



LION

FY13
SUSTAINABILITY
REPORT

LION'S SUSTAINABILITY

STORY



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Scope of report

The information in this report covers all Lion operations in Australia and New Zealand for the Lion financial year 1 October 2012 to 30 September 2013, unless otherwise stated. The operations of our Beer, Spirits & Wine business and our Dairy and Drinks business are detailed in the infographic on page 5. The report does not cover the operations of our parent company Kirin Holdings.

A MESSAGE FROM OUR CEO AND SUSTAINABILITY DIRECTOR

A MESSAGE FROM STUART IRVINE, CEO

I am excited to share with you Lion's 2013 sustainability story. This was my first full year as Lion's CEO and I have learnt much about the business, our stakeholders and our community during this time. We have experienced a year of highlights, challenges and changes as we have continued our long-term business strategy of investing in our core strategic assets – our people, brands, production facilities and supply chain – for sustainable growth.



We don't shy away from the fact that we are here to grow and be profitable – in fact there are significant societal benefits from us doing so – but as we pursue that growth we do so with respect for our people, our society and our environment.

An important moment in our 2013 story was the renewal of our core purpose – which is now *enrich our world every day by championing sociability and helping people to live well*. Our core purpose is our 'why'. Beyond the obvious and functional role we fulfil as a food and beverage manufacturer, it is our deeper reason for existence. It is the impact we want to have in our world. At Lion this is more than just a vision statement – it gives our people a sense of purpose and guides the strategic decisions we make as a business.

In 2013 we were proud to make a significant contribution to the Australian and New Zealand economies. Lion made a total direct plus indirect economic contribution of \$5.7 billion, an increase of \$0.7 billion from the contribution we made in FY12. For every job we created we generated an increase in employment of 3.5 jobs in both Australia and New Zealand, as the flow-on benefits of our economic activity boosted the agricultural, tourism and hospitality sectors across the Tasman.

We were able to do this while facing challenging market conditions across our business. In our Beer, Spirits and Wine businesses the market remained challenging with volumes impacted by low consumer sentiment. We have however seen a positive shift in drinking behaviour at a macro level, with consumers now drinking less but of a higher quality. We see this as a positive development for our drinking cultures and for our efforts to build value into our markets.

In Australia, we added some great international premium and craft brands to our portfolio including Corona Extra, Guinness, Kilkeny and Little Creatures and launched a first-of-its-kind at home draught innovation, Tap King. Our biggest brand, XXXX GOLD, which created the mid-strength category in Australia more than two decades ago, continued to grow and offer consumers a credible alternative when looking to moderate their alcohol intake. We believe our sustained investment in this brand and its long-term growth is a benefit for our business and for society.

In 2013 we also turned our focus to a new beer category strategy, which we have called creating a 'Vibrant Beer Culture'. Our aim is to reinvigorate interest in beer and educate consumers about the category while encouraging positive drinking behaviour – where people drink for the right reasons, appreciate a good beer, and are part of a sociable community.

We are focusing on improving our drinking culture in New Zealand as well. In 2013 we made a significant investment in reinvigorating the beer category through the industry first, Made to Match – an initiative that showcases the positives of the beer category and looks to build an appreciation of beer flavours through food matching, encouraging consumers to drink for flavour not effect. We also continued to support Cheers!, a joint initiative of the NZ Brewers Association, Distilled Spirits Association (DSA) and NZ Wine Growers that aims to help New Zealanders drink like there is a tomorrow.

Our Dairy and Drinks business is undergoing transformational change in an operating environment that is evolving rapidly. As the dairy industry consolidates we are firmly focused on executing our

OUR AIM IS TO REINVIGORATE INTEREST IN BEER AND EDUCATE CONSUMERS ABOUT THE CATEGORY WHILE ENCOURAGING POSITIVE DRINKING BEHAVIOUR – WHERE PEOPLE DRINK FOR THE RIGHT REASONS, APPRECIATE A GOOD BEER, AND ARE PART OF A SOCIABLE COMMUNITY.

plans to stabilise and optimise our business over the medium term. We continue to invest in improving efficiency, and during the year made difficult but necessary choices to boost our ability to compete and deliver sustainable growth in the longer term.

Despite these challenges it was positive to see greater acknowledgement of the value and potential of Australian dairy operations due to the increasing demand for dairy products in Asia – best exemplified by the bidding for dairy asset Warrnambool Cheese & Butter (WCB). At the time of writing this Lion has a 10% stake in WCB, which strengthens the close relationship we have enjoyed with WCB over many years.

As we now move into 2014 our approach to sustainable growth will continue to be guided by our renewed core purpose – *enrich our world every day by championing sociability and helping people to live well.* We want to grow in a way that adds value back into society and believe that aligning the growth objectives of our business with the needs and reasonable expectations of our community is not only the right thing to do, but is also how we will continue to write a sustainability story that achieves our goal of long-term, sustainable growth.

STUART IRVINE
Chief Executive Officer



A MESSAGE FROM DUNCAN MAKEIG, SUSTAINABILITY DIRECTOR

While the process of compiling our sustainability report each year is an exercise in both accountability and dialogue with the community, it also helps Lion identify challenges and opportunities for 2014 and beyond.

This report is testament to great work in every corner of our business. A blend of sustainable innovation in all facets of our business coupled with values-led policy development and advocacy means Lion enters 2014 a more sustainable business.

As I look at the alcohol and food debates we experienced in FY13, it is clear just how broad and diverse perspectives are on these issues.

At Lion we talk a lot about ‘diversity of thought’, and how we can encourage it among our own people. We know diversity of thought delivers better results.

Equally, I believe diversity of thought in the public debate about food and alcohol issues is needed.

Every contribution to the debate, including industry and Lion’s, deserves both consideration and scrutiny.

Some will argue industry cannot be objective because it is always driven by a profit motive, but this ignores the central tenets of sustainability. We see no contradiction between the long-term pursuit of profit and responsible decision-making.

We routinely forsake legal sources of revenue or add costs to our business in the knowledge this is the price we pay to be a successful business in the long term.

The reality is that no business can grow if it doesn’t have the mandate to do so from the community in which it operates. Our community has high expectations of us, and rightly so. They expect us to play a positive role in addressing these complex, whole-of-community issues and we will continue to try and be part of the solution.

We believe real progress can be made through engagement on common ground and Lion stands ready and willing to work with all its stakeholders on issues of common interest. Most of the major developments in healthy eating and drinking have been achieved with the active involvement of industry, including lower alcohol beer, reformulations and functional foods.

We intend to continue raising the bar in 2014 and will keep looking for opportunities to work with all stakeholders to do so.

DUNCAN MAKEIG
Sustainability Director



LION GROUP REVENUE APPROXIMATELY \$5b



OUR BUSINESS



CORE PURPOSE

Enrich our world every day by championing sociability and helping people to live well

VALUES

Integrity, Achieving Together, Sociability, Wellbeing, Passion

TOTAL NUMBER OF PEOPLE **10,471****



OPERATIONS*



HISTORY



*This overview does not include sites within the Lion network that are currently operational, however have been announced for closure.

**This figure includes the following types of people employed at Lion: casual, fixed full time, fixed part time, permanent full time and permanent part time, and 450 external contractors.

MATERIALITY

TRUSTED BUSINESS PARTNERS

RESPONSIBLE
BUSINESS
PRACTICES

SUPPLY CHAIN SUSTAINABILITY

ENVIRONMENTAL
STEWARDSHIP

BUILDING AND
SUSTAINING A CULTURE
OF ACHIEVEMENT
AND PASSION

We recognise the importance of listening to the needs and concerns of our stakeholders when making business decisions – it's part of our culture and reflects our desire to meet the reasonable expectations of our community and grow our business sustainably.



Moreover, understanding the needs and concerns of our stakeholders means we can respond to what really matters to them and document this in a quality and reliable report, aligned with the Global Reporting Initiative's (GRI) G4 Guidelines.

How do we know what matters to our stakeholders?

WE ASK THEM.

In FY12 we conducted our first ever Corporate Reputation study, which provided us with compelling insights into what our stakeholders thought about us. This study is conducted every two years and during 2013, preparations began for the next iteration. Surveys were sent to every stakeholder group in our community in February 2014. Read more about this stakeholder research in the Trusted Business Partners section of this report.

To gain feedback from our people and our customers, we conduct an annual People Pulse survey and a Customer Engagement survey, which goes out to close to 3,000 thousand customers across Australia and New Zealand.

The feedback from these surveys, combined with the insight and expertise of relevant functional teams and leaders within the business, provides our Sustainability Leadership Group (SLG) with the necessary information to analyse and then map issues according to the level of stakeholder concern and impact on our business and the broader community.

Following this analysis, the SLG agreed that the five material issues identified for FY12 remained the key issues in FY13. They have once again formed the basis of our report and are:

TRUSTED BUSINESS PARTNERS

WHAT IS IT ABOUT?

Stakeholder engagement

WHY IT'S IMPORTANT

Being trusted by our stakeholders is core to achieving sustainable growth

HOW WE MEASURE OUR PERFORMANCE

Regular research with key stakeholders.

Research then integrated into our Balanced Business Strategy (BBS), which is our key management tool and informs business unit, team and individual goals and action plans, and guides resource allocation

RESPONSIBLE BUSINESS PRACTICES

WHAT IS IT ABOUT?

Governance and risk management
Safe and sustainable manufacturing
Responsible and sociable consumption
Responsible marketing
Community investment
Self-regulation

WHY IT'S IMPORTANT

Society provides us with a licence to operate. To maintain this licence we must act responsibly and sustainably

HOW WE MEASURE OUR PERFORMANCE

Strategy and performance managed by the Sustainability Leadership Group.
Additionally we measure performance through compliance

ENVIRONMENTAL STEWARDSHIP

WHAT IS IT ABOUT?

In 2013 our materiality assessment determined that environmental stewardship in the areas of water, waste and emissions is of most relevance to our business and our stakeholders

WHY IT'S IMPORTANT

The natural environment in which we operate will always be a material consideration for us as our natural resources become more finite and we identify new ways to preserve them

HOW WE MEASURE OUR PERFORMANCE

How we track against reduction targets
Compliance with environmental regulations

SUPPLY CHAIN SUSTAINABILITY

WHAT IS IT ABOUT?

Our large and complex supply chain includes over 30 core manufacturing sites and 34,000 suppliers across Australia and New Zealand – from barley, dairy, fruit and soy bean farmers to ingredient suppliers, packaging and marketing partners, transport and distribution partners and many more

WHY IT'S IMPORTANT

Having an efficient, ethical and sustainable supply chain is critical to the viability of our business

HOW WE MEASURE OUR PERFORMANCE

Supplier screening and audit systems
Supplier feedback and research
On-farm quality assurance programs

BUILDING AND SUSTAINING A CULTURE OF ACHIEVEMENT AND PASSION

WHAT IS IT ABOUT?

Developing great leaders
Building a strong constructive culture
Engaging our stakeholders
Building capability

WHY IT'S IMPORTANT

It fosters trusting relationships internally and externally that enable sustainable marketplace success. It also means we're able to attract and retain great people who support the achievement of our goals

HOW WE MEASURE OUR PERFORMANCE

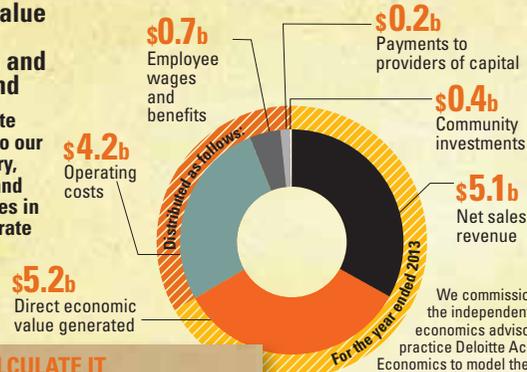
Regular people engagement survey
Biannual culture survey
Tracking against people goals in our Balanced Business Strategy

As one of the **LARGEST FOOD AND BEVERAGES COMPANIES** in Australasia, our impact on local and national economies is significant. We measure our contribution in two ways: our direct and indirect economic contribution and the value we add as a result of our operations.

OUR ECONOMIC CONTRIBUTION

Economic value distribution in Australia and New Zealand

Value we create is distributed to our people, industry, governments and the communities in which we operate

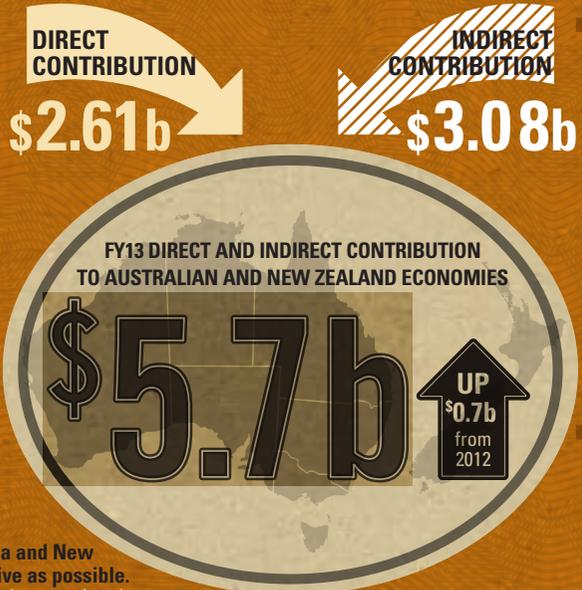


HOW WE CALCULATE IT

- + net sales revenue
- operating costs and community investments
- + depreciation and amortisation added back

\$2.2b
= VALUE ADDED
(for the 12 months ended 30 September 2013)

We commissioned the independent economics advisory practice Deloitte Access Economics to model the economic impacts of our activities in Australia and New Zealand. All dollar amounts are in Australian dollars (unless stated otherwise), based on an average A\$/NZ\$ exchange rate of 1.295



Our business is an important driver of the Australian and New Zealand



Every job we create leads to an overall increase in employment of

= 3.5 JOBS
in both Australia and New Zealand

For every dollar we contribute, there is a flow-on contribution generated of \$1.18 elsewhere in the Australian and New Zealand economies



We invest in...

The creative industries, through our marketing communications and sponsorship of events



Sport. This helps keep Australasian sport globally competitive by encouraging local talent to stay here rather than go overseas

Our communities, by partnering with not-for-profit organisations to improve our eating and drinking culture, target the underlying causes of misuse, reduce our environmental footprint and help address disadvantage

We're committed to making Australia and New Zealand as internationally competitive as possible. As well as contributing financially to these national economies, our business makes a significant contribution to the competitiveness of our home nations by providing training and development for our people and by supporting local suppliers

AUSTRALIA

Payments made to government

We pay excise on the alcoholic content of beer and spirits and Wine Equalisation Tax (WET) on the value of wine sold

Payments for excise and WET = **\$1,070,790,624**

Payments received from government

As a wine producer, we received the WET producer rebate of \$500,000 from the federal government

We also received \$3.9 million under the Tasmanian Freight Equalisation Scheme, which compensates Tasmanian-based manufacturers that service the mainland – such as J Boag & Son – for the costs incurred crossing the Bass Strait

NEW ZEALAND

Payments made to government

We pay excise on the alcoholic content of beer, spirits and wine

Payments for excise, customs, WET and Alcohol Advisory Council of New Zealand = **\$233,928,720**

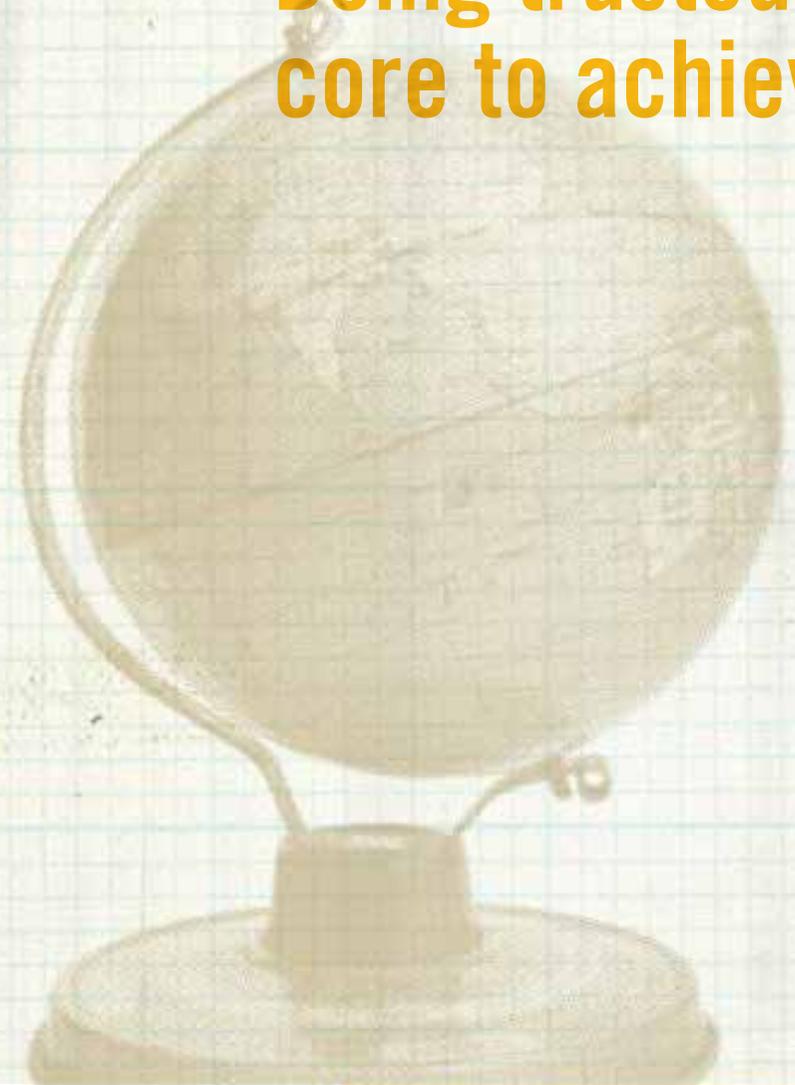
Payments received from government

We received no financial assistance from the New Zealand government

TRUSTED BUSINESS PARTNERS



Being trusted by our stakeholders is core to achieving sustainable growth.



The targets we've set in our FY16 Balanced Business Strategy (BBS) include those for building trusted relationships with all our stakeholders. The BBS is Lion's key management tool and informs business unit, team and individual goals and action plans, and guides resource allocation.

This means there is now a direct relationship between how our stakeholder community views our business and how our leaders manage the business and allocate resources.

The following pages provide an overview of how we aim to build engagement across our key stakeholder groups by better understanding their needs and meeting and exceeding their expectations.



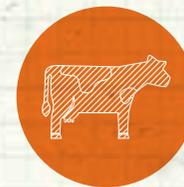
COMMUNITY



CUSTOMER



SUPPLIER



FARMER



COMMUNITY ENGAGEMENT

In FY12 we conducted in-depth interviews with around 250 external stakeholders and an online survey of over 2,000 consumers as part of our first-ever comprehensive Corporate Reputation Study.

The study provided an opportunity to measure engagement across our community, from customers, consumers, farmers, suppliers, distributors, marketing, sponsorship and community partners right through to non-government organisations, analysts, thought leaders, industry groups, media and government. As well as asking what they thought of Lion as a business, we also welcomed their views on the issues they felt were impacting their lives, businesses and our industry.

While the FY12 study revealed that Lion has a strong overall reputation with most stakeholder groups, there were some opportunities highlighted to further strengthen our relationships and build even higher levels of trust.

The results of the study were translated into targets for Lion's FY16 Balanced Business Strategy and initiatives are in place to ensure we continue to deliver on, and exceed, the expectations of our community.

Trust and reputation are ever evolving. Following the valuable insights gained from this first study, we've committed to repeat the exercise every two years. Interviews for the next Corporate Reputation Study are already underway, with the aim of doubling the number of stakeholders who participate. We look forward to reporting on the results in our FY14 Sustainability Report.

Holding ourselves accountable will ensure we respond, and remain connected to, our community's views and expectations.

WHAT OUR STAKEHOLDERS TELL US THEY LIKE ABOUT LION

- In general, their experience with Lion is favourable, but they believe the food and beverage industry as a whole has work to do before it reaches its potential, if external factors allow
- Our relationships are strong with most stakeholder groups, and our people and leaders are well regarded by their business partners
- They believe Lion is working hard to improve its business and performance
- They like our strong brands and are encouraged by our commitment to investment in marketing and innovation through the downturn
- Lion's achievement focused business culture is seen as a major asset

WHERE OUR STAKEHOLDERS THINK WE NEED TO IMPROVE

- We have more work to do to improve our partnerships with some of our Dairy and Drinks business partners, who want us to share more about our business more often and improve execution standards in sales and distribution
- Some stakeholders are worried about the future of the dairy industry and would like to see Lion speak up more on industry issues
- While Lion is regarded as having a strong voice on important alcohol issues, some stakeholders suggest there is an opportunity for us to take more of a leadership position in the public discourse
- Some stakeholders think the nutritional benefits of dairy and juice are being undersold and the industry needs to do more to celebrate them
- While Lion is regarded as having performed well in innovation and customer engagement, some stakeholders would like to see a focus on championing the beer category as a whole



CUSTOMER ENGAGEMENT

Great customer relationships are essential to the long-term sustainability of both our and our customers' businesses. So that we can continue to build brand loyalty and advocacy, and ultimately value within both parties' businesses, we place a great deal of importance on how we engage with this particular stakeholder group. Evidence of this is the goal we've set in our FY16 BBS of 'collaboratively building greater value with customers'. This will be measured, in part, through our efforts to build customer engagement.

Each of Lion's three business units measure customer engagement annually. This has been done since 2008 in our Beer Spirits and Wine (BSW) businesses in Australia and New Zealand, and in our Dairy and Drinks business since 2013.

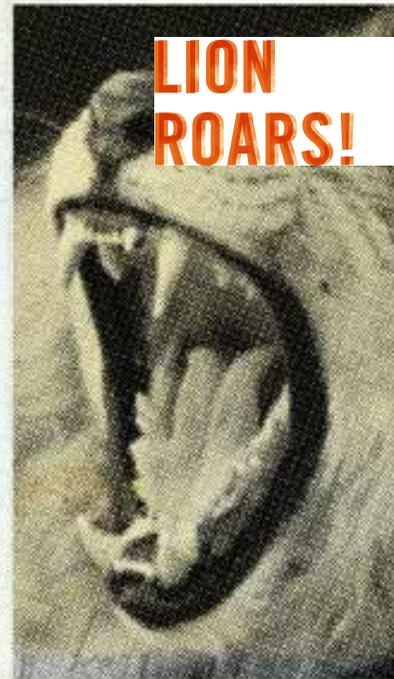
The latest results for the three engagement categories we measure – overall satisfaction, ease of doing business and likelihood to recommend Lion as a trusted business partner – are pleasing. In both BSW Australia and BSW New Zealand, over eight out of every ten of our surveyed customers say that they are engaged with Lion and we rank as the number one supplier with our customers in this survey. In our Dairy and Drinks business, results for our first-ever Customer Engagement survey are equally impressive, with over eight out of every ten customers surveyed indicating that they are engaged with Lion. This is a solid outcome. It reflects our recent focus on: building sales capability and partnerships with our customers and distributors; developing processes to make it easier to do business with us; and investing in leadership, culture and the capability of our people.

That said, the survey highlighted that we do have opportunities to further develop our relationships and services compared to other organisations in the same industry.

EIGHT OUT OF EVERY TEN CUSTOMERS



SURVEYED INDICATED THAT THEY ARE ENGAGED WITH LION.



Our Beer, Spirits and Wine business in Australia took out the Supplier of the Year at the Australian Drinks Awards in 2013. These are the industry's own awards of excellence – celebrating the best of the best.

The Supplier of the Year Award is based on the Advantage Group survey across approximately 300 head office personnel covering the major retail and on premise businesses across Australia.

It was an honour for us to be recognised among our industry peers and reflects the efforts and commitment of everyone in the business to strive for continual improvement in customer engagement.



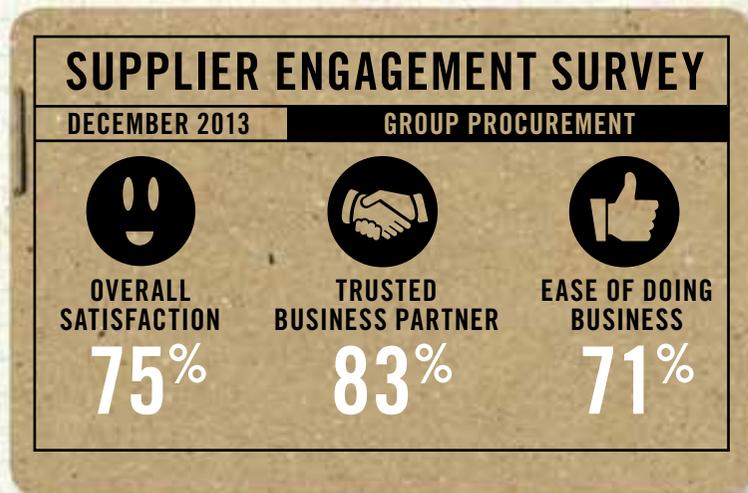
SUPPLIER ENGAGEMENT

In December 2013 our procurement team surveyed all the suppliers we work with across the Lion group, including approximately 86 respondents from nearly 60 suppliers, in an effort to understand our relationship strengths and opportunities, as well as engagement levels with this important stakeholder group.

The results from the survey are focused on three key measures of engagement – overall satisfaction, Lion as a trusted business partner and ease of doing business with Lion.

Since these results were released, a working group has been established to develop a plan for connecting more closely with our suppliers and, ultimately, improving overall satisfaction. We will engage with a subset of the respondent group in FY14 to gain further insights into how we can improve the way we do business with our suppliers. We will then re-survey the same respondent group in July/August 2014, and will continue surveying them on an annual basis.

The results from the 2013 survey will be used as a baseline for improving these scores year on year, with targets to be established by the working group for disclosure in next year's report.



FARMER ENGAGEMENT

Building on last year's initiatives, in 2013 we continued to work with our farmers to better understand their needs and concerns and to help them build a better understanding of our business and strategy.

These initiatives include:

- **'Pride':** a quarterly newsletter for dairy farmers, fruit growers and soybean growers who supply Lion.
- **'Lion News from Lucy':** an electronic newsletter, written by Lucy Coward, Lion's Milk Sourcing and Inbound Logistics Manager, that provides a more immediate update on business news. This goes to more than 60 farmers with an open rate that has risen from 15% initially to approximately 50% currently.
- **A workshop with Lion's senior leadership team:** in May 2013, Dairy and Drinks' senior leaders and sales and marketing representatives met with 20 of Lion's dairy farmers who were selected on the basis of demonstrated industry leadership, innovation or best practice. These farmers were able to provide constructive supplier perspectives on a range of key topics and, in turn, gain a better insight into the complexities of our business.

- **Regional meetings:** in 2013 Lion's milk sourcing leaders hit the road to deliver a 14-location-strong series of regional meetings with farmers across Australia. The meetings provided farmers with insights into Lion's sales and marketing strategies and other relevant business plans, along with current industry information and open discussion around topics of interest to farmers.

To identify further opportunities for engagement, in February this year we surveyed a larger group of farmers in the second iteration of the Corporate Reputation study.

Being trusted by this important stakeholder group is core to achieving sustainable growth and to fulfilling our growth aspirations in our daily business.



RESPONSIBLE BUSINESS PRACTICES

- Govern our business and manage risks
- Manufacture our products in a safe and sustainable way
- Take our products to market
- Encourage responsible and sociable consumption
- Support people to make better food and beverage choices
- Participate in regulatory developments
- Invest in our Community

Businesses exist and grow only with the permission of the communities in which they operate. We understand that for Lion to maintain its licence to operate we must act responsibly and sustainably.

When we talk about responsible business practices we are referring to the way we:



GOVERN OUR BUSINESS AND MANAGE RISKS



MANUFACTURE OUR PRODUCTS IN A SAFE AND SUSTAINABLE WAY



TAKE OUR PRODUCTS TO MARKET



ENCOURAGE RESPONSIBLE AND SOCIABLE CONSUMPTION



SUPPORT PEOPLE TO MAKE BETTER FOOD AND BEVERAGE CHOICES



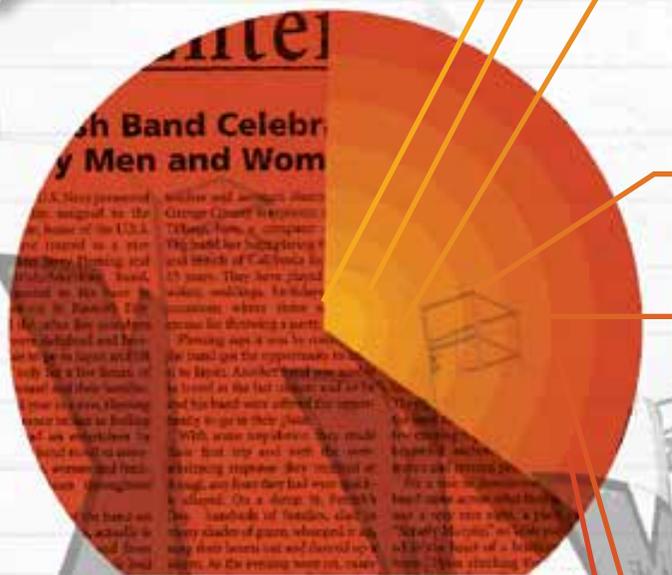
PARTICIPATE IN REGULATORY DEVELOPMENTS



INVEST IN OUR COMMUNITY



THE WAY WE GOVERN OUR BUSINESS AND MANAGE RISKS



THE BOARD	Directors oversee risk management and annually evaluate the effectiveness of our risk management system.
AUDIT FINANCE AND RISK COMMITTEE	Helps the Board by providing an independent review of our financial reporting processes, audit function, and internal compliance and control systems to ensure financial and business risks are effectively managed and comply with legal and regulatory requirements.
GROUP LEADERSHIP TEAM	Responsible for designing, implementing and monitoring group-wide policies to mitigate financial and business risks and comply with legal and regulatory requirements. This includes: <ul style="list-style-type: none"> ensuring management reports regularly to the Board having a clearly defined organisation structure with approved delegated authority ensuring there are processes to manage capital expenditure, assets, and liabilities implementing appropriate due diligence procedures for corporate mergers and acquisitions. <p>Lion's CEO and CFO supplement the compliance program by annually certifying the financial statements' integrity to the Audit Finance and Risk Committee. This is supported by a sound system of risk management and internal compliance and control systems.</p>
BUSINESS LEADERS	Business unit managing directors have primary responsibility for managing their business unit's risk. This includes identifying risks, implementing policies and operating procedures to mitigate them and help the business achieve its objectives. They are supported in their risk management responsibilities by the central functions of legal, finance, treasury, insurance, tax, business solutions and reporting and governance.
RISK CHAMPIONS	Risk champions have been identified for the following material risk areas in the business: <ul style="list-style-type: none"> Business continuity planning Environment Sustainability Tax Legal Competition and regulation Insurance Safety and wellbeing Strategy (business risk profiling) Stakeholder reporting Treasury Information technology (IT) Product integrity – Beer Product integrity – Wine Product integrity – Dairy and Juice People <p>These champions partner with the business units and managing directors to help manage material business risks, implement risk management processes and communicate to business leaders and the Board (via Lion Risk Assurance) how well they are managing risk in their area of expertise.</p>
LION RISK ASSURANCE	Lion Risk Assurance (LRA) is a function, independent of the business units, that promotes a risk management culture. It conducts an annual program of material business risk reviews, assurance reviews, strategic and project reviews and fraud risk assessments. In carrying out its work it has access to all necessary information and people, including the audit finance and risk committee. The leader of LRA meets with the committee to discuss findings from reviews on a regular basis and also has the option to escalate issues to the CFO, CEO and thereafter to the Audit Finance and Risk Committee.
EVXTERNAL AUDIT	Lion's external auditors conduct independent audits of the annual financial reports to express an opinion as to whether they are in accordance with the Corporations Act 2001 and relevant accounting standards. These audits may involve assessing how internal control systems relating to financial reporting are managed.

The framework governs the relationship between:

- Kirin Holdings and the Lion Board
- The Lion Board and our Group Leadership Team (GLT)
- The GLT and business unit leadership teams

Each level of leadership is aware of its delegated responsibilities and is held accountable for them.

As in all businesses, risk management helps us achieve our objectives. Our risks could be anything from a market downturn to a fire at a production facility. Having a strong risk management framework helps us to:

1. Identify potential risks before they materialise (e.g. through workshops with identified 'risk champions' who specialise in specific risk areas and with business unit leadership teams).
2. Put plans in place to lower the chances of the risk eventuating (e.g. health and safety procedures).
3. Mitigate the effects of the risk should it eventuate (e.g. business continuity planning in the event of natural disasters).

In assessing how effective our governance and risk processes are, we review indicators such as whether or not we consistently meet our objectives, and whether residual risk ratings are reducing through the mitigation strategies we implement.

Most importantly, our governance framework and risk management processes help us achieve sustainable outcomes for the business, and continually improve our people's accountability and effective decision-making.

We use a mechanism called a Significant Incident Notification (SIN) for capturing and communicating actual or potential exposures arising from irregular events or transactions. Our people can call a SIN hotline and speak to an operator who captures the details for all irregular incidents with an expected major or severe impact on the business. The relevant finance director or corporate functional leader is responsible for ensuring that the SIN is raised immediately. Lion's Incident Committee receives the notification and forwards it, together with the accompanying legal advice, to the Group Leadership Team, CFO, CEO and Board as appropriate.

IN FY13, TWO INCIDENTS WERE REPORTED.

1 INJURY AT THE PRIDE BREWERY, NZ

This incident involved one of our people being taken to hospital after being injured while working on the keg production line. The keg line was closed for four days to allow for investigations to take place. Following these investigations we removed the piece of equipment that caused the injury and will be replacing it. The injured team member has since returned to full duties and the regulator required no further action.

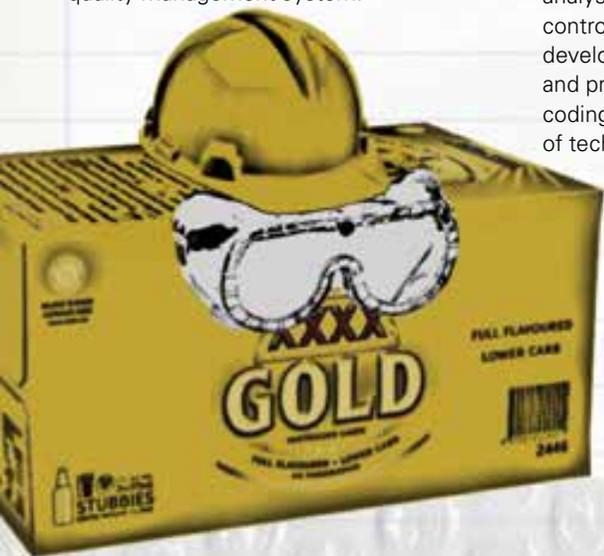
2 SPEIGHT'S CIDER PRODUCT RECALL

A variant of Speight's Cider was voluntarily recalled as the back label did not contain a sulphate allergen warning. No consumer complaints were received and the labelling has now been rectified.



THE WAY WE MANUFACTURE OUR PRODUCTS IN A SAFE AND SUSTAINABLE WAY

The safety of our products is paramount to ensuring we deliver only the highest quality foods and beverages to Australian and New Zealand consumers. Last year we reported on our first annual best practice review for the Dairy and Drinks business, a practice that had already taken place across Lion's beer businesses in both Australia and New Zealand. This review was undertaken across all Dairy and Drinks manufacturing sites, and involved identifying best practice activities and opportunities for improvement to our quality management system.



As a result of the review, we further strengthened our corporate quality assurance structure by adding three extra team members who will focus on microbiology and food safety, quality systems and compliance, and continuous improvement, respectively. They will report to our corporate quality assurance governance team. We will also now be undertaking our own corporate internal audits.

To stay ahead of the needs of our business and industry expectations, in 2013 we updated and/or reissued standards for good manufacturing practices (GMP), hazard analysis and critical control points (HACCP), allergen management, design safety analysis, specification management, label control and application, new product development, packaging integrity, premium and promotion quality and safety, date coding and marking, and the new process of technical design review.

WE CONTINUE TO UNDERTAKE COMPREHENSIVE MANAGEMENT REVIEWS TO ENSURE OVERALL BUSINESS QUALITY PERFORMANCE.

These reviews assess performance and quality indicators such as:

- customer complaints
- cost of quality
- conformance to specification
- corrective and preventative action
- requests raised and closed out on-time
- product produced 'Right First Time'
- percentage waste
- third party non-conformances raised
- supplier quality maturity index
- customer and supplier quality survey data on how they see Lion in comparison to key market competitors.



THE WAY WE TAKE OUR PRODUCTS TO MARKET

Each year we report on our approach to marketing our products responsibly, and the extent to which we have complied with both the letter and spirit of legislation and self-regulatory best practice codes.

The aim of our marketing is to create the best-loved brands in each market we operate in. To ensure we do this responsibly, we have a Lion Code for Responsible Marketplace Activity that sets out our commitment to marketplace practices that do not in any way contribute to the problems of alcohol misuse, obesity or excessive consumption. It acts as a guide to our people and establishes standards that ensure a consistent approach to responsible marketplace activity.

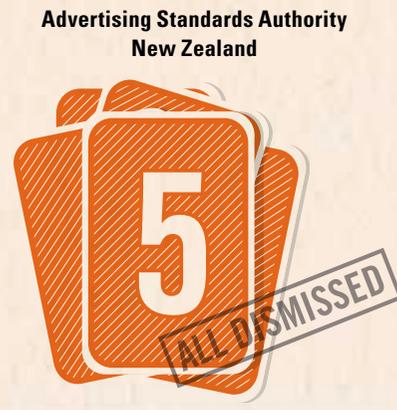
All members of our marketing teams and all agency partners are required to be trained on the code when they join our business. Refresher training is rolled out on a regular basis.

Legal, regulatory, technical and (in the case of our Dairy and Drinks business) nutrition, and R&D representatives approve all marketing activity before it's released to the market to ensure it abides by the Code.

In our alcohol businesses further approvals are required from external, independent pre-vetters (Australia) and trained internal delegated authorities (New Zealand) before marketing can be executed.

Complaints and adjudications in FY13

- Beer, Spirits, and Wine ads
- Dairy and Drinks ads



NOTE: BS&W NZ has recorded the lowest number of complaints received in recent years – 50% less than 2012 and significantly down on the 28 complaints received in 2011, which indicates that our ongoing commitment to responsible marketing and compliance is working.

LION'S CODE IS CONSISTENT WITH ALL REGULATORY, MEDIA AND INDUSTRY CODES APPLICABLE IN BOTH AUSTRALIA AND NEW ZEALAND. THESE INCLUDE:

AUSTRALIA

- Alcohol Beverages Advertising Code (ABAC);
- Competition and Consumer Act and state fair trading legislation;
- Australian Association of National Advertisers (AANA) Code of Ethics;
- Australian Association of National Advertisers (AANA) Children's Code;
- Australian Association of National Advertisers (AANA) Food and Beverages Code;
- AFGC Responsible Children's Marketing Initiative;
- Commercial Television Industry Code of Practice;
- Commercial Radio Codes of Practice; and
- Outdoor Media Association Code of Ethics.

NEW ZEALAND

- Advertising Standards Authority Code for Alcohol Advertising and Promotion;
- New Zealand Fair Trading Act 1986;
- New Zealand Gambling Act 2002;
- New Zealand Unsolicited Electronic Messages Act 2007; and
- Australia New Zealand Food Standards Code.

In 2013, as part of our commitment to responsible marketplace activity, a project team was established to develop a new online, fully searchable, interactive portal called 'Our Compass' to improve responsible marketing outcomes and compliance in marketing and sales teams.

'Our Compass' will provide our people with information to help them understand how responsible sales and marketing is essential to protecting our licence to operate. We want to build higher levels of engagement with our sales and marketing functions and empower our people to share the responsibility for building and protecting our corporate identity and reputation. By educating and motivating our people, we ensure continued sustainable business practices.



THE WAY WE ENCOURAGE RESPONSIBLE AND SOCIABLE CONSUMPTION

Our products accompany life's sociable moments, whether it's a family meal or good times at the pub with mates. Dairy, juice, soy and the responsible enjoyment of alcohol beverages are all part of a healthy lifestyle for many people. When enjoyed in moderation, our portfolio of food and drink brands can benefit wellbeing.

Lion's core purpose is to *enrich our world every day by championing sociability and helping people to live well*. We can't achieve this aim without encouraging the responsible consumption of our products, and providing consumers with choice through clear, concise information to guide product selection. We also continue to find ways to make the nutritional composition of our products even better, by reducing the fat, sugar and/or sodium content, and by expanding the range of portion sizes available.

1. By innovating for choice in dairy and drinks

Through both the introduction of new products and the review of some of our existing products, we're providing a broader selection of products to address varying consumer needs and interests, across our dairy and drinks portfolio.

Product reformulations

By reviewing the energy, fat, sugar and/or sodium content across the fresh dairy, juice, white milk, cheese and soy categories, we've achieved the following enhancements without jeopardising taste and reducing consumer appeal.



Yoplait Formé Greek yogurt
– no fat



Yoplait Petit Miam
– with 50% of a child's daily requirement for vitamin D and calcium



Berri Multi-V 150mL packs
– smaller portion sizes aligned to the Australian Dietary Guidelines



Vitasoy Oatmilk
– with cholesterol lowering benefits. It contains the active ingredient beta glucan in levels that support a cholesterol reduction benefit



Yoplait Formé yogurt
– now with no added sugar

New products in 2013



Coon Cheese Nibbles
– convenient, nutritious portion controlled packs of cheese for kids



Dairy Farmers Oats Express – to help 'breakfast skippers' avoid missing out on key nutrients in the morning



Vitasoy Oatmilk 'Bone Essentials' – a variant of the reformulated Vitasoy Oatmilk range providing vitamin D, calcium and phosphorus

2. By investing in consumer education

Our commitment to a healthier Australia

Lion is a founding member of the AFGC Healthier Australia Commitment (HAC), launched in October 2012.

Over the past 12 months, the initiative has focused on encouraging positive consumption behaviour by educating consumers on the importance of energy balance, that is, balancing physical activity with the amount and quality of food and beverages they consume. Through Together Counts, program ambassador Susie O'Neill provides nutrition and physical activity tips, along with healthy recipe ideas, and a Healthy Balance Checker tool helps families learn more about how simple lifestyle changes can improve their overall energy balance.

Along with other HAC members, we're also continuing to work towards nutrient targets to collectively reduce the intake of sodium, saturated fat and/or energy in our products, and have been meeting regularly with partner organisations to share resources and explore ways to promote healthy and active workplaces.

For more information visit
www.togethercounts.com.au or
www.facebook.com/togethercountsaustralia



Lion Cheers! to program's success

We continue to support a number of education, research and cultural change programs in New Zealand that serve to encourage not only our people, but the people in our community more broadly, to take a responsible approach to alcohol consumption. Our major initiative is *Cheers!*, which forms part of the Tomorrow Project – a joint initiative by the Brewers Association, Distilled Spirits Association (DSA) and Wine Growers that aims to help New Zealanders drink like there is a tomorrow.

Now just a year old, *Cheers!* has enjoyed some outstanding successes – a number of which have been driven by our brands' support. These include taxi vouchers, branding on cabs, free water giveaways at major horse racing meets, a 'free Burger' campaign targeted at students during Orientation Week and The Hertz International Sevens tournament in Wellington.



Our brands also supported the *Cheers!* national promotion in August 2013 which offered free standard drink glassware in return for answering a simple question from the website. The promotion was designed to last eight weeks but all the glassware was claimed in the first 36 hours with consumers then asking where they could buy the glassware themselves!

Since its launch, the *Cheers!* website has received close to 100,000 page views and 35,000 visits. More importantly, 80% of visitors move past the homepage and stay on the site for an average of three minutes. This shows that people are taking time to look at the information provided.

A further endorsement was the silver the website won in the international W³ web awards' Corporate Social Responsibility category. The judges recognised it for its creativity, usability, navigation, functionality, visual design and ease of use – all key objectives for the site and crucial to providing credible, drinker-friendly tools to help Kiwis understand the effects of alcohol, think more actively about their own drinking, and make smart choices.





Supporting a healthier and safer drinking culture in Australia

In FY13 we continued to support DrinkWise Australia (DrinkWise), a not-for-profit organisation focused on promoting change towards a healthier and safer drinking culture.

With a strong focus on peers and parents, the biggest influences on a young person's drinking behaviour, DrinkWise provides education campaigns and information resources to encourage Australians to make good drinking choices based on a strong base of evidence and clinical advice.

In FY13 DrinkWise continued to invest in its pregnancy and alcohol education program, to increase awareness that 'it is safest not to drink while pregnant' – including the ongoing rollout of DrinkWise pregnancy awareness labeling on alcohol containers (read more on page 28).

In 2012 DrinkWise secured funding from the Department of Health and Ageing to work with the alcohol industry to develop point-of-sale information for consumers, to draw attention to the warning labels on alcohol products and packaging. The national initiative featured a variety of public information that rolled out during

FY13 – including radio messages featuring DrinkWise experts and ambassadors, convenience advertising across 600 licensed venues as well as shopping centres and over one million brochures distributed across more than 3,500 liquor stores.

DrinkWise also continued its long-running television campaigns 'Kids absorb your drinking' and 'Alcohol and kids don't mix', which aims to raise awareness amongst parents of the influence they wield over their children's drinking behaviour. These communications are supported by practical tools on the DrinkWise website, such as the Parent's 5-point-plan, which provides a framework for parents to discuss alcohol issues with their children, educate by example, listen and engage and make their expectations clear.

In addition to its national education campaigns, DrinkWise's cultural change agenda is supported by a variety of community engagement programs throughout Australia, including a partnership with the Sport Australia Hall of Fame – using community leaders and sporting heroes to positively influence attitudes and behaviour in relation to alcohol.



DrinkWiseAustralia

In 2013 DrinkWise built on an established community relationship with Red Dust, a health promotion organisation whose aim is to improve the health and wellbeing of Indigenous youth, through the launch of a new partnership 'Red Dust Role Models'.

It's commonly acknowledged that the Indigenous population in Alice Springs (and those living in town camps) are among the most at-risk Australians in terms of the adverse effects related to harmful levels of alcohol consumption. The Red Dust Role Models partnership engages 70+ volunteer role models to help deliver 30 weeks of programs to remote communities across the Territory each year.

In designing this program, Red Dust took a holistic and integrated approach comprising effective education, early intervention and peer-led mentoring, keeping in mind the importance of family relationships and the influence of family role models among the Indigenous community. A local Indigenous Alcohol Education and Support Officer has been employed to facilitate the project.

Since the conclusion of Lion's FY13 reporting period DrinkWise has launched a new campaign designed to influence young adults to drink responsibly and targeting 18-24 year olds – the results of which will be featured in Lion's FY14 report.

3. By encouraging drinking for the right reasons

Sharing a drink with friends and family can be a normal and enjoyable part of a sociable lifestyle. As Australia and New Zealand's largest brewer, we want to play a leading role in encouraging sociable consumption, or in other words, drinking for the right reasons.

To do this effectively we know we need to champion the kind of sociability we want to see, rather than talking down to consumers in a way that disengages them from the conversation. So we've introduced a number of initiatives aimed at positively influencing our drinking culture.

Building a vibrant beer culture in Australia

In 2013 Lion became the market leader in beer in Australia. Market leadership, we believe, brings with it a greater responsibility to positively shape and improve our beer culture. For our business to be sustainable in the long term we need a 'Vibrant Beer Culture' (VBC) – where people drink for the right reasons, appreciate a good beer, and are part of a sociable community.

Building a vibrant beer culture also helps us to fulfil our core purpose to *enrich our world everyday by championing sociability and helping people to live well*, and encourages the sort of drinking behaviour that can shape long term initiatives that address beer's challenges and opportunities in the marketplace.

Our inspiration for this philosophy was based on Lion's '10 Behaviours That Add Value' model, which has helped shape the great internal culture we have at Lion.

To ensure a robust evidence base for our VBC strategy, we conducted research to understand our current beer culture and how beer is perceived in the community. We asked consumers how they feel about beer today and, to ensure we had something to compare ourselves against, we also asked the same questions of coffee, wine and spirits, and the role those products play in consumers' lives.



The results of this research contributed to the development of the VBC behavioural model, which will govern what we do in both our workplace and the marketplace. The research also helped to identify the 'hotspots' (elements that contribute to a VBC), 'blackspots' (elements that detract from a VBC) and 'blindspots' (elements that could be given more focus to create a VBC) in our current beer culture.

All of our brands have embraced the new concept. Our Boag's brewery in Tasmania is just one example: in November we announced that we will be expanding the tourism and hospitality experience around the historic James Boag's Brewery in Launceston. The expansion plans include a multi-use centre that offers a hub for brewery tours and tastings; housing to display historical items from Launceston's brewing history; a restaurant and bar overlooking the brewery; and a unique space in Launceston to accommodate larger conferences and functions.





Since VBC was conceived we have implemented a number of initiatives to kick-start the journey.

The Beer Academy

Our people are passionate about our culture, our products and the category we work in. They're also highly responsive to the idea of taking personal responsibility to help create a more vibrant culture for beer. But they don't currently have the tools to do this effectively. Our beer advocacy project aims to address this.

The Beer Academy is an education and engagement program that will provide them with the knowledge, skills, tools and confidence to be beer advocates inside the workplace and to their friends and family outside.

Following the program's launch after Easter, we aim to put every one of our 1,500 people in the Beer Spirits and Wine division in Australia through more than two days of training and experiential activities. This will include beer history, beer appreciation, food matching and advocacy training, to name a few of the modules. They will even get an opportunity to brew their own beer, create a brand for it and share it with their friends and family.



The Beer Pilgrim

This campaign is about starting new conversations by telling the compelling stories of beer's culture, past and present, thereby showing its diversity and social relevance. We believe that increasing understanding of, and appreciation for, beer will not only grow the category, but will encourage consumers to drink for the right reasons – flavour not effect. We found a great storyteller, who was also passionate about beer, and our 'Beer Pilgrim' set out on his journey in December 2013 to explore the story behind the first beer in Australia. Retracing its origin back to the UK, he then recreated the historic brew with the help of master brewer Peter David. The one-off, limited edition porter The First Brew was produced at Lion's Knappstein brewery in Clare Valley, South Australia, and released on Australia Day 2014. The Beer Pilgrim's story was followed by fans on Facebook and YouTube.

Beer IQ

This program is designed to educate consumers about beer's attributes, of which there are many more positives than traditionally perceived. Improving consumers' knowledge of beer will allow them to make educated choices when it comes to product and brand selection. In August we conducted research with more than 1,000 Australians to find out how much they know about beer. This research provided us with fascinating insights, including that 68% of drinkers believe that beer is fattening and 39% of drinkers believe beer's image needs modernising.

Beer is Made to Match in NZ

In an industry first, we launched Made to Match in New Zealand – a significant investment in reinvigorating the beer category and reminding consumers how much there is to love about it. Made to Match operates in a similar fashion to The Mix platform, which has been running in New Zealand since 2011. Hosted by Al Brown, a famous Kiwi chef and television personality, Made to Match presents information on beer styles, ingredients and flavours, and offers tips for beer and food matching as well as providing positive beer category messages about the brewing process, calories versus other beverages, and glassware. By showcasing the positives of the beer category and building an appreciation of beer flavours through food matching we hope to reinforce the benefits of drinking for flavour, not effect.



4. By encouraging our people to become advocates for responsible consumption

In line with our commitment to provide our people with as much education as possible to encourage them to make responsible consumption choices, and to support them to become advocates for positive consumption in the community, we rolled out the 'Alcohol and Me' and 'Nutrition and Me' programs in 2013.

Alcohol & Me was rolled out to 523 people in the New Zealand business (representing around 40% of the business there) and received great feedback across the board.

Alcohol & Me

Alcohol & Me is a highly interactive and informative training program that helps educate our people about alcohol and the effects it has on the body and their health, and provides tools for staying safe and sociable when drinking. It was rolled out to 523 people in the New Zealand business (representing 71% of the business there) and received great feedback across the board.

Roll out of an Australian version began in FY14 and work is underway on a 60-minute online version of the program, which can be used externally with key business partners and suppliers.

To read more about the program, see the case study on page 37.

Nutrition & Me

Nutrition & Me is a practical training program aimed at building the knowledge of our people in food, nutrients and labelling.

The need for the program arose from the number of commonly asked questions received by our nutritionists, such as:

- What should I be eating each day to get all the nutrients my body needs?
- What is a healthy weight?
- How do I read a food label?
- How much sugar is actually in Lion products – is this good or bad? What is the difference between 'added' sugar versus 'naturally-occurring' sugar?
- What is all the hype around protein? Should I be having A2 protein?
- Is fat really that bad? What about trans-fats? What is the difference between regular and no-fat milk, and what about soymilk?
- Juice and flavoured milk often come under scrutiny for their sugar content and portion size – is this necessary?

- How do Lion products rate on their fat, sugar and sodium content? Which products should I be eating at different times of the day?
- How much alcohol is in a standard drink? How many drinks could I responsibly consume each day? Is the myth 'beer makes you fat' true?

Nutrition & Me has been tailored to answer all of these questions and more. The program starts by explaining what a food label is, how to read it and which products are required to carry information on the product label. This lays the foundation for the rest of the program. By using the nutrients listed in the nutrition information panel, we work through what energy, fat, protein, carbohydrate, sugar and sodium are, explaining how much we should have each day for optimal health and wellbeing. In addition, there are topics on alcohol and standard drinks, glycaemic index, and soy.

Our vision is for Nutrition & Me to be an information bank that will enrich and grow the knowledge of our people, arming them with the information they need to perform their jobs effectively and become confident advocates for Lion and our products.

Nutrition & Me was piloted in September 2013, with the aim of taking the finalised program to the business in 2014 and beyond.





THE WAY WE HELP PEOPLE TO MAKE BETTER FOOD AND BEVERAGE CHOICES

Placing messages on our labels is just one of the ways we support people to make better food and beverage choices. However, we know that labels alone don't change consumer behaviour – which is why we support industry initiatives that are underpinned by information and cultural change programs, to help people make informed and balanced choices.

We've voluntarily applied the AFGC Daily Intake Guide (DIG) front-of-pack labelling scheme to our dairy and non-alcoholic beverages since 2007, and now have over 85% uptake and compliance across our portfolio.

Encouraging healthy choices through the AFGC's Daily Intake Guide

We have voluntarily applied the Australian Food and Grocery Council's (AFGC) Daily Intake Guide (DIG) front of pack labelling scheme to our dairy and non-alcoholic beverages since 2007, with over 80% uptake across the portfolio and of this 85% of the products are compliant. The scheme is supported by consumer education materials on our corporate website and the DIG website hosted by the AFGC.

In May 2013 the AFGC completed an audit of major supermarkets and found that the use of DIG labelling had increased more than 60% since 2011, across all major categories, and is now on more than 7,000 products. This represents an estimated investment of \$72 million by the food and beverage industry in changing packaging to improve the nutritional information available to consumers.

Lion is proud to be part of this initiative and we're now exploring ways to further improve our product information, either on or beyond the product label, through the creation of phone apps and interactive website domains. To enable us to do this, we're investing in a new product information database across our business to give us a robust technological platform that will allow us to provide even better consumer product information in the future.



Encouraging consumers to 'Get the Facts'

By the end of 2013 over 83% of our beer portfolio and 99% of our cider portfolio carried this message, and of our Lion owned wine brands sold in 2013, 7% of vintage 2011 was labelled, 32% of vintage 2012 was labelled and 84% of vintage 2013 was labelled with the pregnancy advisory messaging.

It should be noted that for our wine products we are unable to include any messaging on vintages that pre-date when we made the decision to roll-out the messaging in late 2011. While all Lion owned wines and brands are included in the roll-out of the messaging, many of our partners who we distribute wine for in Australia have not agreed to include this messaging on their labels. However, as a business focused on promoting responsible consumption, we will continue to ask and encourage all of our partners to participate in this voluntary industry initiative.

A single consumer message

In New Zealand we moved to a single consumer message on all our alcohol products in 2013 – 'it's safest not to drink while pregnant'. This is the same message as the DrinkWise Australia campaign, ensuring consistency across the Tasman.

As at 30 Sept 2013, 60% of our New Zealand portfolio displays one of two consumer messages – 'Is your drinking harming yourself or others?' or 'It's safest not to drink while pregnant'.

This consumer message is supported by Cheers.org.nz, which directs consumers to a website providing practical tips and relevant information on staying safe and social while you are drinking.





THE WAY WE PARTICIPATE IN REGULATORY DEVELOPMENTS

We continue to take an active leadership role in joint government and industry discussions on appropriate regulatory responses to the challenges faced in the food and beverage industry – from product design and labelling to industry sustainability.

We support regulation that is effective, proportional to the issue being addressed and of the greatest net benefit to the community. Where possible and appropriate we advocate for self-regulation and have a strong track record of maintaining strict adherence to best-practice self-regulatory codes.

Here we provide an overview of key alcohol and food regulatory developments across our business units in 2013.

Alcohol regulation in New Zealand

Last year saw the rollout of some of the most significant changes to New Zealand's alcohol laws the country has seen in 20 years, following the introduction of the Sale & Supply of Alcohol Act in 2012.

The reforms aim to reduce the level of excessive drinking that leads to harm – to individuals, families and the community.

The changes are directed at the promotion, sale and supply of alcohol. For retailers and hospitality outlets, it will now be harder to get a liquor licence and easier to lose it. Dairies and convenience stores won't be able to sell alcohol any more and supermarkets will have to restrict the display of alcohol. For all outlets, there will be more restrictive opening hours and tougher penalties for breaching licence conditions. Local councils will be able to develop their own licensing laws (called Local Alcohol Policies) to dictate who can sell alcohol and where and when it can be sold.

The supply of alcohol to any person under the age of 18 without the express consent of their parent or caregiver is now illegal.



In alcohol marketing, there are new restrictions on where and how alcohol can be promoted, and the government will now be able to ban alcohol products considered to promote risky drinking or to have particular appeal to young people.

Whether or not the changes, which took effect in December 2013, result in a meaningful reduction in risky drinking or alcohol harm remains to be seen.

A new voluntary industry code for RTDs

RTDs continue to be a hot topic on both sides of the Tasman. There is a view that because of their sweeter taste they're particularly appealing to younger drinkers and people who want to drink to get drunk. While our own consumer research shows that the average age of the RTD drinker is in fact 37 years (compared to 42 for beer and 44 for wine), we're committed to being a responsible producer, distributor and marketer of all alcohol beverages. Since 2008 we have limited our RTDs to no more than two standard drinks per single serve and confined any energy content to the levels of a standard cola, permissible within the Food Code.

In 2013, as an addition to this commitment, Lion New Zealand signed up to a new Voluntary Industry Code (VIC) for RTDs which sets out a maximum ABV of 7%, no more than two standard drinks per single serve, and no energy/caffeine levels greater than that of a standard cola product (as set out in the Food Code). It also specifies agreed rules for their advertising and promotion. Our agency partners (Diageo, The Rum Company and Bacardi) have also signed up to the code.

The code was developed, and has been adopted, by all the members of the Distilled Spirits Association (DSANZ). It is a response to the government's desire to see more restrictions placed on the production, sale and supply of RTDs.

The code took effect immediately and allowed producers until 30 September 2013 to make the necessary changes to their RTD products. As a result, close to 48% of the RTDs on the market were either removed or reformulated to meet the new industry-agreed criteria.

Given we had already been self-regulating with respect to energy/caffeine levels and two standard drinks, the new code only impacted 14 SKUs. Eleven of these have been reformulated and three have been discontinued.



Alcohol regulation in Australia

During 2013 a number of alcohol regulatory reviews were announced, all of which are still under way at the time of publishing this report. Lion is committed to working with Government, industry and other stakeholders to contribute to a positive drinking culture in Australia, and has played an active role in contributing to these reviews over the course of the year. We are also committed to evolving the alcohol industry's self-regulatory system to ensure it addresses the changing needs and expectations of the community and as such have participated fully in ongoing assessments of industry codes and standards.



Western Australian Department of Racing, Gaming and Liquor Review of the Liquor Control Act 1988

The Western Australian Government commissioned a review of the Liquor Control Act, the findings of which were presented to the Government in January 2014. The review made 141 recommendations, including making it illegal to supply an underage person with alcohol and the introduction of ID-scanning in establishments seen to be high risk. The Government will consult on the recommendations over the coming months.

South Australian Review into the Sale and Consumption of Alcohol

The Social Development Committee of the South Australian Parliament has conducted a review into the Sale and Consumption of Alcohol. The Inquiry considered a number of issues, including strategies to deal with the misuse of alcohol and anti-social behaviour and tabled a report in Parliament in November 2013. The Committee's intention was to present a list of recommendations to Parliament in early 2014, but due to the State Election this is currently on hold.

Australian National Preventive Health Agency Alcohol Advertising and Sports Sponsorship Review

In December 2012 the Australian National Preventive Health Agency commenced a review of alcohol advertising and sports sponsorship. Lion contributed to the review on its own and through its membership of the Brewers Association of Australia and New Zealand, which made a detailed submission to government. ANPHA released its Draft Report in February 2014 and interested parties have until 21 March 2014 to provide a response. The Australian Federal Government has not publicly commented on the findings of the report nor has it moved to endorse or recommend the report.

NSW Government Statutory Review of the Liquor Act

In NSW the government conducted a statutory review of the Liquor Act, part of which considered the promotion of alcohol in off and on premise environments. The independent report into the five-year statutory review of the state's liquor laws was released in December 2013 and made 91 recommendations, including allowing access to the liquor licensing system for local communities and strengthening regulatory tools to reduce alcohol-related harm. At the time of going to print the NSW Government had not made any decisions based on the recommendations.

Alcohol Beverages Advertising Code (ABAC) Review

In 2013 the Alcohol Beverages Advertising Code (ABAC) Management Committee began a review of the Code. Lion prepared a submission for this review and participated in an industry consultation session. It is expected that a revised Code will be announced in the first half of 2014 and will come into effect on 1 June 2014. In 2014 the ABAC Management Committee will also conduct a review of the ABAC Scheme and its governance.

In November 2013, ABAC released new Best Practice Guidelines for Digital and Social Media to assist signatories navigate this section of the Code. These ABAC guidance notes were designed to provide greater clarity around digital marketing in particular relating to age-affirmation and the moderation of user generated content.

At Lion we are committed to complying with the ABAC Code and adhere to all its rulings. The Legal and External Relations teams work with our internal marketing teams and brand agencies to undertake regular training on the Code's content, and the content of all other relevant advertising codes, including application in digital environments.



The various projects we participated in include:

Food regulation

We believe the food regulatory environment should support a flourishing and sustainable food and beverage sector, where industry participants make reasonable returns, all consumers have access to a wide variety of affordable quality food products that meet nutrition and lifestyle needs, and suppliers and processors are motivated to invest for the future.

In 2013 we participated in a number of food and nutrition regulatory forums and working committees across Australia and New Zealand, to help shape fair and harmonised regulation that maximises consumer benefits and supports innovation and investment.

Our participation has involved collaboration with various industry bodies, including Dairy Australia, Fruit Juice Australia and the Australian Food and Beverages Council (AFGC), as well as Food Standards Australia New Zealand and the New Zealand Ministry for Primary Industries.



Following on from the Blewett Food Labelling Law and Policy Review, in 2011 a government, consumer and industry working group was set up to investigate an ideal voluntary labelling system for Australia. This followed the rejection of the government's traffic light labelling.

To this end, Lion continues to consult with all stakeholders on the development of a new, voluntary front-of-pack labelling system. This process is now well advanced and may replace or complement the current AFGC Daily Intake Guide.

As a result of these consultations, a new health star rating system was announced in June last year.

The new system will include:

- An 'interpretive' element in the form of a 'health star rating', which rates products with 1-5 stars based on nutrient criteria
- An 'informative' element, which provides information on the level of energy, saturated fat, sodium, total sugar; and one 'positive' nutrient e.g. calcium

Different elements have been proposed for different categories. Beverages and confectionery, for example, will only need to feature 'energy' as a minimum, whereas food will need to feature the whole range of information (label space dependent). Alcohol is excluded from the new system.

Application of the health star rating will be voluntary initially, and reassessed after a two-year monitoring and evaluation period.

While we support consumer education to help people make healthier choices, we do have concerns around some elements of the new scheme. For example, we believe the nutrient criteria used to determine the health star rating 'interpretive' element needs further work to ensure there are no anomalies, and that nutrient rich foods like dairy products are not disadvantaged. We also have concern over the lack of consistency in the labelling requirements for food versus beverages, and basing the information per 100g rather than per serve. In addition the cost-benefit analysis for the health star rating is yet to be finalised, as is the consumer research on how this front of pack labelling information will be used.

In December last year the Legislative and Governance Forum on Food Regulation, chaired by the Assistant Minister for Health, Senator the Hon Fiona Nash and comprising Australian and New Zealand ministers responsible for food regulation, met to consider a range of issues, including front-of-pack labelling.

At this meeting some of the issues outlined above were addressed. Positively it was agreed that a new oversight and advisory committee should be formed in early 2014, with representation from industry, public health, consumers, and government, to develop a process for addressing anomalies in the health star rating system. The committee will then monitor and evaluate the system's effectiveness over time.

Minister Nash also informed the forum that she would direct the Department of Health to broaden the cost benefit analysis of the front-of-pack labelling system to include evidence-based research and extensive industry consultations.

For the time being, and until the new system is finalised, we will continue to support the Daily Intake Guide (DIG) as we work with government, consumer, health and industry groups – including the AFGC, Dairy Australia and Fruit Juice Australia – to resolve some of the issues identified.

We will share more information on how this progresses in next year's report.

CAFFINE POLICY REVIEW

In August 2013, the Caffeine Policy Options Paper was released for public comment by the Food Regulation Standing Committee, a sub-committee of the Council of Australian Government's (COAG) Legislative & Governance Forum on Food Regulation. It called for a review of the policy conditions surrounding caffeine in food and beverages following growing public health concerns about the number of products containing caffeine, both inherent and added – particularly energy drinks that may be consumed by children and adolescents. Currently the policy captures caffeine in energy drinks and cola-drinks, but there are calls to expand it to include caffeine from all food and beverage sources. We provided input into the various industry submissions and will continue to monitor this area, and participate in ongoing forums and submissions.

Lion has a policy in relation to the caffeine content of our dairy beverages, as well as for alcohol. We are currently in the process of updating this policy to produce a Lion wide policy on caffeine for food and beverages, addressing product formulations and labelling.

Nutrition and Health claims

Serving size 151 words

The new Nutrition and Health Claims Standard came into effect in January 2013, combining all nutrition and health claims into one document.

While the new standard provides opportunities with the range of claims it allows business to make, and the ability to self-substantiate claims that foster product innovation, it also means certain Lion products will need packaging updates or reformulating to be compliant with the new standard by the end of the transition period of January 2016. We have had ongoing dialogue with Food Standards Australia and New Zealand, and the New Zealand Ministry of Primary Industries, as we proactively manage the compliance process and share our learnings and concerns. We've also participated in a number of workshops and provided comment on the supporting materials being developed to help implement the new Standard.



AUSTRALIAN DIETARY GUIDELINES

The new Australian Dietary Guidelines were launched in February 2013. The guidelines provide recommendations for the levels of food and beverages to be consumed each day for health and wellbeing. The recommendations cover consumption by both children and adults and relate to areas such as dairy, fruits and vegetables (and juice), as well as alcohol. Lion provided input into submissions when the Guidelines were being developed, particularly in relation to interpretation of the guidelines as relevant to our product categories, and implementation.

In the context of Lion's product categories the new Guidelines recommend:

- Enjoying a wide variety of nutritious foods from the five (core) food groups, every day, including fruit and milk, yoghurt, cheese and/or their alternatives, mostly reduced fat
- 125mL of 100%, no added sugar fruit juice continues to be considered as a serve of fruit, best consumed occasionally because of the higher fibre content whole fruit can provide
- limiting the intake of foods containing saturated fat, 'added' salt, and 'added' sugar such as sugar-sweetened soft drinks, cordials, fruit drinks, energy and sports drinks, as well as limiting the intake of alcohol.

FOOD REGULATION



School canteen criteria for NZ

Schools are an important avenue for providing appropriate food and beverage choices that support children's growth and development. However, schools are complex in relation to the criteria that govern which products are available to children. For example, both Australia and New Zealand have national school canteen criteria; and, in Australia there is also state and territory based criteria and two Buyers Guides that put the school canteen criteria into practice. Lion needs to stay abreast of developments in this space to ensure we provide school customers with appropriate products.

In New Zealand, in 2013 the New Zealand Heart Foundation reviewed the criteria that govern what products can be sold and promoted in both early childhood centres and schools. We provided comment on the criteria for dairy, juice and soy, based on the existing evidence available for these categories.

While we supported the criteria proposed for fruit and vegetable juice, we raised concerns with no dairy beverages being considered as 'everyday', and cheese needing very low fat levels to be in the 'everyday' category – ruling out reduced fat cheddar cheese. Both of these criteria have the potential to impact dairy intake which is a core nutrient and important for growing bodies.

The evidence provided to the Heart Foundation was well received and will be used to inform future nutrient criteria reviews.



FOOD REGULATION



National Heart Foundation of Australia 'Tick Criteria'



As part of its ongoing review of the 'Tick' program, the Heart Foundation reviewed its product criteria for the milk/flavoured milk category in May 2013. We provided comment on the criteria aligned with the recommendations from the Australian Dietary Guidelines and current product development and future innovation, to ensure a balanced portfolio of products are able to carry the Tick.

Competition and Consumer Law compliance

Lion's competition and consumer law compliance program demonstrates the continuing commitment of our Board and senior management to maintaining strong awareness and understanding of these laws. The key components of the training program include:

- A custom built online training module which uses hypothetical case studies relevant to our business
- *The Ropes – Competition and Consumer Law Guide*, which includes our competition and consumer law policy
- *The Golden Rules* – a quick competition and consumer law reference document for Australia and New Zealand
- An intranet portal on the legal intranet page where team members can readily access competition and consumer law resource materials
- Tailored face-to-face competition and consumer law training and discussion sessions with specific teams in our business. This helps reinforce the online training and helps team members better understand their legal obligations in specific contexts. Face-to-face training sessions also provide an opportunity for discussion of specific issues or questions in a group learning environment.

The program compares favourably with the AS 3806-2006 Compliance Programs Standard, which is the relevant standard for compliance programs. It's assessed each year and performs well against each of the standard's 12 principles of compliance.

In addition, we regularly assess and review the program's effectiveness and update and improve it when required.



'Green' School Canteen criteria

In Australia, the NSW Healthy Kids Association's 'Green' School Canteen criteria were reviewed as part of its commitment that products offered to children reflect the latest evidence base and support product innovation.

The 'Amber' school canteen criteria are expected to be reviewed in the near future.

Lion used the opportunity to speak with the NSW Healthy Kids Association about future innovation in children's products, particular fruit juice drinks – water, fruit juice, no added sugar – which are currently not permitted, but through innovation may provide suitable canteen choices.



THE WAY WE INVEST IN OUR COMMUNITY

Community investment review

In 2013 we conducted a thorough review of our community investment strategy. A project team was established to evaluate the strengths of our existing investments and to identify opportunities to improve community outcomes where possible.

As part of this review we recognised the importance of continuing to invest in initiatives that encourage positive consumption in the community, including our long-term commitments to DrinkWise Australia and The Tomorrow Project (Cheers!) in New Zealand. We are first and foremost a food and beverage company, and we believe responsible consumption is critical to our long-term sustainability.

Likewise, as a local manufacturer, we believe it is important to invest in initiatives that will improve environmental outcomes along our supply chain. We identified an opportunity to expand and evolve our existing environmental investment initiatives, and have since kick-started program development with two existing community partners – Landcare and Keep Australia Beautiful.

We will be partnering with Landcare throughout FY14 to support our farmers in improving productivity, profitability, best dairy practice and sustainable resource management. In turn this will help us build long-term, mutually beneficial relationships. In addition to the Landcare program our farmers can access a wide range of benefits through Lion, including farm efficiency training programs, grants, long-term business planning and access to our brands and benefits such as Lion's counselling service.

With Keep Australia Beautiful we will be implementing the 'Adopt a Patch' program, which aims to engage the community and our people in improving recycling and reducing litter in identified litter 'hot spots' on or near Lion sites and in local community areas across the country. These programs are in development and we will be able to provide further updates on implementation and outcomes in next year's report.

The review also uncovered an opportunity for Lion to establish a new partnership focused on our core purpose, *enrich our world every day by championing sociability and helping people to live well*. We are currently in program development with identified organisations and will be able to provide further updates in our next report.

We believe that by making larger contributions to a fewer, select number of organisations we can use our resources to make a bigger difference to as many lives as possible. As a result of our review and decision to pursue a new partnership focused on our core purpose, we ceased our partnership with Big Brothers Big Sisters (BBBS) at the end of 2013. We continue to believe strongly in the vision and work of BBBS and wish the organisation every success in the future.

LION PRIDE

Lion's workplace giving program



In 2013, through our Lion Pride workplace-giving program, our people donated over \$129,000 to organisations they're passionate about across Australia and New Zealand. As in previous years, this figure was matched dollar for dollar by Lion, taking the total invested through workplace giving to \$258,000.

Overview of corporate partnerships in 2013

CORPORATE PARTNER		INVESTMENT IN 2013
LANDCARE		<p>Landcare is a national network of thousands of locally-based community groups who care for Australia's natural resources.</p> <p>We have been partnering with Landcare since 2007, before we became Lion, through the former Dairy Farmers business. In FY13 we started program development for a \$200,000 investment that will be made in FY14.</p>
KEEP AUSTRALIA BEAUTIFUL		<p>Keep Australia Beautiful (KAB) is a not-for-profit organisation that aims to lead, challenge and inspire all Australians to strive for a sustainable and litter free environment. KAB does this by recognising, supporting, resourcing, connecting and educating schools, communities, councils, businesses, and individuals across Australia to act locally and think globally.</p> <p>Through the industry-wide Packaging Stewardship Forum Lion has helped fund Keep Australia Beautiful programs for a number of years. In FY13 we started program development for a \$124,000 investment that will be made in FY14.</p>
DRINKWISE AUSTRALIA		<p>DrinkWise Australia is an independent, not-for-profit organisation focused on promoting change towards a healthier and safer drinking culture in Australia. In FY13 we invested \$1.2 million with DrinkWise Australia across a wide range of initiatives addressing the underlying drivers of alcohol misuse, and targeting at-risk groups in the community. Read more about our DrinkWise initiatives on page 23.</p>
CHEERS!		<p>Our major initiative in New Zealand is <i>Cheers!</i>, which forms part of the Tomorrow Project – a joint initiative by the Brewers Association, Distilled Spirits Association (DSA) and Wine Growers that aims to help New Zealanders drink like there is a tomorrow. In 2013 we invested \$381,000 in the following initiatives associated with the Tomorrow Project:</p> <ul style="list-style-type: none"> • Super Liquor Christmas Taxi Promo • Lindauer Water at Auckland Cup • Adshel 'Standard Drink' Campaign
FOUNDATION FOR YOUTH DEVELOPMENT NZ (FYD)		<p>FYD is one of our New Zealand based charity partners which has grown into a leader in the field of child and youth development and now runs several, proven programmes that lift the skills, self-confidence, motivation and achievements of young New Zealanders aged 5 – 18 years. This in turn plays a preventative role in addressing alcohol misuse which can be a symptom of deficient social skills, confidence and a lack of possible role models.</p> <p>This year Lion donated \$25,000 worth of product which generated approximately \$180,000 funding for the charity and its programs.</p>



Overview of corporate partnerships in 2013 (continued)

CORPORATE PARTNER

INVESTMENT IN 2013

FOODBANK



Foodbank is a non-denominational, non-profit organisation which acts as a pantry to the charities and community groups who feed the hungry.

We continued our partnership with Foodbank in 2013 with \$180 million invested to June 2013. This is the equivalent of over 34 million meals in total donated. Some of the highlights from the partnership this year include:

- Providing volunteer staff to assist with Foodbank's day-to-day warehouse operations including sorting, packing and stocking shelves as well as assisting welfare agencies with their orders.
- Partnering in the Foodbank Collaborative Supply Program which proactively manufactures key staples to underpin the Foodbank supply of rescued food. Lion provided fresh milk for the program with the assistance of other dairy industry suppliers and service providers.
- Donating 300 pallets of product in response to the Queensland emergency caused by ex-tropical Cyclone Oswald for immediate distribution to areas affected by flooding and wind damage.

DRESS FOR SUCCESS (DFS)



Founded in New York City in 1997, Dress for Success is an international not-for-profit organisation offering services designed to help women find jobs and remain employed.

In 2013 we provided product donations worth close to \$9,000 to a variety of DfS functions including the Young Executives for Success events where young female executives come together to network and hear from a variety of speakers.

Some of our people also spent an afternoon volunteering at the DfS warehouse in Marrickville unpacking and sorting clothes for their clients.

Overall this support contributed to a great year for DfS: the organisation helped 1,843 clients; distributed over \$280,000 worth of items; conducted 70 job support workshops and their volunteers gave over 14,000 hours.

WHITE RIBBON FOUNDATION



In addition to product donations worth close to \$17,000 to support White Ribbon's events in promoting their cause – to end men's violence against women – this year we looked to further promote the work of White Ribbon by supporting their primary prevention initiatives by selling white ribbon merchandise at our head office.

BREWARRINA



In FY13 we entered the final phase of our five-year partnership with the North Western NSW community of Brewarrina. The project has seen Lion support the community through a combination of skills transfer, coaching and funding to help revitalise the local Aboriginal Cultural Centre and fish traps, which in turn supports local tourism and employment opportunities. It is commonly recognised that unemployment and a lack of economic opportunity are precursors to alcohol misuse in regional communities, and through this partnership we aim to leverage the natural strengths of our business to help the Brewarrina community address these issues.

FY13 projects included:

- support for the development of signage around the grounds of the centre
- running strategy and planning workshops for key staff from the Brewarrina Business Centre; and
- providing access to our internal 'coaching to make a difference' program and course materials to support people management and training.

Read more at: <http://www.brebc.com.au/projects/brewarrina-aboriginal-cultural-centre-breacc/>

CASE STUDY 1

ALCOHOL & ME



Judy Walter is the External Relations Manager for Beer, Spirits & Wine in New Zealand. This is her story.



MAKING GOOD DECISIONS ABOUT ALCOHOL

“For a long time we’d been considering developing a responsible drinking program to reinforce our internal policies on alcohol consumption and to bring to life our commitment to reduce alcohol harm.

Unless people know what happens when they drink and are aware of the effects of drinking on their bodies, they’re not equipped to make smart decisions about their drinking. So working on the principle that seven people would tell seven people and even if they all took away only one message about the effects of alcohol on their bodies and their health, then we’d be in a lot better position than we are.

In this way, ‘Alcohol & Me’ was conceived.

The program isn’t about preaching or delivering a company line. It’s about giving quality information that empowers our people to make good decisions about alcohol so they can stay sociable and safe when they’re drinking, and help others do the same.

We based the program on findings and research from 15 international ‘drinking information’ websites, external peer reviews, comment by medical experts and our own consumer research from the past five years. We developed it in 2012, piloted it in August of that year, and started rolling it out across the New Zealand business in February 2013. Our MD in NZ wanted everyone in the NZ business to go through the program in the 2013 calendar year.

We’re already starting to see behaviour change. For example at our national sales and marketing conference we had water warriors who were circulating at the social event offering to fill people’s glasses with water. By the end of the evening they had dispensed half a litre of water per person. We’re also noticing that PAs are thinking about ordering high protein food when they organise company events. As well, I’ve had people coming up to me and relating anecdotes of the things they’ve remembered from the program.

Because Alcohol & Me is an internal program it assumes a fairly high level of base knowledge about alcohol, since that’s the industry we all work in. We’re now looking at opportunities to roll it out externally but we can’t use the same program, because we have to include some more basic information that those outside the industry wouldn’t necessarily know. We’re also going to develop the external program as an online program. I have personally facilitated each and every program we’ve held internally, and obviously that’s not practical for an external audience. A great example of taking

Alcohol & Me external is our work with NZ Rugby Union. We’ve started developing a version of the program for them, which we plan to pilot later this year.

We’re very encouraged by the level of external interest. For instance when we relocated our office, one of our neighbours was a doctor. We had invited the neighbours to drinks and when she heard about the program she was very keen for us to give a presentation for the doctors in her practice. We just need to get it into a format that is easy to activate externally.

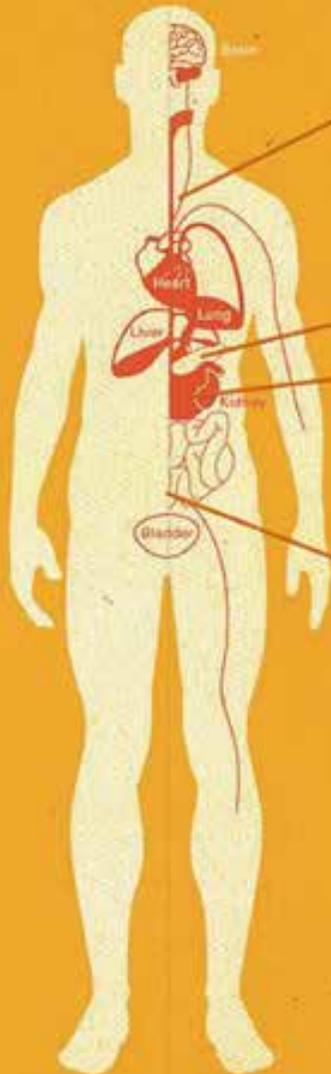
It’s been really exciting to see this come to life. I’ve been at Lion for 11 years and it’s been the single most rewarding project I’ve been involved in. It’s a proactive program and I love the fact that it’s visibly making a difference. There has been so much negativity in the media in the last few years around drinking. This program is not rocket science and it’s not a silver bullet. But at least we’re doing something and starting the conversation.”



Making smart decisions about drinking

The training uses a range of teaching tools including quizzes, interactive tools, videos, demonstrations, group activities and reflection time to cater for all the different learning styles and skill sets of participants. So it isn't about someone standing up and telling people they can't drink.

Ahead of the session, participants are asked to complete a short survey about their personal drinking habits which can be used to help the facilitator better understand the audience.



UNDERSTANDING STANDARD DRINKS

A standard drink contains 10g of pure alcohol. The average person can only process one standard drink per hour, and only one drink at a time. So three drinks will take you three hours to process.

TOP TIP

Protein rich foods like eggs, meat and dairy products release energy slowly, which means they will do a good job helping your body absorb alcohol over a longer period of time.

WHERE TO FROM HERE?

All 900 of our people in BSW NZ have completed the core 2.5-hour program which covers:

- Alcohol – get the facts
- Is my drinking normal?
- How much can I drink?
- Future focus

In Australia the program is currently being rolled out in BSW and LDD and we've trained ambassadors in the follow-up 30-60 minute modules on:

- Survivor's guide to the big night out
- Host with the most

WHAT OUR RESEARCH TOLD US

Research we did with our people and consumers showed a poor knowledge of what a standard drink looked like. And few knew where to go to get good information about alcohol. We also found that:

- 47% of people we surveyed were interested in making a change to the way they drank
- Two out of three people felt well informed, but only one quarter had ever sought information about drinking
- 79% were quite confident or stated they knew absolutely what a standard drink is, yet only 26% had actually ever heard the correct explanation.

WHAT OUR PEOPLE TOLD US

"I'm pleased to say I've been re-educating my weekend wino friends on a few things which they were also intrigued with (i.e. the liver and what it can process and how long). Really enjoyed it, thanks again."

"Thank you so much for the session yesterday at our meeting - I found it really, really interesting and very useful for myself and as a mother/parent of a teenager."

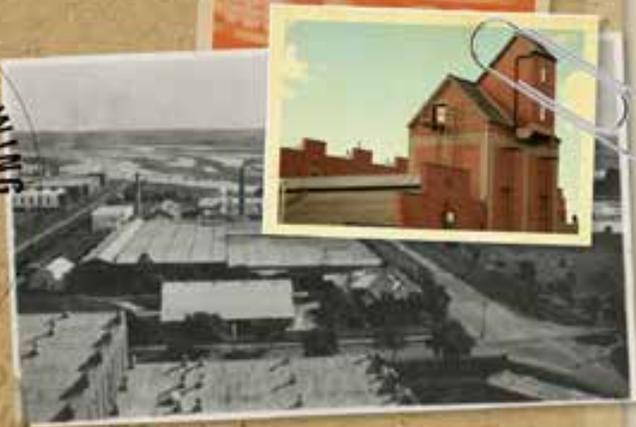
"For me personally, it helped me understand the impact of just having 'one more glass' (which is more than likely two standard drinks) and what that means for my body. When we were out for dinner last night I decided against having another glass of wine at the end of the evening as I really didn't need it and I saved my body two hours of processing alcohol."

CASE STUDY 2

A LITTLE GOES A LONG WAY

Ash Cranston is the Marketing Manager for Little Creatures. This is his story.

“We were expanding over to the east coast and needed to find a location with lots of space. But it also had to be part of the community. In Fitzroy we have an old warehouse, and in Fremantle we have an old boat shed. We could have built a brewery in an industrial site but like our other sites, we wanted something that was part of the community.”



The guys from Little Creatures came over to Victoria and were chatting to some people who said you’ve got to go and see this site in Geelong. As soon as they saw it, they realised it had a lot of potential for a brewery. The site is close to shipping lanes and it would allow us to renew an old building like we’ve done at our other sites.

We started three years ago. It is a heritage site, but there was always consensus about not changing it, especially once we’d found out about its history and how important it was to the community.

To build the brewery, we took the roof off and dropped in the tanks and fermenters. We found a book called ‘The Mystery of the Mill’ and tracked down the author.

She was able to help deepen our understanding of the 1920s mill and the community that worked and lived around it. We have even erected a story board that shares this history with our visitors.

The culture of the place stood out strongly for all involved. It drove home to them that being part of a community is not something that sits in a sustainability strategy, but is part and parcel of the business.

We finally opened on 3rd of December last year. It’s a brewery first and foremost but we’ve also opened a hospitality venue – Little Creatures’ third in Victoria. And we’ve started a craft market on the second Sunday of every month. We’re turning it into a true brewery village and a community space where people can come together for all sorts of activities.

Of course, it’s really exciting for Little Creatures – the more people experiencing craft the better.”

Check out more of our story at <https://www.youtube.com/watch?v=phR3ZVNkPBg>

OUR ENVIRO CREDS



Fermenting beer produces carbon dioxide, which many breweries simply vent to the atmosphere. But we capture it in a big ol' balloon, then clean it, reliquefy it and use it in other parts of our processes such as pressurising tanks or carbonating beer. This obviously lowers our carbon footprint, which is always good!

We're using less natural gas on the site. That's thanks to an energy storage tank which is the biggest tank of water on the site. As well as capturing heat from the cogeneration plant it also heats up by capturing energy from the wort kettle vapour that's produced during boiling. This captured energy is then used to:

- Pre-heat the wort before boiling
- Heat up the brewing liquor
- Heat up the beer warmer on the packaging line (to help with the labelling)
- Heat up the water to clean the machinery



We used recycled elements

wherever possible. For example, the bar is built inside the containers that were used to transport items from the brewery to Geelong, and the timber furniture is crafted from the pallets and skids also used during transport



We'll produce 1.25 million cartons

of packaged beer in our first year of operation and will be servicing our east coast markets from this location. That means no more transporting raw materials to Western Australia, or bringing the product all the way back again. Less transport means a smaller carbon footprint

We have a 1,200 kilowatt natural gas-fired

cogeneration plant that provides most of our electricity and then uses the waste heat generated by the engines to provide hot water

It's great to be promoting and building jobs in regional Victoria



CASE STUDY 3

MAKING EXCELLENCE A WAY OF LIFE

Julian Scott is Group MEX Director, Operations.
This is his story.

REDUCING WASTE AND INCREASING VALUE

“In manufacturing there are two ways to approach continuous improvement. One is to send experts to sites and run projects to improve the performance of your manufacturing.

The other approach is to empower and engage your own people by helping them understand what world-class manufacturing looks like, and then giving them the structures, capability and tools to do something about the problems they encounter every day in their workplaces.

That’s the approach we’ve taken. We’ve chosen to call it Manufacturing Excellence or MEX. This made sense because Lion’s manufacturing essentially comprises good local businesses that became good regional businesses that became good national businesses.

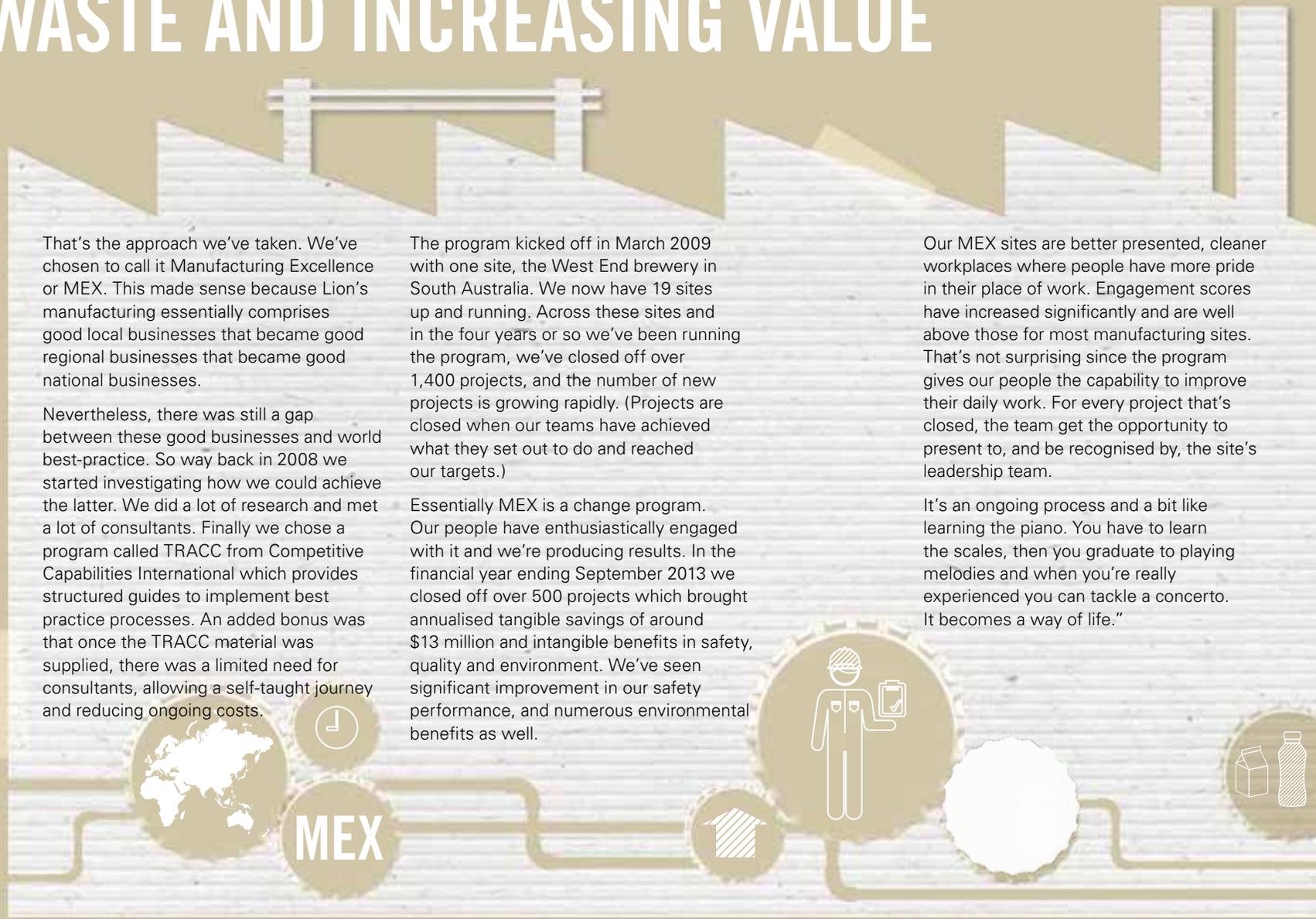
Nevertheless, there was still a gap between these good businesses and world best-practice. So way back in 2008 we started investigating how we could achieve the latter. We did a lot of research and met a lot of consultants. Finally we chose a program called TRACC from Competitive Capabilities International which provides structured guides to implement best practice processes. An added bonus was that once the TRACC material was supplied, there was a limited need for consultants, allowing a self-taught journey and reducing ongoing costs.

The program kicked off in March 2009 with one site, the West End brewery in South Australia. We now have 19 sites up and running. Across these sites and in the four years or so we’ve been running the program, we’ve closed off over 1,400 projects, and the number of new projects is growing rapidly. (Projects are closed when our teams have achieved what they set out to do and reached our targets.)

Essentially MEX is a change program. Our people have enthusiastically engaged with it and we’re producing results. In the financial year ending September 2013 we closed off over 500 projects which brought annualised tangible savings of around \$13 million and intangible benefits in safety, quality and environment. We’ve seen significant improvement in our safety performance, and numerous environmental benefits as well.

Our MEX sites are better presented, cleaner workplaces where people have more pride in their place of work. Engagement scores have increased significantly and are well above those for most manufacturing sites. That’s not surprising since the program gives our people the capability to improve their daily work. For every project that’s closed, the team get the opportunity to present to, and be recognised by, the site’s leadership team.

It’s an ongoing process and a bit like learning the piano. You have to learn the scales, then you graduate to playing melodies and when you’re really experienced you can tackle a concerto. It becomes a way of life.”



THE PRIDE BREWERY, NZ

In the fast-moving consumer goods (FMCG) industry, time efficiency is paramount for operational success. At our Pride Brewery in Auckland, increased complexity as a result of new product development and changing product mix meant one of the production lines experienced capacity constraints and an increased number of changeovers.

Capacity constraints block innovation and volume growth for the business and changeovers are the biggest single

downtime loss. In a five-month period, we calculated that 8,000 minutes were spent on changeovers on this particular line, with the longest single changeover time being two hours.

To analyse the issue, our people videoed two change overs and carefully compared processes and times. This helped them to agree on a new, improved system. Once it was established, we reduced changeover time from two hours to one hour, saving 100 hours a year, worth a notional \$60,000 to the bottom line, or allowing for more new products to service consumer needs.

LDD PENRITH MILK SITE

At our Penrith facility, our people noticed that a significant amount of milk was left in silos at the start of every cleaning cycle. After investigations, we estimated we were losing around 1,900 litres of milk a day because flawed programming meant that sensors were giving inaccurate readings of milk levels once the silos were drained.

A month-long monitoring program resulted in the silo evacuation procedures being reprogrammed. These procedures are now being transferred to additional silos. As a result, we've saved the equivalent of \$613,184 a year and 9,000 litres a week on Silo A (\$313,560 a year), 6,600 litres a week on Silo B (\$229,944 a year) and 2,000 litres a week on Silos 4, 5 and 6 (\$104,000 a year).

We've also saved on the energy we were using in the cleaning process, and reduced the amount of milk going into the waste stream.

In four years, through MEX we've **saved well over \$1 million a year** in beer waste across our Australian operations.

We've started to roll out the program to non-manufacturing areas; for example in the group supply chain area and in New Zealand in the sales and operations planning area.

Over 1,000 of our people have participated in or led MEX projects, after being trained and developing new capabilities. About one in four projects create savings and cost avoidance value, with the average value of those projects being round **\$50,000**.



CASE STUDY 4

CREATING SHARED VALUE

Matt Tapper is Marketing Director, Lion Beer, Spirits and Wine Australia. This is his story.

THE SWEET SPOT WHERE FLAVOUR AND RESPONSIBILITY MEET

“Long before the concept of ‘creating shared value’ (CSV) was ever coined, Lion created a great product that has generated huge value for society, consumers, pubs and bottle shops while at the same time delivering attractive profits to Lion.



The product?

Lion's XXXX GOLD, the most successful less-than-full-strength (LTFS) brand in Australian history, and currently the #1 beer in the country, comprising more than 12% of the beer sold in Australia.

Of course, there are a range of factors that ultimately led to its success, not least a healthy dose of luck and good timing.

But first and foremost, XXXX GOLD has enjoyed great success because it's a great tasting product, loved by those who drink it.

Launched in 1991, XXXX GOLD tapped into an evolution in Australia's lifestyle and drinking culture. Since the early 90s per capita consumption of alcohol has trended down, the demands of the workplace have grown along with mixed-gender socialising and the community's intolerance of drink-driving and anti-social behavior. At the same time, Australians' love of the sun and coastal lifestyle is as strong as ever.

XXXX Gold met all these consumer challenges, playing a significant role in pulling down the average alcohol volume of the beer market overall and blazing a trail for a range of other LTFS innovations. Key to getting the message across has been consistently outstanding marketing, essential in launching and growing any successful product.



Ultimately, culture is the most powerful driver of drinking behaviour and the key to reducing alcohol misuse. Social innovations can only play a role where they tap into a genuine consumer need or facilitate an emerging change in culture or attitudes.

On the other hand, efforts to create social change via a market without the support of the consumer will almost always fail. Lion and other beverage companies have discovered this in efforts to tap into environmental consciousness with carbon neutral products.

Those who 'crack a Goldie' don't see it as a compromise – mid-strength beer is the sweet spot where flavour and responsibility meet. Consequently, XXXX GOLD has helped millions of beer drinkers achieve greater balance in their lives and legitimised mid-strength as a credible and socially-accepted beverage option.”



PRODUCT QUALITY

It was clear from the start that Lion's Head Brewer Bill Taylor and his team had got the liquid just right. XXXX GOLD is

full-flavoured, highly refreshing and perfect for the Australian climate. The consumer can enjoy a LTFS beer without flavor compromise, which has been key to its success.

MARKETING

In 2000, a partnership with advertising agency BMF led to the development of one of the most successful beer marketing campaigns in history, the 'Jacko' campaign. It struck a chord because it depicted an aspirational and laid-back Aussie lifestyle where groups of mates could spend quality time together outdoors. It positioned XXXX GOLD just like a full-strength brand – confident and uncompromising.

COMMERCIAL

XXXX GOLD is now the leading beer brand in Australia and overall mid-strength beer makes up close to 20% of the beer market. It's profitable for Lion and our retail

customers. Our on-premise customers often prefer to stock and support XXXX GOLD because of its benefits for patron behaviour.

REGULATORY

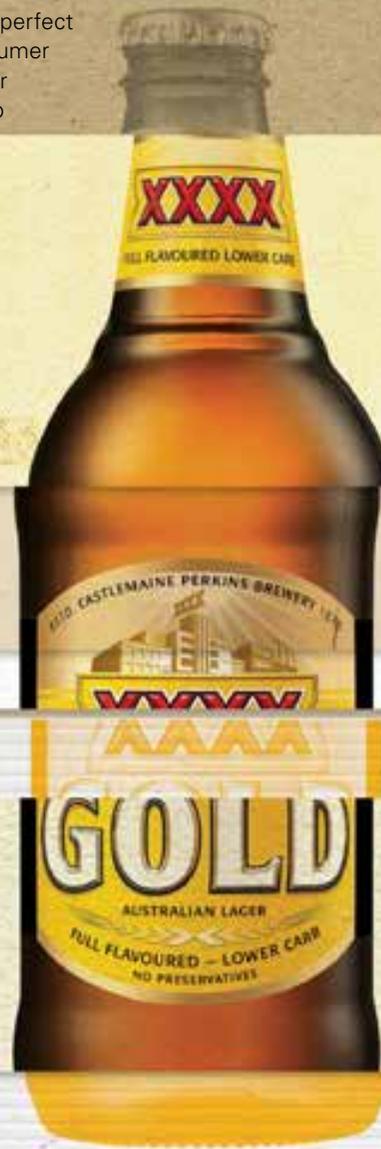
All beer, including the full-strength variety, is relatively low in alcohol compared with wine, spirits and RTDs. LTFS beers have enjoyed tax incentives and their success underpins the case for a stable and supportive regulatory regime. Continued community support for marketing and sponsorship rights is crucial given the role they've played in growing the LTFS beer market.

SOCIAL

As a result of great marketing, beer drinkers have a socially acceptable beer brand choice at 3.5% that they enjoy and that allows them flexibility to make responsible drinking decisions.

INNOVATION

Less well known is that XXXX GOLD blazed a trail for Lion to innovate across our broader portfolio to bring down the average alcohol by volume of new products in every segment of the market, as have our competitors. For example Lion's most recent XXXX innovation, Summer Bright Lager, is brewed at 4.2% but marketed as full-strength. At 4.2% it equates to just 1.1 standard drinks – almost equivalent to a mid-strength (at 1 standard drink). We've also taken the success of mid-strength to other trademarks like Hahn Super Dry 3.5 and we're in the process of launching a mid-strength offering under our James Squire brand.



CASE STUDY 5

HELPING MORE KIDS LIVE WELL

Joanne Hunt is Project Engineer, Operations at the Morwell site. This is her story.

MORWELL BREAKFAST PROGRAM



“At the Lion yoghurt site in Morwell, our leadership team established a committee to brainstorm how our people could work with the community in the Gippsland region. We have been here for 16 years but we found that many people didn’t know what we did or what we produced.”

Our first external outreach program has been an initiative with the Morwell Primary School. We heard they had a breakfast program that’s been running for the past decade. It’s for all the children at the school but it’s specifically targeted at those for whom breakfast is a luxury. As well as providing an average of 25-50 students a day with a nutritious breakfast, it’s a safe place for them to come together in the morning and talk.

After our first visit to the school, when we met the staff and discussed the breakfast program, we realised that a little assistance from Lion could go a very long way in the lives of these children. We didn’t want to pass up an opportunity to extend our support.

Initially there were just two of us who went along every Tuesday from 8.15 to 9am, but we now have 10 people on a roster system and we’re hoping to get even more involved. Every week, the Lion Morwell site supports the school by donating milk, juice and the yoghurt that we make at our site. We also provide lids and other material we can find for the school’s art classes.

As well as maintaining our relationship with the school, we’re looking at how we can extend our outreach program into other areas of the community.

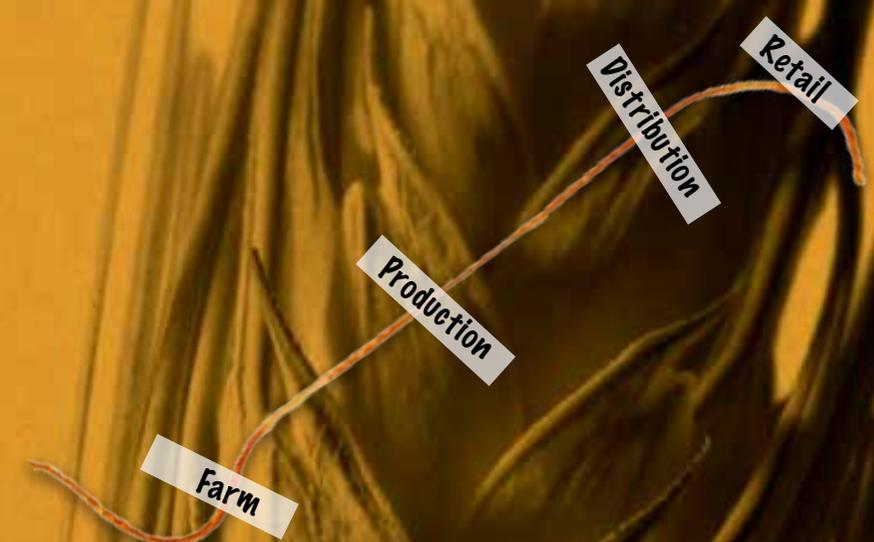
Morwell is a struggling community to some degree. There is a lot of unemployment and single families and some people are finding it hard to get by.

I’ve found the breakfast program so rewarding. It’s only a little time each week but the joy of these children and what they have to tell . . . and then to know that they’re getting a nutritious breakfast every day . . . it’s a great feeling.

The positive feedback from the staff and children has been overwhelming and everyone from Lion who has been involved in the program has found the experience truly enriching.

We now look forward to exploring other opportunities to assist where possible in the wider community.”

SUPPLY CHAIN SUSTAINABILITY



Having an efficient, ethical and sustainable supply chain is critical to our business' viability. Owing to the industries and categories in which we operate, and the breadth and scale of our business, our supply chain is large and complex.

It includes over 30 core manufacturing sites and 34,000 suppliers across Australia and New Zealand – from barley, dairy, fruit and soy bean farmers to ingredient suppliers, packaging and marketing partners, transport and distribution partners and many more.

Key developments in supply chain sustainability in 2013 were:



Food and grocery regulatory settings



Improving returns in dairy for long-term sustainability



Animal welfare



The sustainability of the juice sector



Ethical and social sourcing



GETTING FOOD AND GROCERY REGULATORY SETTINGS RIGHT

Food and grocery manufacturing, of which Lion is a part, comprises a significant proportion of the national economy – it's the country's largest manufacturing sector, employing just under 300,000 people.

Australia remains an expensive place to do business. Thanks to a relatively small domestic market and a highly competitive retail sector, manufacturers such as Lion have little opportunity to reflect increasing costs in their pricing.

In 2013 we, like many manufacturers, responded to this challenge by driving supply chain efficiency, and undertaking further capacity rationalisation. At the same time, we recognise that long-term sustainability can't be achieved by only focusing on costs; local manufacturers must also invest in innovation and product to drive value in both the domestic market and, increasingly, internationally.

The rising international demand for 'clean and green' food products, particularly in Asia, presents a unique opportunity for Australia to secure a new source of economic growth following the mining boom, and for food manufacturers to access new and rapidly growing markets.

However, the food manufacturing sector will only be able to capitalise on these opportunities and achieve its full potential when business has the confidence to invest and employ. This requires a supportive regulatory environment.

Regulation in the food and grocery sector extends well beyond product safety and because of Australia's multiple levels of government, regulation can be overlapping or contradictory. The industry's peak representative body, The Australian Food and Grocery Council (AFGC), of which Lion is a member, is advocating for regulatory reform to improve the viability of the industry, and ensure Australia does not miss out on international growth opportunities.

This includes delivering enabling, rather than regressive, regulatory frameworks to reduce costs, addressing the impact of retail concentration, and reinvigorating innovation, investment and trade.

FOOD AND GROCERY INDUSTRY CODE OF CONDUCT AGREED

Following extensive consultation in November 2013, the AFGC and major retailers Coles and Woolworths agreed the terms of a proposed Food and Grocery Industry Code of Conduct, to deliver more contractual certainty, encourage better sharing of risk and reduce inappropriate use of market power. We support the AFGC's efforts and believe it's a positive step forward in strengthening supplier and retailer relationships. The code will be structured as a voluntary industry code that is prescribed under competition laws and enforced by the ACCC. It has now been handed over to the Federal Government for the development of a regulatory impact statement and to draft the enabling legislation.

To see a copy of the code visit the AFGC website at <http://www.afgc.org.au>.



To support this process the AFGC partnered with KPMG in 2013 to undertake a fact-based study on the financial performance of the food and grocery industry in Australia, to better understand key industry issues. The analysis and findings are detailed in the report *Competitiveness and Sustainable Growth; Challenges for the Australian food and grocery industry*, June 2013.

<http://www.afgc.org.au/competitive-and-sustainable-growth-report.html>.



IMPROVING RETURNS IN DAIRY FOR LONG-TERM SUSTAINABILITY

We have Australia's only national fresh milk processing footprint, and as such we're a major player in the local dairy industry. Naturally therefore, we're committed to helping the industry grow sustainably and reach its full potential.

Over the course of 2013 the dairy industry continued to face significant challenges. These included the effects of a high Australian dollar on exports, ongoing discounting in the domestic market and a level of uncertainty and churn driven by changes in supermarket private label contracts.

In April we lost our private label white milk contracts with Coles in Victoria, NSW and South East Queensland. These contracts account for a sixth of the annual milk volumes we currently procure, and will cease in June 2014. Prior experience demonstrates that changes in these contracts can cause significant disruption for farmers, and we've been working through the implications of the change with our dairy farmer suppliers.

Despite these challenges, 2013 also saw a greater acknowledgement of the value and potential of Australian dairy operations due to the increasing demand for dairy products in Asia. Strong bidding interest in

Warrnambool Cheese & Butter Ltd (WCB) from both local and international companies exemplified this, and also highlighted that the structure of the local dairy industry continues to evolve, with consolidation particularly evident.

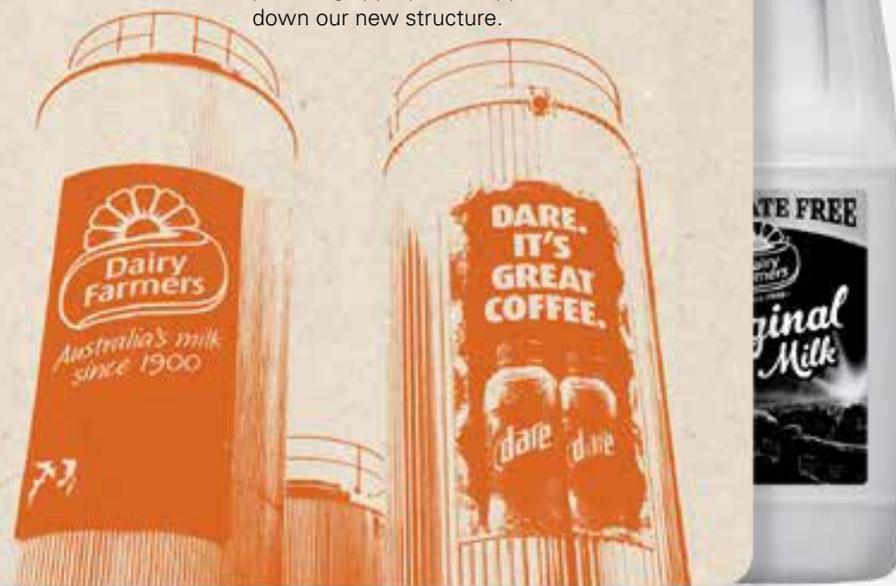
We are responding proactively to the challenges and opportunities shaping our business to ensure we are well positioned for sustainable growth.

For example, on October 29 Lion acquired a 10% shareholding in WCB. We've enjoyed a close relationship with the company over many years and it plays an important role in our cheese business, which includes our well-known family-favourite brands such as Coon and Cracker Barrel. The stake strengthens this long-term relationship.

During 2013, we also refreshed our dairy business's operating model to be more category and channel driven. This allows us to more directly align resources behind the activities that differentiate us and drive real value in the marketplace. While this involved some difficult decisions, including the restructuring of our marketing, sales and supporting functional teams, it was a necessary step to take to ensure we have the efficiency and flexibility to compete in a challenging marketplace.

At the same time, we overhauled business processes, removed duplication, addressed gaps, established clearer accountability across our team to improve our effectiveness and set up a small international unit to assess export opportunities for our portfolio, with a particular focus on Asia. Given our proximity to growing Asian economies, and our credentials as a producer of premium, nutritious and safe dairy products, we expect exports to become an important value stream for our business.

These changes will be implemented over the next 18 months and, as always, we're working closely with affected people and providing appropriate support as we bed down our new structure.





ANIMAL WELFARE

We're proud of our reputation as a manufacturer of high quality dairy products and seek to protect that reputation by continually improving the quality of raw milk and by maintaining industry-leading standards.

Our business is built on a partnership with our dairy farmers – a partnership which ultimately aims to provide healthy and safe products to our customers. An important component of this partnership is our commitment to responsible animal welfare practices. To that end we've collaborated with Dairy Australia and Australian Dairy Farmers to develop policies and guidelines that we actively promote to our suppliers through on-farm quality assurance programs.

Lion has no tolerance for animal cruelty. It is each supplier's responsibility to ensure he or she meets and complies with animal welfare laws and regulations and industry guidelines and codes of practice. We suspend the collection of milk if there is any reason to suspect animal health or welfare issues.



THE SUSTAINABILITY OF THE JUICE SECTOR

Lion is the largest purchaser of oranges in Australia, and the largest juice manufacturer. We offer a range of juice products, including 100% fruit juice that uses local fruit, and fruit juice that uses concentrate when local fruit is not readily available or to meet consumer demand for a competitively priced product.

The Australian juice sector remains highly competitive and under margin and volume pressure. Overall demand for juice continues to fall, and competition from imported juices and concentrate is increasing. It's therefore essential to establish an efficient and flexible cost base that allows us to be competitive and to invest in innovation to build value in the category for the benefit of our company, suppliers and all stakeholders.

We have four juice manufacturing sites in Australia – Smithfield and Leeton in New South Wales, Lytton in Queensland and Bentley in Western Australia. In 2013, we conducted a lengthy review of our manufacturing footprint and, in December, announced we would be closing our Lytton site due to significant underutilisation. The majority of chilled and ambient juice currently produced at Lytton will be transferred to Smithfield.

The change is expected to occur during the first half of 2014 and will see approximately 80 roles become redundant after March 2014. While this was a difficult decision, it will help secure the long-term viability of the larger and more modern site at Smithfield, which had spare capacity. We will be working closely with those impacted by this decision, providing assistance where possible in planning for the future, consistent with our normal policies and processes.



ETHICAL AND SOCIAL SOURCING

Building on the progress made during FY12, we further refined our requirements for ethical sourcing in FY13. These requirements not only set the standard for our approach to ethical sourcing, but also our expectations of our suppliers' work environments. They're captured in the following mission statement:

To collaborate with suppliers and other partners to build and improve ethical sourcing strategies. Lion's commitment is not only to achieve compliance, but to also take a proactive approach to constantly improve the wellbeing of all workers (involved with manufacturing merchandising goods) as a priority by promoting best practices and standards.

Specifically, as of June 2013 Lion now requires all suppliers and their subcontractors (where relevant) to comply with the following standards, and observe the rights of workers set out in the following international conventions (regardless of whether they are legally bound by those conventions or domestic laws enforcing those conventions) and international standards:

- i Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87);**
- ii Right to Organise and Collective Bargaining Convention, 1949 (No. 98);**
- iii Equal Remuneration Convention, 1951 (No. 100);**
- iv Abolition of Forced Labour Convention, 1957 (No. 105);**
- v Discrimination (Employment and Occupation) Convention, 1958 (No. 111);**
- vi Minimum Age Convention, 1973 (No. 138);**
- vii Worst Forms of Child Labour Convention, 1999 (No. 182); and**
- viii ISO 180001, the International Organisation for Standardisation 180001, which encompasses an Occupational Health and Safety Management System and is internationally accepted as a method of assessing and auditing occupational health and safety management systems. Developed by leading trade and international standards bodies, it provides a framework for organisations to instigate proper and effective management of health & safety in the workplace.**

All (100%) of our new suppliers were screened using the criteria for labour practices described above.

During 2013 we identified that the area of highest compliance risk was the supply of merchandising and promotional goods for our brands. As a result, during July all relevant suppliers were asked to execute an addendum to their contracts that bound them to the above terms and conditions. Consistent with our commitment to ethical sourcing, we no longer work with suppliers who are unable to include this addendum to their contracts.

As of December 2013 we also appointed an ethical sourcing audit partner to assist with compliance to our program. The partner, SEDEX, is a globally recognised leader in ethical and social auditing and is a not for profit organisation dedicated to driving improvements in ethical and responsible business practices in global supply chains. SEDEX is an acronym for 'supplier ethical data exchange'.

SEDEX uses a secure web-based platform for sharing and viewing information across four pillars:

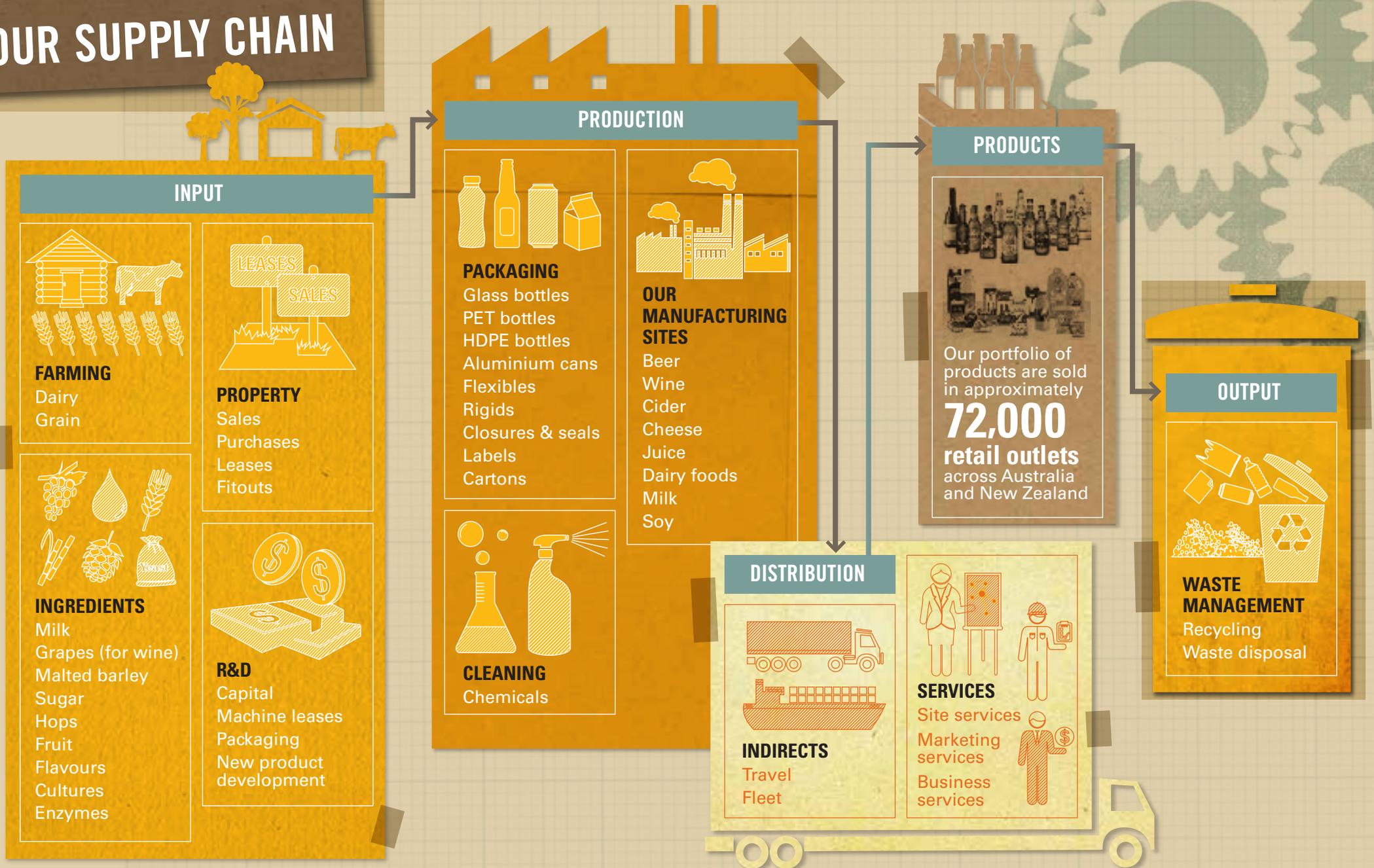
- Labour standards
- Health and safety
- Environment
- Business integrity

It is the world's largest online collaborative platform for sharing and managing supply chain risk from an ethical data perspective across twenty five industry sectors and has over 30,000 supplier members linked to the exchange. It's a self-audit tool and results are measured against similar organisations on the database, to deliver a high, medium or low risk profile. This enables us to make more informed decisions about our supplier partnerships.

Our procurement and supplier performance teams will determine appropriate remedial steps if a high-risk supplier is identified. These could include an audit by SEDEX qualified auditors to further understand potential risks, an audit by Lion, a decision not to work with the organisation or a remedial program of improvement and monitoring.

SEDEX is currently being implemented, and is initially focusing on the highest risk categories. It will then be rolled out further into the business.

OUR SUPPLY CHAIN

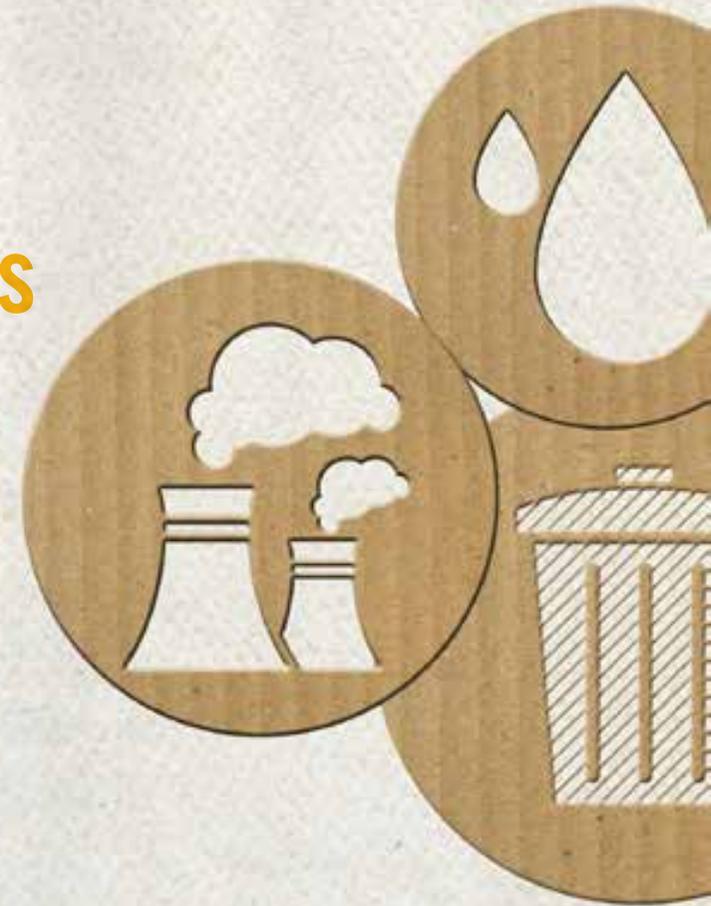




ENVIRONMENTAL STEWARDSHIP

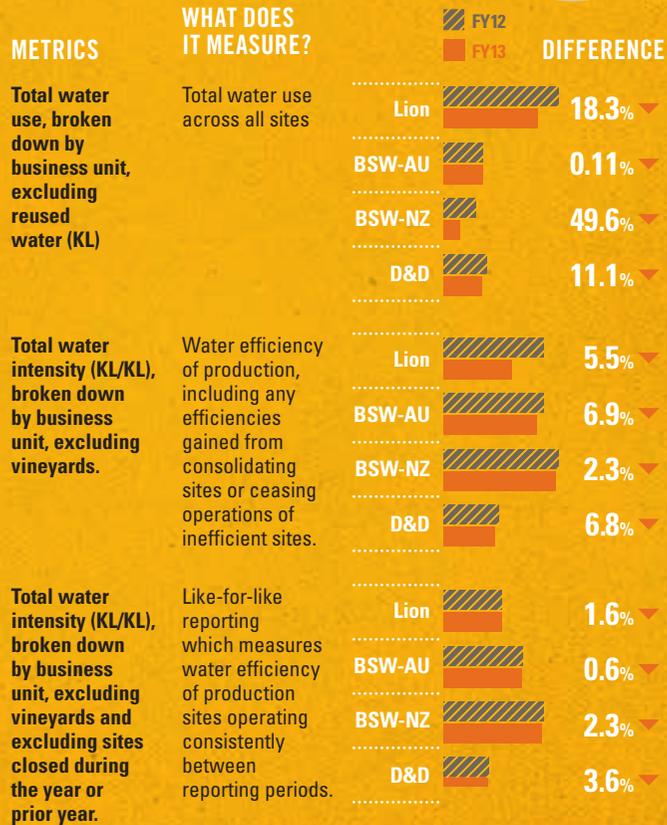
The natural environment in which we operate will always be a material consideration for Lion and our stakeholders, as our natural resources become more finite and we identify new ways to preserve them.

In 2013 our materiality assessment determined that environmental stewardship in the areas of water, waste and emissions is of most relevance to our business and our stakeholders.

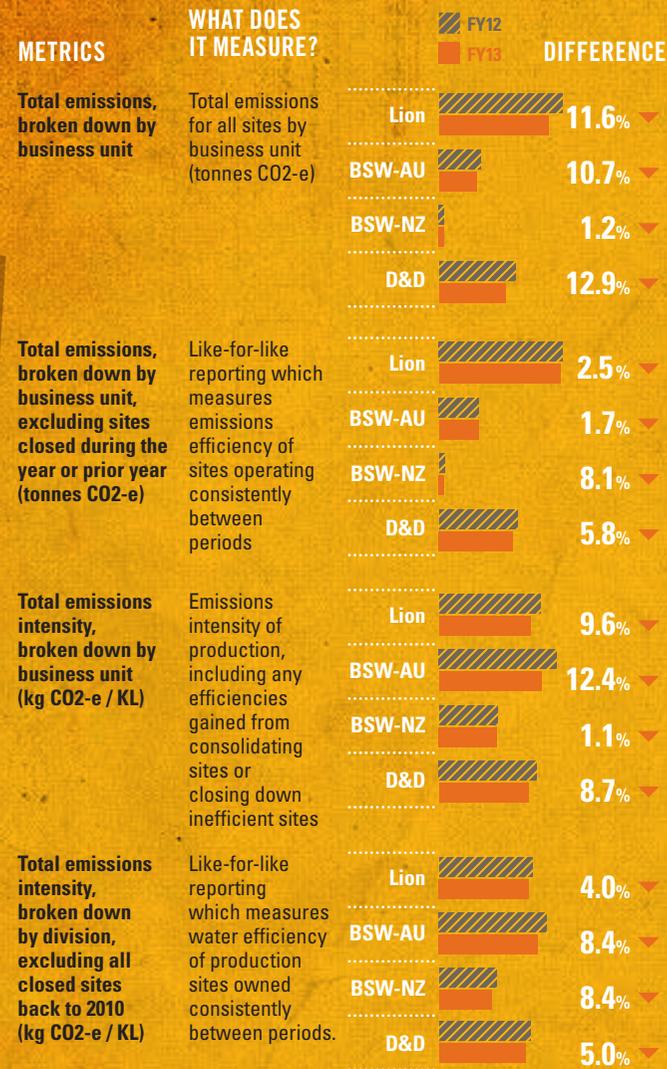


OUR ENVIRONMENTAL PERFORMANCE

WATER



EMISSIONS



WASTE

During FY13 we reviewed the way we manage waste right across the business. As part of this exercise, we engaged a waste management expert to look at both solid and liquid waste to improve performance, rationalise waste and recycling services, and align our Dairy and Drinks and Beer, Spirits & Wine businesses.

Currently data on our waste management performance is limited as not all our sites track this data and many have been reliant on contractors to supply information that in some cases is not available.

Following the waste review process currently underway, reporting and lodgement of data will improve so we will be in a better position to report these as baseline figures in the FY14 sustainability report, and from then on track our performance year on year.



WATER

The way we use, manage and dispose of water continues to be the focus of our water efficiency initiatives.

We're proud of the fact that in some of our plants water usage per litre of product meets world-class standards and in many cases exceeds them. For instance our Chelsea plant in Victoria has managed to drive water usage per litre of milk produced down to 0.66L/L – better than world-class standard, which in dairy is typically 1L/L. The site achieved this despite an increase in the overall volume of milk produced.

Over the past twelve months, across the entire Lion business, our overall water use reduced from 8,512,007 KL to 6,956,012 KL. This is a reduction of approximately 18%, excluding rainwater used on vineyards and reused water.

Water intensity is a metric used to measure the number of KL of water used per KL of product manufactured. It measures the water efficiency of production, including efficiencies gained from consolidating sites or ceasing operations at inefficient sites. Water intensity at Lion this year reduced from 2.71KL/KL in FY12 to 2.56KL/KL in FY13, a 5.5% reduction.

We're proud of the fact that in some of our plants water usage per litre of product meets world-class standards and in many cases exceeds them

Stripping out the impact of site closures and production changes throughout this period, the intensity went from 2.53KL/KL in FY12 to 2.49 in FY13. This represents a reduction of 1.6%.

During 2013 we began a detailed water mapping exercise of some of our manufacturing operations to identify more ways to improve and achieve our reduction target of 10% by 2016 (KL/KL), a target which was set based on the performance of our sites in operation at 2011. The water mapping exercise has been initially focused on those manufacturing sites that have already achieved water efficiencies but are struggling to find ways to further reduce their usage.

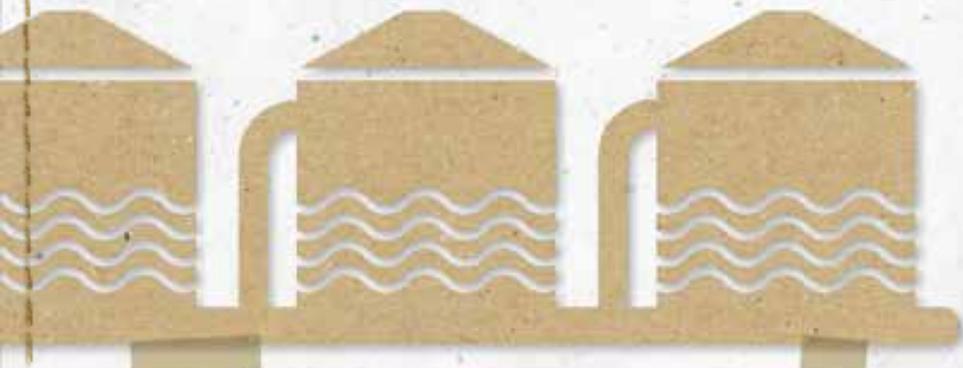
TARGET

OUR TARGET IS A 10% REDUCTION ON A KL/KL BASIS BY 2016

As this target was set on a base year of 2011 it covers all Lion sites in operation at that time.

In 2010 we completed a scope 3 survey examining total supply chain water use to better understand stress associated with water extraction through our supply chain. Since that time, we've chosen to focus on understanding the full impact of our own manufacturing facilities and associated water use before undertaking another in depth review of water stress², and will look to expand this exercise across our full supply chain again in the future.

This exercise will enable us to drill down into more detail within these sites to identify more water savings initiatives. It's expected to continue into 2014.



² Water stress occurs when the demand for water exceeds the amount available during a certain period, or when poor quality restricts its use. So as a business we are determining the impact we may have on the supply chain in order to reduce the amount of water stress.

We're currently implementing a number of strategic initiatives designed to improve the efficiency of water usage across our manufacturing facilities.

Building on the water mapping exercise we're conducting a full review of our manufacturing sites' water usage to ensure we realise efficiencies during the manufacturing process before we design and implement wastewater treatment plants.

We're also working on the upgrade, and in some cases the full implementation, of wastewater treatment plants, designed to meet current requirements and future sustainability commitments.

We've now commissioned two new wastewater plants at Crestmead and Salisbury, which will include biogas recovery, to offset the natural gas used for boilers at the three sites.

The majority of our manufacturing facilities are located within urban areas and as a large business we're conscious of the impact we have on local water sources. This is why, where appropriate, the reuse of water is a high priority.

For health reasons, some processes within food and beverage manufacturing restrict our ability to reuse water. But there are certain processes within the manufacturing process where we can reuse water and this can be harvested and used as 'grey' water.

Our vineyards rely heavily on the use of rainwater and from time to time this is substituted by irrigation where appropriate.

The King Island Dairy relies on groundwater to support the manufacturing process and, as a result, the site focuses on reducing water usage where it can so as to limit the impact the site has on the local community.



TARGETS



OUR TARGET IS TO REDUCE CARBON EMISSIONS BY (KG CO₂-E/KL)

9%

(EXCLUDING AGRICULTURE)

This target was set on a base year of 2011 and as such takes into account all Lion sites in operation at that time. This target is reflected on our Balanced Business Strategy.



Through **PROJECT BONSAI** we're also looking for opportunities to use renewable energy. This may involve implementing co-generation and tri-generation.

EMISSIONS

During 2013 we reduced total emissions by 40,768 tonnes CO₂-e, or 12% on the previous year³. Stripping out the impact of site closures and production changes, total emissions reduced by 2.5%, from 308,279 to 300,462 tonnes CO₂-e. This reduction can largely be attributed to the work of Project Bonsai, an internal working group looking at energy efficiency opportunities across the business.

Emissions intensity measures the intensity of production, including any efficiencies gained from consolidating sites or ceasing operations at inefficient sites. We reduced emissions intensity from 143.2 kg CO₂-e / KL in FY12 to 129.69 kg CO₂-e/KL in FY13 – a reduction of 9.5%. Stripping out the impact of site closures and production changes, emission intensity was reduced by 4.7%.

³Note: Emissions recorded are only for Scope 1 & 2.



ENERGY AND CARBON EFFICIENCY

In 2013 St Hallett successfully applied for funding under the AusIndustry Clean Technology Food and Foundries Investment Program and received \$116,000, which was used to install a new ammonia chiller, put LED lighting in the barrel and production cellars, and insulate brine lines in the production cellar. The three projects will save the site ~191,000kWh of electricity a year, which is a reduction of 28% of our total annual electricity use. As well, our carbon footprint will be reduced by 184t CO₂-e a year, which equates to a 34% reduction of our direct carbon emissions.

We measure not only our scope 1 and 2 emissions but also our scope 3 emissions every two to three years to improve our understanding of our total supply chain impact. While we're not directly responsible for scope 3 emissions, we understand that the products and materials we buy also have an environmental impact, and our aim is to work with our suppliers to mitigate the impact of these inputs.

Our current target is a 9% reduction in carbon emissions (kg CO₂-e/KL) by 2016 (excluding agriculture). As with our water target, this target was set on a base year of 2011 and as such takes into account all Lion sites in operation at that time.

We subscribe to the statutory reporting requirement of the Federal Government's Energy Efficiency Opportunities (EEO) Program. During 2013 we decided to expand the program to include smaller sites within Australia as well as our sites across New Zealand. We have called it The Lion Energy Efficiency Program.

The Lion Energy Efficiency Program reports to an overarching energy management group called Project Bonsai, whose role is to review and ultimately manage energy management projects across the Lion group. A function of this group is to also identify areas of opportunity within the renewable energy space.

During the year we successfully obtained funding grants to improve efficiency and drive down emissions at multiple sites. The projects are expected to save just over \$4 million and reduce emissions by an average of about 40% a year.

Projects include:

- St Hallett Winery: installing an ammonia refrigeration system in place of the current freon chiller; replacing existing mercury vapour and metal halide lighting in the production and barrel cellars with LED lighting; and insulating brine lines
- Swan Brewery: relocating and consolidating Swan Brewery to West End Brewery in South Australia and Boag's Brewery in Tasmania
- Tooheys Brewery: upgrading lighting for the packaging hall, replacing existing 367 metal halide high bay lights with energy efficient LED lights and supporting equipment
- Chelsea Milk Plant: replacing compressors and chillers

Furthermore, the King Island Dairy site has entered into an agreement with Hydro Tasmania to install 'smart metering' on electric hot water services. These meters and associated switch gear allow the hydro to remotely switch off hot water services if the power generated by the local wind turbines and solar collection arrays falls close to the threshold where starting up the diesel generators is required. Not having to start the diesel generators for these momentary fluctuations in power is estimated to have considerable savings in greenhouse gas emissions for the island. Our King Island site is often 100% powered by renewable energy for weeks.

The projects are expected to save just over **\$4 million** and reduce emissions by an average of about

40% a year.





WASTE

During 2013 we reviewed the way we manage waste right across the business. As part of this exercise, we engaged a waste management expert to look at both solid and liquid waste to improve performance, rationalise waste and recycling services, and align our Dairy and Drinks and Beer, Spirits and Wine businesses.

This review is ongoing and the recommendations will be put in place in FY14 and reported on in next year's report.

Solid waste and liquid waste

Both solid and liquid waste is managed in accordance with environmental regulations. The review mentioned above will address any issues in the disposal of these types of waste and will help us put initiatives in place to dispose of it as efficiently as possible.

Packaging

Our objective in packaging is to increase recycling and reduce litter. For over 20 years, we've voluntarily invested millions of dollars to improve our manufacturing processes, reduce litter and increase the recycling of our bottles, cans and liquid paperboard containers.

Over the course of 2013, the Council of Australian Governments (COAG) continued its review of a range of potential national solutions to address recycling and litter. We've been working with industry and community groups to put forward a fully funded program to be housed within the existing Australian Packaging Covenant. This program would apply \$115 million in industry funding to unlock \$285 million over 10 years to boost beverage container recycling rates from 56% to 80% and decrease already falling litter rates by a further 10%.

Read more about the COAG review on page 67.

We've been working with industry and community groups to put forward a fully funded program to be housed within the existing Australian Packaging Covenant. This program would apply **\$115 million** in industry funding to unlock **\$285 million** over 10 years through matching funds and co-investment



As a signatory to the Australian Packaging Covenant, Lion must adopt the Sustainable Packaging Guidelines (SPG), which require that we assess, review and optimise our consumer packaging to ensure we use resources efficiently and reduce the environmental impact of our packaging – ensuring all the while that product quality and safety remains uncompromised.

During 2013, we created a number of project execution groups (PEGs) across all business units to foster sustainability in packaging in our operations, based on the new guidelines.

Using the life-cycle assessment tool called the Packaging Impact Quick Evaluation Tool (PIQET), the group environment team also devised a single combined metric which incorporates multiple aspects such as water use associated with packaging production, associated energy use, recyclability, recycling rates and associated emissions, to provide an easily understood measure for comparison of both current and proposed packaging options.

The project execution groups have begun reviewing existing packaging, using the PIQET, and targeting poor performing packaging for analysis and possible re-design or rationalisation.

In addition a PIQET analysis will now be incorporated into our new product development processes, to ensure environmental impacts are assessed and considered in the development of product innovations.

This work builds on the Australian Packaging Covenant's long-standing product stewardship initiatives and will be extended into our New Zealand business as well.

Data on performance

Currently data on our waste management performance is limited as not all our sites track this data and many have been reliant on contractors to supply information that in some cases is not available.

Following the waste review process currently underway, reporting and lodgement of data will improve so we will be in a better position to report these as baseline figures in the 2014 sustainability report, and from then on track our performance year on year.

FUTURE PLANS



Future directions for packaging will be derived from the work of the **SUSTAINABLE PACKAGING GROUP** which is currently running across Lion and under which the project execution groups mentioned above fall out of.

Our plans for solid and liquid waste management will form part of the waste review process. Waste reduction targets will be set following this process and we will communicate these in our FY14 sustainability report.

We will continue to engage governments around Australia on the design and implementation of an industry-led, product stewardship program to improve recycling and reduce litter across the country.

THE REGULATORY DEBATE CONTINUES ON THE BEST WAY TO ADDRESS RECYCLING AND LITTER

Over the course of 2013, we continued to actively promote options to accelerate improvements in drink container recycling and litter rates as the Council of Australian Governments (COAG) continued its review of a range of potential national solutions to address these issues. While maintaining our firm and transparent concerns with container deposit legislation (CDL), we were instrumental in coalescing industry support for a comprehensive alternative to be driven through the Australian Packaging Covenant (APC). Under this scheme, industry would invest \$115m to leverage total new resources of \$285m over 10 years through matching funds and co-investment to deliver an 80% drink container recycling rate and decrease litter by a further 20%. With the backing of the APC, the scheme would have regulatory strength, and engage around 100 companies from across the whole packaging supply chain together with all jurisdictions and a number of key environment and community groups. Working through tailored state plans, and with a focus on practical investments and partnerships, we believe we can achieve environmental outcomes that are superior to those promised by CDL at no cost to the economy or to consumers, and without the need for additional regulation.

CDL focuses on beverage containers only, which make up just 4% of the waste stream and around 10% of litter. That means these schemes do nothing to address 96% of total waste and the remaining 90% of litter. With 98% of Australians already recycling at home, we believe that making it equally easy to recycle 'away from home' is the biggest opportunity to deliver real environmental benefits. This would be far more effective than only looking at a small portion of waste and litter.

We believe the answer is in providing holistic solutions for all packaging, not just beverage containers, that respect the things that are working – like kerbside recycling – while addressing the things that need improvement – like litter behaviour and away-from-home recycling.

Lion, together with a wide range of other businesses, community and environment groups, is supporting this ambitious proposal and hopes to achieve the endorsement of all Australian environment ministers through COAG in 2014.

With **98%** of Australians already recycling at home, we believe that making it equally easy to recycle 'away from home' is the biggest opportunity to deliver real environmental benefits

CONSERVING AND RESTORING OUR VINEYARD

"The Ackland Vineyard provides the fruit for Knappstein's Ackland Vineyard Watervale Riesling. There are three hectares of remnant native vegetation on the eastern side of the property and our team recently put the skills they learned at a revegetation and regeneration workshop to good use to protect and restore this area.



Megan Coles, Fine Wine Partners Sustainability Coordinator

First step was to identify the plant species present. We identified Blue Gum (Eucalyptus leucoxylon) and Drooping Sheoak (Allocasuarina verticillata), both of which are classified as vulnerable species in South Australia, as well as the endangered Peppermint Box (Eucalyptus odorata).

Next we fenced the area to prevent sheep grazing there and to allow these species to regenerate.

We then collected seeds from the species and trialled weed control methods, such as burning or spraying patches, to encourage natural regeneration.

Finally the team got together for a day and planted 500 seedlings, half of which we'd propagated from the seeds collected on site.

Thanks to the preservation and restoration efforts of the Knappstein vineyard team, this area will continue to provide an all-important habitat for native flora and fauna."

BUILDING AND SUSTAINING A CULTURE OF ACHIEVEMENT AND PASSION





Our people strategy plays a key role in Lion's sustainability story. Indeed, one of our Balanced Business Strategy targets is to build and sustain a culture of achievement and passion.

We believe that by developing great leaders, building a strong constructive culture, engaging our stakeholders and focusing on capability, we can establish trusting relationships internally and externally that will enable sustainable marketplace success. Investing in our people and building strong relationships also means we're able to attract and retain great people who support the achievement of our goals.

KEY ACHIEVEMENTS IN FY13

OUR PEOPLE

Developed and began implementing a three-year culture and engagement plan focusing on what we term **affiliative behaviours** – behaviours that allow our people to achieve together and to build trusting relationships internally and externally

Increased people engagement by **2% > 85%** for the total Lion business, putting all of our business units in the global high performing zone for engagement

Developed a training program called **Lion Keys**, which involves technical learning for supply chain, IT and People & Culture teams

Filled **48%** of our vacancies through internal recruitment

Delivered a substantial number of capability programs:

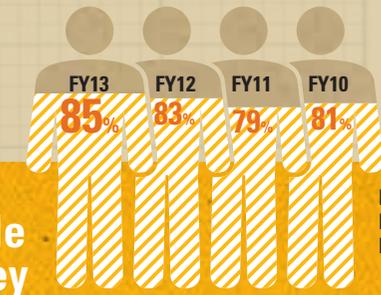
1,500 people attended leadership programs

about **850** people completed Lion Keys (Our technical skills program)

1,450 people attended people process workshops

over **450** new people attended our face-to-face inductions

PEOPLE ENGAGEMENT



Over 5,500 people completed survey

Lion Overall People Engagement

85% engaged*

81% feel they're doing something they consider worthwhile in their job

88% feel proud to work for Lion

86% believe Lion maintains high ethical standards

83% enjoy going to work each day

79% of our people agree: "over the last month, I felt positive most of the time while at work."

*Towers Watson Global High Performance Companies Zone Norm Group Average for 2012 = 84%

WORKFORCE

7,700 *

68% males

32% females

74% Permanent full-time employees

450 external contractors on payroll in 2013*

Permanent full time: 74% males and 26% females

Permanent part time: 21% males and 79% females

6,200 employed in full time and permanent part time roles

LEADERS

16% employed in a leadership role (at least a single direct report)

LEADERSHIP ROLES ARE

73%

MALE

27%

FEMALE

MEDICALLY TREATED INJURY FREQUENCY RATE (MTIFR)

21.5 (September 2013)

down 13% from September 2012

*This figure includes the following types of people employed at Lion: casual, fixed full time, fixed part time, permanent full time and permanent part time, and 450 external contractors.



A RENEWED CORE PURPOSE

In collaboration with our Group Leadership Team, our new CEO Stuart Irvine took the opportunity to review our core purpose in early 2013. The aim was to clarify our sense of purpose and unite our people behind the positive difference we want to make in our world. We believe our new core purpose, *enrich our world every day by championing sociability and helping people to live well*, will help our people understand what we aim to deliver as a business and help them feel proud about working for Lion. Stuart explained this new core purpose to all our people during his CEO Roadshow, which saw him visit every Lion site in Australia and New Zealand to explain the change.



LEADERSHIP

Our leader-led strategy encourages the leaders of our business to demonstrate constructive behaviours in all their interactions. This has continued to be an essential component of our achievement culture and last year we delivered leadership programs to over 1,500 people and introduced several new programs. These programs cater for those who have just joined Lion, as well as for our most senior leaders, to support them at the different stages of their leadership journeys. We also improved the longevity of these programs, evolving them to ensure they're an ongoing learning experience and connect back to our people's roles and the stakeholders they engage with daily. These new programs include:

Leadership at Lion: This program has been developed to give new leaders the tools, knowledge and skills they need immediately. It has a blended learning approach and has been placed on our new learning portal, The Learning Space, to allow leaders to access an immediate source of information. Over 150 new leaders are currently going through the program.

Growing our Authentic Lion (GOAL): This new senior leadership program focusses on how we can build an authentic organisation. For the past seven years we've focused on developing the authenticity of our leaders through capability initiatives. We wanted to extend this by exploring what it means for Lion to be an authentic company, or in other words, a company you can trust, that demonstrates ethical decision making, balanced perspective taking, self-awareness and transparency with stakeholders.

We believe we can do this by being externally oriented, consistent in our behaviours and ensuring we deliver results that are beneficial to all our stakeholders, including our partners, suppliers, consumers, customers and the community.

The first GOAL program was rolled out to our top 60 leaders. As part of the two-day program we invited a wide range of external stakeholders, from community organisations, nutritionists and alcohol policy experts to customers, distributors and suppliers, to come and share their views on Lion and help us gain new perspectives on our strengths and opportunities as a business. We are now considering how we can integrate this practice into the day-to-day running of our business.



CULTURE

Our culture, or as we know it, 'the way we do things around here', is a key enabler of building trusting relationships with our stakeholders, and in turn, delivering marketplace success. Our goal is to continue to build a constructive culture, or what we call an 'achievement culture,' characterised by a clear sense of purpose, high levels of ownership, a desire to build strong relationships with all our stakeholders, and ongoing coaching and feedback within our teams. It's a culture where we focus on achieving self-set goals, have a solutions-oriented mindset, and a positive approach to change.

Diversity of thought: At Lion, diversity means all the ways we are different from each other. In 2013 the emphasis was on encouraging diversity of thought among our leaders. We started this journey by working with external experts to build an understanding among our senior leaders of unconscious bias, and how their own bias about diversity can impact the decisions they make.

We now measure how our leaders encourage diversity of thought through our People Pulse survey and track this as a goal in our Balanced Business Strategy.

With this focus on diversity, we hope we will be able to respond to changing workforce dynamics and needs with flexibility and agility and, as a result, be better at attracting, retaining, engaging and developing great people – all of which is imperative for responding to a fast changing world.

Across all our programs, new and old, we improved longevity by evolving them to become ongoing learning experiences that connect back to out people's roles and the stakeholders they engage daily.



Our people have told us that this style of culture will help them achieve their best and our stakeholders have also indicated that they want to work with organisations with this type of culture. One of the 'vital few' goals in our Balanced Business Strategy is to build and sustain a culture of achievement and passion by 2016, with our aim to build our constructive behaviour styles above the 75th percentile and our defensive styles below the 25th percentile.

We measure our culture annually through the Human Synergistics Organisational Culture Inventory (OCI) tool. To help us achieve our goals we've developed and are implementing a three-year Culture and Engagement Plan. One of the plan's key elements is to build 'affiliative' behaviours. These are behaviours that support honest communication and collaboration internally and externally. We will also continue to focus on building our achievement, self-actualising and humanistic encouraging styles, which combined make up the 'constructive styles' quadrant of the OCI (blue). The more blue and less red/green in the culture, the more effective the culture supports constructive engagement with people (inside and outside of the organisation) and effective achievement of results.

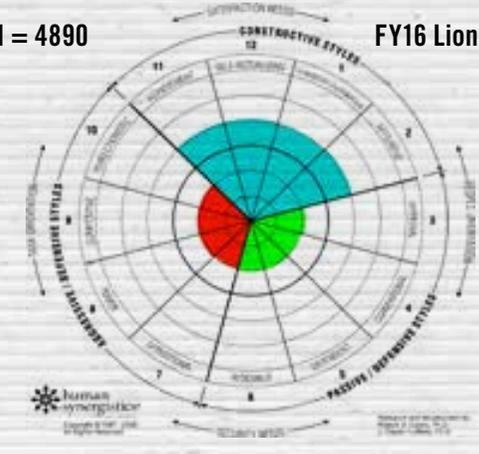
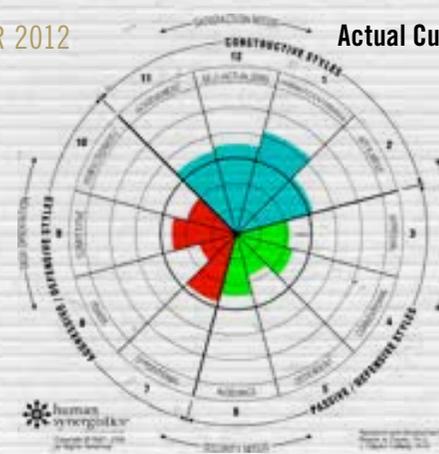


HUMAN SYNERGISTICS ORGANISATIONAL CULTURE INVENTORY

NOVEMBER 2012

Actual Culture Circumplex; N = 4890

FY16 Lion BBS Goal

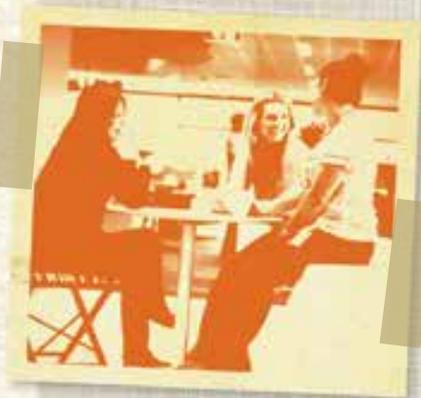


WORKPLACE RELATIONS

Lion's Approach

A number of our people, predominantly in our supply chain operations, are covered by collective agreements. In 2013 we evolved many of our collective agreements through the introduction of our 'Behaviours x Results' model.

This approach is unique as it measures not only results, but also behaviours. Being measured on behaviours within collective agreements aligns with the approach we take with all our people at Lion, including senior management. The dual focus ensures we're not only rewarding people for achieving great results, but also for achieving them in a constructive way. We believe this improves individual engagement and supports our efforts to build a constructive culture, where decisions will be made more quickly, the truth will be heard and where Lion and its stakeholders can achieve more together.



Little Creatures protest

At the start of FY13, during the construction of the new Little Creatures Geelong brewery, a group of protestors with no connection to the project blockaded the site intermittently over a period of several weeks. The protest was primarily directed at one of Little Creatures' contractors around the matter of union representation for their on-site workers.

Lion is no stranger to having a unionised workforce and enjoys positive relationships with many union groups. However, as is the case at all of our sites, while the workers had the right to union representation if they wanted it, in this instance they simply chose to exercise their equal right not to have it. Talks were unable to resolve the issue so an injunction was granted and the picket ceased soon after.

The Little Creatures team received extensive support from the wider community throughout the protest, with the vast majority of people supportive of the local investment, jobs and first-class hospitality venue that the completed project would deliver for the region. We're thrilled to have since opened the new brewery to the people of Geelong who have embraced the development wholeheartedly.

ENGAGEMENT

Engagement is defined as how people think, feel and act every day. It's driven by our leadership and is a central component of the culture we're creating at Lion. Every time we interact with someone, whether they're internal or external to Lion, we leave them more or less engaged – the experience is never neutral. This has a significant influence on discretionary effort, the desire to purchase our products, supply to us or recommend us. Put simply, highly engaged people who demonstrate constructive behaviours will engage our customers, consumers and the community and this, in turn, will lead to sustained marketplace success.

Engagement of our stakeholders is central to how we do business, and is illustrated by our Engagement Model (below). We have engagement goals as part of our Balanced Business Strategy and measure people, customer and consumer engagement annually. We will be measuring community engagement again in 2014 as outlined in the Trusted Business Partners section of this report on page 10.

LION ENGAGEMENT MODEL





PEOPLE ENGAGEMENT

In 2013 we undertook a full People Engagement survey (the first in three years), to supplement our six monthly People Pulse surveys, and saw improved results in all business units. Over 5,500 people completed the survey, delivering a result of 85% and placing us in the Global High Performing norm group. This is an increase of 2% from 2012 and a great result that shows even when a business is facing significant change continuous improvement is possible. We still need to focus on some key areas of the business and we are working to develop and implement action plans to support our people working at these sites.

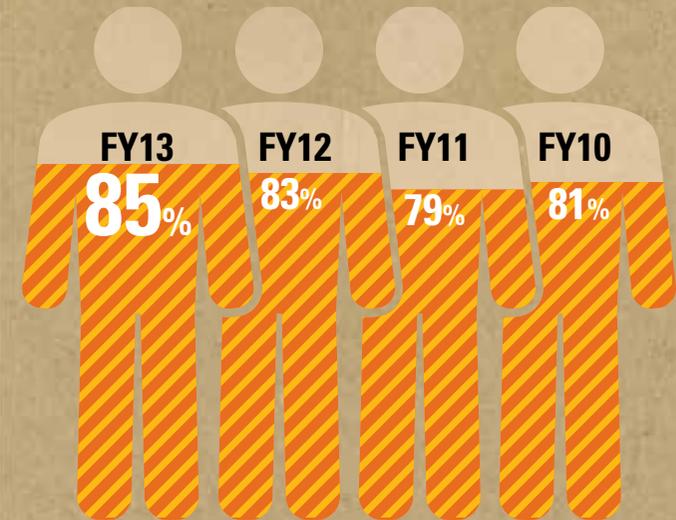
Over 5,500 people completed the survey, delivering a result of 85% and placing us on the Global High Performing norm group

Analysis of the results show that the key drivers of engagement for our people are a clear sense of purpose, feeling proud to work for Lion and enjoying coming to work each day. These three drivers contribute to 85% of our people being engaged, with 81% saying they feel they are doing something they consider really worthwhile in their job, 88% feeling proud to work for Lion, and 86% believing Lion maintains high ethical standards.

Wellbeing also continues to be a key driver of engagement. Ongoing capability building and a focus on personal wellbeing goals are yielding results. Our research shows 83% feel good about going to work each day, and 79% of our people agree: "over the last month, I felt positive while at work most of the time". In 2014 we will refresh our wellbeing and safety strategy, which will focus on positive performance indicators, including 'near miss reporting', and building the safety and wellbeing capability of our leaders and team members.

Towers Watson Global High Performance Companies Norm Group Average for 2012 = 84%

Lion Overall People Engagement



*NB: FY10 was the first year we measured people engagement across the then newly formed Lion. Prior to this our Beer, Spirits and Wine and Dairy and Drinks businesses were owned separately – as such we only have a record of results relating to the former Lion Nathan business prior to this time.



CAPABILITY

Highly capable people are critical to our business. We continue to invest heavily in capability programs for our teams and as already mentioned, we've launched an online learning platform called The Learning Space. The platform is a one-stop shop for learning resources and pathways that provides our people with access to programs, resources, information and connections with other colleagues who are learning as well. People can learn in their own time, at their own pace and access programs when they need them. In total over 5,600 capability programs were delivered over the year.

We also designed and delivered technical capability programs for three of our functions – supply chain (operations), finance and people & culture and continue to build capability within sales and marketing.

In 2013 **48%** of our vacancies were filled internally, which is a great reflection of our capability focus and the development of our people

ATTRACTING AND RETAINING GREAT PEOPLE

Our people strategy helps us to attract and retain great people and deliver on our people value proposition to be the best you can be, really make a difference, and have a great time doing it. Our people processes enable us to provide clarity and feedback on goals, coaching and feedback and help our people celebrate achievements.

We've been actively working to attract candidates directly through strategic sourcing and have established a strategic sourcing team that engages current and future candidates by developing relationships through both traditional and innovative channels, such as content sharing through social media. In doing so we aim to engage candidates who are looking to join Lion as well as potential candidates who may consider Lion in the future.

We have a comprehensive bench planning and talent management process in place across Lion. In 2013 48% of our vacancies were filled internally, which is a great reflection of our capability focus and the development of our people. We have now started to support Kirin, our parent company, to implement bench planning and talent management internationally across its global business.





WELLBEING

Wellbeing at Lion includes not only our people's physical safety, but also their psychological and social wellbeing. We believe our people achieve their best when their environment is safe from physical harm and supports positive social interaction. This is why we have continued to focus on a holistic approach to wellbeing as a fundamental part of our Balanced Business Strategy, with our FY16 goal being to achieve 'high levels of wellbeing at work'.

PHYSICAL SAFETY

A common industry measure of wellbeing is the Medically Treated Injury Frequency Rate (MTIFR). This is the raw number of medically treated injuries (MTI), multiplied by 1,000,000 and divided by the total hours worked in the period by team members, including casual and permanent site contractor team members. In September of 2013 we reported an MTIFR of 21.5, a reduction of 13% from September 2012.* In December 2013 we changed our target in the FY16 Balanced Business Strategy to the number of near misses reported versus the number of MTIs. The purpose of promoting 'near miss' reporting is to identify the potential causes of injuries to our people, and to prevent these incidents from happening in the first place. We have set a target for FY16 of 20 near misses reported to every MTI reported.



A key wellbeing risk identified in 2013 was work undertaken by contractors at our sites, especially at large projects such as the Burnie and West End site upgrades in Tasmania and South Australia respectively. Working with our engineers we've introduced systems and processes to manage these risks and to support the safety and wellbeing of all people on our sites. For example we have introduced the Lion Way for Safety & Wellbeing for Contractors which is a complete suite of tools for managing our contractors on projects and sites. We have also implemented the first stage of our Permit to work, which is a range of permits for high risk activities that need to be carried out on project work, such as Working from Heights and Hot work.

We've also made significant improvements in the number of incidents occurring in our retail stores in New Zealand, with the MTIFR reducing by 23.5%. This has been achieved by engaging with our store leaders and team members and building safety and wellbeing capability to manage the risks in our stores and to report hazards in a timely manner.

**This does not include capital works. However, we do track and manage this aspect.*

We also:

Delivered safety and wellbeing capability programs to over 1,100 people. These programs focus on four key areas: Incident, Injury, Hazard and Contractor Management.

Implemented safety and wellbeing plans based on the Australian Standard 4801, across all of our sites and reviewed and updated them. These plans have allowed us to establish a common and consistent approach to safety across our 30+ manufacturing sites, and to identify opportunities for improvement.

Rolled out a new group-wide 'permit to work' system, which is aimed at high risk activities at all sites. The purpose of these permits is to ensure our people and others have identified all the hazards involved in these activities and put in place appropriate controls.

Supported the right safety behaviours of our people by continuing to use 'quality safety conversations' between our leaders and team members to provide feedback on positive safe behaviours and to identify opportunities for improvement. This initiative has contributed to the reduction in serious incidents and enabled us to continue to build a safety culture.

PSYCHOLOGICAL AND SOCIAL WELLBEING

In line with our goal of meeting the psychological and social needs of our people, we are pleased to report an increase in the relevant measures in our People Pulse survey. We continue to educate our people around wellbeing as being more than just physical safety, and initiatives such as the ones identified below all contribute to increased awareness and positive results on wellbeing:

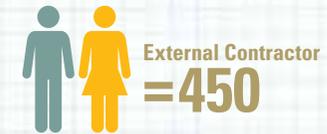
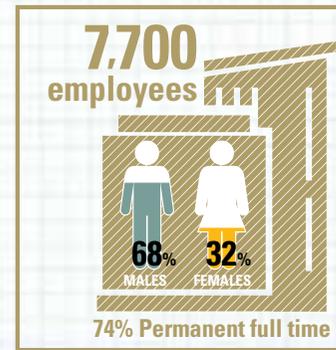
- wellbeing programs
- modules in our induction program on championing sociability
- leadership program modules on wellbeing
- leaders having coaching conversation with our people on their wellbeing
- development plans including wellbeing goals.

Percentage of total employees by gender and category who received a regular performance and career development review

	YES	NO	TOTAL	%
MALE	2200	1600	3800	
Casual	14	155	169	0%
Fixed Term Full Time	28	107	133	1%
Fixed Term Part Time	1	0	1	0%
Other	12	8	20	0%
Permanent Full Time	2120	1236	3356	56%
Permanent Part Time	24	13	37	1%
(blank)	3	81	84	0%
FEMALE	1272	634	1906	
Casual	21	170	191	1%
Fixed Term Full Time	17	73	90	1%
Fixed Term Part Time	1	2	3	0%
Other	8	2	10	0%
Permanent Full Time	1005	300	1305	53%
Permanent Part Time	219	32	251	11%
(blank)	1	55	56	0%
Grand Total	3472	2234	5706	

As part of our commitment to reporting against the GRI's G4 guidelines we have included the following data on our people:

Total number of our people by employment contract and gender



** This external contractor figure will not capture all of Lion's contractors. It only captures contractors who exist in our payroll systems. Contractors that are paid through third parties (e.g. Recruitment Agencies) will most likely not appear in this figure

Total number of our people employed by employment type and gender

EMPLOYMENT STATUS	MALE		FEMALE		TOTAL COUNT OF TEAM MEMBER ID
	NUMBER OF MALES	% OF MALES	NUMBER OF FEMALES	% OF FEMALES	
Permanent Full Time	4276	74.09%	1495	25.91%	5771
Permanent Part Time	76	20.60%	293	79.40%	369
Fixed Term Full Time	156	57.78%	114	42.22%	270
Fixed Term Part Time	1	20.00%	4	80.00%	5
External Contractor	263	60.18%	174	39.82%	437
Casual	438	53.28%	384	46.72%	822
Other	17	65.38%	9	34.62%	26
Total	5227	67.88%	2473	32.12%	7700

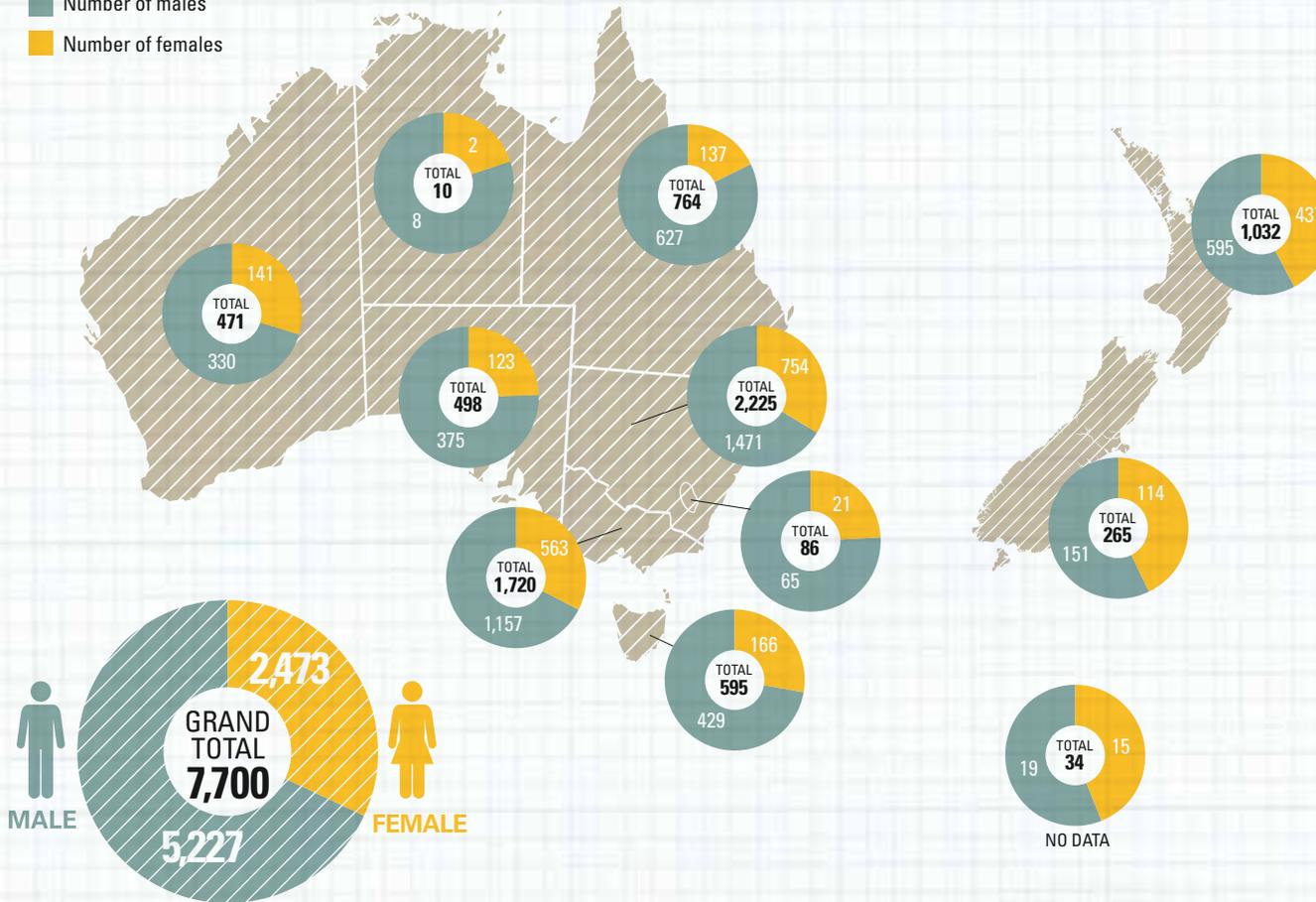
Total number of our people by employees and supervised workers and by gender

LEADER*	MALE		FEMALE		TOTAL COUNT OF TEAM MEMBER ID
	NUMBER OF MALES	% OF MALES	NUMBER OF FEMALES	% OF FEMALES	
No	4318	66.94%	2133	33.06%	6451
Yes	909	72.78%	340	27.22%	1249
Total	5227	67.88%	2473	32.12%	7700

*Means they have responsibility for at least a single direct report.

Total number of our people by region and gender

■ Number of males
■ Number of females



The majority of our people are employed in NSW and Victoria, each representing 29% of our workforce. Our smallest area of employment is the Northern Territory, which accounts for less than 1%. The majority of females (28%) and males (30%) are based in NSW.

We employed close to 450 external contractors in 2013. This contractor figure does not capture all of our contractors – only those on our payroll. (ie who aren't paid through third parties, unlike temporary employees who are contracted to Lion and paid by a recruitment agency.)

Our employment numbers don't vary significantly at any point during the year. Seasonal promotions that could impact employment numbers are undertaken by third parties and don't change our employment figures.

In 2013, 2,510 of our people were covered by collective bargaining agreements.

Number of team members covered by collective bargaining agreements

BSW NZ	67
LDD	1836
BSW AU	607
Total	2510

TARGETS

At Lion we don't separate our business and sustainability strategies. Aligning the growth objectives of our business with the needs and reasonable expectations of our community is how we will achieve long-term, sustainable growth. The table below outlines our achievements against the priorities of our Balanced Business Strategy and details our priorities for the coming three-year period. While full details of this strategy are commercially confidential, our achievements and priorities can be summarised as:



Marketplace

GOALS

- Continue to make a best-practice investment in our brands for the benefit of Lion and our commercial partners.
- Invest in innovation to expand consumer choice, and drive value in the market for the benefit of all supply chain stakeholders.
- Continue to invest in building mutually beneficial customer relationships and continual improvement in customer satisfaction.

WHAT WE DID IN FY13

- Introduced a strategy to build a 'Vibrant Beer Culture', encouraging consumption for the right reasons and addressing beer's challenges and opportunities in the marketplace.
- Innovated across our Dairy and Drinks portfolio to provide choice in pack size and to reformulate existing products to improve nutritional profile.
- Achieved impressive customer engagement score with eight out of ten customers indicating they are engaged with Lion across all Business.
- Continued to invest in the LTFS categories and introduced new mid-strength brands into the market.



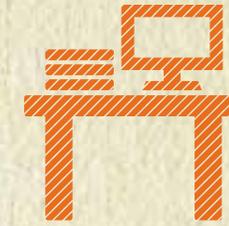
People

GOALS

- Continue to invest in building an achievement culture to support marketplace success.
- Grow the wellbeing of our people by improving our health and safety performance and building a culture where our people enjoy going to work each day.
- Continue to invest in the capability of our people and grow their passion for Lion and our brands.

WHAT WE DID IN FY13

- Developed and began implementing a three-year Culture and Engagement plan focusing on affiliative behaviours, to build trusting relationships internally and externally.
- Increased people engagement by 2% to 85% for the total Lion business, putting all business units in the global high performing zone for engagement.
- Developed a training program called Lion Keys, which involves technical learning for supply chain, IT and people & culture teams.
- Delivered a substantial number of capability programs:
 - **1,500 people** attended leadership programs
 - **about 850 people** completed Lion Keys (our technical skills programs)
 - **1,452 people** attended people process workshops
 - **over 455 new people** attended our face to face inductions
 - **filled 48%** of our vacancies through internal recruitment.



Workplace

GOALS

- Pursue continual improvement in the efficiencies of our operations.
- Continue to make a positive impact on the environment by reducing our carbon and water usage, and increasing recycling of beverage products.
- Build trust in our community by listening to our stakeholders, acting on their reasonable concerns, and living up to our core purpose.



WHAT WE DID IN FY13

- In FY13 we completed over 500 MEX Projects which brought tangible environmental benefits to the tune of \$13 million in savings.
- Engagement scores at sites with MEX have increased.
- Water intensity at Lion this year reduced by 5.5%. Stripping out the impact of site closures and production changes throughout this period, the intensity reduction was 1.6%.
- We reduced emissions intensity by 9.5%. Stripping out the impact of site closures and production changes, emissions were reduced by 4.7%.
- Continued to work with industry and community groups to put forward a fully funded program to be housed within the existing Australian Packaging Covenant to boost beverage container recycling rates from 56% to 80% and decrease already falling litter rates by a further 10%.
- Community engagement
 - Planning for FY14 Corporate Reputation Study, to gather feedback from our stakeholders to inform our business strategy
 - Community investment review commenced to launch new partnerships in FY14.

56% 80%

ASSURANCE AND GRI

This year we produced our report in accordance with the core requirements of the GRI G4 Guidelines and engaged external assurance provider, Net Balance, to assess our performance. It is the first year we have reported in accordance with the GRI G4 guidelines so we have this year set a solid foundation for continual improvement in our sustainability efforts at Lion.

- ▶ To read the Net Balance assurance statement [click here](#).
- ▶ For the GRI index which provides the list of indicators which we have reported against, please [click here](#).

We trust you have enjoyed reading about Lion's sustainability story. We would welcome your feedback. If you'd like to provide us with feedback or want more information about any of our sustainability activities please contact:

External Relations

sustainability.au@lionco.com

or

sustainability.nz@lionco.com