during the period stated above	24,883.184 (tCO ₂ e)
Carbon footprint reduction target for period	N/A
Location of GHG emissions report supporting this claim:	Section 4
Location of the Carbon Footprint Management Plan:	Section 5
Location of the details describing the carbon offsets:	Section 5
Location of the details describing internal reductions achieved (recertification)	N/A
Name of Senior Representative	Senior Representative Signature
Name: Álvaro Martínez Salvo Role: Chief Operations Officer Date: April 20 th , 2020	

Section 3: Declaration of On-going Commitment to Carbon Neutrality

PAS 2060 Requirement	Client Response
Declaration of on-going commitment:	CLNSA commits to remain Carbon Neutral in accordance to PAS 2060 for the period starting on January 1 st , 2020 and ending on December 31 st , 2020.
Location of the Carbon Footprint Management Plan:	Section 5
Name of Senior Representative	Senior Representative Signature
Name: Álvaro Martínez Salvo Role: Chief Operations Officer Date: April 20 th , 2020	

Section 4: Carbon Footprint Breakdown

All emissions generated during Flor de Caña production are described more precisely throughout this section. Greenhouse gasses emitted during the production process are classified in 8 main categories: agriculture, alcohol production, aging, blending and bottling, packaging, transport, and end of life. The carbon footprint was calculated using a recognized methodology that was based on the following documents:

- PAS 2050: 2011 – Specification for the assessment of the life cycle greenhouse gas emissions of goods and services
- Product Carbon Footprint Protocol (parts 1 & 2)
- The certification requirements of the Footprint Expert™ Guide – version 4.4.1

Something particular about Flor de Caña production process is that alcohol production from sugarcane is done with 100% renewable energy coming from the use of bagasse, the fibrous part of the sugarcane, as a fuel; this not only generates all the energy required for the alcohol production process, but also generates additional energy that is available for the national grid. Furthermore, the carbon dioxide generated during the fermentation process is captured and sold to carbonated beverage bottlers. These two actions create a positive impact on the product carbon footprint as it easily noticed in the following chart:

GHG Emission	Description	1 st of January 2019 to 31 st of December 2019 (tonne CO ₂ e)	Percent of total footprint
Agriculture	Emissions from Sugarcane production including seed plantation, fertilizers, agrochemicals, energy, and water consumption.	5,146	20.6%
Alcohol Production	Emissions from sugarcane processing to produce alcohol, the raw material for rum production.	-20.96	-0.1%
Aging	Emissions arising from the process of alcohol aging in oak barrels.	2,442	9.8%
Blending and Bottling	Emissions coming from energy consumption required for rum blending and bottling.	2,197	8.8%
Packaging	Emissions generated by the different packaging materials used for rums.	10,233	41.1%
Transport	Emissions coming from fuel consumption of transport vehicles used to deliver Flor de Caña to many geographical regions.	4,802	19.3%
End of Life	Emissions including process waste and recyclable materials.	84.99	0.3%
TOTAL		24,883	

Section 5: Carbon Management Plan

PAS 2060 Requirement	Client Response
Statement of commitment to carbon neutrality for the defined subject	CLNSA emphasizes its commitment to remain Carbon Neutral for Flor de Caña production during the period from January 1 st , 2020, to December 31 st , 2020. This will be certified by Carbon Trust Assurance.
Timescale for achieving carbon neutrality	Through the use of offsets, carbon neutrality will be achieved in April 2020
Targets for GHG reduction for the defined subject appropriate to the timescale for achieving carbon neutrality	<ul style="list-style-type: none"> • Packaging • Electricity Consumption • Offsetting
Planned means of achieving and maintaining GHG emissions reduction including: <ul style="list-style-type: none"> • Assumptions made and any justification of the techniques and measures to be employed to reduce GHG emissions; • [Optional] Where historical reductions are to be taken into account, the period over which those reductions are to be calculated and confirmation that the necessary data is available and that calculation is to be undertaken using precisely the same methodology as that to be employed to assess and calculate future reductions; 	CLNSA plans on reducing the carbon footprint of the Flor de Caña production process through different means. First, the company plans to install solar panels to reduce part of the energy consumption from the grid by green energy generated by photovoltaic cells. To quantify the amount of energy generated by the solar panels, CLNSA has just acquired an energy management software that quantifies the energy consumed from the grid at all times. Therefore, when the solar panels are installed, the amount of energy they are saving will be easily identified. Second, CLNSA plans on reducing the weight of the bottles and caps used for the Flor de Caña products, in turn reducing the material used for producing these (glass and aluminium). This will reduce the emissions coming from Packaging, which is currently the area with most impact on the total emissions of Flor de Caña.
If the entity has made offsets and achieved carbon neutrality to-date, a description of these offsets should be provided here. Information should include: <ul style="list-style-type: none"> • Which GHG emissions have been offset; • The type of offset and projects involved; • The scheme through which the offsets were made; • The number and type of carbon credits alongside the time period over which the credits were generated and the date(s) of their retirement. 	CLNSA generated CERs through the Clean Development Mechanism (CDM) by using a Biodigester, which took the wastewater generated in the production of alcohol and treated it anaerobically to produce methane, which was combusted to substitute the consumption of fuel oil and electricity used in the production processes. (Project 0675). The Biodigester operated from 2003 to 2010, and generated 396,571 CERs during that time. 284,888 CERs were sold to a European government through an ERPA (Emissions Reductions Purchase Agreement), and 111,683

PAS 2060 Requirement	Client Response
	CERs are in the CDM Registry. 24,883 of these 111,683 will be used to offset the emissions generated during 2019.
<p><i>The offset strategy to be adopted to meet the achievement to carbon neutrality element of PAS 2060. This should include:</i></p> <ul style="list-style-type: none"> • <i>An estimate of the quantity of GHG emissions to be offset;</i> • <i>The nature of the offsets;</i> • <i>The likely number and type of credits.</i> 	<p>CLNSA has offset the emissions from Flor de Caña production during the period from January 1st, 2019 to December 31st, 2019. The emissions for this period were 24,883.184 metric tons of CO₂e. These emissions were offset using Carbon Emissions Reductions (CERs) credits that CLNSA owned from a previous project (Project 0675 : Vinasse Anaerobic Treatment Project - Compañía Licorera de Nicaragua, S. A. (CLNSA)). These credits were certified by the Clean Development Mechanism (CDM) back in 2014. There was a total of 111,683 metrics tons of CO₂ equivalent, obtained from the period from July 1st, 2008 to May 5th, 2010. The methodology used was AM0013 ver. 3 - Avoided methane emissions from organic waste-water treatment.</p>
<p><i>Statement on the fact that PAS 2060 certification has been provided by a third-party verifier. [Example Q&A statement provided here.]</i></p> <p><i>What type of conformity assessment has been undertaken?</i></p>	<p>Independent 3rd Party Certification</p>