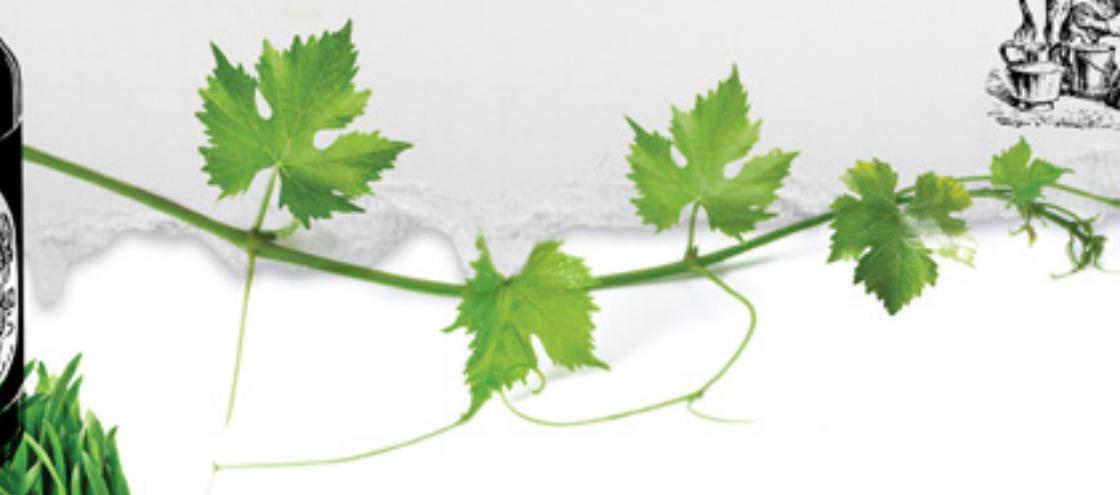




# SOCIABILITY & LIVING WELL

SUSTAINABILITY REPORT FY15





## SCOPE OF REPORT

This report covers all Lion operations in Australia and New Zealand for the financial year beginning 1 October 2014 through to 30 September 2015, unless otherwise stated.

Joint ventures (JVs) are included in some data. Our Vitasoy and Capitol Chilled Foods Australia (CCFA) JVs are included in our environment measures, our people and engagement data, and in the map of facilities in the 'Our Business' section of this report. Otherwise, JVs are not included unless specifically referenced.

This financial year is referred to as FY15 throughout the report. The operations of our Beer, Spirits & Wine businesses and our Dairy & Drinks business are detailed in the infographic on page 3. The report does not cover the operations of our parent company Kirin Holdings.

In accordance with GRI G4, our report boundaries for material issues are disclosed on page 7.

If you would like to see our assurance process or read our full GRI Index, please click [here](#).

## CONTENTS

A message from our CEO and Sustainability Director	2
Our business	3
Sustainability strategy	4
Materiality	7
Economic contribution	9
Being trusted business partners	12
Responsible value chain	20
Environmental stewardship	36
Building an achievement culture	40
Lion in figures	48
Contact us	49



# A MESSAGE FROM OUR SUSTAINABILITY DIRECTOR AND CEO



## Welcome to Lion's FY15 Sustainability Report.

While we are proud of our work with international brand owners, around 85% of our revenue is delivered by brands created in Australasia.

This sets Lion apart from the typical consumer goods company leveraging global brands across many geographies.

Our brands are connected to local communities, often symbolic of the regions that have nurtured them. We must respect this heritage and understand the role our breweries, wineries, dairy and juice facilities play in every state and territory across our region.

We believe in making products destined for the Australian and New Zealand markets locally, investing in the success of our region. This is both a legacy of our local brands and a philosophical commitment.

In this respect, Lion is incredibly lucky to have a supportive owner that invests for the long-term. Kirin understands the cultural differences between Japan, Australia and New Zealand and has given Lion's management a mandate to manage our business locally.

We have retained our name and aspire to blend the best of both a listed and private company model, meaning Lion is more than just an out-post of a global multinational.

This means our stakeholders can engage Lion and be confident of getting swift and definitive answers. It means Lion can respond with agility to local challenges and opportunities and behave as sensitively as possible to the needs of local communities.

Anyone who has worked in business understands while leadership sets the tone, each and every person contributes to the sustainable growth of an organisation.

That's why the culture of a business is so important. We're committed to making Lion a company that seeks to understand the needs of its stakeholders and operates in partnership with them.

It's also why we chose to define our core purpose – the central objective of our business – not in terms of shareholder value, but as the value we deliver for society. Lion exists to *enrich our world every day by championing sociability and helping people to live well.*

This provides a powerful signal to our people of how we expect them to behave and reflects our belief that sustainable financial results can only result from generating genuine societal value.

We're pleased to be able to report very solid progress toward our sustainability goals in FY15 and share a range of exciting new initiatives.

We hope you find this report informative and easy to navigate. We see it as an important step in being accountable to our stakeholders and also an opportunity to maintain a dialogue, so if you do have any feedback for us, please send it to: [sustainability.au@lionco.com](mailto:sustainability.au@lionco.com)

**Stuart Irvine**

Chief Executive  
Officer

**Libby Davidson**

Group General Counsel,  
Sustainability and  
External Relations  
Director

# OUR BUSINESS

## CORE PURPOSE

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

## VALUES

Do the right thing for the long-term;  
Be courageous;  
Work together to make a difference.

## VISION

To achieve enduring leadership positions at home and in new markets by relentlessly building distinctive brands which people trust.

**\$4.7b**



group sales revenue

**34**



total number of facilities

**6,712**



total number of people



## LEADING BRANDS



**2**



juice facilities

**5**



wineries

**9**



milk facilities

**2**



cheese facilities

**1**



soy facility

**2**



dairy food facilities

**5**



craft breweries

**2**



contract and wine bottling facilities

**6**



major breweries

Note: This data does not include sites slated for closure or sale. Facilities refers to manufacturing and packaging facilities. Other sites, for instance corporate offices and distribution centres, are not included.

## HISTORY

**1840**

LD Nathan established as a trading company in NZ

**1988**

Lion Nathan (LN) is formed when New Zealand's largest retailer, LD Nathan & Co, merges with brewer, wine and spirit manufacturer and hotel operator, Lion Breweries

**2007**

Kirin acquires National Foods

**2009**

Kirin Group acquires remaining LN shares and obtains 100% ownership. Lion Nathan National Foods is formed

**2011**

We become Lion. Operating as one company with three businesses:

- Lion Beer, Spirits and Wine Australia
- Lion Beer, Spirits and Wine NZ
- Lion Dairy and Drinks

**2015**

Lion Global Markets established. Official opening of The Heritage specialty cheese facility. Sale of everyday cheese business. West End Brewery Upgraded. Official openings of White Rabbit Brewery and Barrel Hall and Petaluma Winery

**1900**

Dairy Farmers Milk Co-operative formed

**1998**

Kirin acquires 45% interest in LN

**2008**

National Foods acquires Dairy Farmers Milk Co-operative

**2010**

Lindauer acquired

**2012**

Lion acquires Little World Beverages and Emersons

**2014**

New businesses Lion Asia Dairy and The Daily Drinks Company are established

# SUSTAINABILITY STRATEGY



## STRATEGY

No business can succeed over the long term unless it's very clear on its strengths and invests behind them.

Lion's 10-year growth strategy targets four simple objectives.

**First**, we aim to expand our leadership in alcohol by revitalising the beer category and championing a more responsible drinking culture.

**Second**, we plan to transform our dairy business. Australians want to eat better quality and less processed food and Lion's dairy and drinks portfolio boasts strong health and wellness credentials. We are working hard to boost and promote these benefits while investing in our high-potential brands in profitable categories such as milk-based-beverages.

**Third**, we're committed to turning around our juice business and growing our presence in non-alcohol beverages via the Daily Drinks Company.

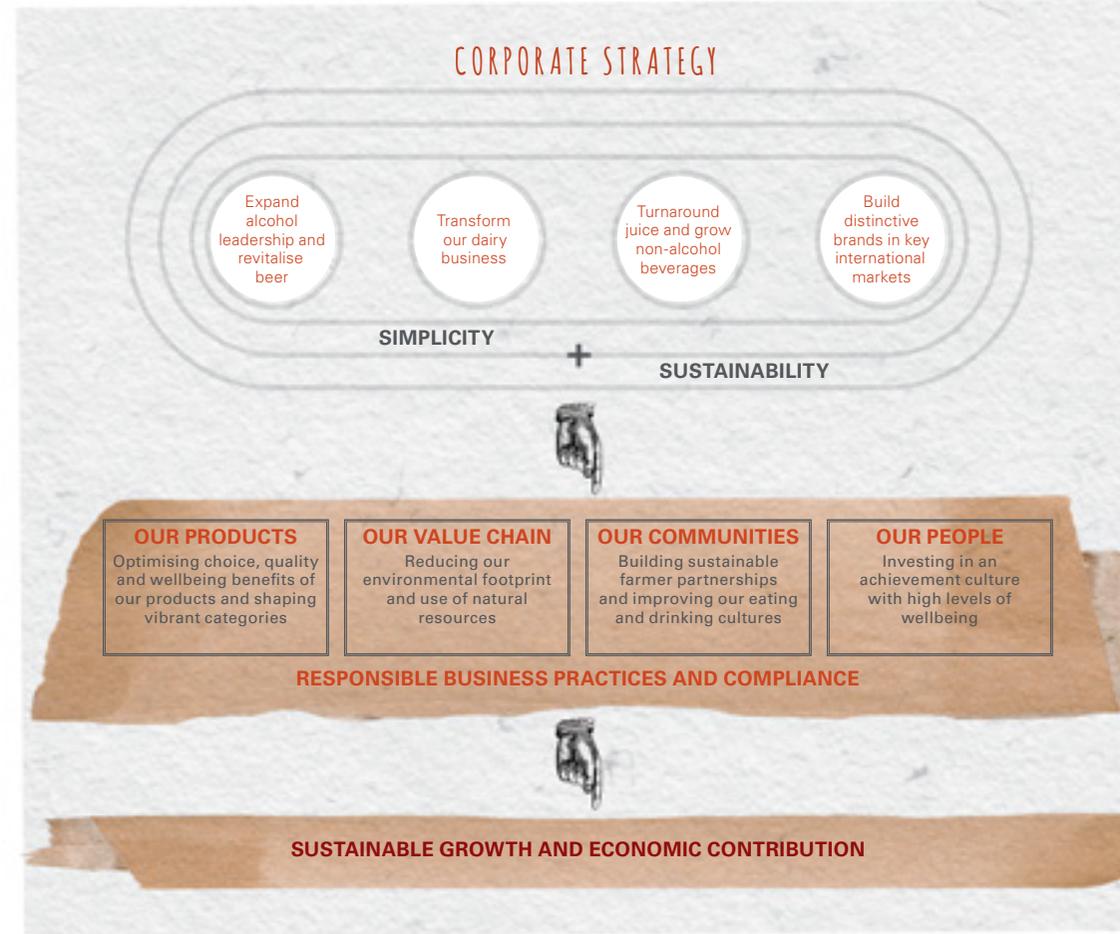
**Lastly**, we are taking measured steps to grow our international sales. Lion Asia Dairy has been established to take our Australian dairy brands to key Asian markets, while Lion Global Markets will bring focus to our efforts to grow our beer, cider and fine wine sales overseas.

Underpinning each of our four objectives is a commitment to simplicity and sustainability, both of which are at the very heart of our corporate strategy.

Placing sustainability and a commitment to generating shared corporate and societal value at the very heart of both our core purpose and corporate strategy is a clear signal of our commitment to delivering growth in the right way.

We see sustainability as a value creation strategy helping Lion grow returns and its economic contribution to Australia and New Zealand.

Lion's sustainability strategy is an extension of our corporate strategy. It reflects our commitment to sustainability throughout the value chain.



# SUSTAINABILITY GOVERNANCE, PRIORITIES AND TARGETS



## GOVERNANCE AND FAIR COMPETITION

At Lion, the Board, CEO and Group Leadership Team are all ultimately responsible for sustainability. Outlines of [Lion's corporate and sustainability governance frameworks and competition and consumer law compliance programs](#) are available on our website.

## SIGNIFICANT INCIDENTS

We capture and report incidents or exposures to risk with potential for 'major' or 'severe' impacts. Reports are sent, together with the accompanying legal advice, to the Group Leadership Team, CFO, CEO and Board as appropriate.

In FY15, there were no significant incidents.



significant incidents reported in FY15

## LION RECOGNISED FOR CREATING SHARED VALUE

Lion was featured in the 2015 [State of Shared Value in Australia survey report](#), an initiative from the Shared Value Project in partnership with Social Ventures Australia, Republic of Everyone, and AFR BOSS.

Like others in the *shared value* movement, Lion believes that companies only exist over the long-term by seeking to create both social and economic value concurrently. We believe sustainable financial returns will come from a strong focus on maximising social value.

Helen Steel, Executive Director of the Shared Value Project, said: "We were impressed with Lion's efforts to embed *shared value* thinking in its business, including by defining its Core Purpose – its reason for being – not only as financial success but also in terms of what the company delivers for society.

"Lion's innovation in lower alcohol beers and its *Goodness Project* are very good examples of a *shared value* approach."



# PRIORITIES AND TARGETS

## OUR SUSTAINABILITY PRIORITIES AND TARGETS



### Product Optimisation

- THE GOODNESS PROJECT**
- By 2019:
- reduce added sugar by 10% across our dairy and drinks portfolio, added salt by 5% in our cheeses, and total fat by 10% across our 'treat' products;
  - eliminate all artificial colours, flavours and added fructose, and maintain our ban on artificial sweeteners, across our kids' products;
  - 80% of our products will be in our 'best' or 'good' for you categories – with only 20% comprising 'treats'.
  - continue to not add 'artificial' trans-fats.

- By 2018:
- Roll out the health star rating system and additional energy information front of pack across all products

### Championing our Categories

- VIBRANT BEER CULTURE**
- Investment in building a vibrant beer culture in Australia and New Zealand – where consumers are educated about beer and encouraged to drink for flavour not effect, and beer contributes positively to the community.

	FY15 actual	To FY18 target*
<b>EMISSIONS</b>		
Kg/Kl ex. ag	133.25	10% reduction vs FY15
<b>ENERGY</b>		
Mj/L	1.20	10% reduction vs FY15
<b>WATER</b>		
Kl/Kl	2.67	10% reduction vs FY15
<b>PACKAGING</b>		
Pack stewardship AU/NZ	Targets differ by Australian/New Zealand state and territory/region. Over the long-term Lion aims to contribute to the achievement of an 80% recycling rate trans-Tasman.	

### Supplier Sustainability

- ENHANCED FARMER ENGAGEMENT**
- Bring to life the 3Ps (Price, Partnership, Purpose) with farmers, to build mutually beneficial relationships and support the long-term sustainability of our milk supply

### Encouraging Cultural Change

- ALCOHOL & ME**
- Externalise our internal Alcohol & Me educational and behavioural change program, enabling it to be delivered to external as well as internal audiences

- NUTRITION & ME**
- Rollout our nutrition education program to Lion people, to support improved nutritional literacy

- COMMUNITY INVESTMENT STRATEGY**
- Support improved social outcomes through targeted investment in:
- positive relationships;
  - strong regional and rural communities;
  - a positive drinking culture;
  - better nutrition for all; and
  - preserving our lands and natural resources.

- DRINKING CULTURES STUDY**
- Engage our stakeholders on action to address misuse and anti-social-behaviour, identified through our commissioning of new research by Dr Anne Fox, *Understanding behaviour in the Australian and New Zealand night-time-economies.*

	FY15 actual	To FY18 target
<b>AUTHENTIC BUSINESS</b>		
Culture: OCI (Constructive/Defensive)	63%/35%	≥75%/≤25%
People engagement	79%	≥85%
<b>PEOPLE LIVING WELL</b>		
Safety – near misses reported to MTIs reported	31.1	45.1
<b>Wellbeing Personal:</b> Over the last month, I felt positive while at work most of the time	70%	>80%
<b>Social:</b> I feel proud to work for Lion.	80%	>90%
<b>Work:</b> I feel like a valued member of Lion	73%	>85%
<b>Diversity:</b> People in my team/location treat people with respect	86%	>90%

\*Due to changes in production volumes impacting key environment metrics, Lion has reviewed and re-set its environmental targets to FY18.

\*\*Lion is currently reviewing its sustainability targets and will report against an updated framework in FY16. Updates will be provided at [www.lionco.com/sustainability](http://www.lionco.com/sustainability)

# MATERIALITY



Lion wants trusting, two-way relationships with all those touched by our activities.

We understand sustainable growth is dependent on meeting the reasonable expectations of our community.

Consequently it's important we understand our stakeholders' views on the issues that are important to them and that we are transparent about our performance.

At Lion, this is basically a four-step process:

1. We place great emphasis on culture. Our people are very clear on the behaviours we expect and our focus on developing quality, two-way relationships where the truth can be shared without unreasonable consequences.
2. We give our stakeholders the opportunity to provide detailed confidential feedback on our people, our business and material issues through regular surveys conducted by an independent third parties. We also maintain a regular dialogue and engage in the policy debate.

3. We recognise that our stakeholders can only give quality feedback and make informed decisions on the relationship they want with Lion if we are transparent with our views and performance. This report, prepared in line with the Global Reporting Initiative's (GRI) G4 Guidelines, is one important component of our commitment to transparency.

4. Stakeholder feedback is meaningless unless a business listens and commits to respond. This means including targets relating to reputation, relationship quality and material issues on our most important strategy documents and scorecards. Leaders are made directly responsible and incentivised against these measures.

More detail on our approach can be found in the **Trusted Business Partners** section of this report.

This four-step process, combined with the insight and expertise of our team of Sustainability Representatives, allows Lion to map issues according to their importance to stakeholders and their impact on Lion and the broader community.

While we note the sustainability convention to report only on issues rated both high importance to stakeholders and high impact on the reporting business, we take the view that a commitment to transparency means reporting on all issues of importance to stakeholders, regardless of their impact on Lion.

FY15 material issues are outlined on this page along with the boundaries of our reporting. The matrix was finalised following input from a group of Lion's external stakeholders.

Lion also acknowledges the launch of the United Nations Sustainable Development Goals towards the end of the FY15 reporting period. We are currently reviewing these to determine how our sustainability efforts can make a positive contribution to the achievement of these goals.

## MATERIAL ISSUES

### SUSTAINABLE GROWTH AND ECONOMIC CONTRIBUTION (Pg 8)

- 1 Job creation ▲■●\*◆
- 2 Strategy and growth potential ▲■●\*◆
- 3 Dairy industry sustainability ▲■●\*◆
- 4 Tax ▲■●●\*◆

### TRUSTED BUSINESS PARTNERS (Pg 12)

- 5 Industry leadership/collaboration ▲■●\*◆
- 6 Stakeholder engagement/responsiveness to community concerns ▲■●\*◆

### RESPONSIBLE VALUE CHAIN (Pg 20)

- 7 Governance and risk management ▲■●●\*◆
- 8 Product formulation/innovation △■●●\*◆
- 9 Sustainable sourcing ▲■●○\*◆
- 10 Fair treatment of suppliers (inc. farmers) △■○●\*◆
- 11 Animal welfare ▲■●●\*◆
- 12 Food safety △■●●\*◆
- 13 Responsible marketing ▲□●●\*◆
- 14 Consumer information (via education, labelling etc) △□●●\*◆
- 15 Alcohol culture change ▲□●●\*◆
- 16 Addressing violence and anti-social behaviour ▲□●●\*◆
- 17 Community investment and benefits ▲□●●\*◆

### ENVIRONMENTAL STEWARDSHIP (Pg 36)

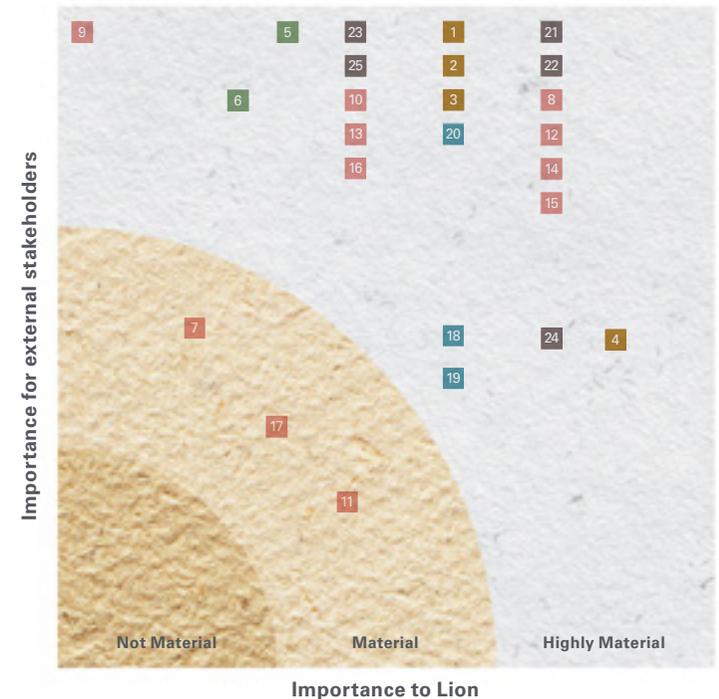
- 18 Emissions/energy ▲■●●\*◆
- 19 Water use ▲■●●\*◆
- 20 Waste (inc. packaging and food waste) ▲■●●\*◆

### BUILDING AN ACHIEVEMENT CULTURE (Pg 40)

- 21 Culture and engagement △■●●\*◆
- 22 Health, safety and wellbeing △■●●\*◆
- 23 Fairness in the workplace △□●●\*◆
- 24 Capability △■●●\*◆
- 25 Diversity and gender equality △□○●\*◆

Boundary: ▲ Community ■ Suppliers ● Customers \* Consumers ◆ Our people  
GRI boundary: ■ Within □ Outside

## MATERIALITY MATRIX\*



\*Placement within sector is not relative; all items in a sector are considered of equal importance



# SUSTAINABLE GROWTH AND ECONOMIC CONTRIBUTION

TRADING CONDITIONS REMAINED CHALLENGING THROUGHOUT FY15 BUT LION CONTINUED TO TAKE A LONG-TERM VIEW, INVESTING IN OUR BRANDS, PEOPLE AND FACILITIES WHILE DELIVERING A TOTAL ECONOMIC CONTRIBUTION OF \$5.3B.

#### WHAT HAPPENED IN FY15?

- Significant economic contribution despite tough trading conditions
- Commissioning of new facilities and the sale of everyday cheese business
- Launch of Lion Global Markets
- Developments in free trade

# OUR ECONOMIC CONTRIBUTION

Close to 200 growers across major Australian fruit growing regions supply us each year with:

  
oranges  
**65,104t**

  
apples  
**11,745t**

  
pears  
**1,703t**

## OUR IMPACT

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 to GDP and the economic value distributed to local economies.

## DIRECT CONTRIBUTION

**\$2.43b**

Including... \$1.1b to government in excise and WET



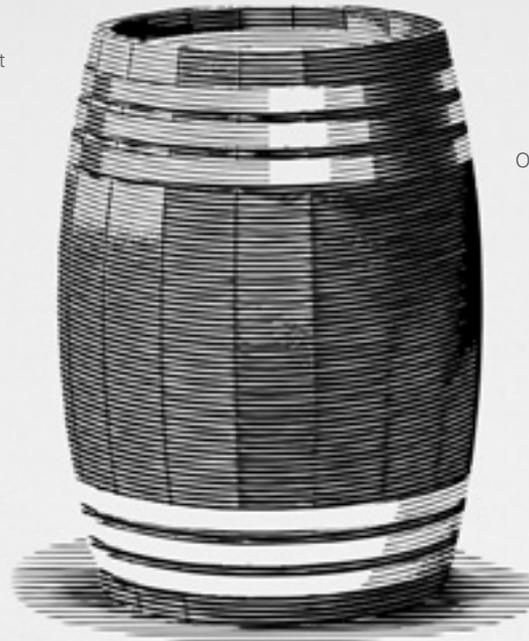
**employee wages and benefits**



**taxes less subsidies**

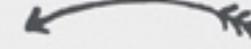


**operating surplus**



## INDIRECT CONTRIBUTION

**\$2.87b**



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



**agricultural**



**tourism**



**hospitality**

In Australia and New Zealand, every job we create leads to an overall increase in employment of



**4.2**  
**Jobs created for every Lion person**

**We invest in..**



**creative industries**  
Marketing investment and event sponsorship



**communities**  
Partnering with not-for-profit organisations to improve our eating and drinking culture, underlying causes of misuse, reduce our environmental footprint and help address disadvantage



**sport**  
Helping keep Australasian sport globally competitive by encouraging local talent to stay here rather than go overseas



## 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

Operating costs	\$4,100m
Including Community investments	\$2.6m

Employee wages and benefits	\$741m
-----------------------------	--------

Payments to providers of capital	\$295m
----------------------------------	--------

Payments to governments	\$400m
-------------------------	--------

Total economic value distributed	\$5,536m
----------------------------------	----------

Including \$1.1bn to government in excise and Wine Equalisation Tax (WET)

<b>Payments received from governments</b>	
WET producer rebate	\$0.5m

Cellar door subsidy	\$0.2m
---------------------	--------

R&D tax credit	\$4.9m
----------------	--------

Tasmanian Freight Equalisation Scheme	\$7.9m
---------------------------------------	--------

FY15 direct and indirect contribution to Australian and New Zealand economies

**\$5.3b**

\*We commissioned the independent economics advisory practice Deloitte Access Economics to model the economic impacts of our activities in Australia and New Zealand. Direct economic contribution is a measure of employee wages and benefits, taxes less subsidies and also the operating surplus a company creates. Indirect economic contribution is a measure of the demand for goods and services it creates in other sectors, for instance in the agriculture, hospitality, media, arts and sports sectors. Total economic contribution to the economy is the sum of both measures. Excise refers to alcohol Excise Tax, while the Wine Equalisation Tax is referred to as WET. All dollar amounts are expressed in Australian dollars, based on an A\$/NZ\$ exchange rate of \$1.08.

# OUR ECONOMIC CONTRIBUTION



## TAX TRANSPARENCY

Lion is committed to providing transparent information on taxes paid to governments.

Tax is an important part of our economic contribution to the overall Australian and New Zealand economies.

In FY15, Lion paid a total of \$1.3bn taxes in Australia and \$317m taxes in New Zealand, in addition to the taxes Lion paid in other jurisdictions.

A summary of the taxes paid by Lion is included in the opposite table:

## SUMMARY OF LION TAXES

Summary of Lion Taxes (In millions)	AU	NZ <sup>^</sup>	Other <sup>^^</sup>	Total
Corporate Taxes	31.72	3.24	0.01	34.97
Fringe Benefits Taxes	7.67	1.11	–	8.78
Payroll Taxes	33.58	–	0.68	34.27
Goods & Services Tax	133.83	48.52	0.03	182.38
Excise, Customs and Wine Equalisation Taxes	1,106.55	264.19	0.67	1,371.40
<b>Total Taxes Paid</b>	<b>1,313.35</b>	<b>317.06</b>	<b>1.38</b>	<b>1,631.79</b>

<sup>^</sup> NZD denominated taxes were converted to Australian dollars using an average exchange rate of \$1.08.

<sup>^^</sup> Other jurisdictions include US, Singapore, Malaysia, China and Hong Kong, all tax amounts were denominated in AUD.

## LION'S EFFECTIVE TAX RATE

Lion's effective tax rate (In AU millions)	Total
Total Revenue	4,771.3
Add: Other Income	27.0
Total Income	4,798.3
Total Expenses	-4,468.1
Add: Equity Accounted Investments	9.9
Profit Before Tax	340.1
Income Tax Expense	101.0
Effective Tax Rate	29.70%

# MATERIAL DEVELOPMENTS

## TRADING CONDITIONS

Lion delivered a total economic contribution of \$5.3bn despite tough trading conditions.

A decline in Group revenue was driven by Lion's decision to sell its low margin everyday cheese operations, the non-renewal of private label milk contracts toward the end of FY14 and a contraction in beer volumes in line with the markets in both Australia and New Zealand.

Despite the revenue reduction, the Group was still able to deliver a 4% increase in group operating earnings before interest and tax to \$695 million<sup>1</sup> due to a focus on more profitable categories, continued premiumisation and effective cost management.

During the year, Lion made significant progress in re-shaping its dairy and juice businesses to the highest potential segments of the market and progressed initiatives to return the beer markets of Australia and New Zealand to medium-term growth.

<sup>1</sup> Excluding one-time items



## SALE OF EVERYDAY CHEESE AND COMMISSIONING OF NEW FACILITIES

Lion Dairy & Drinks has a clear strategy to focus on high-potential categories and high-potential brands. During FY15, we took the decision to sell our everyday cheese business and re-invest the savings for growth in other categories.

We made significant progress in FY15, commissioning the largest and most advanced specialty cheese-making facility in the southern hemisphere, *The Heritage*, a \$150m investment in Tasmania, the cutting edge Petaluma Winery and Cellar Door in the Adelaide Hills, a new White Rabbit Brewery and Barrel Hall in Geelong, and a new \$70m brewhouse at the West End Brewery in South Australia.

## LAUNCH OF LION GLOBAL MARKETS

Our alcohol businesses have been active in international markets for some time. However, with the moderation in local currencies, nascent signs of economic recovery in the US and Europe and the growing emergence of an Asian middle class, we have launched a new dedicated business unit under the leadership of Matt Tapper, formerly Lion's Beer, Spirits and Wine Marketing Director in Australia, to ensure the opportunity receives the focus and co-ordination it deserves.

## DEVELOPMENTS IN FREE TRADE

While the China Australia Free Trade Agreement (ChAFTA) was struck after the FY14 year-end, we made mention of it in our last sustainability report.

With the benefit of further detail and time to assess the opportunities, we are convinced ChAFTA will make it easier to do business in China across our dairy and fine wine businesses. Achieving our ambitions in Asia will be a great boon to our farmers, local manufacturing sites and their local communities.

Another exciting development in FY15 was the Trans-Pacific Partnership. While we still need to see more of the detail, it looks like a good outcome overall for Australia and New Zealand and in particular for the sectors in which we have a strategic advantage. There is, however, a long way to go with each country needing to navigate the complexities of their domestic politics.



# BEING TRUSTED BUSINESS PARTNERS

BUILDING QUALITY, LONG-TERM RELATIONSHIPS IS CRUCIAL TO BUSINESS SUCCESS. AT LION, WE REGULARLY MEASURE THE QUALITY OF OUR RELATIONSHIPS AND THE VIEWS OF OUR STAKEHOLDERS ON IMPORTANT PUBLIC POLICY ISSUES AND HOW WE ENGAGE IN THESE DEBATES.

#### DEVELOPMENTS IN FY15

- Stakeholder engagement results
- Industry leadership, policy and collaboration
- Farmer engagement initiatives

# STAKEHOLDER ENGAGEMENT & PUBLIC POLICY



## STAKEHOLDER ENGAGEMENT

Lion conducts a Corporate Reputation Study every two years surveying the views of approximately 500 stakeholders and 2,000 members of the broader community on Lion and issues of importance to them.

We completed our most recent survey early in FY16 and we share our preliminary results below. Should there be any change following review and finalisation, we will update the digital version of this report.

## ENGAGEMENT SCORE



**Lion's Community Engagement Score (%)**  
up from 78%



## INDUSTRY LEADERSHIP, POLICY AND COLLABORATION

As at FY15



On the basis of the preliminary results, we were very pleased to see improvements in trust and reputation along with our overall community engagement score. At the same time, we retained our very solid relationship quality rating.

Since the last survey we have made great efforts to be fully accountable and engage thoroughly, while looking to partner with our stakeholders on areas of shared interest.

During FY15, we continued to share news and invite stakeholder feedback via our regular Lion Update newsletter and our people engaged in a range of public policy debates as outlined on page 14.

## INDUSTRY LEADERSHIP & POLICY DEVELOPMENTS

As Lion is an industry leader, the community expects it to engage authentically and ethically in relevant public debates and where appropriate deliver leadership.

Our reputation study suggests we have solid leadership credentials and we were very pleased our stakeholders rated Lion higher for its leadership in FY16 when compared to our FY14 survey. There is still work to do on dairy industry advocacy and we intend to continue to work hard to advocate for the success of the industry at large.

We support regulation that is effective, proportional to the issue being addressed and of the greatest net benefit to the community. Where appropriate, we advocate for self-regulation and have a strong track record of championing best practice. A full list of our industry association memberships is available [here](#).

# PUBLIC POLICY DEVELOPMENTS

## THE CLIMATE FOR BUSINESS

### COMPETITION POLICY

In November, the Federal Government announced its response to the recommendations in the Harper Review's Report. In general, Lion supports the Harper suite of reforms and the Federal Government's general commitment to reducing red tape in a country where it is, by comparison with like economies, extremely complex to do business. We note that, following further public consultation, in March the Federal Government also accepted the Harper recommendations on the reform of section 46 (misuse of market power).

### COUNTRY OF ORIGIN LABELLING

In July 2015, the Australian Government announced a proposed new Country of Origin Labelling scheme with the aim of delivering clearer and more consistent disclosure without imposing excessive cost on industry.

As a major Australian food manufacturer and employer, Lion supports clear Country of Origin Labelling that in turn encourages local sourcing

and manufacturing and has been actively engaged in the debate around the best labelling solution to achieve this.

Our portfolio is overwhelmingly crafted with local ingredients sourced from dairy, barley and soy farmers and fruit growers across the country. Our dairy, juice, beer and wine products are made in 27 manufacturing sites nationwide and we spend over \$530 million every year on Australian agricultural produce such as milk, fruit, grapes, barley, sugar and hops.

In March 2016, Commonwealth, state and territory ministers met and agreed to adopt a new Country of Origin Labelling framework. This will come into effect from July 2016 with a two year transition period.

### CONTAINER DEPOSIT SCHEMES (CDS)

The NSW and QLD Governments established CDS Advisory Committees to investigate the best design of a CDS in each state. Via the Australian Food and Grocery Council (AFGC), Lion contributed to the work of these Committees. The NSW Government released a discussion paper to inform community consultation at the end of 2015.

In response, the beverages industry, through the AFGC, proposed a fully-funded, \$15 million per

annum scheme called [Thirst for Good](#). Thirst for Good can achieve the NSW Government's goal of reducing litter by 40% by 2020 while avoiding some of the unintended consequences of a traditional refund CDS – such as the cost impact on consumers and industry and duplication of existing waste collection and disposal infrastructure.

On Sunday 8 May the NSW Government announced it would be pursuing a traditional CDS, similar to what is in place in SA and the NT. While we are disappointed that the Government has chosen to pursue a more costly scheme instead of Thirst for Good we will respect its decision and work collaboratively on the design and operation of the CDS to ensure it is best-practice and low-cost. Lion and industry colleagues have almost 40 years' experience operating the existing container deposit schemes in SA and the NT and can provide valuable input into the NSW process.



## PUBLIC POLICY DEVELOPMENTS (CONTINUED)



### FOOD AND DAIRY

#### DAIRY INDUSTRY COMPETITIVENESS

Toward the beginning of FY15, the Productivity Commission completed an inquiry into dairy industry cost structures. The report highlighted labour costs as a key challenge for Australia but argued that Australia's farm gate price in the export focused states makes it competitive regardless due to favourable growing conditions. The Commission sees no case for further regulation of the manufacturing and processing sector.

Federal Agriculture Minister Barnaby Joyce launched the Agricultural Competitiveness White Paper in July contributing individually as Lion and through industry associations to the preceding consultation process.

#### HEALTH STAR LABELLING

Lion was one of the first food manufacturers to sign-up to the Federal Government's Health Star Ratings (HSR) initiative when it officially launched in June 2014. Please see the **Responsible Value Chain** section for more details.

Given the inherent goodness of our juice and dairy products, we generally see the HSR as an education opportunity for consumers, helping to simplify the nutrition credentials of products 'within' a category.

However, simplifying the nutritional information down to a single rating brings with it some challenges.

Lion is working with Dairy Australia and the Australian Dairy Products Federation to improve the HSR that certain core dairy foods receive, such as yoghurt and cheese. We believe that core dairy foods should all receive a HSR of three or above. As an example, regular fat Greek yogurt would only receive one star, and certain regular fat hard cheeses two stars.

Given 90% of Australians do not consume their recommended serves of dairy each day<sup>2</sup>, and more than 50% of Australians (2+ years), don't meet their daily calcium needs (for women this increases to over 70%)<sup>3</sup>, this has the potential to be counterproductive.

### ALCOHOL

#### ALCOHOL BEVERAGES AUSTRALIA

In FY15, the alcohol beverages industry formed Alcohol Beverages Australia – a pan-industry representative body evolved from the former National Alcohol Beverage Industry Council. ABA will communicate the collective views of members, promoting evidence-based policy and initiatives to encourage the responsible enjoyment of alcohol beverages in Australia.

### TAXATION

As part of the 2016-17 Budget the Federal Government announced plans to reform the Wine Equalisation Tax (WET) Rebate. In Australia wine is taxed differently to other alcohol types, such as beer and spirits. While beer and spirits are taxed on alcohol content, wine is taxed on price – meaning the higher the price the higher the tax and vice versa. The WET Rebate entitles individual wine producers to a rebate of 29 per cent of the wholesale value of eligible domestic sales up to a maximum rebate of \$500,000 each

financial year. To be eligible for the WET Rebate you must be a producer of wine, however this is defined quite broadly under the current provisions.

The WET Rebate was introduced in 2004 to benefit small wine producers in rural and regional Australia by fully offsetting their WET liability. Since then, it has encouraged business structuring to maximise claims, increasing the amount of WET Rebates claimed beyond what was originally intended.

The reform package includes a phased reduction in the WET Rebate cap to \$290,000 by 1 July 2018; tightened eligibility criteria from 1 July 2019; and \$50 million for the Australian Grape and Wine Authority to promote Australian wine overseas and wine tourism within Australia, provided over four years, from 1 July 2016.

We believe that to achieve sustainable and profitable growth over the long-term the wine industry needs to reorientate itself towards high-value, premium wines. The oversupply of Australian grapes domestically has pulled down pricing over many years and fuelled the export of low-value wine, which has impacted Australia's reputation for quality, premium wines. The WET Rebate exacerbates this issue by subsidising uneconomic wine, encouraging oversupply and discouraging consolidation. It is also open to manipulation and exploitation.

As such, while we will receive a lower Rebate than is currently the case, we welcome the Government's focus on reform. As with any reform proposal the devil will be in the detail, and we will continue to work with Government in the coming months as it undertakes consultation on eligibility criteria and definitions.

<sup>2</sup> Australian Bureau of Statistics, 2016. Australian Health Survey: Consumption of Food Groups from the Australian Dietary Guidelines, 2011-12 Cat no. 4364.0.55.012 Latest ISSUE Released at 11:30 AM (CANBERRA TIME) 11/05/2016 First Issue

<sup>3</sup> Australian Bureau of Statistics, 2015. Australian Health Survey: Usual Intakes, 2011-12, cat. no. 4364.0, viewed 21 July 2015, <http://www.abs.gov.au/ausstats/abs@nsf/Lookup/by%20Subject/4364.0.55.008-2011-12-Main%20Features-Preface-1>

## PUBLIC POLICY DEVELOPMENTS (CONTINUED)



### AU STATE LIQUOR LICENSING REVIEWS

During FY15, various states conducted liquor-licensing reviews, with Lion an active participant in each process.

### NZ SALE AND SUPPLY OF ALCOHOL ACT (2012)

Changes introduced by the Sale & Supply of Alcohol Act 2012 continued to cause debate. Restrictions on promotional activity are confusing for industry and increased complexity in the licensing process is causing frustration. Consultation on Council Local Alcohol Policies (LAPs) has continued but very few have been enacted due to almost every provisional policy being appealed either by the industry or the regulatory bodies. With appeals taking a significant time to reach the Alcohol Regulatory and Licensing Authority (ARLA) most Councils are in a state of limbo with Provisional LAPs waiting to progress.

### NZ BLOOD ALCOHOL CONCENTRATION LIMITS

On 1 December 2014 new legislation came into law lowering the alcohol limit for drivers aged 20 years and over from 400mcg of alcohol per litre of breath to 250mcg. The blood alcohol

limit lowered from 80mg of alcohol per 100ml of blood (0.08), to 50mg (0.05). This brought New Zealand's legal blood alcohol concentration into line with Australia's.

### NZ MINISTERIAL FORUM ON ALCOHOL ADVERTISING AND SPONSORSHIP

The Ministerial Forum was appointed by the Government in early 2014 to consider whether further restrictions should be imposed on alcohol advertising and sponsorship. The Forum released their report late in December 2014 with 14 recommendations proposing extensive restrictions on alcohol advertising and sponsorship.

In February 2015 the government requested officials further investigate the potential impact of the Forum's recommendations. Lion continues to participate in the process.

### NZ CUSTOMS AND EXCISE REVIEW

The NZ Government announced a Review of the Customs and Excise Act 1996 early in 2015 with consultation continuing throughout the year. Lion has submitted to the review, led an additional joint industry submission on key points to the Minister and has been involved in on-going discussions.



## RELEASE OF DR ANNE FOX REPORT INTO THE CAUSES OF VIOLENCE AND ANTI-SOCIAL BEHAVIOUR IN THE NIGHT-TIME ECONOMY

Good corporate citizenship includes making evidence-based contributions to important community debates.

In March 2015, prominent UK anthropologist, Dr Anne Fox, launched an important paper investigating the underlying causes of violence and anti-social behaviour in the night-time economies of Australia and New Zealand, commissioned by Lion.

Drawing on extensive field research in both countries and more than 20 years' studying drinking cultures and human behaviour, Dr Fox delivered compelling new insights and a range of practical measures to change culture and reduce harms.

Dr Fox said: "In a nutshell, the central point of my report is that it's the wider culture that determines the behaviour whilst drinking, not just the drinking.

*"Cultural attitudes and norms play a defining role. Only by understanding these underlying drivers can a community hope to make lasting improvements to the way people behave when they are out at night".*

Lion CEO Stuart Irvine said: "A vibrant and safe night-time culture, where sociability can be enjoyed, is crucial to the long-term sustainability and prosperity of our business.

*"Too little emphasis is currently placed on the social and cultural drivers of poor behaviour. If the community is serious about real, long-term, sustainable solutions, we must strive to really understand the factors driving a minority of violent and anti-social people to act inappropriately.*

*"Who are they? Under what circumstances do they behave poorly? What social and cultural signals are they receiving that influence how they act? Why do they think it's acceptable and how can we change that belief? What can we do to reduce the triggers? How can we stigmatise poor behaviour?"* said Stuart.

Dr Fox met with a range of stakeholders in both Australia and New Zealand to share her findings and receive feedback. The report was well received as a crucial new perspective as the community looks to address violence and anti-social behaviour in the night-time economy.

The paper can be found [here](#).

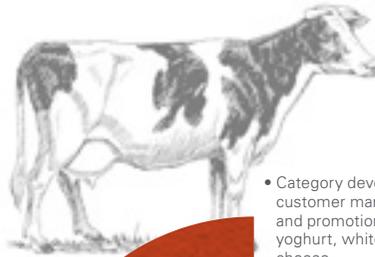
# CUSTOMER ENGAGEMENT



- Brand portfolio
- Ease of doing business
- Product quality
- Stock availability
- Trusted business partner
- Ordering



• In FY15 we improved invoicing and billing standards to 8.5 and moved further ahead in draught beer quality services and overall company reputation against our competitors, but we aspire to further improve in FY16



- Category development, customer marketing and promotion on yoghurt, white milk and cheese



• While there have been improvements, there is still work to be done in supply chain and customer service

• Category development and marketing in dairy

• Consumer and customer marketing in juice

## FY15 SUPPLIER AWARDS

KEY: ♦ LDD ♦ BSW AU ♦ BSW NZ



**Northern Territory**

♦ Thirsty Camel: Supplier of the year

**New South Wales**

♦ Metcash Perishables Supplier of The Year

**Western Australia**

♦ WA Hospitality Supplier of the Year by the AHA for the third year in a row

**National**

♦ Supplier of the year, New Sunrise Group

♦ Spar Refrigerated Platinum Supplier of The Year

♦ IBA: Account Manager of the Year

♦ Drinks Association Supplier of the Year

**South Australia**

♦ Foodland Supplier of The Year – Fresh

♦ Thirsty Camel: Supplier of the year

**New Zealand**

♦ Super Liquor Supplier of the Year

♦ Big Barrel National Account Manager of the Year

♦ Champion NZ Brewery – Brewers Guild Awards



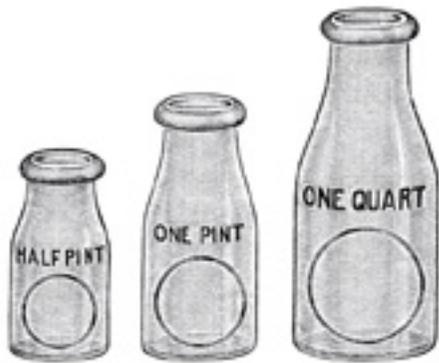
- Brand portfolio
- Sales executives
- Order placement
- Billing and delivery
- Company reputation



• In FY16 we will continue to evolve our Customer Experience strategy to improve our performance at each stage of the customer journey

Note: Results are for called-on customers only.

# SUPPLIER ENGAGEMENT



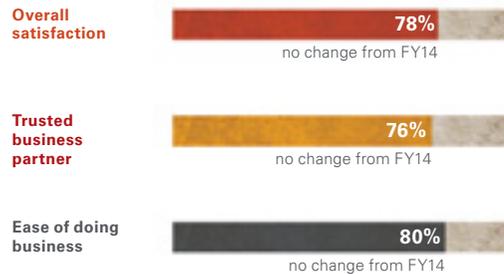
## ALL SUPPLIERS

We work with barley, dairy, fruit and soy bean farmers, ingredient suppliers, as well as packaging, transport and distribution partners and many more.

During FY14 our procurement team conducted a repeat survey of 80 respondents from 60 major suppliers across the Lion group. While results were very encouraging, we are working hard to further improve these scores. A new survey is expected to go into market during FY16.

### SUPPLIER ENGAGEMENT SURVEY

Group Procurement. As at FY15



## MILKING EFFICIENCY GAINS

The Lion Landcare Grants Program helps farmers boost profitability and reduce environmental impacts. Insights from successful projects are shared with other farmers.

Murray Jeffrey, Lion's Agricultural Procurement Director, says the valuable program has been very well received by participating farmers. "The program helps Australian dairy farmers improve environmental performance while also reducing costs, which is great for the environment and for their business. We're excited about the potential of the program to help more of our farmers."

Reports on projects funded during FY15 are very encouraging. Among them, 'Glenbrook Dairy' is a 1,000-hectare property located in Murray Bridge, South Australia. Its 400 cows produce approximately 3,000,000 litres of milk a year. The dairy recently undertook a shed energy audit finding that milk cooling, harvesting and water heating were areas of priority. Glenbrook Dairy addressed these inefficiencies and estimates its energy costs will reduce from over \$6.00 per KI of milk to around \$4.00 per KI of milk.

In an excellent example of creating shared value, Lion also launched a \$100k Vat and Generator Scheme offering 20% rebates on milk cooling and vat capacity investments. Larger vats and better and more reliable cooling systems use less power and reduce wastage, to the great benefit of farmers. They also require fewer regular tanker visits, delivering savings for both Lion and its logistics contractors.

## DAIRY FARMERS

Our preliminary FY16 Dairy Farmer Engagement Results were available at time of publication.

While there is still work to do we are delighted to be able to report significant improvements in all four headline measures.

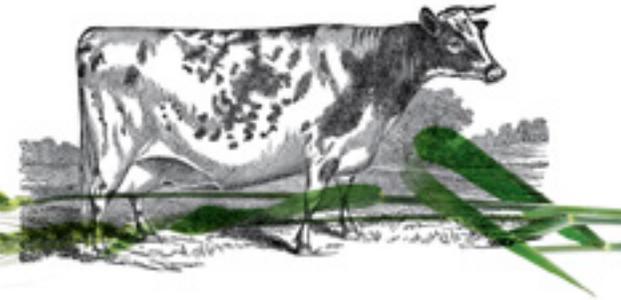
Lion's flexible pricing options continue to be well received and in FY15 we further amplified our package of initiatives to build relationships with farmers based on more than price and terms.

Our Farm Services team continued to promote best practice dairying techniques and work with our farmers to implement efficiencies on farm. Our farmers and their families also have access to Lion's free independent employee counselling service.

Overall we have invested significantly in improving farmer engagement and we are very pleased to receive such a positive report card from our farmers.

"WE'RE THRILLED TO CONTINUE OUR PARTNERSHIP WITH LION AND SUPPORT SUCH A DIVERSE RANGE OF DAIRY FARMING PROJECTS THIS YEAR. THE LION LANDCARE GRANTS PROGRAM IS A GREAT WAY TO SUPPORT THE DAIRY INDUSTRY AND PROMOTE SUSTAINABLE FARMING PRACTICES FOR THE FUTURE."

**LANDCARE AUSTRALIA CEO,  
TESSA JAKSZEWICZ**



### FARMER ENGAGEMENT

As at FY15

Farmer Engagement score

**Reputation/  
Trust/  
Relationship  
Quality**

**76%**  
up from 43%

**84%**  
up from 52%

**Quality of relationships with Lion people**

**Lion has a positive reputation overall**

**79%**  
up from 47%

**64%**  
up from 31%

**Trust**

## SUPPLIER ENGAGEMENT (CONTINUED)



### COMMUNICATION

Communication is key to building mutual trust and understanding – the bedrocks of any relationship. During FY15, we undertook an engagement program with our farmers which included visits to the dairy manufacturing sites they supply. This provided them greater insight into the milk-processing end of the supply chain followed by a business update by our Dairy & Drinks Managing Director, Peter West.

To ensure ongoing dialogue, we launched a new dairy supplier website, sharing more about Lion and offering programs and grant schemes to build the effectiveness and efficiency of farms along with supporting the personal wellbeing of farmers.

During the year, we also increased our sponsorship of major events, such as Sydney and Adelaide Royal, regional agricultural shows, industry conferences and various industry events.

### PLUGGING IN A BETTER DEAL

During FY15, Lion partnered with an energy management consultant to jointly procure the energy needs of farmers nationally for more than 300 sites, saving \$340k in total, equating to over \$1.2m if adopted by all our farmers. In FY16 Lion will look to expand the program to solar, gas and diesel procurement.



### MILK MATTERS

Let's face it; milk is too often taken for granted.

We know what it takes to deliver quality milk from farm to table but that's not front-of-mind for the vast majority of Australian families.

As Australia's most trusted milk brand, Dairy Farmers is uniquely placed to remind the community why milk matters.

Lion's Agricultural Procurement Director Murray Jeffrey says: "Coming from a farming family, I understand how our dairy farmers dedicate their lives to delivering a great quality product.

"But it doesn't stop there. Milk matters greatly to Lion's teams across the country who process it to exacting standards, to the milk men and women who deliver it daily, to the cafés who use it, to the local retailers who rely on it to attract shoppers to their stores and to everyone who enjoys a soothing drop in their morning cuppa or on their cereal."

Lion understands that milk matters too much to undervalue it and everyone in the supply chain deserves to make a fair and sustainable return.

In our Dairy Farmers *Milk Matters* campaign, we show and share our love for milk, before politely asking people to consider the importance of milk, next time they're faced with a choice at the supermarket fridge. You can view key elements of the campaign [here](#).

# RESPONSIBLE VALUE CHAIN

BUSINESSES EXIST AND GROW WITH THE PERMISSION OF THE COMMUNITIES IN WHICH THEY OPERATE. THIS MEANS ALL OF LION'S BUSINESS PRACTICES MUST MEET THE REASONABLE EXPECTATIONS OF OUR STAKEHOLDERS.

From product development, sourcing, manufacturing, marketing and sales, right through to the point of consumption, our stakeholders expect the highest standards. And they expect Lion to make business relevant investments back into the community. Here, we walk through key developments in FY15 at each stage of that value chain.

## DEVELOPMENTS IN FY15

- Continued focus on reformulation and innovation in high nutrition juices and dairy products
- Further innovation in lower strength alcohol products

## RESPONSIBLE VALUE CHAIN

stage



1  
innovation and  
product design



2  
sustainable  
sourcing



3  
manufacturing



4  
marketing  
and sales



5  
consumption



6  
community  
investment





1 innovation and product design



2 sustainable sourcing



3 manufacturing



4 marketing and sales



5 consumption



6 community investment

# INNOVATION & PRODUCT DESIGN



## A YEAR OF GOOD PROGRESS

Since we launched the *The Goodness Project* in August 2014, we've made great progress enhancing the natural goodness across our dairy and non-alcoholic drinks portfolio.

Lion Dairy & Drinks Managing Director Peter West says: "Australians are so much more nutrition savvy than 10 years ago and technology is making it easier for them to seek out information and plan their diets.

"So, what are they looking for? It's very clear consumers want to eat better quality and more nutrient-dense products. The food companies that thrive over the coming decades will be focused on helping Australians live better, healthier lives," says Peter.

Fortunately, Lion's dairy and juice portfolio is already well placed to help them do this. But we can do much more to help Australians and New Zealanders improve their health and wellbeing and that's what *The Goodness Project* is all about.

Peter says: "This program allows us to celebrate the existing goodness in Lion's products as well as undertake initiatives to make improvements

right across our portfolio, with the aim of making it as naturally good and nutritious as possible.

"We're also taking a leadership position on nutrition education and labelling to help consumers understand what's in their food, as well as introducing new packaging options to better help manage their portion size."

In October 2015, Lion released the first [Goodness Project Annual Progress Update](#). Reformulation initiatives delivered in year one were expected to remove more than 170 tonnes of added sugar and 175 tonnes of fat from the Australian food supply in the coming year<sup>4</sup>.

While we're very excited about the progress made in the first year of *The Goodness Project* there is still a long way to go. Achieving our *Goodness Project* targets by 2019 would remove around 4 tonnes of sodium, 1,400 tonnes of sugar and 500 tonnes of fat from the national food supply annually<sup>5</sup>.

We have an outstanding pipeline of new initiatives in the making for year two and we look forward to sharing some of these in our next report.

<sup>4</sup> Based on sales volume October 2015.

<sup>5</sup> Base-line annual sales volumes excluding everyday cheese.

Lion has specific nutrient criteria based upon local and international scientific and government standards. The criteria defines three tiers:



### BEST FOR YOU

Enjoy everyday because they are lower in fat, sugar, salt and energy, have the goodness of dairy or fruit, and possibly even more!



### GOOD FOR YOU

Enjoy in 'balance' because they contain moderate levels of fat, sugar, salt and energy

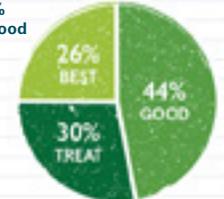


### TREAT FOR YOU

Enjoy in small amounts, whilst keeping within a balanced diet, as they have higher levels of fat, sugar or salt.

80% of our products will meet the *Best & Good* for you criteria by 2019.

In 2014, 70% in Best & Good



And by Oct 2015 72% will be in Best & Good



\*Based on sales volume Audit excludes cream

## WE HAVE ACHIEVED...

In just 12 months, The Goodness Project has

Celebrated the goodness of our products by:



Delivering great nutritious innovation



Offering smaller pack sizes



Displaying the Health Star Rating on 20% of our products



Working with our retailers to engage consumers with our nutritious categories, specifically Coles and Lion's 'Dairy Makes Every Day Better' campaign

Made our portfolio better by:



Reformulating products to reduce added sugar by more than 1% - expected to remove more than 170 tonnes of sugar from the food supply next year\*



Reformulating products to reduce fat in our TREAT products by 3% - expected to remove 175 tonnes of fat from the food supply next year\*



Natural colours, flavours or sweeteners being our first choice



Voluntarily labelling the caffeine content of our coffee flavoured dairy beverages

\*Based on sales volume Oct 2015



## INNOVATION & PRODUCT DESIGN (CONTINUED)

### POWERFUL BRANDS WITH A LIGHT TOUCH – LESS THAN FULL STRENGTH INNOVATION

Lion is leading the market with an impressive range of reduced alcohol products across beer, wine and cider. Crucially, our brewers and winemakers are delivering no-compromise flavours. This is a selection of lower alcohol products launched in FY15.



#### BEER

XXXX GOLD Australian Pale Ale – a new addition for Australia's favourite mid – strength beer brand.

Hahn Radler – brewed at 3.2% alcohol by volume (ABV).

Hahn's Rugby Sponsorship – moved to Hahn Super Dry 3.5% ABV.

Mac's Mid Vicious Pale Ale – launched at 2.5% ABV.

Speights Mid – launched at 2.5% ABV.

Steinlager Mid – Launched at 2.5% ABV.

Hahn Ultra – in FY15 we also continued six years of development, officially launching the new 0.9% ABV product in January 2016.

#### CIDER

Mac's Cider Mid Tempo – a lighter cider option at 2.5% ABV.

#### WINE

Wither Hills Early Light Sauvignon Blanc and Pinot Gris – both crafted at a very approachable 9.5% ABV and earning a bronze medal at the NZ International Wine show.

Lindauer Enlighten Muscato Rose and Sauvignon Blanc – new bubbles at 8.5% ABV.



1 innovation and product design



2 sustainable sourcing



3 manufacturing



4 marketing and sales



5 consumption



6 community investment

# SUSTAINABLE SOURCING

## DEVELOPMENTS IN FY15

- Progress on ethical and socially sustainable sourcing practices



Lion's supply chain incorporates 34 manufacturing facilities and 3400 suppliers.

We are fortunate to work with a broad range of passionate barley, dairy, fruit and soy bean farmers, ingredient suppliers, packaging and marketing partners, transport and distribution partners and many more.

We want long-term, mutually beneficial partnerships and we are committed to an open dialogue on where we can do better, as is outlined in the **Trusted Business Partners** section of this report. That section also contains details of our work assisting farmers to improve their environmental efficiency and reduce costs.

Lion is committed to buying from farmers with sound animal welfare practices. For more details visit our [website](#).

## LION'S ONGOING TARGETS IN EACH OF SEDEX'S FOUR PILLARS



Ethical sourcing is a key pillar in our business transformation program and a key component in all new Lion supply contracts. In FY15 we continued to audit suppliers using the SEDEX methodology. We will analyse results from identified higher-risk suppliers and determine how to improve our practices and those of our suppliers. We remain open to the option of terminating relationships in incidences of serious misconduct.





1  
innovation and product design



2  
sustainable sourcing



3  
manufacturing



4  
marketing and sales



5  
consumption



6  
community investment

# MANUFACTURING



DURING THE YEAR, LION WAS NAMED CHAMPION NEW ZEALAND BREWERY AT THE 2015 BREWERS' GUILD OF NEW ZEALAND BEER AWARDS – A TRUE TESTAMENT TO THE SKILL AND PASSION OF OUR BREWING TEAM AND THE QUALITY OF OUR BEERS.

## MANUFACTURING EXCELLENCE (MEX)

In FY15, our MEX program was expanded in Lion's planning and logistics functions. The program aims to drive efficiency and reduce waste. During FY15 its value stream mapping tools achieved improvements in a range of non-operations functions and the program continued to deliver significant reductions in waste right across the business.

## QUALITY

Food safety and product quality are our most fundamental commitments to our consumers and customers.

In FY15 Lion continued to operate four quality management pillars:

- 1. Embedding World Class Quality Management Systems aligned to ISO22000 principles.** This platform has been selected as a uniform Lion standard and will be expanded to our new international business units from FY16.
- 2. Creating a Culture of Quality,** aspiring to low levels of quality faults and consumer complaints which reduced significantly in our Dairy and Drinks business in FY15.
- 3. Value-adding governance practices to mitigate risk and transfer best practice.** We continued to roll out site-based quality reviews throughout the year.
- 4. Continuous improvement and feedback systems.** We are expanding incident capture and transparency of reporting.

### DEVELOPMENTS IN FY15

- Food quality and safety
- Manufacturing excellence



### F15 MEX HIGHLIGHTS





1 innovation and product design



2 sustainable sourcing



3 manufacturing



4 marketing and sales



5 consumption



6 community investment

# MARKETING AND SALES

## DEVELOPMENTS IN FY15

- Award-winning marketing
- Complaints and adjudications



1 innovation and product design



2 sustainable sourcing



3 manufacturing



4 marketing and sales



5 consumption



6 community investment

# CONSUMPTION

## DEVELOPMENTS IN FY15

- Progress on labelling, education and culture change initiatives
- Dr Anne Fox insights on alcohol education
- Helping our people become advocates for responsible eating and drinking

## PROGRESS ON LABELLING, EDUCATION AND CULTURE CHANGE IN DAIRY AND DRINKS

Lion's core purpose is to 'enrich our world every day by championing sociability and helping people to live well'.

Dairy, juice, soy and alcohol beverages are all part of a balanced lifestyle for most people.

Whether it's a family meal or good times with mates at the pub, there's a very good chance someone will be enjoying a Lion product.

We want consumers to make well-informed decisions when they do. That's why we are committed to effective labelling and broader education initiatives to educate consumers, as well as shape a positive eating and drinking culture and the way Australasians eat and drink.

## RESPONSIBLE MARKETING

The aim of our marketing is to create Australasia's best-loved brands. We make a very clear commitment to marketing and sales practices that do not in any way contribute to the problems of alcohol misuse or poor nutrition.

An outline of the various responsible marketing codes and commitments to which Lion is a signatory can be found [here](#) and the infographic below details adjudications in response to complaints made about Lion's advertising against these codes during FY15.



■ Beer Spirits & Wine ads ■ Lion Dairy & Drinks ads

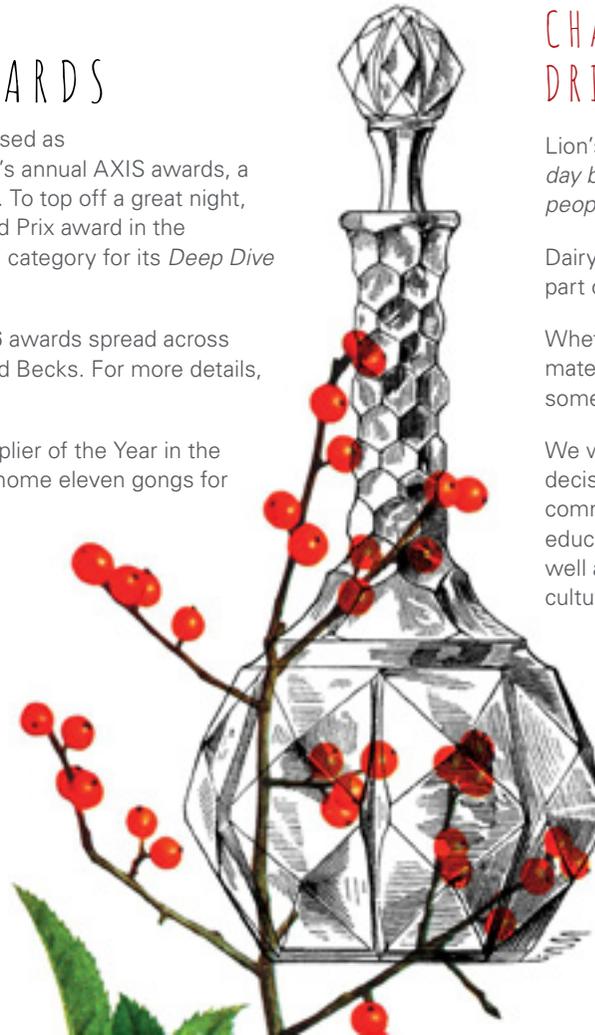
Note: Does not include complaints on matters already dismissed. There were two complaints of this kind in New Zealand and one relating to marketing from Lion Dairy & Drinks.

## MARKETING AWARDS

During the year, Lion was recognised as Client of the Year at New Zealand's annual AXIS awards, a celebration of creative excellence. To top off a great night, Steinlager Pure took out the Grand Prix award in the prestigious 'Integrated Campaign' category for its *Deep Dive* marketing activity.

Overall, Lion took out a total of 36 awards spread across Steinlager, Smirnoff, Speight's and Becks. For more details, click [here](#).

In Australia, Lion was named Supplier of the Year in the Australian Drinks Awards, taking home eleven gongs for innovation and marketing.





## CONSUMPTION (CONTINUED)

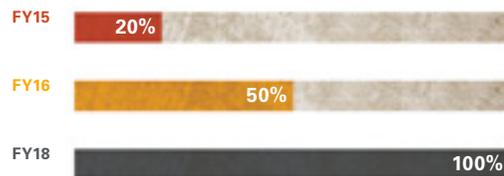


## HEALTH STARS

The Health Star Rating (HSR) front-of-pack labelling initiative was formally launched in June 2014, with Lion being one of the first companies to adopt it.

Given the nutrition credentials of a large portion of our portfolio and our ambitions to further improve them through The Goodness Project, we see this new labelling approach as an education opportunity for consumers, helping to simplify the nutrition credentials of products 'within' a category.

### Proportion of D&D products displaying the HSR



## HEALTH STAR LABELLING



## CONSUMPTION (CONTINUED)

PROGRESS ON LABELLING, EDUCATION AND CULTURE CHANGE IN DAIRY AND DRINKS (CONTINUED)



SUPERMODEL, AUTHOR AND MUM, ROBYN LAWLEY: "I AM PASSIONATE ABOUT ENJOYING REAL FOODS AS PART OF A BALANCED DIET AND ACTIVE LIFESTYLE. AUSTRALIA'S CITRUS GROWERS PRODUCE SOME OF THE BEST QUALITY FRUIT JUICE IN THE WORLD, SO KNOWING THAT AN OCCASIONAL GLASS OF JUICE IS PERFECTLY OK IS GOOD NEWS FOR ALL."

## FRUIT JUICE EDUCATION

During FY15, for the first time, Fruit Juice Australia, citrus growers, juice manufacturers and brand owners came together to communicate the nutrition facts about juice.

The program – *Fruit Juice – Goodness from Nature* – is based on a rigorous and independent re-analysis of the Australian Health Survey conducted by the CSIRO, on behalf of Fruit Juice Australia, which found the facts below<sup>6</sup>.

To find out more about the campaign, click [here](#).

## NUTRITION AT LION

*Nutrition at Lion* is an interactive education program to help Lion's people become advocates for healthy eating and balanced lifestyles.

In FY15, over 750 of Lion's people built their general nutrition knowledge, as well as their understanding of the dietary qualities of Lion's brands.



Lion's Morwell Dairy & Drinks team provided hundreds of children in the Morwell areas including those pupils at Morwell Park Primary School with healthy breakfasts throughout 2015, attending local schools each Tuesday to supply and serve free yoghurt and milk.

With Lion's help, more than 9,000 breakfasts were served in 2015.

## SURVEY FINDINGS

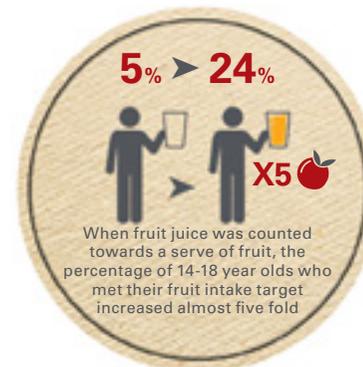
All Australians



All Australians



Teenagers



All Australians



<sup>6</sup> Hendrie, G.A; Baird, D; Syrette, J; Barnes, M; Riley, M (2015). Consumption of non-dairy, non-alcoholic beverages in the Australian population: A secondary analysis of the National Nutrition Survey 2011-12. CSIRO, Australia



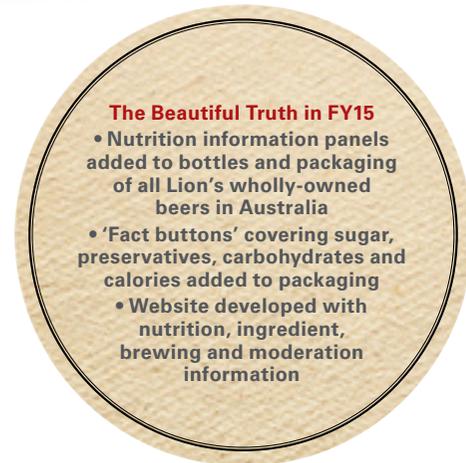
## CONSUMPTION (CONTINUED)

PROGRESS ON LABELLING, EDUCATION  
AND CULTURE CHANGE IN BEER,  
SPIRITS AND WINE

*Beer the Beautiful Truth* is about giving consumers the real facts about beer, correcting common myths and helping people make more informed decisions about what they choose to drink.

In fact, seven in 10 Australians say the availability of nutrition information will help them make more informed drinking choices – such as choosing an option with lower sugar, carbohydrate or calorie content, or moderating their alcohol intake<sup>7</sup>.

Our initial campaign has focused on sharing that Lion's wholly-owned Australian beers are preservative-free and most are on average 99.9 percent sugar-free.



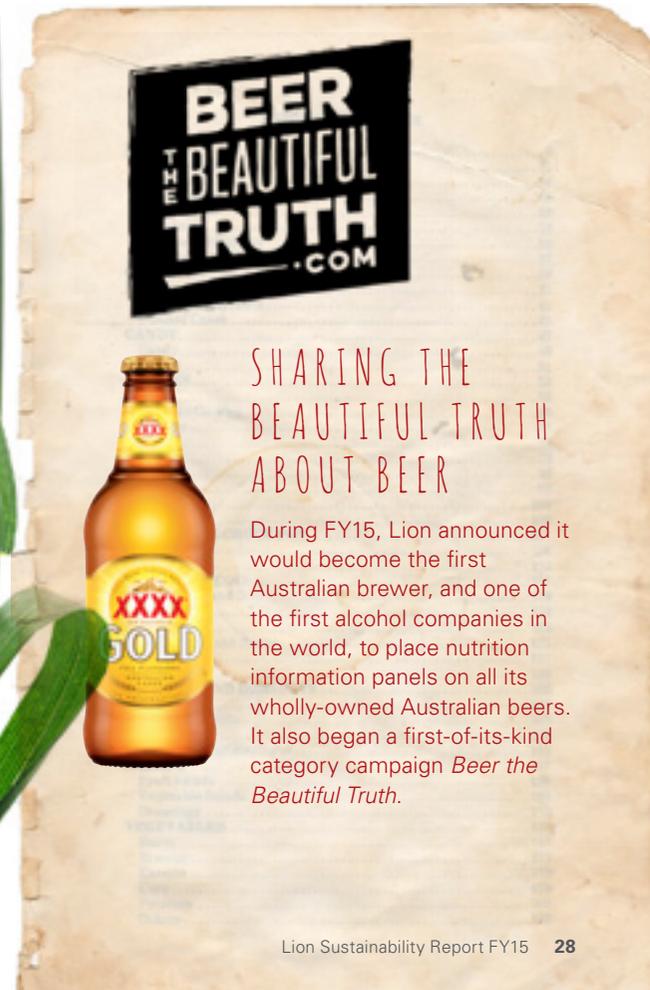
### The Beautiful Truth in FY15

- Nutrition information panels added to bottles and packaging of all Lion's wholly-owned beers in Australia
- 'Fact buttons' covering sugar, preservatives, carbohydrates and calories added to packaging
- Website developed with nutrition, ingredient, brewing and moderation information

We are seeing some fantastic early progress. Our launch video has been viewed over 2 million times and more than 3,500 outlets across Australia have already activated the program in-store.

Lion engaged an independent, expert advisory panel in the development of this initiative including a General Practitioner, Accredited Practising Dietitian, fitness experts and beer and brewing experts. In particular, the GP and dietitian supported Lion in the development of the *Beer the Beautiful Truth* website, which includes fact sheets on alcohol and standard drinks. These fact sheets are not only provided for consumers online but have also been distributed to nutritionists and dietitians in Australia to support consumer education efforts.

For more information, click [here](#).



## SHARING THE BEAUTIFUL TRUTH ABOUT BEER

During FY15, Lion announced it would become the first Australian brewer, and one of the first alcohol companies in the world, to place nutrition information panels on all its wholly-owned Australian beers. It also began a first-of-its-kind category campaign *Beer the Beautiful Truth*.

7 Galaxy research commissioned by Lion – Jan 2015



## CONSUMPTION (CONTINUED)

PROGRESS ON LABELLING, EDUCATION  
AND CULTURE CHANGE IN BEER,  
SPIRITS AND WINE (CONTINUED)

## MADE TO MATCH AND THE ENLIGHTEN PROGRAM

IN FY15, Lion continued to educate New Zealanders on beer styles and how they work with food via its *Made to Match* initiative. The program has reached over one million people on Facebook since February 2014 and many more through traditional channels.

In FY15 we launched the *Enlighten* program to showcase lighter ways of drinking, not just by enjoying our beer and wine innovations, but also liqueurs, aperitifs and spirits-based drinks sitting under the *Enlighten* program's one standard drink per serve threshold.

From July 2015 Lion launched a bespoke menu of lower strength products from a huge database of options. Our goal is to help 300 customers create an *Enlighten* menu by the end of 2016.

Lion's Francis Walker said: "We've been delighted with the level of enthusiasm from venues across New Zealand during the first few months of the program. It's a great example of a shared value initiative, improving our customers' businesses, while giving drinkers a wider range of lower alcohol choices."

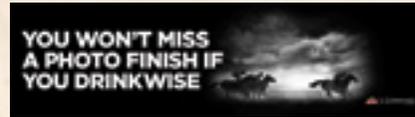
As well as showcasing drinks options, our menus educate New Zealanders to make informed choices about their drinking with insights drawn from Cheers [here](#).





## CONSUMPTION (CONTINUED)

PROGRESS ON LABELLING, EDUCATION AND CULTURE CHANGE IN BEER, SPIRITS AND WINE (CONTINUED)



## FY15 PREGNANCY ADVISORY LABELLING STATUS



AU Portfolio



Beer  
Cider  
RTD  
Spirits



AU Wine from 2012  
NZ Wine which we package today

## PREGNANCY ADVISORY LABELLING

Lion made significant progress rolling out pregnancy advisory labels on its alcohol containers in both Australia and New Zealand.

Lion also includes the **DrinkWise Australia 'Get the facts'** logo in Australia and the **cheers.org.nz** logo in New Zealand, which, at dedicated websites, encourage people to get the facts on drinking. These logos are also displayed on our marketing collateral.

## ENCOURAGING AUSTRALIANS TO DRINK WISE

While scare campaigns rarely work, responsible drinking education that celebrates pro-social behaviours can make a real difference.

Lion is a key funder of DrinkWise Australia, which aims to influence a healthy Australian drinking culture. During the year, Lion partnered with DrinkWise Australia to communicate its "You won't miss a moment if you DrinkWise" message. Lion offered its key sponsorship properties as vehicles to celebrate a message of staying in control and in the moment at the Melbourne Cup, Queensland Rugby League and State of Origin and Wallabies games.

Independent tracking of the first six months of activity has shown that 57% of respondents stated that there has been a positive change in their attitude towards the way they drink at events.

DrinkWise continued its award-winning How to Drink Properly campaign aimed at 18-24 year olds. For such a young campaign (launched Feb 2014), the early impacts are impressive, with shifts in the behaviour of many of those who have seen the campaign:

- 65% now think about the way they currently drink
- 60% now reflect on their behaviour when they are out drinking
- 52% have slowed down and kept in control of their drinking

Our commitment to DrinkWise also allows them to continue funding key alcohol education programs in the Northern Territory aimed at indigenous men and indigenous teenage women.

Further information is available [here](#).

\* Campari owned brands and Emersons not included in FY15 data. Whilst Lion encourages the owners of the wine brands we distribute in Australia to include the pregnancy advisory message on their labels we are unable to make this mandatory.



## CONSUMPTION (CONTINUED)

PROGRESS ON LABELLING, EDUCATION  
AND CULTURE CHANGE IN BEER,  
SPIRITS AND WINE (CONTINUED)

Cheers!

[cheers.org.nz](http://cheers.org.nz)

## SAYING CHEERS TO RESPONSIBLE DRINKING IN NEW ZEALAND

Our major New Zealand responsible drinking initiative is our industry partnership with *Cheers!* Recognising the level of consumer trust in our brands, many *Cheers!* campaigns leverage this equity to magnify a responsible drinking message to drinkers. In FY15:

- We continued our Speight's O'Week 'Always look after your mates' and 'Water Warriors' activities as outlined in our FY14 report [here](#). This year *Cheers!* website traffic increased by 50% over the three weeks of the campaign, doubled the average time spent on site and generated print and radio coverage along with endorsements from local authorities.
- Our Speight's Wellington Sevens [Tackle A Burger Activation](#) was also repeated. The Water Warriors were deployed at the Sevens pouring over 2,000 litres of water in 2015.



1. Know your drink



2. My body



3. Going out



4. It's a wrap



ALCOHOL & me

## ALCOHOL & ME

When Lion recently commissioned prominent anthropologist Dr Anne Fox to look at our local drinking cultures, one of her key recommendations was to close the gap between perception and reality on the effects of alcohol.

*Alcohol & Me* is an interactive and informative training program educating Lion's people and partners about alcohol and the effects it has on the body and their health. It provides tools for staying safe and sociable when drinking.

Initially devised as an in house training program for Lion's people, we have now expanded the reach of *Alcohol&Me* to 20 other businesses and direct to the community in New Zealand.

So far, the *Alcohol&Me* [website](#) in NZ has welcomed 5,300 unique users. During FY15 a further 157 Lion people in New Zealand experienced a face-to-face training session taking the total number of people trained in New Zealand since the program launched in 2013 to 1,155.

The *Alcohol&Me* program was also launched externally in NZ during F15 with 5,495 people engaging with the programme online or face to face and 1,100 following *Alcohol&Me* on Facebook.

Our Australian business has identified the strength of *Alcohol&Me*, and has adapted it for use over the ditch, initially as an induction tool for our people but with plans to roll it out to our sponsorship partners and customers. One hundred and thirty nine of Lion's people in Australia have completed the program to date.



1  
innovation and product design



2  
sustainable sourcing



3  
manufacturing



4  
marketing and sales



5  
consumption



6  
community investment

# COMMUNITY INVESTMENT

WE BELIEVE THAT MAKING BUSINESS RELEVANT INVESTMENTS BACK INTO THE COMMUNITY HELPS US TO ACHIEVE OUR LONG-TERM GROWTH STRATEGY. IN DOING SO, WE BUILD ENGAGEMENT WITH OUR STAKEHOLDERS AND OUR PEOPLE, WHILE ADDRESSING BARRIERS TO SUSTAINABLE GROWTH.

## OUR COMMUNITY INVESTMENT STRATEGY IS FOCUSED ON INITIATIVES THAT:

- Build a positive drinking culture and better nutrition for all
- Build positive relationships and community resilience, a preventative measure in addressing misuse
- Preserve our lands and natural resources
- Build strong regional and rural communities
- Engage our people in causes they are passionate about



## LITTLE CREATURES BREWERY HELPS REBUILD SHELLFISH REEFS

There's something fishy going on in Geelong, and it's coming from the Little Creatures Brewery. The team is helping re-build new shellfish reefs by recycling mussel shells.

It's all part of a pilot program to revive reefs using a natural technique where shells of seafood enjoyed at the brewery's restaurant, The Canteen, are re-distributed across damaged reefs, encouraging regeneration. As many as 4,700 serves of mussels were enjoyed at the brewery last year.

The initiative has the potential to deliver some significant environmental benefits to Geelong's surrounding waterways, in particular Port Phillip Bay. Shellfish reefs along Australia's coastline have diminished in recent years, with historic overharvesting the most likely culprit. Rich Gilmore, Australia director of The Nature Conservancy, said: "Shellfish reefs are the most endangered marine ecosystems on earth, with 85% of shellfish reefs lost worldwide, but they are also one of the most effective natural water filters."

Venue Manager of The Canteen in Geelong, Paul Rogasch, said, "We are committed to staying connected to our local community, and helping to restore shellfish reefs is an important contribution our team can help to do. Many of our ingredients are locally sourced, including mussels from Port Arlington, and we want to ensure we are doing everything we can to protect these areas."





## COMMUNITY INVESTMENT (CONTINUED)

### BUILDING POSITIVE RELATIONSHIPS AND COMMUNITY RESILIENCE

Lion continued to support two major partnerships with Uplifting Australia (UA) and the Graeme Dingle Foundation (GDF, formerly the Foundation for Youth Development) in New Zealand.

#### PEOPLE REACHED IN FY15:



Both organisations build emotional wellbeing and resilience in families and young people – particularly 5-12 year olds – to help prevent the significant drop in personal subjective wellbeing that occurs from around 12 years of age.

They run positive, preventative community programs based on conclusive evidence that early intervention to strengthen families and build social skills not only creates healthier, happier people, but also prevents the underlying causes of alcohol misuse, poor diets and anti-social behaviour.

UA's 'CampOut with Kids' and 'HangOut with Kids' programs offer parents and children the opportunity to spend time together and engage in a range of programs that strengthen the parent-child bond, celebrate the child's unique talents and therefore their self-esteem and build empathy and communication skills. The program also includes a session for parents on positive parenting.

UA also ran a range of parenting talks and programs for Lion people during FY15, including a 'Camp out with Kids' program for Lion people in Queensland and a positive parenting talk for our team at Sydney Olympic Park.

GDF delivers a program called 'Kiwi Can' which improves personal and social skills and self-esteem, working on a community deep-dive model. Lion is helping the GDF team deliver this program to school children across four schools in the East Tamaki region, near The Pride brewery in Auckland.

In FY15, members of our team at The Pride developed the partnership further by helping to rebuild the Glenbrae School Sports Shed. The sports shed at this lower-decile school was in disrepair and had very little equipment available for the children to use, so the team also organised a collection of sports equipment from team members at The Pride and donated \$500 of new sports equipment.

Further information is available at Uplifting Australia [here](#) or GDF [here](#).



### CORONA HELPS RENOVATE PIHA SURF LIFESAVING CLUB

The Piha Surf Lifesaving Club on the West Coast of Auckland, New Zealand is a key social pillar in the local community. During the year, Corona built a temporary deck and bar at the front of the Piha Surf Lifesaving Club with all profits donated to the club to fund an upgrade.

Lion also ran an 'NZ Perspectives' exhibition, where 10 images from well-respected photographers were framed and displayed in the clubrooms. These were then auctioned online with all proceeds donated to Piha Surf Lifesaving Club. The partnership helped the Piha Surf Lifesaving club raise \$25k toward their renovation.





## COMMUNITY INVESTMENT (CONTINUED)

## PRESERVING OUR LANDS AND NATURAL RESOURCES

### THE LION LANDCARE GRANTS SCHEME

The Lion Landcare Grants scheme supports farmers in growing productivity and profitability while improving the sustainability performance of their farms. This subject is covered in more detail in our **Trusted Business Partners** section.

### CONTRIBUTING TO LOCAL TOURISM AND HOSPITALITY ECONOMIES

Lion is investing in quality visitation experiences across its wineries and breweries.

Our objectives are three-fold. First, to build our brands. Second, to educate consumers about beer and wine and build their excitement and interest. Lastly, such facilities are an opportunity to assist the economic success of the regions in which we operate.

We want local communities to be proud of their local breweries and wineries and to maximise their potential as drivers of tourism and local jobs.



### ADOPT A PATCH

Our teams at the Tooheys Brewery in Lidcombe, NSW, and Boag's in Launceston, Tasmania continued Lion's involvement in Keep Australia Beautiful's *Adopt a Patch* program.

*Adopt a Patch* harnesses volunteers from Lion manufacturing sites to help adopt and transform litter-strewn public places into areas of natural beauty for the whole community to enjoy.

The Tooheys team has adopted a patch of land previously overgrown with weeds and litter and transformed it into a space for the community to enjoy. Thanks to the efforts of 150 volunteers, a roster for ongoing work at the site is in place, with additional public seating added in FY15.

Team members at Boag's have adopted a plot alongside a popular walking track on the North Esk Riverbank and continue to maintain the site through their regular community days.

A new patch was also established adjacent to our St Hallett winery in the Barossa Valley at the end of FY15. Works will be undertaken by a team of Lion volunteers to remove non-native plant species and restore the riverbank's natural ecology using native species in FY16.

Significant developments in FY15 were:

- Unveiling a new \$70m Brewhouse at West End Brewery, including a new copper kettle feature. The brewery also continued to raise funds for good causes via its West End Community Fund and to delight the community with its annual Christmas lights display.
- The official opening of the new Petaluma Winery and Cellar Door in the Adelaide Hills.
- The XXXX Brewery and Ale House continued to be Brisbane's leading tourism attraction.
- We opened our new White Rabbit Brewery and Barrel Hall in Geelong.
- We continued to offer our Little Creatures Brewery in Geelong as a facility to be enjoyed by the local community. In addition to the food and beer venue on site, we host a regular craft market and offer local artists the opportunity to display their work in dedicated arts spaces in both Fremantle and Geelong.
- Many of our brands continued to support sporting teams and cultural events.



# COMMUNITY INVESTMENT

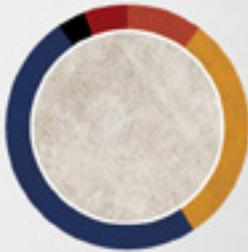
TOTAL INVESTMENT

## \$2.6m

### OUR COMMUNITY INVESTMENT

In addition to major partnerships outlined on this slide, Lion commits approximately \$119,000 annually in product donations to a range of worthy fundraising causes aligned to our investment priorities and these donations are included in this total investment number.

- Building positive relationships and community resilience **\$494,141**
- Building a positive drinking culture **\$1,517,120**
- Better nutrition for all **\$21,250** and **2,419,500** meals
- Preserving our lands and natural resources **\$169,091**
- Engaging our people in causes they are passionate about **\$283,185**



Building positive relationships and community resilience



**\$225,000** to support program delivery and **\$10,000** in design support



**\$225,000** to support program delivery and approx. **\$34,000** to support fundraising activities and other projects

Building a positive drinking culture



Lion contribution to a multi-million dollar industry donation **\$1,398,193**



**\$118,927** in direct Lion activity and contributions to industry initiatives

Better nutrition for all



Delivering **2,419,500 meals** for people in need with 1,546,821kg of surplus food



**\$21,250** as part of a joint-industry investment

Preserving our lands and natural resources



**\$136,364** including funding for 11 Lion Landcare Grants and other projects



**\$32,727** in funding to support the Adopt a Patch program. (Some funds from FY14 were rolled forward to FY15)

Engaging our people in causes they are passionate about



**\$240,185** Lion's contribution to 11 charities through its Workplace Giving Program (through which Lion matches staff donations), Employee Referral Program (donation to charities; \$500/referral) **\$43,000**

\*All figures are in Australian dollars (ex GST)



# ENVIRONMENTAL STEWARDSHIP

RESPONSIBLE USE OF RESOURCES AND THE CAREFUL REDUCTION, RE-USE AND RECYCLING OF WASTE IS CENTRAL TO LION'S STRATEGY.

Sustainable access to water, energy, agricultural inputs and packaging underpins the long-term success of our business and we continue to deliver good cost savings from environmental projects.

#### DEVELOPMENTS IN FY15

- Water
- Energy and emissions
- Packaging and waste
- Accreditation, incidents and near misses

# FY15 ENVIRONMENT HIGHLIGHTS



Carbon emissions ratio

**133.25** (kg/kL)

↑ 2%

This is a 2% efficiency improvement vs 136.08 (kg/kL) in FY14 and Lion's overall emissions have also reduced vs FY14



Energy usage ratio

**1.20** (MJ/L)

↓ 4%

This is a 4% efficiency decrease vs 1.15 (MJ/L) in FY14 however Lion's overall energy usage has reduced vs FY14



Water usage ratio

**2.67** (kL/kL)

↓ 5%

This is a 5% efficiency decrease vs 2.54 (kL/kL) in FY14 however Lion's overall water usage has reduced vs FY14

## ENERGY AND EMISSIONS

Lion's energy efficiency decreased by 4%, driven by declining production volumes, however, Lion's overall carbon emissions efficiency improved by 2%.

Initiatives carried out in FY15 as part of the Lion Energy Efficiency Program helped to minimise the volume impact, including moving more of the energy mix to cleaner fuels, including a reduction in grid electricity and an investment in more efficient refrigeration and processing plant.

In FY16 Lion will launch a new environmental reporting tool to improve the way data is captured and reported, which will better support our ongoing continuous improvement initiatives.

## WATER

Lion's total water usage has reduced from FY14. However the overall water usage efficiency has decreased. Reduced production volumes, including the loss of some private label milk contracts, affected efficiency, as did the processes of commissioning new wastewater treatment plants, manufacturing facilities and product lines. These investment initiatives will however deliver environmental benefits in years to come.

Regardless, a 5% decrease in water efficiency is a disappointing result and in FY16 we will continue implementing a company-wide initiative to audit water management and identify opportunities for improvement. By the end of FY15, 60% of our facilities had been audited with a range of efficiency programs implemented.



## WASTE

In recent years we've made substantial capital investments to improve our packaging, reduce litter and increase the recycling of our bottles, cans and liquid paperboard containers.

At the same time, industry continues to improve packaging recycling and support litter reduction across Australia and New Zealand.

The Australian National Packaging Recycling Rate sits at 61.3% which is slightly down from FY14 (64.2%) but still a sizeable improvement versus the 39% baseline established in 2003. New Zealand conducted its first litter survey for some time discovering between 56% and 62% of visible and larger, bulky litter items were packaging. This is equivalent to 18.0-19.8 packaging items per 1,000m<sup>2</sup> of public place surveyed. Food packaging represented the largest proportion of packaging items (37%), followed by drinks packaging (34%).

38%-44% of litter was not packaging, with paper representing the largest proportion (14%) followed by household items (4.8%). New Zealand industry is targeting a reduction in the amount of packaging litter by 10% by 2020.

In New Zealand, glass container recovery as a percentage of glass consumption reached a record high of 72.6% in 2015 whilst consumption of glass packaging continued to decline slightly.

One of our largest areas of liquid waste is in milk production. This has significant cost implications for Lion and continues to be a major focus. We are also exploring pathways for recycling and composting, particularly in relation to our liquid wastes and materials such as timber

pellets, aluminium cans, glass bottles, plastic wrap and other commingled recyclables. Lion's focus is to divert as much solid waste from landfill as possible.

During FY15 we worked with our material and machine suppliers to reduce environmental impact from packaging, achieving a 10g reduction in glass usage for every glass container used in our mainstream Australian beer and cider portfolios.

We also instigated changes to our HDPE and PET milk bottle specifications to save plastic and to Lion's amber glass specification, enabling suppliers to increase the use of green cullet, which is currently available in excess, and reduce their energy use and Australia's physical glass waste.

# ENVIRONMENTAL STEWARDSHIP



FY15 ENVIRONMENTAL AWARDS



## FY15 ENVIRONMENT HIGHLIGHTS

### National

During the year, the Australian Dairy Industry Sustainability Framework led by the Australian Dairy Industry Council (ADIC) of which Lion is a member and supported by Dairy Australia reported against its annual commitments. The Framework outlines a set of industry principles for transparency and accountability including goals and targets.

### South Australia

- The new Petaluma Winery at Woodside in the Adelaide Hills includes:
  - An onsite waste water system which will recycle 1,600 kilolitres of winery waste-water for use in the vineyard
  - An ammonia refrigeration plant reducing power needs from 650 kVA, previously required at our old Piccadilly site to 260 kVA at the new Woodside winery.
- Improvements in water, energy and extract waste efficiency at the West End breweries due to a \$70m investment in new Brewing, Processing and Filtration plant. Since commissioning in September 2015, the site has already recorded a >20% improvement in energy efficiencies at 110MJ/hL

### Tasmania

- Our new specialty cheese facility, The Heritage, is in the final stages of commissioning a new \$21 million anaerobic wastewater treatment plant, including a biodigester.
- Improvements in water, energy and extract waste efficiency at the Boag's Brewery due to a major investment on site.

### Queensland

- Our Crestmead milk facility achieved ISO 14001 certification.

### New South Wales

- A new wastewater treatment plant at the Tooheys Brewery, which also captures biogas to generate heat and reduce energy needs and methane release.

### New Zealand

- Final coal fired boilers in the Lion network decommissioned at the Speight's brewery in Dunedin
- The Pride completed energy efficiency and refrigeration audits with resulting projects expected to deliver annual savings of 1,000 MWh of electricity
- Springs Road, Wither Hills and The Pride achieved Sustainable Wine NZ certification.



National Packaging Recycling Rate Australia (% of material recycled)

61.3

↓ 2.9%  
Change vs FY14



Keep Australia Beautiful National Litter Index 2014/15 (packaging items per 1,000m<sup>2</sup>)

49

↑ 3.9%  
Improvement vs FY14



Glass Recycling Rate New Zealand (NZ - 2014/15)

69%

↑ 5%  
Improvement vs FY14



Litter Survey New Zealand\* (packaging items per 1,000m<sup>2</sup>)

18.0 – 19.8

\*Survey not undertaken in FY14

### Winner

'Food & Drink' Category – IChemE Global Awards 2015 – The Pride, New Zealand

### Finalist

Reducing Our Greenhouse Gas Emissions – Ministry For the Environment Green Ribbon Awards 2015 – The Pride, New Zealand

'Young Industrialist' Category – IChemE Global Awards 2015 – The Pride, New Zealand

### High Performer

Australian Packaging Covenant Awards 2015, Australia

## ACCREDITATION, INCIDENTS AND NEAR MISSES

### ACCREDITATION



rolling out across all manufacturing facilities



manufacturing facilities with accredited Environmental Management Systems



working towards certification in FY16

### INCIDENTS AND NEAR MISSES



near miss and minor incident reporting rate doubled compared with FY14



percentage of significant and notifiable incidents decreased



Lion's Dairy & Drinks business undertook environmental legal training with its senior leadership team, site and technical leaders



prosecutions or fines resulting from environmental incidents during FY15



## SUPPORTING RIVER REGENERATION

Back in FY13, Lion was a foundation funder, in partnership with Landcare, of the Wallamore Anabranch and Peel Riparian Project, an exciting initiative to stabilise a tributary of the Peel River in northern New South Wales.

During FY15, the project really took flight, with more than \$1.2m committed from a variety of sources, including the Federal and New South Wales Governments.

Dr Shane Norrish, of Landcare Australia, said; *"The project partners are committed to making this an excellent example of how land care and resource management go hand in hand with agricultural productivity."*

*The work will stabilise the eroding areas and re-establish the native habitat that has disappeared from much of the riparian zone."*

Over the past decade, the Wallamore anabranch has suffered from the effects of ongoing and serious bank erosion, affecting multiple agricultural properties, mostly dairy farms. At high flows landholders experience significant erosion, farming land loss and reduced productivity.

Murray Jeffrey, Agricultural Procurement Director, Lion Dairy said, *"Lion is proud to support this important project, and we are really looking forward to seeing significant improvements to the bank of the Wallamore anabranch over the coming months and years."*





# BUILDING AN ACHIEVEMENT CULTURE

AT LION, OUR PEOPLE STRATEGY IS  
FOCUSED ON BUILDING AN  
ACHIEVEMENT CULTURE, LED BY HIGHLY  
ENGAGED AND PASSIONATE PEOPLE.

Our goal is to establish trusting relationships within Lion and externally to deliver sustainable marketplace success.

#### DEVELOPMENTS IN FY15

- Culture
- Engagement
- Leadership
- Capability
- Talent
- Safety, wellbeing and workplace relations

# OUR PEOPLE



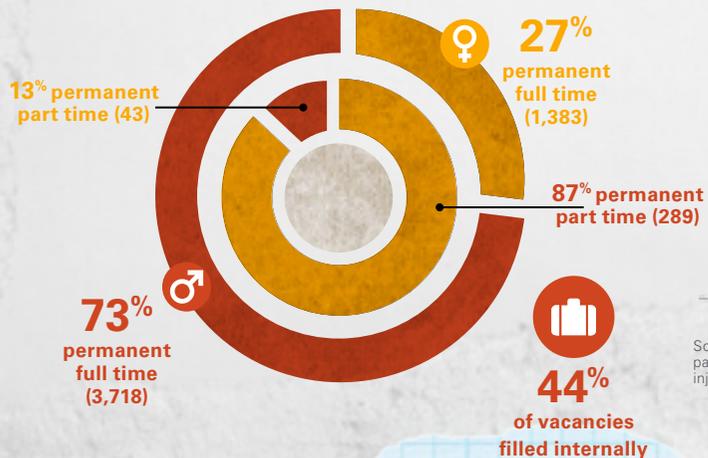
**68%**  
male  
employees

**32%**  
female  
employees

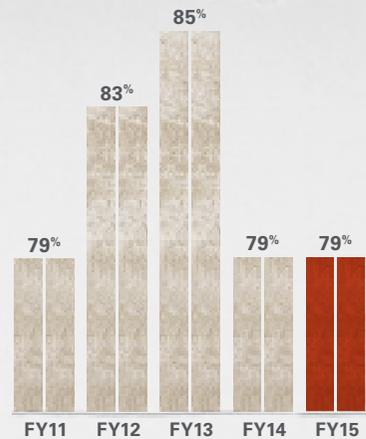


LION PEOPLE  
**6,712**

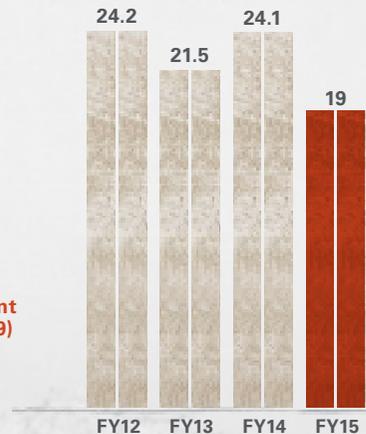
Of whom approximately 20% were covered by collective bargaining agreements



## PEOPLE ENGAGEMENT



## MEDICALLY TREATED INJURY FREQUENCY RATE (MTIFR)



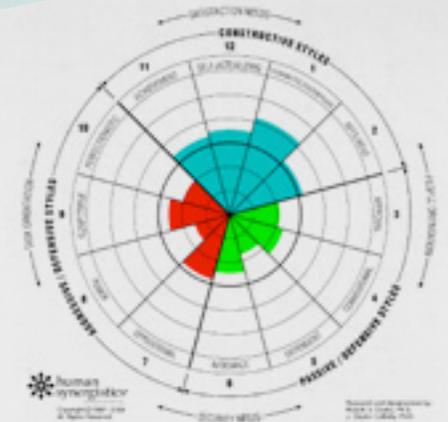
Some figures may differ slightly from those included in past Sustainability Reports due to the re-classification of injuries over time and the result of an internal back-audit.

## FY15 ENGAGEMENT HIGHLIGHTS

- 87%** feel proud to work for Lion
- 79%** trust their leader to do the right thing for the long term
- 75%** at work agree, "I have the opportunity to do what I do best everyday"
- 70%** of our people agree: "over the last month, I felt positive while at work most of the time"
- 90%** understand how their business unit/dept contributes to Lion's success
- 82%** strongly believe in Lion's vision
- 87%** fully support Lion's values
- 86%** said "the people in my team or location treat people with respect (regardless of age, gender, disability, sexual orientation, other points of difference)"
- 81%** would recommend Lion as a great place to work

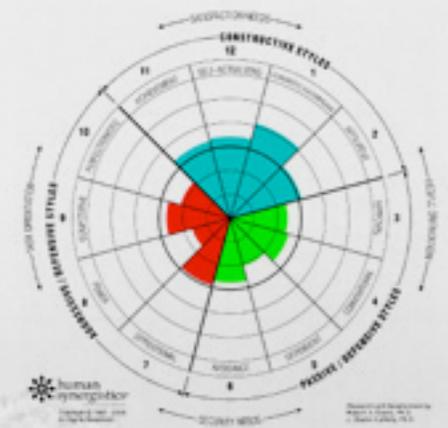
## CULTURE

### Lion overall culture 2012



\* Primarily constructive style  
\* Primary styles: Humanistic-Encouraging & Self-Actualising

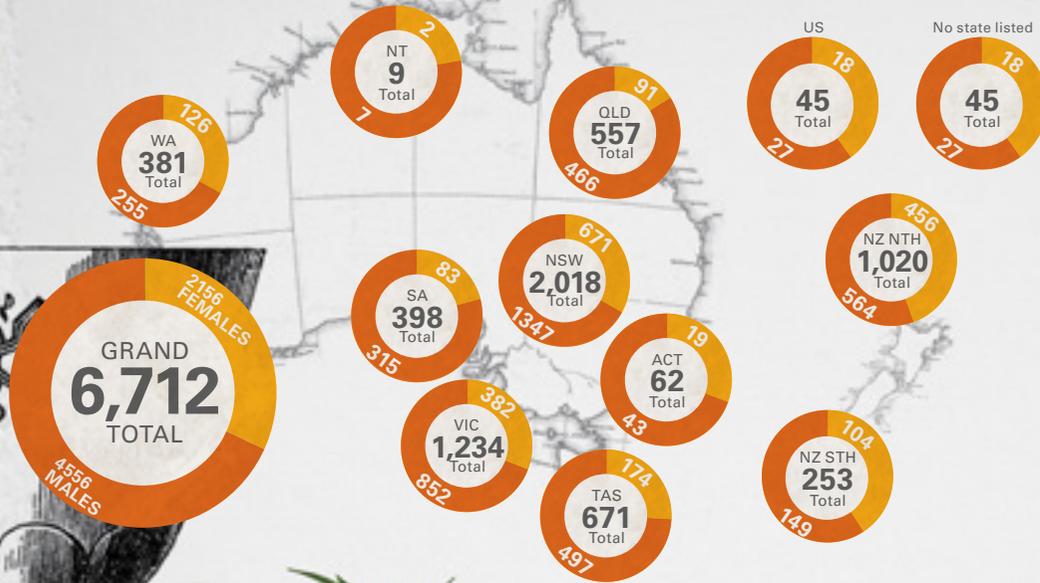
### Lion overall culture 2015



\* Primarily constructive style  
\* Primary styles: Humanistic-Encouraging & Self-Actualising

# OUR PEOPLE

## TOTAL NUMBER OF PEOPLE BY REGION AND GENDER



## TOTAL NUMBER OF PEOPLE EMPLOYED BY TYPE OF EMPLOYMENT AND GENDER

EMPLOYMENT STATUS	Female		Male		Total	
	# OF FEMALES	% OF FEMALES	# OF MALES	% OF MALES	#	%
Casual	237	40.44	349	59.56	586	8.73
External Contractor	140	29.17	340	70.83	480	7.15
Fixed Term Full Time	81	45.76	96	54.24	177	2.64
Fixed Term Part Time	26	72.22	10	27.78	36	0.54
Permanent Full Time	1383	27.11	3718	72.89	5101	76.00
Permanent Part Time	289	87.05	43	12.95	332	4.95
<b>Total</b>	<b>2156</b>	<b>32.12</b>	<b>4556</b>	<b>67.88</b>	<b>6712</b>	<b>100.00</b>

LEADER	Female		Male		Total	
	# OF FEMALES	% OF FEMALES	# OF MALES	% OF MALES	#	%
No	1846	32.85	3773	67.15	5619	83.72
Yes	310	28.36	783	71.64	1093	16.28
<b>Total</b>	<b>2156</b>	<b>32.12</b>	<b>4556</b>	<b>67.88</b>	<b>6712</b>	<b>100.00</b>

## PEOPLE WHO RECEIVE AN ACHIEVEMENT REVIEW

	Yes	No	Total
<b>FEMALES</b>	<b>1374</b>	<b>782</b>	<b>2156</b>
Casual	N/A	237	237
External Contractor	18	122	140
Fixed Term Full Time	26	55	81
Fixed Term Part Time	7	19	26
Permanent Full Time	1110	273	1383
Permanent Part Time	213	76	289
<b>MALES</b>	<b>2326</b>	<b>2230</b>	<b>4556</b>
Casual	1	348	349
External Contractor	29	311	340
Fixed Term Full Time	27	69	96
Fixed Term Part Time	1	9	10
Permanent Full Time	2255	1463	3718
Permanent Part Time	13	30	43
<b>Total</b>	<b>3700</b>	<b>3012</b>	<b>6712</b>



# CULTURE & ENGAGEMENT



## LION'S ENGAGEMENT MODEL



## CULTURE

We see our culture, or as we know it, 'the way we do things around here,' as how we go about building trusting relationships.

Our goal is a culture characterised by constructive behaviours, a clear sense of purpose, high levels of accountability among our people, a desire to build strong relationships internally and outside the business, 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. Overall, we refer to it as an 'achievement culture'.

We measure our culture every two years through the Human Synergistics Organisational Culture Inventory (OCI) tool. By FY17, we aim to build our constructive styles above the 75th percentile and our defensive styles below the 25th percentile.

In FY15, we got clearer on what our Achievement Culture looks like and revised our Values from 5 to 3 and our Behaviours (how we demonstrate our values) from 10 to 6. Our new Values and the Behaviours that bring them to life are:

1. Do the right thing for the long-term (Disciplined thought & action, True to self & others)
2. Be courageous (Open to new ideas, Act fast)
3. Work together to make a difference (Collaborate to achieve, Lead & develop others).

## ENGAGEMENT

High levels of people engagement are critical to Lion achieving its goals. Evidence shows that engaged people ensure highly engaged customers, consumers and the community and underpin business success.

FY15 was a challenging year. As well as experiencing tough market conditions, our people needed to remain resilient as we executed further organisational change. Despite this backdrop, 79% of our people participated in Lion's engagement survey in August and the results were encouraging.

In FY16 we need to remain focused on building strong trusting relationships, improving communication and encouraging quick decision-making. While we expect FY16 to be another challenging year, we aim to return our engagement scores to the Towers Watsons Global High Performance Companies Zone.

## OUR PEOPLE



# LEADERSHIP & CAPABILITY



## LEADERSHIP

In FY15, Lion continued to deliver quality programs with the aim of developing highly skilled and authentic leaders. We value leaders who create the right environment for our people to realise their full potential and support our cultural and business aspirations.

During FY15 Lion introduced new learning offerings enabling a more flexible approach to the deployment of leadership capability. These included programs on achievement and leadership thinking styles and impact along with a new leadership effectiveness tool, providing a deeper level of insight into the individual's impact across a number of leadership competencies and ability to lead effectively in complexity.

- FY15 Core Leadership Programs:**
- Leadership at Lion
  - Foundations of Authentic Leadership
  - Growing our Authentic Lion (GOAL)
  - Coaching to Make a Difference

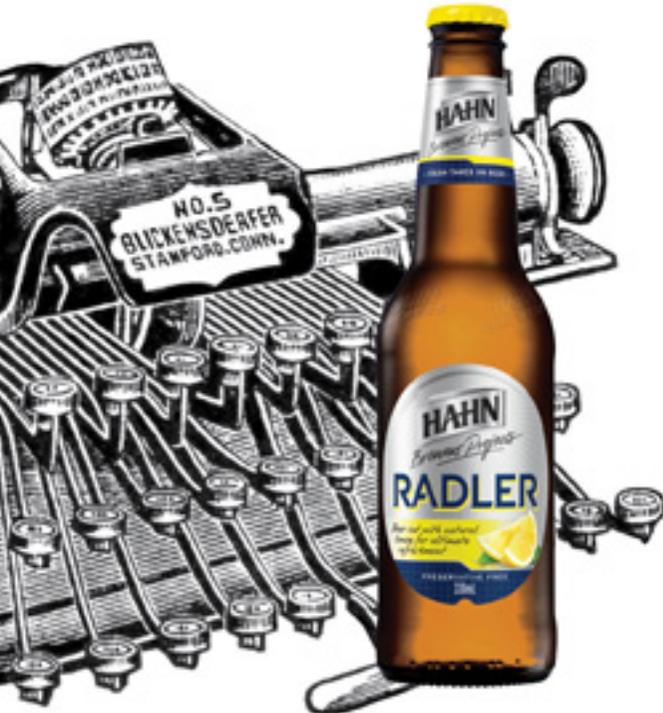
## CAPABILITY

Highly capable people are critical to our business. In addition to our leadership programs, we continue to invest heavily in technical capability programs across all of our functional areas.

We are aiming to deploy capability solutions that build skills on the job and link strongly to business performance.

In FY16 Lion will continue to improve and rollout its portfolio of technical and leadership learning programs.

- FY15 Capability Highlights**
- New Lion *Capability Strategy* aligning capability development to business priorities
  - New sales and brand building process frameworks driving focus and simplicity
  - A portfolio of new technical leadership capability programs deployed including project management, presentation skills and business effectiveness



# ATTRACTING AND RETAINING TALENTED PEOPLE

We are passionate about attracting great people to work at Lion. Our Talent Acquisition Team engages people when they are looking for a new role and builds trusted relationships with people for potential future opportunities at Lion.

Lion has comprehensive development and succession planning processes to make sure our people get the feedback they need to grow. We also have global partnerships, working with our parent company Kirin, to share talent internationally.

## DIVERSITY AND INCLUSION

At Lion, we recognise diversity is good for business. Vibrant, diverse and inclusive teams better reflect our marketplace delivering increased innovation and better results.

In FY15, we released Lion's first Diversity Survey gaining responses from over 3,000 of our people. The survey provided valuable insights into the needs of our team.

In response, we trialled a number of programs aiming to support and enhance the diversity of our people in addition to our existing portfolio of initiatives.

We commenced two pilots on flexible work practices in both office-based and operations environments and increased support for working parents through a 'Parents@Work' program.

Lion also partnered with Job Support to actively place people with disability into our workforce and conducted a full review of our policies to ensure that they are current and inclusive.

These programs have provided us with a better understanding of the needs of our people and will inform our inclusion and diversity focus initiative across our business in FY16.



## LION DIVERSITY INITIATIVES

- Flexibility Policy
- Parental Leave Policy
- Allowed purchase of additional leave
- No fixed limit on sick leave
- A focus on outcomes versus hours worked
- New diversity survey
- Flexible work pilots
- Parents@Work program
- Little Creatures staff participate in Pink Boots, an international organisation created to empower female beer professionals

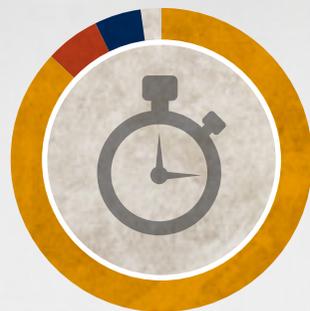


# ATTRACTING AND RETAINING TALENTED PEOPLE

## GENDER



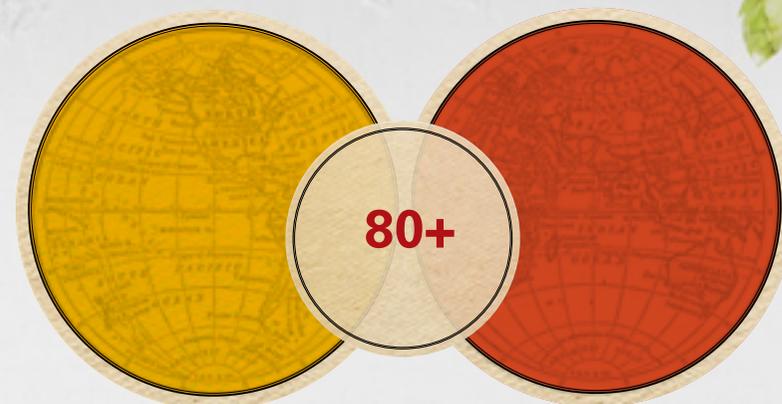
## EMPLOYMENT STATUS



## RELIGION

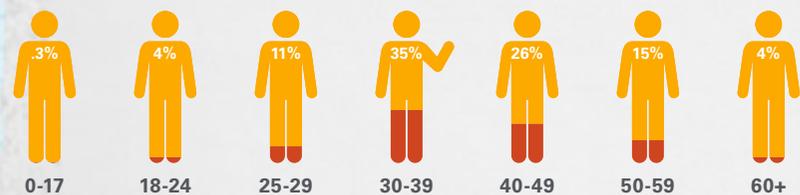


## OUR PEOPLE ARE RICH WITH CULTURAL DIVERSITY



Our people identify with over 80 different cultural/ethnic groups

## AGE DISTRIBUTION



1/4 People write and speak a language other than English



1/4 People were born outside of Australia and New Zealand



More than 65 languages spoken amongst our people

## DISABILITY

85% No  
2% Yes  
13% Prefer not to say



## SEXUAL ORIENTATION

85% Hetrosexual  
5% LGBTI  
10% Prefer not to say



1/100 Identify as Aboriginal or Torres Strait Islander

3/100 Identify as Maori

# SAFETY AND WELLBEING

Wellbeing is fundamental to our people and culture strategy, with our FY16 goal being to achieve 'high levels of wellbeing at work'.

In FY15 we began a review of our wellbeing model, the results of which will be implemented in FY16.

We believe our people achieve their best when their environment is safe from physical harm and supports positive social interaction. All Lion business units continue to achieve significant reductions in the number of our people injured at work with the number of Lost Time Injuries (LTIs) and Medical Treatment Injuries (MTIs) reducing.

We over-achieved our near miss reporting target in FY15 and simplified our reporting process, introducing a Near Miss Reporting Phone App.

We also recognise contractor safety and high-risk work is a key concern for our business and we are committed to doing all we can to extend our safety culture to third party contractors.

## SAFETY CULTURE AND CAPABILITY

It is a requirement for our sites to implement safety and wellbeing plans which are subject to an annual internal audit against Australian Standard 4801.

During FY15 approximately 1,700 team members participated in safety and wellbeing capability programs. These programs focus on incident, injury, hazard and contractor management.

We continue to implement safety and wellbeing continuous improvement initiatives at our sites focusing on improving safety culture by embedding best practice.

# WORKPLACE RELATIONS

A number of our people, predominantly in our supply chain operations, are covered by collective agreements. Our goal is to continue to engage with and empower our team members to achieve greater levels of engagement and a shared understanding of issues.

We apply Lion's behaviours to all aspects of Workplace Relations. This approach is supported by constructive conversations with our people and their unions, which have led to greater levels of flexibility and willingness to change to support business imperatives. There were no major industrial incidents in FY15.

### FY15 Safety and Wellbeing Highlights

- LTIs down by 31% in F15 vs F14 (from 108 in F14 to 74 in F15)
- LTIFR down by 24% in F15 vs F14 (from 8.3 in F14 to 6.3 in F15)
- MTIs down by 29% in F15 vs F14 (from 314 in F14 to 222 in F15)
- MTIFR down by 21.2% in F15 vs F14 (from 24.1 in F14 to 19.0 in F15)

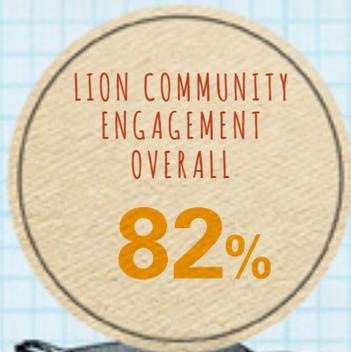
- NMR up by 91% in F15 vs F14 (from 3,602 in F14 to 6,897 in F15) as we rolled out near miss reporting more widely in our second year of near miss reporting
- NMR/MTI ratio increased by a factor of 2.7 in F15 vs F14. It rose from 11.5 in F14 to 31.1 in F15
- Contractor Safety & Wellbeing procedures implemented
- 'Permit to Work' system extended (identifying high risk activities and actioning controls)

- Contractor audits on major projects to ensure they meet Lion safety standards.

MTI = Medical Treatment Injury  
LTI = Lost Time Injury  
NMR = Near Miss Report  
MTIFR = Medical Treatment Injury Frequency Rate  
LTIFR = Lost Time Injury Frequency Rate



# LION IN FIGURES



	FY11	FY12	FY13	FY14	FY15
<b>ECONOMIC IMPACT<sup>1</sup></b>					
Net Sales Revenue (\$m)	5,058	4,863	5,151	4,990	<b>4,710</b>
EBIT pre significant items (\$m)	595	625	698	668	<b>695</b>
Direct economic value added (\$m)	2,399	2,310	2,723	2,339	<b>2,433</b>
Indirect economic value added (\$m)	3,205	3,019	3,057	2,987	<b>2,870</b>
Total value added (\$m)	5,604	5,329	5,779	5,326	<b>5,303</b>
<b>PEOPLE</b>					
Total employed	7,098	7,464 <sup>2</sup>	7,700	7,201	<b>6,712</b>
People engagement	79%	83%	85%	79%	<b>79%</b>
Safety – (Medically Treated Injury Frequency Rate) <sup>3</sup>		24.2	21.5	24.1	<b>19.0</b>
<b>COMMUNITY INVESTMENT</b>					
Total annual investment <sup>4</sup>	N/A	\$2.4m	\$2.1m	\$2.7m	<b>\$2.6m</b>

	FY11	FY12	FY13	FY14	FY15
<b>ENVIRONMENTAL STEWARDSHIP</b>					
Water – Usage efficiency (kl/kl)	2.69	2.60	2.52	2.54 <sup>5</sup>	<b>2.67<sup>5</sup></b>
Energy – Usage efficiency (Mj/L)	1.20	1.23	1.21	1.15	<b>1.20</b>
Emissions – Co <sub>2</sub> e, Scope 1 and 2	140.64	144.48	137.56	136.08	<b>133.25</b>
Australian litter rate – items per 1,000m <sup>2</sup>	10/11 61	11/12 58	12/13 56	13/14 51	<b>14/15 49</b>
National Glass Recycling Rate (NZ – 2014/15) (%)	68	66	69	69	<b>73</b>
New Zealand Litter Survey	18.0-19.8 packaging items per 1,000m <sup>2</sup> of public places surveyed. – no historical data available				
<b>STAKEHOLDER ENGAGEMENT</b>					
Community engagement overall – (positive reputation, trust, relationship quality, FY16)		Customer engagement – BSWAU	Customer engagement – BSWNZ	Farmer engagement – (positive reputation, trust, relationship quality)	
<b>82%</b>		<b>7.8/10</b>	<b>7.8/10</b>		<b>76%</b>

1 Lion data and Deloitte Access Economics estimates. Total values may differ to the sum of individual items due to rounding. WET has been added to direct contribution for the years FY11 to FY13 and historical economic contribution data has been adjusted for CPI.

2 This number differs to that reported in our FY12 Sustainability Report as it also includes contractors.

3 Medically Treated Injury Frequency Rate (MTIFR) is the raw number of medically treated injuries (MTIs) multiplied by 1,000,000 and divided by the total hours worked by all team members, including casual and permanent site contractor team members. This data does not include capital works incidents. However, we do track and manage these incidents. Note: Lion continually updates its historical MITFR records. This results in reclassifications of some reported injuries which, for instance, may be reclassified should they initially require first aid only but ultimately require medical treatment. Some figures may differ slightly from those included in past sustainability reports as a consequence.

4 In FY11 community investments were calculated differently by the former Lion Nathan and National Foods businesses to also include brand-related activity in the community. Data from FY12 include only corporate community investments, product donations and workplace giving. The FY13 total is lower due to a lag between some partnerships ending and new agreements being signed in FY14.

5 Data is limited to production facilities, vineyards, hospitality venues and one packaging / contract manufacturing operation.



## ASSURANCE AND GRI CONTACT US

This report is produced in accordance with the core requirements of the GRI G4 Guidelines. External assurance provider, KPMG, was engaged to provide assurance over select areas of this report and a check of Lion's self-declared GRI G4 Core indicators in accordance level. It is the third year we have reported in accordance with the GRI G4 guidelines.

To read the KPMG assurance statement [click here](#).

For the GRI index which provides the list of indicators we have reported against, [please click here](#).

### **Lion Pty Limited**

ABN 50 128 004 268

Registered Office

Level 7, 68 York Street Sydney NSW 2000

Telephone: +61 2 9320 2200

### **Website**

[lionco.com](http://lionco.com)

If you have any queries specific to this Sustainability Report, please contact:

Tegan Flanagan

External Relations Director – Corporate

Telephone: +61 2 8284 3670

Email: [Tegan.Flanagan@lionco.com](mailto:Tegan.Flanagan@lionco.com)