



LION

**A
FOCUS
ON**

SUSTAINABILITY

FY14



Navigation arrows may not work in Safari and Firefox.

For optimal viewing download and open in Acrobat Reader.



**A
FOCUS
ON...**

SCOPE OF REPORT

This report covers all Lion operations in Australia and New Zealand for the Lion financial year beginning 1 October 2013 through to 30 September 2014, unless otherwise stated.

Joint ventures (JVs) are included in some data. Our Vitasoy and CCFA JVs are included in our environment measures. Our people and engagement data includes all joint ventures. Our Vitasoy and CCFA JV facilities are included 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 FY14 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](#).

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A MESSAGE FROM OUR CEO AND SUSTAINABILITY DIRECTOR

The theme of this year's sustainability report is 'focus', reflecting the philosophy we are embedding right across our business.

No business can succeed over the long term unless it's very clear on its strengths and invests behind them. With this in mind, Lion recently launched a new strategy to fuel sustainable growth over the next 10 years.

We have 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, and we have a clear three-year turnaround plan in place to achieve this. Our repertoire of natural dairy products is highly aligned to Australians' desire to eat better quality and less processed food. We will lift performance by leveraging health and wellness across our business, focussing investment on profitable categories such as milk-based-beverages, specialty cheese and yoghurt, and leveraging our blockbuster brands.

Third, we're committed to turning around our juice business and growing our presence in non-alcohol beverages. To ensure these goals receive the attention they deserve, we have created a new dedicated business called the Daily Drinks Company.

Lastly, we are excited about the opportunity to be part of Australia's Asian growth story through the establishment of a new business unit, Lion Asia Dairy – charged with building distinctive dairy brands in key Asian markets. Again, this strategy is grounded in a commitment to focus. Lion will play to its strengths as a branded dairy business rather than seeking to enter the commodity end of the market.

In support of these objectives, we reorganised our business during FY14. Regrettably, this required tough decisions and a number of talented people left our business. We would like to acknowledge their significant contribution to the success of Lion over the years and offer them our support and good wishes as they move on to new challenges.

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.

There's no reason a large business should be complicated to do business with. We're committed to creating an externally engaged Lion, which displays both flexibility and an entrepreneurial spirit. A company that seeks to understand the needs of all its stakeholders and operates in partnership with them.

In this respect, we are pleased to report good feedback from our community of external stakeholders over FY14. While there is always more to do, it's clear our people are working hard to grow engagement.

We also have a very strong philosophical commitment to sustainability, both because it's the right thing to do and because it's simply good business.

We are lucky to have an owner in Kirin that takes a very long-term view of the world. This delivers the right climate for decision-making, recognising no business can succeed without meeting the reasonable expectations of all its stakeholders.

Ultimately it's people who make the decisions and Lion has been on a cultural journey for more than 15 years now. A constructive, values-led culture is the most important asset any business can have in achieving sustainable financial success.

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

We hope you find the 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

Thanks for your support over FY14.

Cheers,

Stuart Irvine
CEO

Duncan Makeig
Sustainability Director

OUR BUSINESS

CORE PURPOSE

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

VALUES

Integrity, Achieving Together, Sociability, Wellbeing, Passion

VISION

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

LEADING BRANDS



3 juice facilities

5 wineries

8 milk facilities



3 cheese facilities

soy facilities

3 dairy food facilities

4 craft breweries

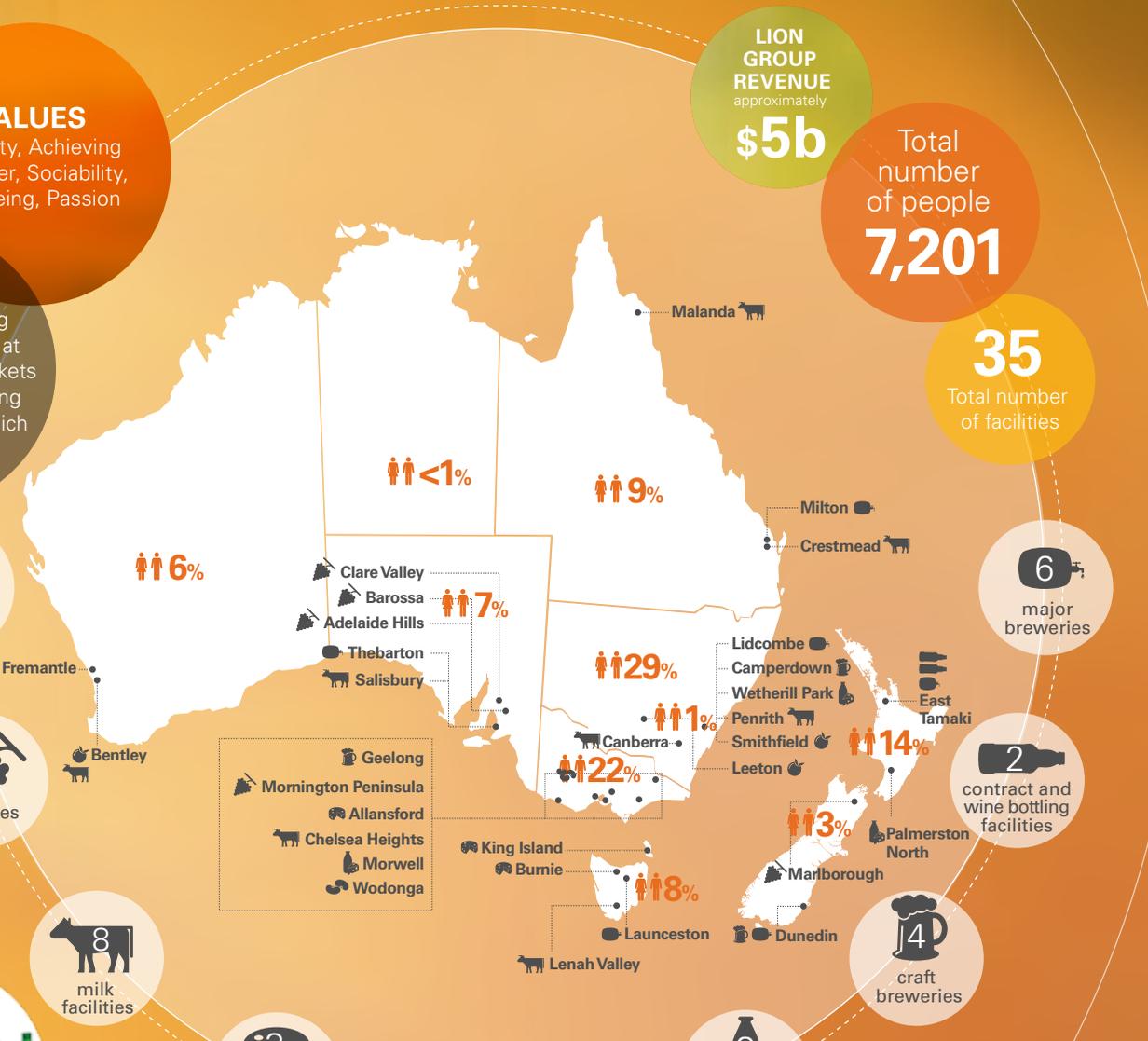
2 contract and wine bottling facilities

6 major breweries

35 Total number of facilities

Total number of people 7,201

LION GROUP REVENUE approximately \$5b



HISTORY

- 1840** LD Nathan established as a trading company in NZ
- 1900** Dairy Farmers Milk Co-operative formed
- 1988** Lion Nathan is formed when New Zealand's largest retailer, LD Nathan & Co, merges with brewer, wine and spirit manufacturer and hotel operator, Lion Breweries
- 1998** Kirin acquires 45% interest in Lion Nathan (LN)
- 2007** Kirin acquires National Foods
- 2008** National Foods acquires Dairy Farmers Milk Co-operative
- 2009** Kirin Group acquires remaining LN shares and obtains 100% ownership. Lion Nathan National Foods is formed
- 2010** Lindauer acquired
- 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
- 2012** Lion acquires Little World Beverages and Emersons
- 2014** Prime Minister, John Key, officially opened the re-developed Speight's Brewery. New businesses Lion Asia Dairy and The Daily Drinks Company are established. Lion acquires Morton Estate Wines



A FOCUS ON STRATEGY AND MATERIALITY

STRATEGY

Stuart and Duncan explain our new 10-year corporate strategy on [page 2](#).

Placing sustainability at the very heart of our corporate strategy is a clear signal of our commitment to delivering growth in the right way.

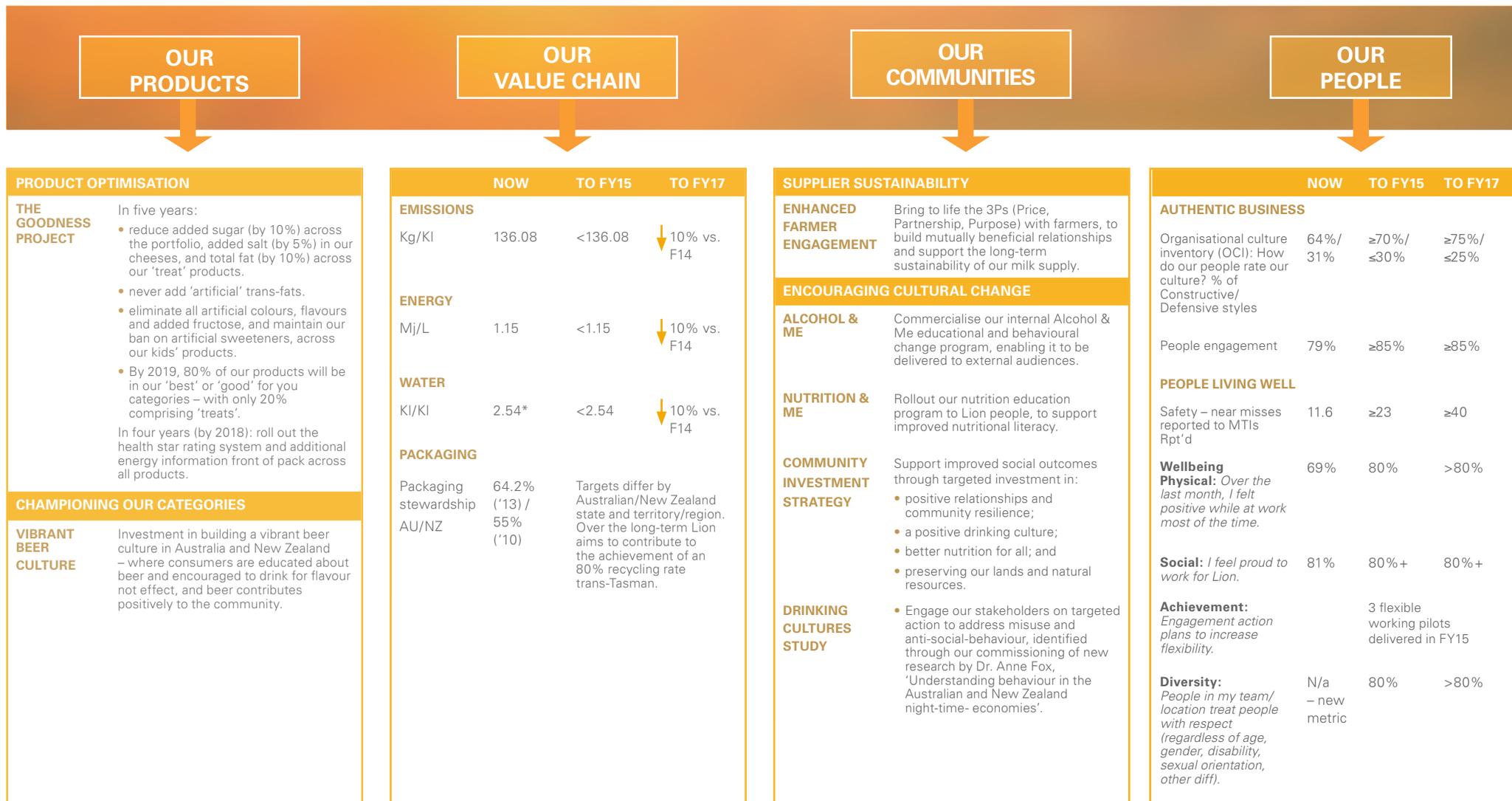
We see sustainability as a value creation strategy helping Lion grow returns and its economic contribution to Australia and New Zealand.

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





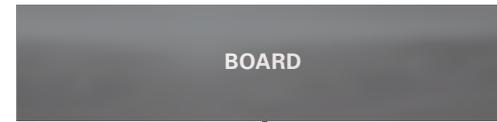
OUR SUSTAINABILITY PRIORITIES AND TARGETS



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

OUR SUSTAINABILITY GOVERNANCE

Ultimate oversight of business strategy and Sustainability Risk Register.



Sets business strategy and agrees integrated sustainability targets.



- Strategic oversight of sustainability across Lion.
- Owner of Sustainability Risk Register.
- Kirin CSV liaison and strategic alignment.



- Business unit partners – responsible for business partnering on sustainability matters.
- Management of sustainability material issues and escalation point to Director.
- Key input to risk assurance, reporting and Sustainability Report assurance.



Integration of sustainability into Corporate and BU strategy and operations.



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 party. We also maintain a regular dialogue and engage in the policy debate. More detail on this stage of the process can be found in the Trusted Business Partners section of this report.
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 directly 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 relevant functional teams and leaders within Lion, provides our Sustainability Representatives with the necessary information to map issues according to the level of stakeholder concern and impact on our business and the broader community.

We also consider impacts on the environment and community which may not currently be the subject of significant stakeholder feedback but which could, nevertheless, have a significant material impact.

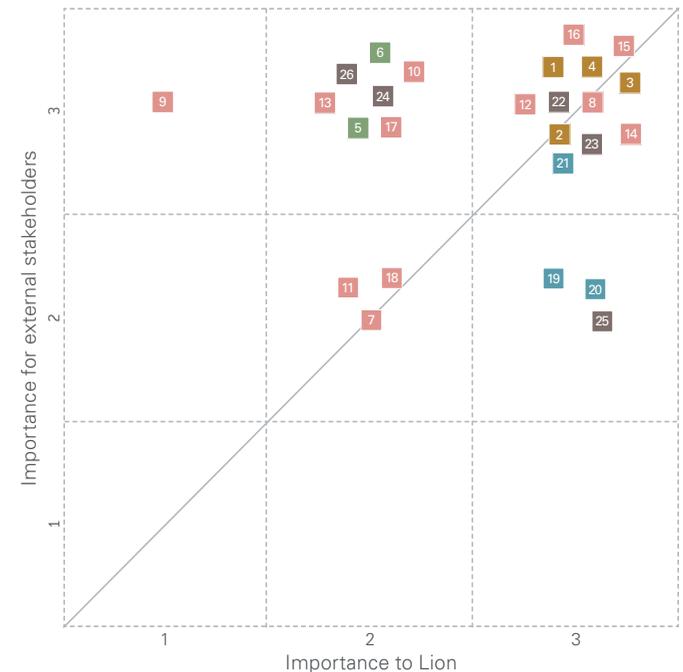
This year, our Sustainability Representatives agreed the material issues outlined on this page, around which this report is structured.

The diagram also illustrates the boundaries of our reporting of these material themes and issues.

MATERIAL ISSUES



MATERIALITY MATRIX*



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



A
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ON

SUSTAINABLE GROWTH AND ECONOMIC CONTRIBUTION

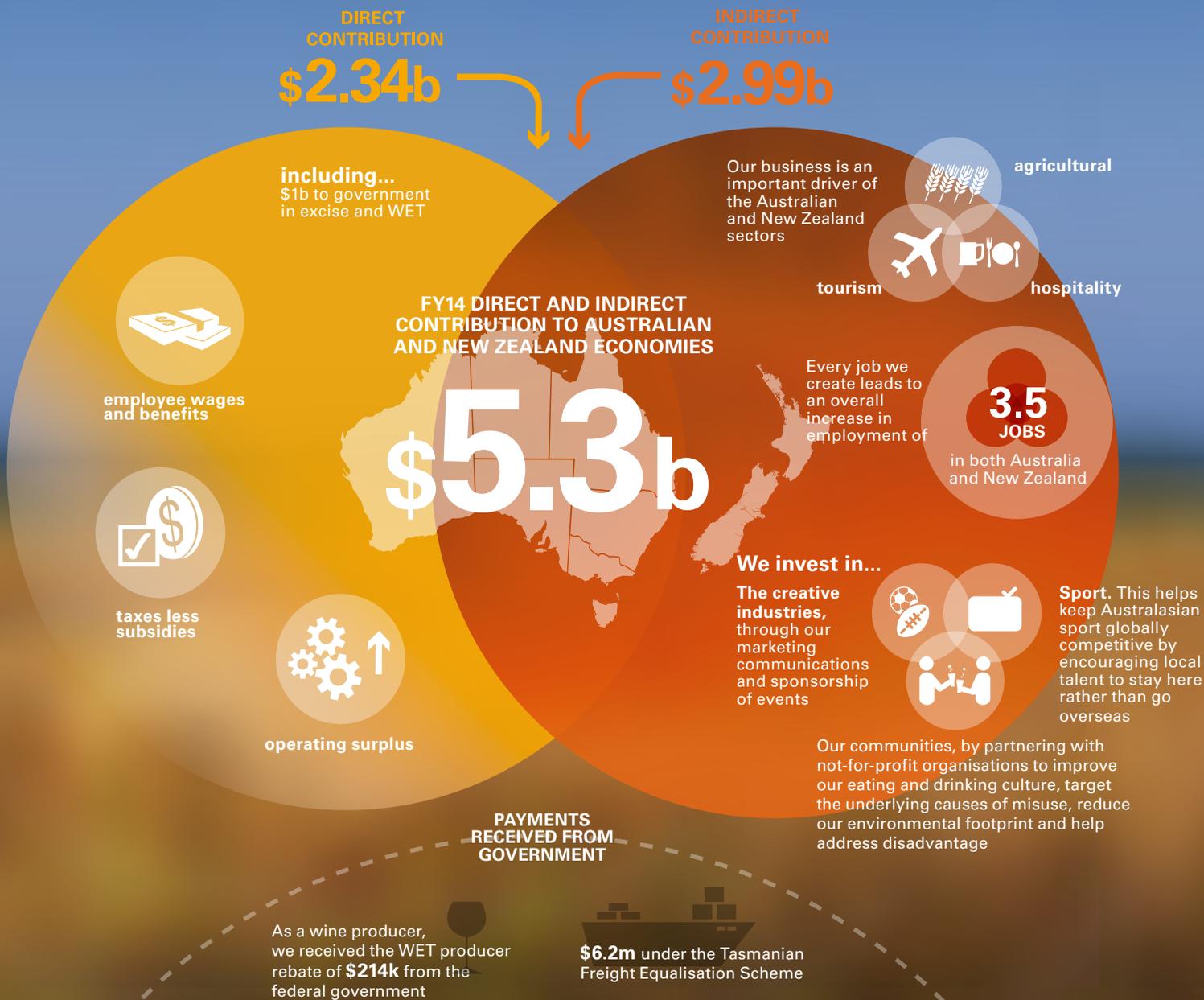
FY14 was challenging for all players in the industries in which Lion operates. Shaky consumer confidence, a declining beer market and margin pressure in juice and low equity dairy products impacted growth and therefore Lion's economic contribution.

DEVELOPMENTS IN FY14

- Lion's new 10-year strategy
- FY14 business performance and economic contribution
- The launch of Lion Asia Dairy
- China Free Trade Agreement
- Organisational review and restructure
- Closure of juice facilities

OUR ECONOMIC CONTRIBUTION

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.



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

- 2.5 million** apples
- 6 million** oranges
- 200,000** pears
- average every week

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: | \$4,284m |
| Including Community investments: | \$2.7m |
| Employee wages and benefits: | \$743m |
| Payments to providers of capital: | \$8m |
| Payments to governments: | \$372m |
| Total economic value distributed = | \$5,407m |

* 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 in Australian dollars, based on an average A\$/NZ\$ exchange rate of 0.8886.

LION'S NEW 10-YEAR STRATEGY

During the year, Lion began to implement a new 10-year strategy, which we overview on page 2. If there's one word to describe our strategy it is focus. We have four clear priorities and two enablers – sustainability and simplicity.

FY14 BUSINESS PERFORMANCE AND ECONOMIC CONTRIBUTION

A year of subdued consumer sentiment fuelled highly competitive and deflationary market conditions across Lion's businesses. Total Beer, Spirits & Wine volumes across both Australia and New Zealand declined 2.7 percent, while volumes in Lion Dairy & Drinks (LDD) declined 7.3 percent. With a focused strategy of building high value brands and categories Lion was able to soften the volume impact, with group sales revenue decreasing 3.1 percent to \$4,990 million.

While Lion implemented a range of efficiency measures throughout the year, the rising global milk price intensified margin pressure in the final quarter and operating earnings¹ before interest and tax decreased 4.3 percent to \$668 million.

Key economic contribution statistics are outlined in the infographic on page 9.

A PREMIUM APPROACH TO THE ASIAN DAIRY OPPORTUNITY

By 2017, demand for milk in China is expected to exceed domestic production capacity by 17 billion litres. To put that into context, Australia's total annual production is around 9 billion litres.

We have been exporting to Asia for some time now, but conditions are now right for us to scale up our international presence and this is a core component of Lion's 10 year strategy.

During the year we launched Lion Asia Dairy to leverage our branded dairy portfolio in key Asian markets, including China and South East Asia. We are a premium dairy business and we do not intend to play at the commodity end of the market.

¹Excluding one-time items

We will leverage our unique strengths:

- our deep brand building expertise
- strong FMCG experience
- our core competency around building effective partnerships is crucial in most Asian markets
- an Asian owner with extensive regional contacts and expertise
- nutritionally powerful products

While the international business unit will take time to grow, we believe these strengths, coupled with increasing demand for trusted dairy products in Asia, make this an attractive growth opportunity for Lion.

CHINA FTA

Throughout FY14 the Australian Government was engaged in negotiations with China over a free trade agreement. These concluded successfully after year-end. The agreement will see a gradual reduction in dairy export tariffs over 4-11 years and some concessions on wine exports. It will take some time for the full implications of the deal to be understood – including the impact on the domestic milk market.

However, we believe anything that adds value to the dairy industry is a positive, and will help address the anomalous situation where Australian consumers pay less for milk than water. We also believe the deal will deliver real benefit to our Lion Asia Dairy business as it continues to build its presence in China, which is our largest priority market. We applaud the fact that tariffs will not only come down in skim milk powder and commodities, but also on higher value goods such as yoghurt and cheese.

The China FTA also offers opportunities for our wine business to expand its presence in Asia.

ORGANISATIONAL REVIEW AND RESTRUCTURE

During the year Lion concluded an extensive business review to align resources to its new business strategy. Regrettably, this led to a number of very talented Lion people leaving our business



and while it also created some new roles, overall the changes have reduced the number of people Lion employs. These were necessary changes to position the business for future success and we hope, in laying the right platform for growth, it will help Lion grow the economic benefits it delivers to Australia and New Zealand in the years to come.

CLOSURE OF JUICE FACILITIES

The Australian juice sector remains highly competitive and under margin and volume pressure. Overall demand for juice continues to fall, and competition from imported juices and concentrate is increasing.

In FY13, we conducted a lengthy review of our manufacturing footprint and announced we would be closing our Lytton site during FY14 due to significant underutilisation and consolidating juice manufacturing in the Eastern states at our Leeton and Smithfield plants. We are making investments at Leeton and Smithfield to drive efficiency and capability.

Again, while these were difficult decisions due to the people and local community impacts, it will help secure the long-term viability of the larger and more modern site at Smithfield, which had spare capacity.



A FOCUS ON

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 the debate.

DEVELOPMENTS IN FY14

- Stakeholder engagement improvements
- Industry leadership, policy and collaboration



Engagement score



STAKEHOLDER ENGAGEMENT

Expanded Corporate Reputation Study

Lion conducted an expanded Corporate Reputation Study surveying the views of 519 of our leading stakeholders and 2,105 members of the broader community in Australia and New Zealand. The study canvassed views on Lion, our people and issues of importance to our stakeholders.

Corporate highlights

Ratings from suppliers, politicians and regulators, analysts and thought-leaders were particularly encouraging.

Beer, Spirits & Wine highlights in Australia and New Zealand

- Lion's stakeholders believe in our brands, our culture and most support our strategy.
- They rate Lion more highly than all our competitors across almost all measures. We're grateful for this feedback but we recognise there is always more to do.

- Commercial stakeholders expressed frustration that the industry does not put its case forward more effectively faced with the campaign tactics adopted by some activists.
- On the other hand, there are low levels of trust with a number of health NGOs. Great work has been done in the past on areas where our views align, for instance mid-strength beer, and Lion is committed to a pragmatic and evidence-based contribution to the debate.

Dairy & Drinks highlights

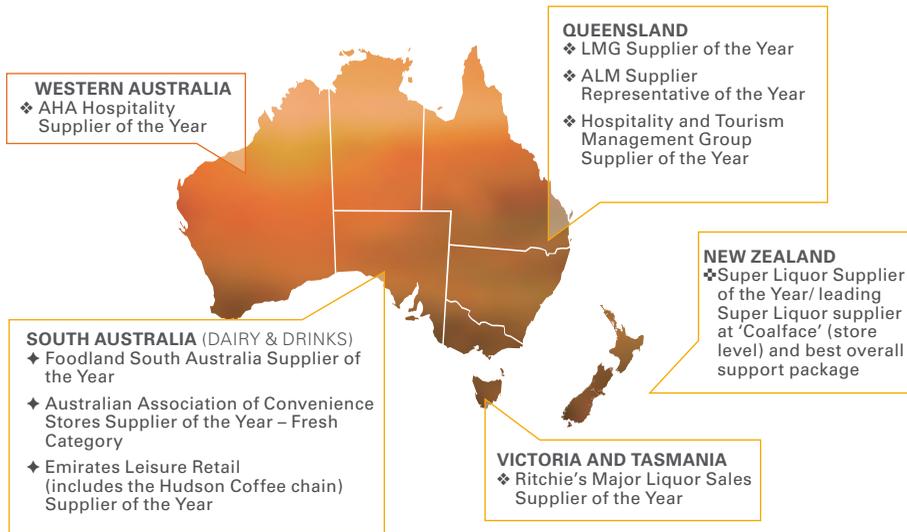
- We still have work to do in our Dairy & Drinks business and feedback indicates the changes we are making in our turnaround strategy are justified.
- Stakeholders do recognise Lion has a lot of strengths, in particular the leading brand portfolio in the marketplace. However, they want to see more focus behind these brands and better execution standards.
- Feedback from Lion's distributors has improved significantly in the period since FY12 reflecting a significant investment in improving our route-to-market.

- Feedback from farmers was disappointing. While Lion's ratings were lower than we aspire to, they need to be seen in the context of low ratings also delivered to our competitors. To address this feedback, we have begun to change the way we engage farmers with a determined focus on long-term, quality partnerships as [outlined here](#).
- Given we see nutrition as such a key component of Lion's growth strategy, we were delighted the nutritionist community indicated its support for the important role of dairy in a balanced diet.

NEW LION UPDATE

We have implemented a bi-annual **Lion Update**, distributed proactively to our stakeholders and containing timely, easy-to-digest insights on our performance and important business developments and requesting feedback.

Customer Service Awards in FY14



HOT SHOTS – LION WINS HUDSONS COFFEE SUPPLIER GONG



Emirates Leisure Retail Supplier of the Year is voted by Hudson Coffee franchisees based on customer service, supplier proactivity and overall engagement with their business.

This is the third consecutive year Lion Dairy & Drinks has taken out the top spot. Our relationship with Hudson Coffee is now in its 10th year and spans almost 70 stores in Australia.

It's now a deep relationship spanning milk, fresh dairy and chilled juice.

Lion's Coffee Chain Channel Team has worked closely with Hudson Coffee over a number of years and deserve much of the credit for this fantastic recognition.

Head of our Coffee Channel, Stu McIntosh, said: "We've been absolutely delighted by the recognition from Emirates Leisure Retail. They are a fantastic organisation, with an open mind to the benefits of a true partnership approach. This has led to joint initiatives and has brought out the best in our team."

CUSTOMER ENGAGEMENT

Great customer relationships are the lifeblood of our business. We know that building high levels of customer engagement – characterised by quality relationships based on trust and mutual respect – is key to sustained marketplace success.

Each of Lion's three business units measure customer engagement annually. We began this journey in FY08 in our Beer Spirits & Wine businesses in Australia and New Zealand, and more recently in our Dairy & Drinks business in FY13.

Both our Beer Spirits & Wine businesses surveyed customers during the FY14 financial year, while our Dairy & Drinks business did so after year-end and as such we will report that data in our FY15 Sustainability Report.

Given our focus on trusted business partnerships and being as easy as possible to do business with, were very grateful to have received such positive feedback from both surveys conducted in FY14.

We don't take this for granted and our people are working hard to grow the scores further in FY15.

BEER, SPIRITS & WINE HIGHLIGHTS

Australia

- **8/10 Customer Engagement Score (still an excellent score but down 0.3% on FY13)**
- **#1 alcohol supplier nationally**
- **0.5 engagement point ahead of our nearest competitor**

Strengths:

- Brand portfolio
- Ease of doing business
- Information, insights and advice
- Consumer marketing activity
- Company reputation

Opportunities to grow engagement:

- While still well regarded, we saw a drop in rating on stock availability (8.4)
- Invoicing and billing standards are solid (8.3) but we aim to do better

New Zealand

- **8.1/10 Customer Engagement Score (no change since FY13)**
- **A full one engagement point ahead of our nearest competitor**
- **Remained consistent or improved against all measures**

Strengths:

- Brand portfolio
- Ease of doing business
- Promotions
- Product quality
- Delivery standards
- Quality of interactions with Lion's people
- Company reputation

Improvements on last year:

- Stock availability
- Order placing
- Invoicing and billing



Supplier engagement survey

Group Procurement. As at FY14



Farmer engagement

As at FY14



SUPPLIER ENGAGEMENT

During FY14 our procurement team conducted a repeat survey of 80 respondents from 60 major suppliers across the Lion group. While results continue to be very encouraging, we are working hard to further improve these scores. Key initiatives include:

- A working group focused on opportunities for greater collaboration with suppliers and charged with growing overall satisfaction.
- Increased frequency of engagement with suppliers, including more strategic partnership meetings at a leadership level.
- A further survey in FY15 with a supplier group that will allow Lion to benchmark our performance with other organisations, which will then be repeated annually.

FARMER ENGAGEMENT

Our FY14 Corporate Reputation Study suggests we have work to do to improve farmer engagement levels. On the one hand, this has to be seen in the context of some low ratings from farmers for our direct competitors and significant change in the industry overall.

However, it is clear Lion must act to grow engagement. Developing true, long-term partnerships with our farmers based on more than simply price and terms will deliver Lion a competitive advantage.

With this in mind Lion launched a range of significant farmer engagement initiatives in FY14. Most importantly we took to market an entirely new partnership and pricing model giving farmers greater flexibility and choice. We also continued our environmental efficiency grants scheme in partnership with Landcare. Both these initiatives are covered in more detail in the [Responsible Value Chain section](#).

We also got on the front foot with our communications and engagement:

- Lion Dairy & Drinks Managing Director Peter West conducted a major regional roadshow to introduce himself, present Lion's new strategy and discuss industry issues with dairy farmers.
- Our Farm Services and Milk Procurement teams continued to engage farmers via regional farmer meetings and various national and local newsletters, including Pride – a dedicated

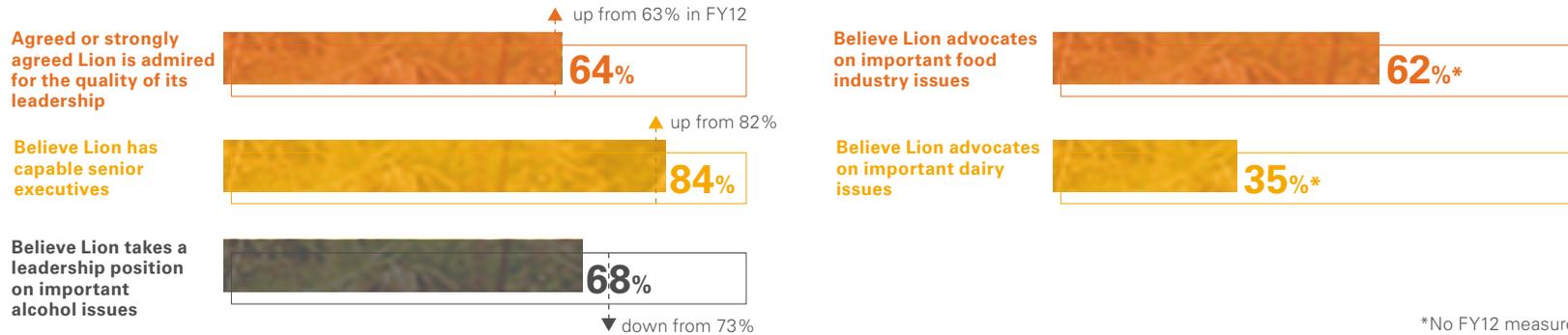
farmer and grower website. To encourage a dialogue, we ask suppliers to share topics of interest with fellow dairy farmers in our local newsletters.

- We also communicate via our farmer friendly 'milkline', a website delivering quality and pricing information to our dairy farmers along with general media and industry news. We see opportunities for 'milkline' to deliver a broader range of tools and insights to our farmers and have begun a project to upgrade it.
- Our Lion Dairy Marketing Director Nicola Richardson has joined the board of the Australian Dairy Products Federation (ADPF), as well as the Australian Dairy Industry Council (ADIC). The ADIC is a body formed through the ADPF and Australian Dairy Farmers (ADF), to help drive strategy on a whole-of-industry basis. Through our active contribution to the ADF and ADIC, Lion aims to help protect and grow the industry sustainably and for the benefit of our business, our farmers and all other dairy stakeholders.



Industry leadership, policy and collaboration

As at FY14



*No FY12 measure

INDUSTRY LEADERSHIP, POLICY AND COLLABORATION

Our community expects Lion to engage authentically and ethically in relevant public debates.

As both our region's largest alcohol business and its biggest domestically focused dairy business, our stakeholders expect Lion to lead.

Our Corporate Reputation Study suggests this is one of the most important drivers of our reputation.

The FY14 study shows we have earned some solid leadership credentials but a significant minority of stakeholders would like to see Lion take a higher profile in the public debate.

In alcohol, there is frustration among some stakeholders that industry does not put its case forward more effectively in the face of suggestions by some lobby groups that industry has no place in policy discussions.

In dairy, stakeholders would like to see Lion take a more prominent role in the industry sustainability and growth debate.

On the one hand, it is not our style to seek profile or media coverage for its own sake. We aim to make a considered, evidence-based contribution.

We are very active in government and industry forums and this may not be visible to some stakeholders we survey.

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.

However, we have listened to stakeholder feedback and our leadership group is committed to Lion playing a positive and constructive industry leadership role.

In this respect, in addition to our various existing association memberships, Lion, via CEO Stuart Irvine, joined the Business Council of Australia (BCA) and its Agricultural and Food Manufacturing Study Steering Committee during FY14.

During the year, James Brindley, Managing Director of our Australian Beer, Spirits and Wine business chaired both the Brewers Association of Australia and New Zealand and the National Alcohol Beverages Industry Council.

In New Zealand, we have continued our membership of the Sustainable Business Council and Business NZ.



Lion was active in the policy debate in both Australia and New Zealand in FY14

DEVELOPMENTS IN POLICY AND THE PUBLIC DEBATE DURING FY14 WERE:

The climate for business

In Australia, the Harper Competition Review released its Draft Report shortly before the end of the financial year. Lion contributed to submissions from the Australian Food and Grocery Council and the Brewers Association of Australia and New Zealand early in the process. More recently, we submitted comments on several of the recommendations contained in the Draft Report, including those relating to licensing restrictions on the sale of alcohol and parallel imports.

Regulatory complexity and duplication continues to add costs and stifle innovation in Australia's federation. In 2014, Australia ranked 124 out of 148 countries for 'burden of government regulation' in the World Economic Forum Global Competitiveness Index. Lion continues to experience these issues right across its business with a range of very similar but slightly differentiated state regulatory regimes and a constant cycle of similar regulatory reviews. The Federal Government has begun a rolling review of unnecessary 'red tape' and Lion is watching with interest as this process unfolds.

FOOD AND DAIRY

Dairy industry structure and regulatory frameworks

The Australian Government spent much of the year developing its Industry Innovation and Competitiveness Agenda, launched shortly after year-end. Lion welcomed the report and in particular its decision to acknowledge Food and Agribusiness as one of five high potential growth sectors.

The review of industry policy stimulated significant discussion and lobbying on dairy industry structure, driven in part by competitors operating under a co-operative structure seeking to broaden their influence.

The Business Council of Australia released a report in partnership with McKinsey and Company, which again highlighted agriculture as "intrinsically competitive" and called on governments to remove barriers to farm consolidation.

It also made references to "purposeful market design," taken by some observers as being an argument in favour of "picking winners," or even a 'regulated monopoly', similar to that in New Zealand. The BCA subsequently clarified its intentions, saying: *"This is not about 'picking winners' or blocking the economic transition that is underway by propping up uncompetitive industries. Nor is it about abandoning an economy-wide reform agenda. It is about deliberate action to support the sectors where we can gain a competitive advantage, and taking a more nuanced and sophisticated view of structural reform."*

Lion supports the notion of putting in place the right regulatory settings to set the agriculture and food industry up for success but each proposed structural reform or support mechanism must be judged on its merits.

Shortly after the conclusion of the year, 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 an Agricultural Competitiveness Green Paper shortly after the conclusion of Lion's financial year. Lion will be contributing to the policy process in the lead-up to the release of a White Paper, expected in FY15.

Food industry relationships

In November 2013, the Australian Food and Grocery Council (AFGC) and Australia's two largest supermarket retailers, Coles and Woolworths, reached an agreement on the terms of a food and grocery industry code of conduct. Lion has been supportive of this process and believes it has the potential to clarify and further improve relationships between suppliers and the major supermarkets.

The Food and Grocery Industry Code of Conduct (the Code), was tabled in Parliament in March 2015 – just prior to the publication of this Sustainability Report. The Code will come into effect from June 2015.

Country of Origin labelling

Lion participated in an AFGC working party in respect of the House of Representatives Inquiry into Country of Origin labelling in FY14.

Just prior to the publication of this Sustainability Report, and off the back of food safety concerns in relation to imported frozen berries, the Federal Government announced its intention to introduce new Country of Origin labelling requirements.

As a major Australian food manufacturer, we support clear Country of Origin labelling that encourages local sourcing and manufacturing. Our portfolio is overwhelmingly made with local ingredients in 27 manufacturing sites across Australia.

Lion will continue to engage in this important debate with a view to ensuring that changes to Country of Origin labelling are carefully designed and implemented, to support consumer decision making while not disadvantaging products made in Australia against imported competitor products on shelf.

As part of our Goodness Project, Lion has made commitments around caffeine and labelling of our products – particularly for children

Nutrition

In June 2014, Ministers endorsed a revised Policy Guideline on the Regulatory Management of Caffeine in the Food Supply – mainly expanding the definition of caffeine to include all food and beverage sources (not just caffeine in energy drinks or cola beverages). The agreed Policy Guideline provides a framework for the regulatory management of caffeine in the food supply.

As part of our [Goodness Project](#), Lion has made commitments around the caffeine content and labelling of our products – particularly for children.

Lion has participated heavily in the review of the Food Standards Code, working particularly with the AFGC and Dairy Australia.

Lion continues to participate in The Food Health Dialogue, an industry and government partnership aimed at improving the quality of the Australian food supply. Current efforts are focused on product reformulation. Lion signed up to the initiative for sodium and cheese in FY13, pledging our support for the cheese reformulation targets. We have since been reviewing the sodium levels in our Coon cheddar cheese products. This aligns closely with our salt targets for the [Goodness Project](#).

ALCOHOL

Violence and anti-social behaviour in the night-time economy

Violence and anti-social behaviour in the night-time economy was a significant issue for stakeholders in Australia during the year with tragic ‘coward punch’ assault incidents attracting significant community attention. A number of state governments have implemented new measures to tackle poor behaviour and we are looking on with interest to see if any of these are effective.

While this was planned some time in advance of the highly publicised ‘coward punch’ incidents, Lion brought prominent

anthropologist and alcohol misuse expert Dr Anne Fox to Australia and New Zealand during FY13 to examine the drivers of violence and anti-social behaviour in the night-time economy. Dr Fox launched her report early in 2015 and we will provide more information in our FY15 report.

Licensing policy and sales regulation

In New Zealand, a range of new alcohol regulations took effect in December 2013, with the introduction of the Sale & Supply of Alcohol Act (2012). In summary the changes:

- make liquor licenses harder to get and easier to lose;
- introduce reduced trading hours for all licensed premises and alcohol retailers;
- give local communities more say in local licensing laws through the introduction of Local Alcohol Policies; and
- introduce a range of new restrictions on alcohol advertising and promotions.

While Lion supports the goal of reducing the harm caused by alcohol misuse in New Zealand, we see little in the reforms that will materially address the causes of harm or help normalise sociable and safe drinking.

Alcohol advertising and sponsorship

In Australia, anti-alcohol lobbyists continued to target alcohol advertising and sponsorship, including via a rival complaints system to the Alcohol Beverages Advertising Code (ABAC) co-regulatory system, called the Alcohol Advertising Review Board (AARB). It remains our view that the ABAC system is robust and responsive to community needs.

A comprehensive review of the ABAC Code was undertaken in FY14 with a new Code being introduced on 1 June 2014. Lion made a submission to the review and participated in the various industry consultation sessions. In FY14, the ABAC Management

Committee also began reviewing the Governance of the ABAC Scheme and the AAPs pre-vetting process. The outcome of this is expected in FY15. For further information see the [Responsible Value Chain section](#).

A Ministerial Forum on Alcohol Advertising and Sponsorship was appointed by the New Zealand Government in early 2014 to consider whether further restrictions should be imposed on alcohol advertising and sponsorship. Lion made a submission to the review. The report was released following year-end, however the Government is yet to respond.

Drink driving

Legislation was passed lowering the blood alcohol concentration (BAC) limit for drink driving offences in New Zealand from 80 to 50 milligrams of alcohol per 100 milligrams of blood, to take effect from 1 December 2014.

Pricing

In April 2014, following a report from the Ministry of Justice, the NZ Government announced it would not be introducing a minimum price for alcohol, as *“this would hit moderate drinkers in the pocket when there is no compelling evidence that increasing the price of alcohol is the correct approach.”*

Labelling

In June 2014 the Australia and New Zealand Legislative and Governance Forum on Food Regulation considered whether the action taken by the alcohol industry in Australia and New Zealand in placing pregnancy advisory messages on alcohol containers was sufficient for mandatory labelling not to be required. The Forum agreed to extend the existing trial on voluntary labelling in both countries for another two years based on the commitment by industry to date in including the pregnancy advisory message on alcohol containers.

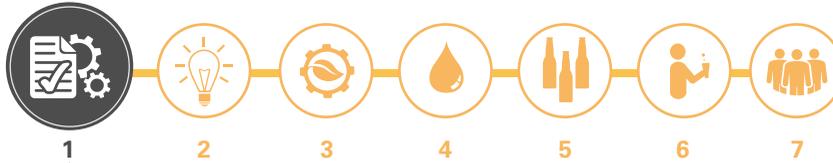
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FOCUS
ON A

RESPONSIBLE VALUE CHAIN

Businesses exist and grow with the permission of the communities in which they operate. This means all Lion's business practices must meet the reasonable expectations of our stakeholders.

From setting the right governance frameworks, through to product development, sourcing, manufacturing, marketing and sales, right through to the point of consumption, our stakeholders expect the highest standards. And they also expect Lion to make business relevant investments back into the community.

Here, we walk through key developments in FY14 at each stage of that value chain.

RESPONSIBLE
VALUE CHAIN

STAGE

1

2

3

4

5

6

7

OUR CORPORATE GOVERNANCE AND RISK MANAGEMENT

DEVELOPMENTS IN FY14

- Risk management
- Significant incidents

LION'S GOVERNANCE FRAMEWORK

Lion's governance and risk management processes are outlined in detail on our [website](#). These policies and processes ensure Lion's people are accountable and aid them in making sustainable decisions.

We use a mechanism called a Significant Incident Notification (SIN) to capture and report incidents or exposures to risk with the potential for 'major' or 'severe' impacts. Lion's cross-functional Incident Committee reviews the notification and forwards it, together with the accompanying legal advice, to the Group Leadership Team, CFO, CEO and Board as appropriate.

In FY14 three Significant Incident Notifications were issued:

Death of a contractor at Speight's Brewery, New Zealand

This tragic and deeply regrettable incident involved a subcontractor from lift company Kone, who passed away after being injured while dismantling a decommissioned elevator in an old part of the site. Worksafe NZ investigated the incident and no action was taken against Lion.

Dare Cold Press Coffee Product Recall

It was identified that if the product was not adequately refrigerated, bacteria growth could deliver pressure causing the container to fail. The product has not yet returned to the market.

Prima Tropicool Twirler Fruit Drink Product Withdrawal 200ml six packs

The product was voluntarily withdrawn due to consumer reports identifying an unusual taste and smell and some customers reporting gastrointestinal symptoms. Our testing did not indicate any food safety issue, however we applied the precautionary principle. Once stock was cleared, Lion reintroduced new product to market.

Lion's competition and consumer law compliance program demonstrates the continuing commitment of our Board and senior management to maintaining strong awareness and understanding of these laws

Competition and Consumer Law compliance

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

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

The competition and consumer law program compares favourably with AS 3806-2006 Compliance Programs Standard, which is the relevant standard for compliance programs. It's assessed each year and performs well against each of the standard's 12 principles of compliance. In addition, we regularly assess and review the program's effectiveness and update and improve it when required.

RESPONSIBLE VALUE CHAIN



PRODUCT DEVELOPMENT

MAKING NATURAL THE FIRST CHOICE



DEVELOPMENTS IN FY14

- The Goodness Project
- Launching the Daily Drinks Company
- New low sugar options from Höpt
- Less than full-strength beer innovation

THE GOODNESS PROJECT

During FY14 Lion was proud to launch the Goodness Project. We're taking a leadership position by improving our products, inside and out, and championing their natural goodness.

We think it's unacceptable that Australians aren't getting the nutrition they need, while at the same time we have a problem with obesity. Almost everything we make comes from Australian farms, and is aligned to consumers' desire to eat better quality, less processed and more wholesome food.

We are enhancing the nutritional credentials of a range of our products, better positioning them for success with a new generation of consumers. We're confident this initiative will deliver significant shared value over the years to consumers, our customers, farmers and Lion.

The Goodness Project underpins Lion Dairy & Drinks' mission to bring "more natural goodness to every Australian every day." We have audited our portfolio against our Goodness Project nutrient criteria, which was independently peer-reviewed by the CSIRO and Deakin University, and over the next five years we will deliver significant reductions in salt, sugar and fat content.

We think it is unacceptable that:*

- One in 10 children and three in 10 adults don't have breakfast each morning;
- Only 1 per cent of teenagers get their recommended daily intake of fruit without juice; and
- 80 per cent of Australian adults don't get their recommended daily intake of dairy.

*2007 Australian National Children's Nutrition and Physical Activity Survey - Main Findings (c) Commonwealth of Australia 2008; ABS, National Nutrition Survey - Selected Highlights, Australia, 1995; Doidge JC, Segal L. New Australian Dietary Guidelines for consumption of dairy products: are they really evidence-based and does anyone meet them? Aust NZ J Pub Hlth. 2013; 37(6): 593-4

RESPONSIBLE VALUE CHAIN



STAGE

We will be lifting the bar higher on artificial colours, flavours and added fructose in our children’s products.

We will also roll out front of pack, health star ratings and additional energy information across our portfolio, beginning with juice. This commitment is covered in more detail when we arrive at the consumption stage of our supply chain.

These initiatives build on our founding membership of the Australian Food and Grocery Council’s Healthier Australia Commitment (HAC) – an industry partnership launched in October 2012. It aims to help Australians improve health and wellbeing by reducing their intake of sodium, saturated fat and/or energy and promoting an energy balance message. For more information on the HAC, see the consumption stage of this journey through Lion’s supply chain.

For more on The Goodness Project visit our website at <http://www.lionco.com/sociability-living-well/supporting-better-choices/the-goodness-project>.

The Goodness Project

We believe in **NATURAL GOODNESS EVERYDAY**

The Goodness Project will guide the way Lion develops and communicates about its products, bringing more balance to our portfolio.

We are COMMITTED TO

Bringing BALANCE TO Our PORTFOLIO

and IN THE NEXT 5 YEARS WE WILL...

Offering ‘better for you’ choices:

- Our first choice will be natural, not artificial, colours, flavours or sweeteners
- We will reduce salt, sugar and fat across all products, and never add artificial trans-fats as an ingredient

Making it easy for all to make good choices:

- By putting healthy products at the front of store where they are easy to find
- By making sure that our nutrition and product information is easy to see and understand, and our products come in appropriate portion sizes

Making Australian Made our first choice, which means:

- We will aim to always deliver Australian Made fresh dairy products, from Australian Dairy Farmers
- We will aim to ensure that 100% of our fresh juice comes from Australian growers

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

Currently

| | |
|-----------|----------|
| 26% BEST | 44% GOOD |
| 30% TREAT | |

Our Goal

| | |
|-----------|----------|
| 30% BEST | 50% GOOD |
| 20% TREAT | |

Based on percentage of sales.
*audit excludes cream

Reduce added *sugar* across the portfolio by 10%

Reduce *fat* in our *Treat* category by 10%

Reduce added *sodium* in our cheese by 5%

80% of all innovation will be in *Best & Good* for you categories

We will also

eliminate *artificial colours & flavours & added fructose* from our *kids* products by 2018.

We’re already proud to say

None of our children’s products contain artificial sweeteners.

None of our products contain artificial trans-fats as an ingredient.

Over 85% of our products display percentage daily intake nutrition information on the front of pack.

RESPONSIBLE VALUE CHAIN



STAGE



With just one glass a day, we can help bring the goodness of fruit back into our diet

LAUNCHING THE DAILY DRINKS CO.

Throughout the year, our people prepared the ground for the launch of the Daily Drinks Co., which was subsequently launched in December 2014.

The Daily Drinks Co. is a dedicated juice and non-alcohol ready to drink products business designed to ensure that this part of our business receives the focus it requires to reach its full potential.

As Australia's largest dedicated juice business, with the country's biggest and best loved brands, the Daily Drinks Co. will take a leadership position in championing the inherent natural goodness of juice.

At our sites we individually cut and squeeze rather than crush our oranges. This is gentler to the fruit and retains superior flavour – we believe it's the next best thing to homemade juice.

We will be busting myths wherever we find them; for example, recently juice has been compared to fizzy drinks and empty calorie energy drinks.

Let's be clear – fruit juice comes from real fruit and is a natural source of energy, providing a range of vitamins and minerals that our bodies need. With only half of Australians currently eating enough fruit, fruit juice has a role to play in bridging this nutrition gap.

The Daily Drinks Co. is proud to be part of Lion's Goodness Project.

*Fruit Juice Australia, Fruit Juice and Diet Quality – Squeezing out the evidence a summary of findings on the association between fruit juice and diet quality 2013 <http://australianbeverages.org/wp-content/uploads/2013/05/FJA-Research-Review-Fruit-Juice-and-Diet-Quality-2013.pdf> ; <http://www.heartfoundation.org.au/SiteCollectionDocuments/Factsheet-Fruit-and-vegetable-consumption.pdf> ; Commonwealth Scientific Industrial Research Organisation, Preventative Health National Research Flagship and the University of South Australia, 2007 Australian National Children's Nutrition and Physical Activity Survey – Main Findings, Canberra, Australian Government 2008; National Health and

Medical Research Council, Eat for Health: Australian Dietary Guidelines, Canberra, Australian Government 2013; National Health and Medical Research Council, Nutrient Reference Values for Australia and New Zealand including Recommended Dietary Intakes, Canberra, Australian Government 2005; Fruit Juice Australia, Fruit Juice and Diet Quality – Squeezing out the evidence a summary of findings on the association between fruit juice and diet quality 2013 <http://australianbeverages.org/wp-content/uploads/2013/05/FJA-Research-Review-Fruit-Juice-and-Diet-Quality-2013.pdf>



OUR JUICE BELIEFS*

- Fruit juice is a nutrient powerhouse and contains essential nutrients that are good for overall health and wellbeing.
- 50% of Australians don't consume the recommended level of fruit
- 1% of teenagers consume their recommended daily intake of fruit without juice
- A glass of nutrient rich 100% juice can help everyone get one serve of fruit a day
- Doing so at breakfast can help boost iron absorption
- After school, all teenagers should enjoy a nutrient rich 100% juice, not a nutrient-free, caffeine-laden cola or energy drink
- Children who consume fruit juice as part of their diet have a better quality diet than those that don't, including higher intakes of folate, Vitamin C, magnesium and potassium as well as higher intakes of fibre.

RESPONSIBLE VALUE CHAIN



STAGE



The majority of our new beer innovations are brewed below 5% ABV

LESS-THAN-FULL-STRENGTH BEER INNOVATION

All beer, including full-strength beer, is relatively low in alcohol compared to other alcohol types and we believe it plays a moderating role in the Australian and New Zealand drinking culture.

In Australia, the average alcohol content in beer continues to trend down driven by the growth of mid-strength beers and the fact the majority of our new beer innovations are brewed below 5% Alcohol By Volume (ABV) .

This provides a greater range of choices to consumers and that flexibility helps them make healthy drinking decisions.

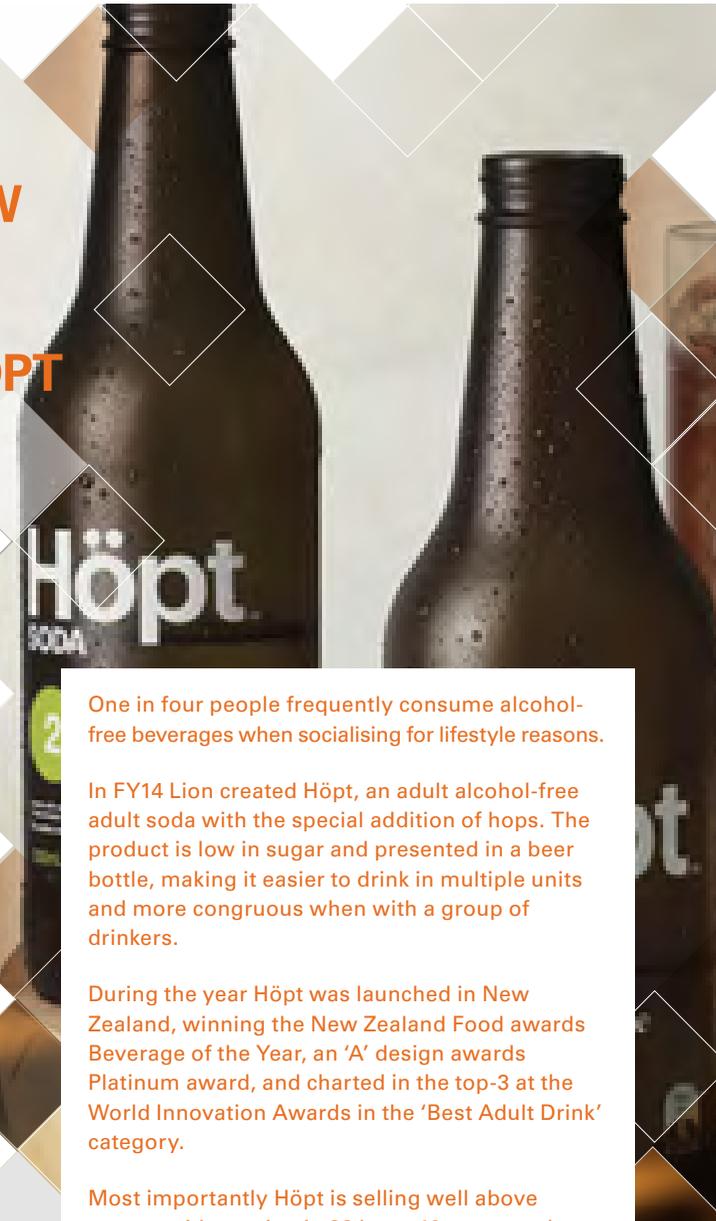
During the year, Lion's mid-strength beer XXXX GOLD, cemented a market leadership position as Australia's leading beer by volume and continues to grow despite changes in the marketplace and an increasingly competitive environment.

And we are continuing to build on this success across other trademarks. Hahn Super Dry 3.5 continues to grow strongly across the country, and we launched a mid-strength beer in the James Squire range of craft beers, *The Constable Copper Ale*, during the year.

We also announced that we would remove 0.2% of alcohol by volume from James Boags Premium Light, although this change will not take effect until the FY15 financial year.

Throughout FY14 our New Zealand business was working on the launch of a new lower alcohol Speight's beer which launched shortly after year end. Speight's Mid Ale, brewed at 2.5% alcohol, has significantly exceeded our expectations in its first few months in market.

NEW LOW SUGAR OPTIONS FROM HÖPT



One in four people frequently consume alcohol-free beverages when socialising for lifestyle reasons.

In FY14 Lion created Höpt, an adult alcohol-free adult soda with the special addition of hops. The product is low in sugar and presented in a beer bottle, making it easier to drink in multiple units and more congruous when with a group of drinkers.

During the year Höpt was launched in New Zealand, winning the New Zealand Food awards Beverage of the Year, an 'A' design awards Platinum award, and charted in the top-3 at the World Innovation Awards in the 'Best Adult Drink' category.

Most importantly Höpt is selling well above targets with ranging in 88 bars, 40 supermarkets and numerous cafes giving New Zealanders a low sugar alternative to carbonated soft drinks and a credible option when they choose not to drink.



RESPONSIBLE VALUE CHAIN



STAGE

SUSTAINABLE SOURCING

DEVELOPMENTS IN FY14

- Ongoing debates on the agriculture, food and grocery regulatory settings
- Returns in the domestic dairy and juice industries
- Ethical procurement from farmers
- Ethical and socially sustainable sourcing practices across all our suppliers
- Animal welfare

Our supply chain incorporates 35 manufacturing facilities and 34,000 suppliers across Australia and New Zealand.

Lion is lucky enough 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.

RETURNS IN THE DOMESTIC DAIRY AND JUICE INDUSTRIES

During the year, talk of the Asian export opportunity and a moderating Australian dollar meant the export dairy farm sector was optimistic and talking about growth.

However, Lion is largely a domestically focused business and the industry profit pool on some product lines, particularly fresh milk, juice-based drinks and everyday cheese remains tight.

While returns from our dairy and juice businesses are still some way from being acceptable, we are taking a long-term approach, continuing to invest in innovation, our brands and efficient production facilities for future growth.

To receive a sustainable return from the industry over the long-term, Lion's suppliers, particularly our fruit growers and dairy farmers in higher cost of production markets with less export potential, need Lion to be successful.

We are shaping our business to take advantage of opportunities in profitable parts of the market – particularly high nutrition and 'better-for-you' products, specialty cheese, flavoured milk and quality yoghurts and juices. If we can grow the value pool, this means higher competition for inputs and better returns all round. For more information see the [Corporate Strategy](#) section of this report.

Despite the domestic industry challenges, demand in FY14 for fresh milk kept pricing relatively high by historical standards due to strong competition for milk among processors.

In Far North Queensland Lion announced a record milk price increase, along with further increases in South-East Queensland and New South Wales. This positions Lion as the clear leader across these regions and signals confidence in our growth strategy.

Ethical procurement from farmers – new ways to work with Lion

Genuine, mutually rewarding farmer partnerships will be pivotal to the success of our dairy business. As outlined in the [Trusted Business Partners](#) section of this report, there appears to be an industry-wide deficit in trust between farmers and processors and we think putting this right can deliver a significant competitive advantage.

We want to ensure our interactions are less transactional and more of a partnership. In terms of our approach to setting prices, we have listened to our suppliers and we made major changes in FY14.

Where we can, we're helping to reduce milk-price volatility, improve transparency and build secure relationships that give each of us more confidence to invest and grow sustainably. We don't believe in one-size-fits-all, national pricing – we view each region as unique and subject to different dynamics and have recently implemented a new milk pricing strategy. It offers Lion farmers compelling pricing, attractive tenure and other benefits, tailored to each market, and has been widely welcomed by farmers.

Further, in the Southern states, Lion has introduced a new pricing model for direct suppliers that will allow farmers to choose from three competitive options delivering enhanced transparency, visibility and security over the three-year contract terms.

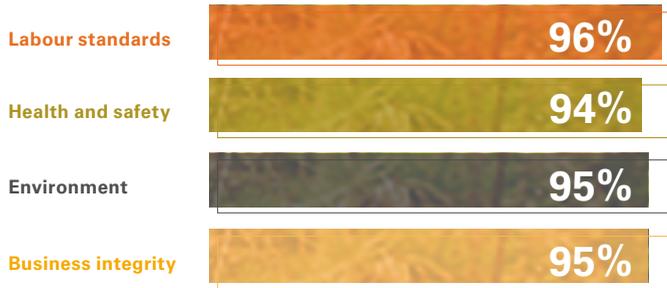
We are also exploring a range of initiatives to reconnect our business to local farming communities. One example is our recent re-branding of our Malanda milk and an appeal to the community to get behind the local product. Another is the Lion Landcare Grants scheme, which is reviewed in the [Responsible Value Chain](#) section of this report.

RESPONSIBLE VALUE CHAIN



STAGE

Lion's targets in each of SEDEX's Four Pillars



ETHICAL AND SOCIALLY SUSTAINABLE SOURCING PRACTICES ACROSS ALL OUR SUPPLIERS

During FY14 Lion appointed an ethical sourcing audit partner SEDEX, a not-for-profit, and a globally recognised leader in ethical and social auditing of supply chains.

Lion has initially identified the highest risk elements of its supply chain, selecting 320 suppliers for the first phase, 95% of whom had undertaken a self-assessment audit against the SEDEX Ethical Sourcing program standards by year end.

In FY15 we will analyse these results and determine necessary steps to maintain and improve our practices and those of our suppliers.

We have also introduced new standard Commercial Terms & Conditions in all our contracts to ensure that our suppliers are aware of, understand and, as part of their commercial agreement, will comply with our ethical sourcing standards.

ANIMAL WELFARE

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

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

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

FAR NORTH QUEENSLANDERS GET BEHIND DAIRY FARMERS MALANDA MILK



The fresh milk value pool is very tight. We see opportunities to work with our farmers to encourage communities to understand the local provenance of our products and the local benefits of paying a sustainable price for fresh milk.

Every drop of Malanda Original Milk is sourced from over 50 dairy farmers across the region, so in July we switched our Dairy Farmers milk packaging in Far North Queensland to 'Malanda Original Milk'.

The new-look packaging came on top of a record milk price increase of 5 cents-per-litre, which Lion introduced for Dairy Farmers Milk Cooperative suppliers in Far North Queensland. This delivered an increase of approximately \$2.5 million in the 2014 calendar year in farmgate payments across the region.

By year end, retail sales of Dairy Farmers 'Malanda Original Milk' had increased by 2%, representing almost 5,000 litres of additional volume per week, a significant show of support from the local community.



RESPONSIBLE VALUE CHAIN



STAGE

MANUFACTURING

DEVELOPMENTS IN FY14

- Improved Dairy & Drinks quality assurance
- Management reviews
- Manufacturing excellence roll-out

The success of our business stands or falls on the quality and safety of our products. In FY14 we implemented a range of improvements to our systems and processes.

Improved Dairy & Drinks quality assurance

Food safety and product quality are our most fundamental commitments to our consumers and customers. With this in mind, in FY14 we elevated responsibility for quality to the Lion Dairy & Drinks Leadership Team.

We also undertook quality reviews at key dairy, cheese, yoghurt and juice facilities during the year and we will roll out site-based *Best Practice Reviews* across our Dairy & Drinks business in

FY15, a practice we have employed in our alcohol businesses for some time. These help us develop and deploy group-wide quality assurance practices.

As a result of the FY14 quality reviews, we strengthened our Corporate Quality Assurance Governance team by hiring three additional specialists, one focusing on each of these best practice competencies:

- microbiology and food safety;
- quality systems and compliance;
- continuous improvement.

We have also developed a new technical risk assurance process being pilot tested across all business units in response to the Dare and Prima recalls experienced in FY14 and have taken the decision to undertake our own corporate internal audits.

Management reviews

We continue to undertake comprehensive management reviews to ensure overall business quality performance. In FY14, these reviews assessed performance and quality indicators such as:

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

RESPONSIBLE VALUE CHAIN



STAGE

FY14 MEX Highlights



MANUFACTURING EXCELLENCE ROLL-OUT

Throughout FY14 we continued to roll-out our manufacturing excellence program, named 'MEX'.

MEX combines capability programs with a range of continuous improvement initiatives (CIIs) aiming to improve quality, efficiency and safety standards.

In FY14 we expanded MEX to all our planning functions in Australia based on successful experiences in New Zealand over the past 18 months.

In FY15 we will expand MEX to all remaining manufacturing sites and continue to encourage its use for improvement projects in non-manufacturing areas.

HIGH QUALITY STANDARDS IN SPECIALTY CHEESE ARE REAPING AWARDS



Specialty cheese is one of the most attractive categories in the dairy market, offering solid margins for customers and cheese-makers alike and strong category growth as consumers traded up to a more exciting cheese experience.

Lion is creating quality, award-winning products, as evidenced by the huge success achieved by our dairy and cheesemakers at the recent Australian Grand Dairy Championships. More than 430 products across 19 different classes were put through their paces by a team of 22 expert judges at this year's awards, with Heidi Farm Tilsit cheese winning the Grand Champion Cheese 2014. Lion's Mil Lel, Farmers Union and King Island Dairy brands took out a further four titles between them, with King Island Dairy the only dairy brand to win more than one award at the Championships.

RESPONSIBLE VALUE CHAIN



MARKETING AND SALES

DEVELOPMENTS IN FY14

- FY14 developments in responsible marketing
- Complaints and adjudications

The aim of our marketing is to create the best-loved brands in each market we operate in. We make a very clear commitment to marketing and sales practices that do not in any way contribute to the problems of alcohol misuse, obesity or excessive consumption.

FY14 DEVELOPMENTS IN RESPONSIBLE MARKETING

In FY13, we created a new online interactive portal called 'Our Compass', providing our people with a range of tools and information to educate them on the high standards we expect. In FY14 we have embedded Our Compass in our marketing and sales processes and educated our people on its uptake.

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

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

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

During the year we worked with NRL Clubs in Australia to implement additional safeguards to ensure under-20s teams could not accidentally wear alcohol branding on team apparel.

Lion's internal standards are consistent with all regulatory, media and industry codes applicable in both Australia and New Zealand. These include:

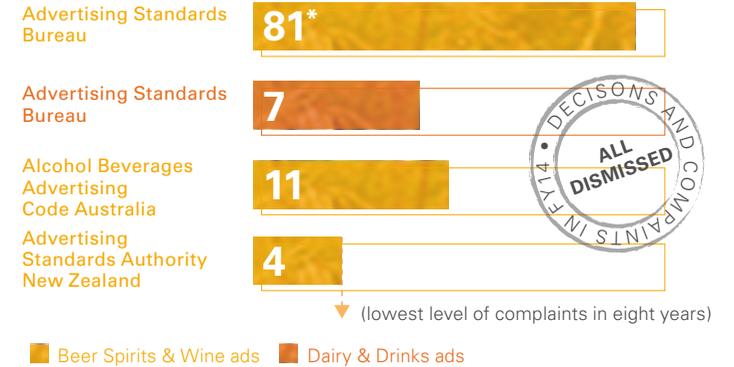
Australia

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

New Zealand

- Advertising Standards Authority Code for Alcohol Advertising and Promotion;
- New Zealand Fair Trading Act 1986;

Complaints and adjudications in FY14



- New Zealand Gambling Act 2002;
- New Zealand Unsolicited Electronic Messages Act 2007; and
- Australia New Zealand Food Standards Code
- Sale of Alcohol Act (2012)

New ABAC Responsible Alcohol Marketing Code

Following an extensive review, industry and the Australian Federal Government launched an updated ABAC Code in June.

The review involved consultation with industry and government and took into account the 2013 Advertising Review undertaken by the Australian National Preventative Health Agency (ANPHA).

Lion participated in the review process providing submissions and attending the industry consultation sessions.

The revised ABAC Code comes into effect on 1 July 2014 and represents global best practice, covering all types of common marketing activity.

The launch was accompanied by a new ABAC television commercial funded by Lion and its industry partners and supported by the major television networks, to increase awareness of the complaint handling system in the community.

*Note: the majority of complaints relate to one campaign and were not in relation to a breach of the ABAC Code.



RESPONSIBLE VALUE CHAIN



STAGE

CONSUMPTION



IT IS SAFEST NOT TO DRINK WHILE PREGNANT.

Get the facts DRINK WISE .ORG.AU

DEVELOPMENTS IN FY14

Clear and effective labelling

- Nutrition labelling on our dairy and non-alcohol drinks
- Standard drinks, pregnancy advisory and responsible consumption labelling on our alcohol products
- Incorporating a responsible consumption message on all our above the line marketing collateral in Australia and New Zealand

Broader initiatives to educate consumers, shape culture and the way Australasians eat and drink

- Education and culture change initiatives
- Creating a vibrant beer culture
- Helping our people become advocates for responsible eating and drinking

Creating a great range of product choices is a crucial part of the story and we cover this off above at the *Product Development* stage of the supply chain.

However, there's much we can do at the point we engage consumers via clear and effective labelling and broader initiatives to educate consumers, shape culture and the way Australasians eat and drink.

CLEAR AND EFFECTIVE LABELLING

We aim to comply with all regulated labelling obligations. In FY14 there were no instances of non-compliance with these regulations and we also went further in supporting the development and roll-out of additional voluntary commitments.

Lion continues to explore ways to further improve product information through phone apps and interactive websites.

Nutrition information labelling on our dairy and non-alcohol drinks products

Throughout FY14, Lion contributed to the development of the Health Stars front-of-pack labelling initiative, formally launched after year-end.

By 2018, all products across our dairy and drinks portfolio will display a Health Star Rating, energy content per 100g/mL, and energy content per typical serve and as a percentage of an average person's daily energy intake.

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 a major opportunity.

For instance, our blockbuster Daily Juice orange juices and our Berri Australian Grown juices will proudly carry a 5 star, front of pack health rating.

The system will replace the Daily Intake Guide (DIG) front of pack labelling scheme we have voluntarily applied to our dairy and non-alcohol beverages since 2007. However, we will continue to provide DIG information on the nutrition information panel.

Standard drinks and health information labelling on our alcohol drinks

Lion is committed to including a pregnancy advisory label on its alcohol containers.

In Australia, we have used the written message. However last year we adopted the pregnancy pictogram to align with others in the industry. Lion also includes the DrinkWise Australia logo 'Get the facts' which encourages people to get the facts on drinking at the drinkwise.org.au website.

The same pregnancy advisory message (in either a written form or pictogram) has also been adopted by the New Zealand industry along with an encouragement to seek out more information at cheers.org.nz.

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

Lion's core purpose is to 'enrich our world every day by championing sociability and helping people to live well'. This means we place the responsible enjoyment of our products right at the heart of our business strategy.



RESPONSIBLE VALUE CHAIN



STAGE

1 2 3 4 5 6 7



At year end:

96% of our Australian beer and cider portfolio carried the pregnancy advisory message on its container labels in FY14. All of our imported international beers, with the exception of Birra Moretti and Heineken 660ml, also carry the pregnancy advisory message. Whilst Lion encourages the owners of the international beer brands we distribute in Australia to include the pregnancy advisory message on their labels we are unable to make this mandatory.

Of our Lion owned wine brands sold in Australia in 2014, 94.9% of vintage 2012 was labelled, 100% of vintage 2013 was labelled and 100% of vintage 2014 was labelled with the pregnancy advisory message.

In respect of our wine products we are unable to include any messaging on the labels for vintages that pre-date our decision to roll out the messaging. 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.

94% of our top 100 SKUs (by volume) in New Zealand now carry the pregnancy informational label. The rest still carry the older “is your drinking harming yourself or others?” message which will be phased out as part of the transition to a single pregnancy message.

It is our policy that all of our drinks containers in both Australia and New Zealand carry a standard drinks logo to help drinkers monitor and manage their intake.

Lion BSW AU also includes the DrinkWise logo on all above-the-line marketing collateral and in NZ, Lion includes the Cheers! logo on all above-the-line marketing collateral.

BROADER INITIATIVES TO EDUCATE CONSUMERS, SHAPE CULTURE AND THE WAY AUSTRALASIANS EAT AND DRINK.

As both the region’s largest alcohol company and domestically focused dairy business, there’s little we don’t know about how, where, when and with whom our consumers enjoy our products.

This means we are very well placed to contribute to efforts to educate them on how to eat and drink healthily. We’re also in a position to help shape the way our products are enjoyed and the national eating and drinking cultures themselves.

KEY EDUCATION AND CULTURE CHANGE INITIATIVES FOR FY14:

Dairy, juice and non-alcohol drinks Healthier Australia Commitment

Lion is a founding member of the Australian Food and Grocery Council’s Healthier Australia Commitment (HAC) – an industry partnership launched in October 2012. It aims to help Australians improve health and wellbeing by reducing their intake of sodium, saturated fat and/or energy and promoting an energy balance message.

For further information on HAC or the ‘Together Counts’ consumer initiative visit www.togethercounts.com.au.

Giving Lion’s people the tools to be advocates for health eating

Nutrition and Me is a new initiative Lion launched in FY14. It’s a practical training program that builds Lion people’s knowledge of our products, food and nutrition generally and labelling.

We want them to be advocates for healthy eating and to hold the product knowledge needed to celebrate the health credentials of our products. The program underpins our objective to transform our business via the [Goodness Project](#). All Lion people will complete the *Nutrition and Me* online module and many will complete formal workshops.

To keep their nutrition education alive, a series of nutrition ‘Hot-Topics’ will be issued throughout the year.

By the end of FY15, our aim is to have a large proportion of people in our head office trained along with several manufacturing sites.

RESPONSIBLE VALUE CHAIN

STAGE



Alcohol
Encouraging Australians to DrinkWise

Lion continued to be a major contributor to DrinkWise Australia in FY14, a not-for-profit organisation focused on promoting change towards a healthier and safer drinking culture.

With a strong focus on peers and parents as the biggest influences on a young person's drinking behaviour, DrinkWise encourages Australians to make good drinking choices. Highlights from the DrinkWise program in FY14 were:

- DrinkWise launched **'Drinking – Do it Properly'**, a major social media campaign to make responsible drinking aspirational among the 18-24 year old demographic. Research suggests shock tactics and authoritarian messages don't cut-through with this audience. DrinkWise extensively researched their attitudes and motivations in drinking and created an innovative campaign based on the evidence. This campaign seeks to reach young adults via social networks and start a conversation where they themselves champion moderation as 'classy' and losing control is stigmatised. The campaign recently won a Silver Spike creative award recognising its success in engaging this hard to reach audience.
- Launched in 2014, **'You won't miss a moment if you DrinkWise'** is a terrific collaboration between DrinkWise Australia, Lion and the broader industry using powerful brands, donated media and collateral and trusted sponsorship properties to celebrate a moderation message.

- The campaign kicked off at the AFL and NRL footy finals with Lion's first contribution coming shortly after year-end at the Melbourne Cup Carnival through the James Boag's brand.
- Continued progress in the **'It's safest not to drink while pregnant'** campaign, including the ongoing rollout of pregnancy advisory message on alcohol containers, [outlined on page 29.](#)
- DrinkWise continued its long-running television campaigns **'Kids absorb your drinking'** and **'Alcohol and kids don't mix'**, supported by practical tools on the DrinkWise website, such as the **Parent's 5-point-plan**, a framework for parents to discuss alcohol issues with their children, educate by example, listen and engage and make their expectations clear.
- **DrinkWise.com.au website updated:** Australians are increasingly coming to DrinkWise for information on how to consume alcohol safely and for tips and hints such as how to talk to their children about alcohol.
- DrinkWise's cultural change agenda continues to be supported by a variety of community engagement programs throughout Australia, including a partnership with the **Sport Australia Hall of Fame** – using community leaders and sporting heroes to positively influence attitudes and behaviour in relation to alcohol – and the **Red Dust Role Models** partnership, engaging more than 70 volunteer role models to deliver 30 weeks of education, early intervention and peer-led mentoring programs in remote Northern Territory communities.
- Lion's funding contribution to DrinkWise Australia is disclosed in the [Community Investment](#) section of this report.

Saying Cheers to responsible drinking in New Zealand

Our major New Zealand responsible drinking initiative is *Cheers!* – part of the Tomorrow Project, a joint industry initiative aiming to encourage adult New Zealanders to drink like there is a tomorrow.

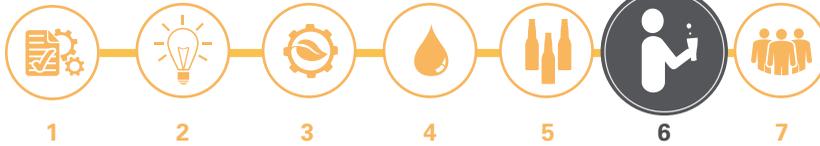
Now two years old, *Cheers!* has already enjoyed some outstanding successes. Recognising the level of consumer trust in our brands, many Cheers! campaigns leverage this equity to magnify a responsible drinking message to drinkers.

Highlights from FY14 included:

- We continued to drive the **'Steinlager – Be the Artist'** responsible drinking campaign in FY14, winning an Axis Award in recognition of creative excellence.
- The **Speight's 'Tackle a Burger'** campaign took a responsible drinking message to the Wellington Sevens Rugby tournament driving awareness of the importance of eating adequate food when drinking. Lion also activated the **Cheers! Water Warriors** over the two days encouraging attendees to keep hydrated and pace themselves
- The **Speight's O'Week Campaign** at the University of Otago Orientation Week sees more than 20,000 students from Otago and around the country enter Dunedin. In FY14, Lion worked with the local council, Police and Liquor Licensing teams to ensure our activity was aligned. Key elements included co-branded Speight's/Cheers! campaigns in outlets encouraging attendees to **"Always look after your mates"** and free Velvet Burger vouchers in exchange for successfully answering a question on why high protein food is good for you when drinking.



RESPONSIBLE VALUE CHAIN



STAGE



Creating a vibrant beer culture in Australia

Last year we began a journey to re-shape the beer category via our Vibrant Beer Culture (VBC) project.

Lion believes a progressive and inclusive beer culture can significantly influence drinking behaviour and will encourage adult beer drinkers to savour the flavour and drink for the right reasons.

Following extensive research, we're clear on how we want beer to present itself and the project is influencing how Lion and our brands both behave and communicate.

We're also sharing beer knowledge with consumers and encouraging them to embrace the wide range of flavours, match beer with food, understand the history and connection to the land offered by beer.

Beer Works and Channel VBC

This is our beer advocacy project giving our people the knowledge, skills, tools and confidence to be beer advocates inside the workplace and to their friends and family outside.

Launched in September 2014, Beer Works has already had strong take up and we look forward to seeing our first people graduate from the program in 2015. We keep all our people engaged and updated with monthly program updates on Channel VBC.

Beer Pilgrim

Our Beer Pilgrim is a great storyteller who is passionate about beer. He began his journey in December 2013 to explore the story behind the first beer in Australia, retracing its origin back to the UK. In time for Australia Day 2014 he recreated the historic brew with the help of master brewer Peter David. The Beer Pilgrim initiative has achieved strong reach and cut-through, exceeding our target with 32,000 Facebook likes.

Beer experiences

During the year we made major progress on a range of customer and consumer focused initiatives:

- We continued to improve our award-winning XXXX Alehouse experience and explore opportunities to engage the community at our other breweries. For more information see the [Community Investment section on page 35](#).
- We engaged our sponsorship partners on our long term vision for a vibrant beer culture and asked them to begin thinking about how they can help us bring the vision to life.
- The Charming Squire at Brisbane airport was officially opened with a focus on beer served with high quality food.

Championing beer with food in New Zealand

In an industry first, Lion launched **Made to Match** in New Zealand in FY13 – a significant investment in reinvigorating the beer category and reminding consumers how much there is to love about it. Made to Match presents information on beer styles, ingredients and flavours, and offers tips for beer and food matching as well as providing positive beer category messages about the brewing process, calories versus other beverages, and glassware. By showcasing the positives of the beer category and building an appreciation of beer flavours through food matching we hope to reinforce the benefits of drinking for flavour, not effect.

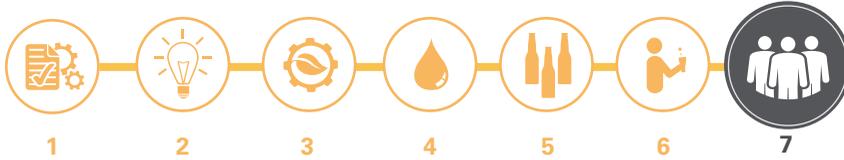
We continued to back this program in FY14 and tracking suggests it has strongly resonated with both males and females.

Giving Lion's people the tools to be advocates for health drinking

Alcohol & Me is an interactive and informative training program educating Lion's people about alcohol and the effects it has on the body and their health. It provides tools for staying safe and sociable when drinking. By the end of FY14 it had been rolled out widely across our New Zealand Business, with an ongoing roll-out plan to capture new starters, and has been tailored for the Australian business, for roll-out in FY15.

Work is underway on a 60-minute online version of the program, which can be used externally with key business partners and suppliers.

RESPONSIBLE VALUE CHAIN



STAGE

COMMUNITY INVESTMENT

OUR COMMUNITY INVESTMENT STRATEGY IS FOCUSED ON INITIATIVES THAT:

- build a positive drinking culture
- provide better nutrition for all
- build positive relationships and community resilience, a preventative measure in addressing misuse
- preserve our lands and natural resources
- engage our people in causes they are passionate about

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.

Full details of our major initiatives aimed at building a positive drinking culture and providing better nutrition for all are outlined at [stage 6](#).

BUILDING POSITIVE RELATIONSHIPS AND COMMUNITY RESILIENCE

Lion launched two new major partnerships in FY14 with Uplifting Australia and the Foundation for Youth Development in New Zealand.

Both organisations focus on building 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.

Both 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.

Uplifting Australia works with both parents and children to improve parenting skills and knowledge. Its programs also improve self-esteem, personal efficacy and social skills in kids. With Lion’s support, Uplifting Australia aims to take its cornerstone program, ‘Camp Out with Kids’, to an additional 1,000 families across Australia each year.

For more information on *Uplifting Australia* and its key program *Camp Out With Kids* go to www.upliftingaustralia.org.au and campoutwithkids.org.au

New Zealand’s Foundation for Youth Development (FYD) offers a number of schools-based programs for kids, one of which is called ‘Kiwi Can’ and is proven to improve personal and social skills and self-esteem. Lion will be helping the FYD team deliver this program to 1,000 school children across three schools in the East Tamaki region, near The Pride brewery in Auckland.

For more information on FYD go to FYD.org.nz



Uplifting Australia CEO, Garry Thomson



FYD CEO, Marion Short

Uplifting Australia: Inspiring Children, Connecting Families, Building Communities

Uplifting Australia CEO, Garry Thomson, says: “The best predictors of a person’s future are the emotional wellbeing and strength of their family, the quality of their role models, and the skills they take with them on their journey through life. In all these respects, we believe children deserve the best possible start.

Uplifting Australia’s mission is to improve the emotional wellbeing and resilience of children and families across Australia. We believe preparing our children emotionally and developmentally is as important as teaching them to read and write.

Our partnership with Lion will help us take our key CampOut With Kids program to scale.”

The Foundation for Youth Development – inspiring kids to reach their full potential

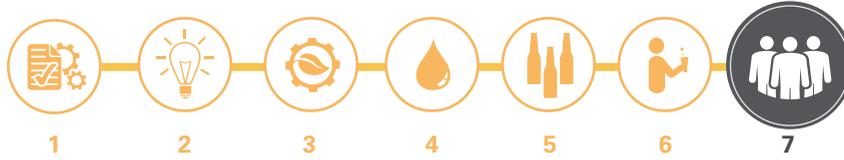
FYD CEO, Marion Short says: “Remember when you were a kid. Life seemed full of possibilities. So why should that attitude change? Young people today need to be encouraged to stay positive, aim high, go for their dreams, and make the most of their unique talents.

We aim to inspire all school age New Zealand children to reach their full potential through programmes that build self-esteem, promote good values and which teach valuable life, education and health skills.

Our programmes also give students tools and techniques to use once they’ve exited school, along with self-belief and confidence to meet challenges head on. The result is happier, healthier, more well-rounded youth. Which in turn means a brighter, more vibrant future for New Zealand.”



RESPONSIBLE VALUE CHAIN



STAGE

PRESERVING OUR LANDS AND NATURAL RESOURCES

Lion Landcare Grants

The Lion Landcare Grants scheme supports farmers in growing productivity and profitability while improving the sustainability performance of their farms.

It's all part of an effort to add value to long-term, mutually beneficial relationships with our farmers. Coupled with the grants scheme, they can also access a range of other benefits through Lion. Our Farm Services team provide on-farm support to promote best practice dairying techniques and our farmers also have access to Lion's counselling service and company wine offers.

In FY14, 13 Lion milk suppliers were awarded a share in \$132,000 worth of grants to fund initiatives across three key areas:

1. Reducing energy consumption within the dairy farming business
2. Improving nutrient management
3. Increasing on-farm biodiversity

Insights from successful projects will be shared with other farmers to advocate for significant efficiency and environmental performance gains across Lion's supplier base. We will continue to rollout the grants program in FY15 and report further outcomes in our FY15 Sustainability Report.



Lion Landcare Grants – perspectives from our farmers

We're thrilled to have been awarded this grant from Lion which will allow us to capture the waste heat from our refrigeration units. This further complements the other energy improvements we have already made on the farm as well as my involvement in the local Koonunga Sustainability and Biodiversity project.

Jamie Nietschke, Lion supplier from Via Kapunda SA (pictured above)

Composting and the recycling of nutrients is a win-win for the environment, cow health and productivity. So it is our responsibility to continue these sustainable practices into the future for the good of our business.

Ramon Devere, Lion supplier from Kureelipa, QLD

I hope photos of the trees that were planted will demonstrate to all that farmers and milk companies are not all the same, and some of us take our responsibilities more seriously than others. I can honestly say that I take pride in being able to supply a company that does share similar values to myself and my family. Thanks once again to Lion for the opportunity.

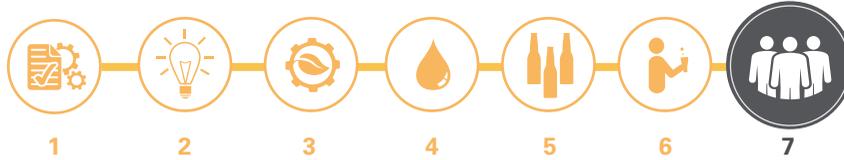
Vince Critchley, Lion supplier from Murray Bridge SA

This project has definitely made us aware of cost efficiency and how a little funding can go a long way.

Valda Tout, Lion supplier from Tamworth NSW



RESPONSIBLE VALUE CHAIN



STAGE

Adopt a Patch engages and supports active workplaces and communities. Keep Australia Beautiful is able to provide a framework to companies like Lion looking to make a difference in their local area

Keep Australia Beautiful CEO Peter McLean



Adopt a Patch

Our teams at the Tooheys Brewery in Lidcombe, NSW and Boag's in Launceston, Tasmania led 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 overgrown with weeds and litter for some time. Thanks to the efforts of 150 volunteers, the litter and weeds are gone and the team is now busy making plans to plant native shrubs and flowers and develop a roster for ongoing work at the site.

Team members at Boag's adopted a plot alongside a popular walking track on the North Esk Riverbank. Thanks to team efforts, this eyesore has been transformed into a space where Launceston locals can walk, sit and take in the view of the riverbank. The team will be conducting ongoing maintenance at the site to ensure it continues to flourish.

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.

Significant developments in FY14 were:

- Our James Boag's Brewery was a winner at the Tasmanian Tourism Awards taking first place in the 'Tourism Wineries, Distilleries and Breweries' category and silver in the overall Tourism Attraction category

- The XXXX Brewery is Brisbane's leading tourism attraction. It received the Gold Award in the 'Tourism in Wineries, Distilleries and Breweries' category at the 2014 Queensland Tourism Awards.
- 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 have created a regular craft market and we are working on a unique drive-in cinema concept.
- Our Petaluma winemaking team have moved into their new state-of-the-art winery on the corner of Reefton and Pfeiffer Rd Woodside. In keeping with Petaluma's focus on small batch handcrafted wines, the new 2,000 tonne boutique winery will consolidate winemaking, bottling and packaging at a single site in the Adelaide Hills. We expect the new Petaluma cellar door to open in March 2015.

COMMUNITY INVESTMENTS IN FY14



BUILDING POSITIVE RELATIONSHIPS AND COMMUNITY RESILIENCE



BUILDING A POSITIVE DRINKING CULTURE



BETTER NUTRITION FOR ALL



PRESERVING OUR LANDS AND NATURAL RESOURCES



ENGAGING OUR PEOPLE IN CAUSES THEY ARE PASSIONATE ABOUT

Building positive relationships and community resilience
\$ 468,886

Positive drinking culture
\$1,509,167

Better nutrition for all
\$ 208,056

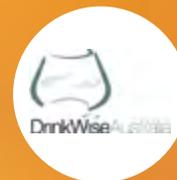
Preserving our lands and natural resources
\$ 322,535

Engaging our people in causes they are passionate about
\$125,408

In addition to major partnerships outlined on this slide, Lion commits approximately \$75,000 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.



\$225,000 plus **AU\$10,000** in design support



Lion contribution to a multi-million dollar industry donation
\$1,339,800



\$183,056 or 1,546,821kg of surplus food, delivering 2,062,400 meals for people in need



\$186,685 including funding for 13 Lion Landcare Grants and other projects



\$118,978 Lion's matching contribution to donations made by our people through our workplace giving program to 11 charities across Australia and New Zealand



\$225,000 plus **\$8,886** of product donations



\$169,367 in direct Lion activity and contributions to industry initiatives



\$25,000, as part of a joint-industry investment



\$135,850 in funding to support the rollout of the Adopt a Patch program across the Tooheys and J Boag & Sons sites



\$6,430 Lion's matching contribution to donations made by our people to help fight poverty in the bush

A
FOCUS
ON

ENVIRONMENTAL STEWARDSHIP

Responsible use of resources and the careful re-use, recycling and disposal of waste is very much in Lion's interests.

Sustainable access to water, energy, agricultural inputs and packaging underpins the long-term success of our business. Improvements in environmental sustainability tend to deliver cost savings.

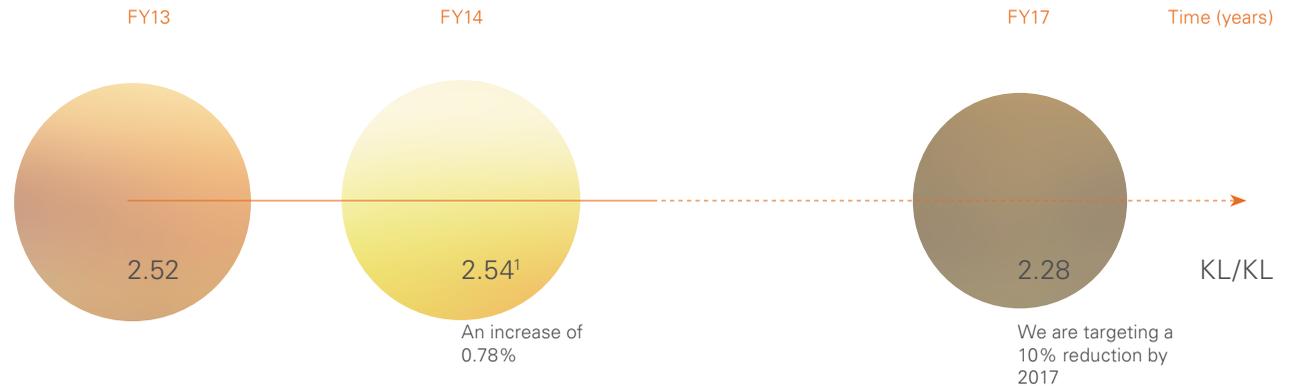
Environmental issues are material for a range of our stakeholders and they expect Lion will do its part to look after the planet and minimise resource scarcity.

DEVELOPMENTS IN FY14

- Water
- Energy and emissions
- Packaging and waste
- Accreditation, reporting, notifiable incidents and complaints

WATER

Total site water reduction targets KL/KL



HIGHLIGHTS

Our water strategy extends to how we use, manage and dispose of this precious commodity.

We use a 'water usage ratio' – the number of KL of water used per KL of product manufactured – as our key performance indicator.

Overall, Lion's water usage increased slightly from 2.52 KL/KL in FY13 to 2.54² KL/KL in FY14, an increase of 0.78%.²

Lion was able to maintain relatively flat water usage despite a decline in sales volumes, which impacts overall efficiency due to the fact some aspects of the manufacturing process remain consistent regardless of production volumes (cleaning, for example).

Lion has set group-wide targets for waste and water and is continuing to improve our data reporting processes to ensure we capture and are able to report all waste and water consumption at a group-wide level to improve our future reporting on progress. This will improve the ability to analyse year-on-year comparisons.

EFFICIENCY STRATEGIES

Trade Waste Master Plan

In FY14 Lion committed more than \$25 million in new Waste Water Treatment Plants (WWTPs) across our site network, to improve effluent quality and to comply with lower discharge specifications from trade waste authorities.

This included:

- King Island, Tasmania: design undertaken for a WWTP expansion. Once completed in FY15, this will lower discharge levels to the ocean outfall.
- Burnie, Tasmania: a project commencing in FY14 and spanning the next two years enabling our specialty cheese site to undertake full waste treatment on-site, rather than through land irrigation.
- Tooheys Brewery, New South Wales: a state of the art WWTP to achieve compliance to tighter discharge specifications set by our connection authority. The biogas produced by the plant is used in our boilers to offset our natural gas consumption for process heating.

\$25_m

In FY14 Lion committed more than \$25 million in new Waste Water Treatment Plants across our site network

¹Data is limited to production facilities, vineyards, hospitality venues and one packaging/contract operation.

²Note that water use was wrongly reported as 2.49KL/KL in FY13 and has been revised to 2.52 KL/KL in this year's report.



In keeping with Petaluma's focus on small batch handcrafted wines, we are creating a new 2,000 tonne boutique winery consolidating winemaking, bottling and packaging at a single site

NEW ENVIRONMENTALLY EFFICIENT WINERY FOR PETALUMA

Water mapping

We are targeting a 10% reduction by FY17 (versus FY14) and with this in mind, we are rolling out a comprehensive water mapping exercise to identify new efficiency opportunities.

By the conclusion of FY14 we had completed nine mapping assessments at high priority manufacturing sites and we will use these to allocate funding to new efficiency projects in FY15.

This site focused mapping will add to the insights derived from a FY10 scope 3 survey examining Lion's total supply chain water stress assessment.³

Re-use

As a large business with many urban facilities, Lion is conscious of the need to reuse water wherever practicably possible.

For health reasons, some processes within food and beverage manufacturing restrict our ability to reuse water. But there are certain processes where we can harvest and employ 'grey' water.

³Water stress occurs when the demand for water exceeds the amount available during a certain period, or when poor quality restricts its use. So as a business we are determining the impact we may have on the supply chain in order to reduce the amount of water stress.

Irrigation and groundwater use

Our vineyards rely heavily on the use of rainwater and irrigation where essential. We are committed to a best practice approach to irrigation where it is needed including application of mulch under vine and use of drip irrigation systems.

The King Island Dairy relies on groundwater and has a strong water efficiency focus to limit impact on the local water supply.



The building of a new Petaluma winery at Woodside, South Australia, commenced in February 2014 with the first vintage expected in 2015.

It's a significant move for the Petaluma team and represents a multi-million dollar investment in a future in the Adelaide Hills.

Our people at Petaluma are excited to be adopting best practice in energy conservation and water management. Highlights are a Biological Wastewater Treatment Plant, an energy efficient ammonia plant to provide refrigeration across the winery and an automated tank cooling system that will reduce energy consumption.

The building itself is being built to environmentally sustainable design standards with double clad insulation and inlaying of part of the building into the hillside to take advantage of the earth's thermal mass.



ENERGY AND EMISSIONS

LION A LEADER IN ENERGY MANAGEMENT IN NEW ZEALAND

Lion provided a really good energy management plan which measured and reported – this is the key to succeeding with energy management

NZ National Sustainable Business Network

HIGHLIGHTS

We measure our energy usage and Scope 1 and 2 emissions for Lion overall and for each of our business units, and target continual reductions in our emissions year-on-year – which reduces our costs and minimises our environmental footprint.

While we report and set targets against our Scope 1 and 2 emissions, we also measure our scope 3 emissions every two to three years to improve our understanding of our total impact and work with our suppliers to mitigate the impact of these inputs.

We use an ‘energy usage ratio’ – the mega-joules of energy per litre of product manufactured – as our key performance indicator.

Lion’s energy usage decreased from 1.21Mj/L in FY13 to 1.15Mj/L in FY14, while Scope 1 and 2 CO2 emissions decreased from 137.56Kg/Kl to 136.08Kg/Kl.

While some of our facilities have been impacted by declining production volumes, the overall decrease in energy and emissions is reflective of Lion’s commitment to improving the energy efficiency of existing equipment, our investment in more efficient new technology and decisions to close less efficient facilities.

EFFICIENCY STRATEGIES

Lion’s energy efficiency

The Lion Energy Efficiency Program extends across all Lion’s sites in Australia and New Zealand.

The Program Team reports to an overarching energy management group called Project Bonsai, which reviews and oversees energy management projects across the Lion group, including in renewable energy.

Energy reporting

The Federal Government’s Energy Efficiency Opportunities (EEO) Program was repealed by the Federal Government on September 11, 2014.

Under the EEO program, Lion successfully audited 95% of its energy usage across manufacturing sites and formed energy action plans for each site.

Renewable energy

We are currently reviewing our renewable energy strategy. We will be able to report progress in our FY15 report.

During FY14, Lion was delighted to take home the Energy Management Award at the 2014 NZ National Sustainable Business Network Awards.

Now in their 12th year, the Awards are designed to recognise businesses that are making a real difference through innovation and championing change.

Lion was also a finalist in the ‘Mega-efficiency – Impact’ category. The judges were impressed by a range of projects executed at Lion’s Auckland brewery, The Pride in FY14 including:

- Innovative pasteuriser cooling towers
- A steam accumulator upgrade and steam line insulation
- Compressed air leak elimination projects
- Installation of LED lighting

In addition to approximately 9600 GJ of energy reduced, these projects alone save the business close to \$500,000 per annum – a fantastic example of the potential to create shared value.

In awarding the top gong to Lion, the judges said: “Lion was the business that provided a really good energy management plan which measured and reported – this is the key to succeeding with energy management. They exceeded a global benchmark for energy use in breweries which was particularly impressive”.

WASTE AND PACKAGING

HIGHLIGHTS

Waste

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

Following a review conducted throughout FY13, we began to implement a new waste management strategy across our Lion Dairy & Drinks facilities in FY14. We've now captured most facilities in this rollout. However due to some delays in program delivery in FY14, we now expect to complete the rollout to all facilities in FY15. As such, we expect to be able to report waste data publicly by our FY16 report.

The new strategy looks comprehensively at our waste stream across the Group, seeking reductions in both solid and liquid waste with bespoke waste improvement plans to be implemented across all our facilities. It includes a master plan extending to FY20, identifying capital investments to reduce trade waste.

Lion has set group-wide targets for waste and is continuing to improve our data reporting processes to ensure we capture and are able to report all waste consumption at a group-wide level to improve our future reporting on progress. This will improve the ability to analyse year-on-year comparisons.

Packaging

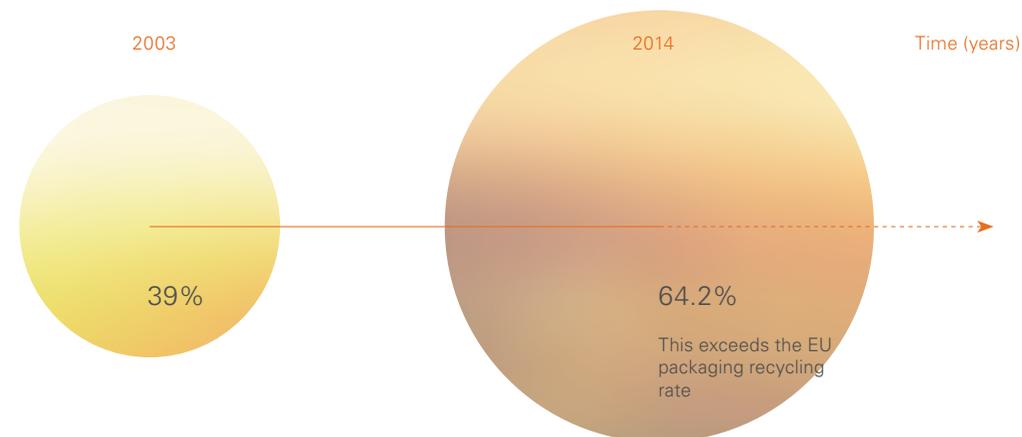
For over 20 years, we've voluntarily invested millions of dollars to improve our packaging, reduce litter and increase the recycling of our bottles, cans and liquid paperboard containers.

Industry continues to improve packaging recycling and support litter reduction across Australia and New Zealand.

In Australia, the industry-wide Australian Packaging Covenant has achieved the following, since 2003:

- The national packaging recycling rate has increased from 39% to 64.2%, exceeding the EU packaging recycling rate.
- The rate of packaging material going into landfill has decreased by 36.1%.
- An extra 42,284 tonnes of drink containers were recycled in 2011-12 compared to the previous year, the bulk of which were glass.

The Australian national packaging recycling rate %



- Light weighting of PET drink bottles has reduced weight by nearly 12,000 tonnes (a 10% reduction) and 60% of all PET (plastic) drink bottles are now being recycled.

According to the 2013/14 Keep Australia Beautiful National Litter Index:

- The overall average number of items per 1,000m² was 51, down from 56 in 2012/13.
- The overall average estimated volume per 1,000m² was 5.97 litres, down from 6.13 litres in 2012/13.

In New Zealand:

- The national glass recycling rate is currently 68% according to the most recent study into glass recycling conducted in 2012/13.
- The first comprehensive New Zealand litter survey that captures all packaging material is currently in-market, with the results due to be released by The Packaging Forum in 2015.

During the 2014 vintage Wither Hills was able to recycle 100% of its grape marc waste stream onto the vineyard floor creating compost

EFFICIENCY STRATEGIES

Rationalising waste and recycling services

In FY14 we began rationalising waste and recycling services across the Lion Group to achieve cost and environmental efficiencies.

Key waste management initiatives in FY14

Dairy & Drinks

One of Lion's largest areas of liquid waste is in milk production. In FY14 we focused on reducing overfilling of containers and leaks, achieving significant waste reductions in the process.

We have begun to use liquid waste from our Salisbury, SA and Morwell, VIC plants to feed biodigesters – producing energy to power local authorities' wastewater treatments plants.

A new Waste Water Treatment Plant is currently being constructed at the "Heritage", our speciality cheese plant in Burnie, Tasmania.

Beer, Spirits & Wine

In New Zealand, Lion entered a new trade waste arrangement in FY14 with Auckland Council. Lion is now charged for wastewater only as opposed to both wastewater and incoming water, providing a stronger price signal to avoid wastage. We are partnering with Watercare, an Auckland Council organisation, to share data and assess the success of the initiative.

Lion has made significant progress test bottling for Wither Hills wines in the UK, a key export market for the brand. This will deliver environmental and commercial efficiencies. During the 2014 vintage Wither Hills was able to recycle 100% of its grape

marc waste stream onto the vineyard floor, creating compost. In FY14 we saved approximately NZ\$20,000 in cartage costs as a result.

Advocating for a sustainable packaging stewardship framework

For 15 years the Australian Packaging Covenant (APC) has achieved significant improvements in recycling and litter performance across the country.

The APC is a product stewardship commitment that takes a cradle to grave approach along the supply chain – avoiding and minimising packaging waste, improving reuse, boosting recycling and reducing litter. With over 900 signatories, the APC covers the total waste stream.

During FY14 there was much debate in the community about the best solution to improve recycling and reduce litter across Australia, and in particular the pros and cons of container deposit schemes (CDS).

As with all policy proposals, Lion believes in taking an evidence-based approach and ensuring the greatest benefit for the community.

In July 2010, the Council of Australian Governments, including Federal, State and Territory Governments, agreed to undertake an independent, comprehensive cost/benefit analysis on a range of national measures to increase packaging recovery and decrease packaging litter. Industry submitted a number of product stewardship proposals to this analysis for review, based on the successful APC.

The results of this analysis were released in December 2014 and recommended the introduction of a national industry product stewardship scheme. The analysis stated that a CDS would cost consumers \$8 billion – a result of the requirement for purpose built infrastructure and the flow on impact on pricing. The COAG analysis also estimated that 73% of all drink containers subject to a CDS would already be collected and recycled via existing kerbside recycling schemes.

Since the release of the COAG analysis the NSW Government confirmed its preference for the introduction of a CDS and its desire for industry to assist in the design of a cost effective scheme that did not undermine kerbside recycling.

Lion, alongside industry more broadly, will engage constructively with the NSW Government on the design of a scheme that targets away-from-home beverage litter, complements kerbside recycling, avoids higher cost to consumers and achieves the Government's litter targets.

We are confident this can be achieved collaboratively and welcome the Government's continued engagement with all stakeholders and its principled approach of targeting away-from-home beverages in a cost-effective and complementary manner.

We will also continue to advocate for the renewal of the successful and complementary Australian Packaging Covenant, to ensure all packaging – not just beverage containers – is recycled.

Lion uses a life-cycle assessment tool. Using this tool Lion is able to gain insights into the environmental impacts of our packaging across the entire lifecycle of the materials

Progress on packaging stewardship

As a signatory to the APC, Lion must adopt the Sustainable Packaging Guidelines (SPG) – which require that we optimise our packaging to ensure we use resources efficiently and reduce our environmental impact, while ensuring that product quality and safety remain uncompromised.

To improve our packaging Lion uses a life-cycle assessment tool, which provides us with insights into the environmental impacts of our packaging across the entire lifecycle – from extraction all the way to end of life.

The ability to accurately quantify the environmental impacts of our packaging allows us to identify how specific formats, transport arrangements and materials perform from an environmental perspective.

A number of packaging formats were assessed in FY14 using this method, allowing Lion to identify our packaging high performers and opportunities. This process will continue in FY15.

ACCREDITATION, REPORTING, NOTIFIABLE INCIDENTS AND COMPLAINTS

ISO accreditation

By the conclusion of FY14, 12 manufacturing facilities were ISO14000 accredited, with our juice facilities in Leeton, NSW, added to the list during the year. All existing accredited facilities passed their annual audit. We continue to implement ISO14001

Environmental Management Systems in FY15 with a plan to certify 100% of our manufacturing facilities by F17.

Reporting errors

During FY14 Lion's FY13 greenhouse gas emissions report was audited by the Clean Energy Regulator and PriceWaterhouse Coopers. Unfortunately the audit found discrepancies between our reported and actual energy production, differences between reported information and supporting documents and that not all facilities and energy production had been captured in our reporting. Independently, we discovered an error in our FY13 water intensity data.

These results have been restated in this FY14 report and we have thoroughly reviewed our processes and are working with KPMG to verify the data reported here and the reporting systems behind it.

Material incidents

In FY14 Lion received one fine from the NSW Environmental Protection Authority, as a result of a reportable incident at our Wetherill Park dairy foods site. Equipment failure in our Waste Water Treatment Plant allowed a small amount of effluent to enter stormwater during September 2014. Lion has since audited the site, repaired the defective equipment and arranged for an independent audit of the facility to ensure it is robust. Additionally, the site has now achieved ISO 14001 environmental certification, which will also drive improved environmental compliance processes.

AN EXAMPLE OF ACTION BY THE APC – THE SOUTH WEST REGION LITTER REDUCTION CAMPAIGN

Queensland's highways have been identified as areas where high rates of littering can occur (Keep Australia Beautiful National Litter Index 2012-13). The South West Region Litter Reduction Campaign aims to dramatically reduce litter in this high population part of Queensland.

Six local councils govern the region with on ground responsibilities for litter in collaboration with the State Government. Through the Australian Packaging Covenant (APC), industry is working with these stakeholders to develop a behavioural change program, based on the proven Community Based Social Marketing (CBSM) methodology.

Industry is contributing a third of the \$1 million plus funding required to:

- Audit litter type and quantity
- Explore community attitudes and actions around littering
- Develop evidence-based campaigns to improve behaviour

A
FOCUS
ON

BUILDING AN ACHIEVEMENT CULTURE

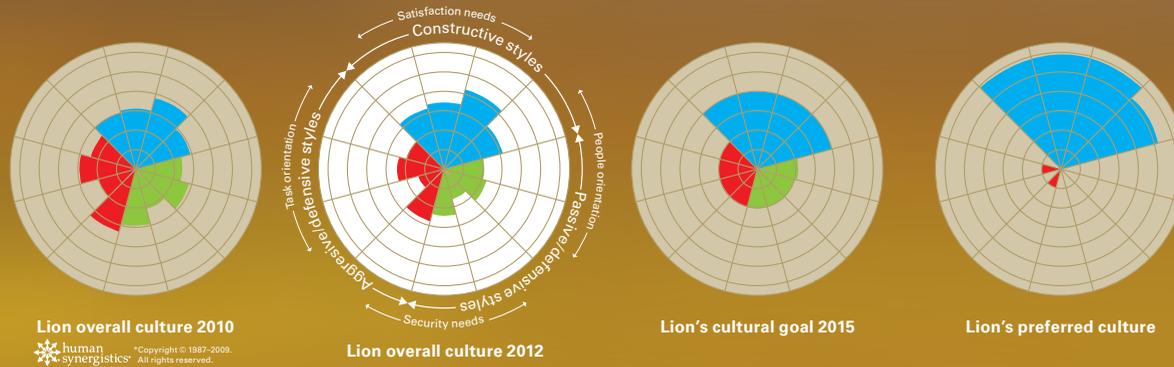
At Lion, our people strategy is aligned to our business strategy and aims to create and maintain an achievement culture, led by highly engaged and passionate people.

Our goal is to establish trusting relationships both within Lion and externally to ensure sustainable marketplace success. We update each of these areas of focus in this section.

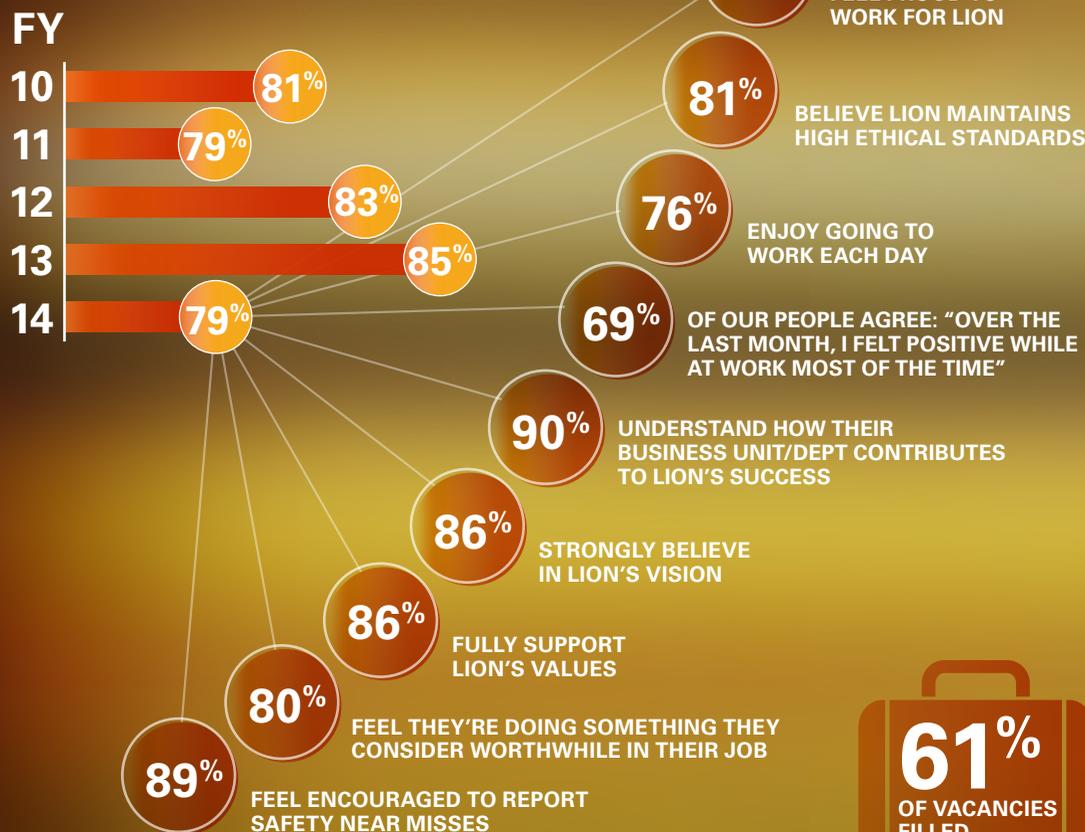
DEVELOPMENTS IN FY14

- A strong and constructive culture
- Great leaders
- Excellent capability programs
- Best in class talent management
- High levels of safety, wellbeing and workplace relations

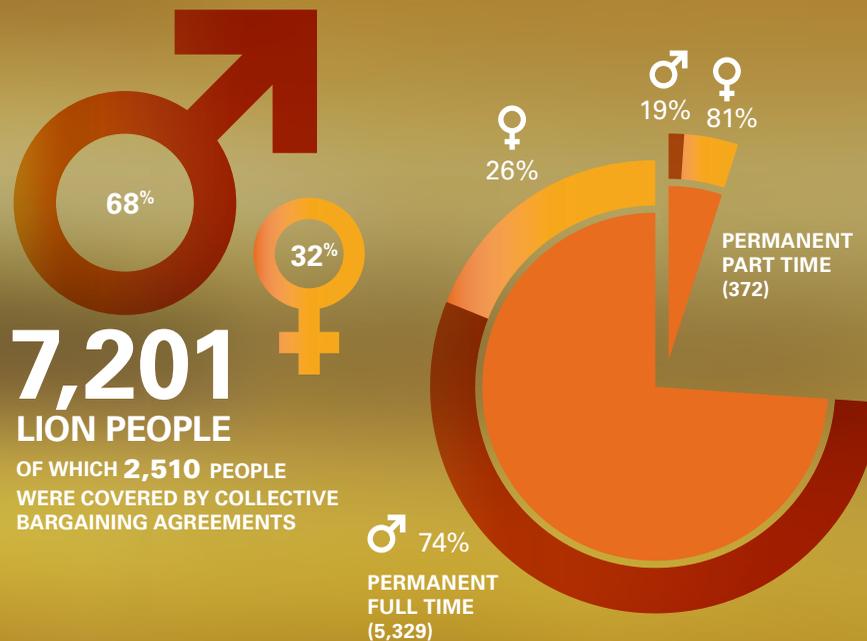
OUR PEOPLE



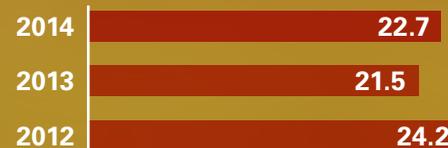
PEOPLE ENGAGEMENT



BREAKDOWN OF PEOPLE STATS



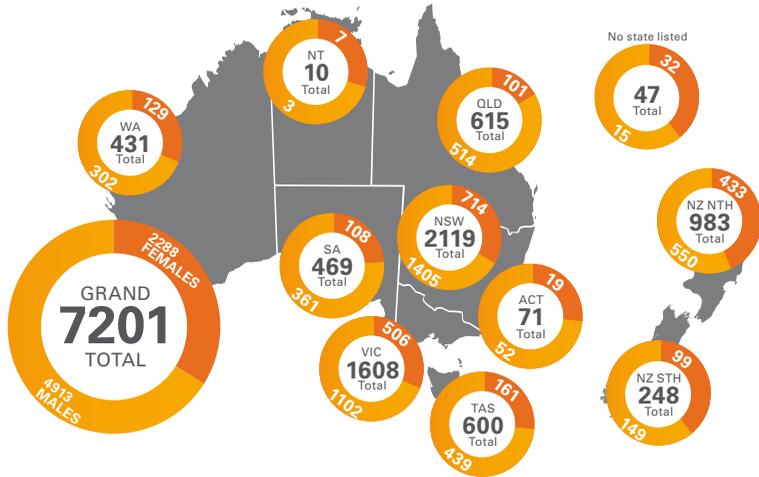
MEDICALLY TREATED INJURY FREQUENCY RATE (MTIFR)



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.



Total number of people by region and gender



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 FY16, we aim to build our constructive styles above the 75th percentile and our defensive styles below the 25th percentile.

We are implementing a three-year Culture and Engagement Plan. A priority is to build ‘affiliative’ behaviors supporting honest communication, collaboration and high levels of trust internally and externally. We also continue to focus on building our achievement, self-actualising and humanistic encouraging styles, which combined make up the ‘constructive styles’ of the OCI.

Total number of people employed by type of employment and gender:

| EMPLOYMENT STATUS | FEMALE | | MALE | | TOTAL | |
|----------------------|-------------------|---------------|-----------------|---------------|-------------|---------------|
| | NUMBER OF FEMALES | % OF FEMALES | NUMBER OF MALES | % OF MALES | | % |
| Casual | 370 | 44.47% | 462 | 55.53% | 832 | 11.6% |
| External Contractor | 130 | 32.02% | 276 | 67.98% | 406 | 5.6% |
| Fixed Term Full Time | 122 | 47.29% | 136 | 52.71% | 258 | 3.6% |
| Permanent Full Time | 1383 | 25.81% | 3975 | 74.19% | 5358 | 74.4% |
| Permanent Part Time | 279 | 81.34% | 64 | 18.66% | 343 | 4.8% |
| Fixed Term Part Time | 4 | 100.00% | 0 | 0.00% | 4 | 0.1% |
| Total | 2288 | 31.77% | 4913 | 68.23% | 7201 | 100.0% |

Number and percentage of our people in leadership roles by gender(*)

| LEADER* | FEMALE | | MALE | | TOTAL | |
|--------------|---------------|---------------|-------------|---------------|-------------|--|
| | TOTAL FEMALES | % OF FEMALES | TOTAL MALES | % OF MALES | | |
| No | 1983 | 32.70% | 4081 | 67.30% | 6064 | |
| Yes | 305 | 26.82% | 832 | 73.18% | 1137 | |
| Total | 2288 | 31.77% | 4913 | 68.23% | 7201 | |

*At least one direct report

Percentage of people by gender and employment type who received a regular performance and career development review

| | YES | NO | TOTAL |
|----------------------|-------------|-------------|-------------|
| FEMALE | 1431 | 857 | 2288 |
| Casual | 18 | 352 | 370 |
| External Contractor | | 130 | 130 |
| Fixed Term Full Time | 37 | 85 | 122 |
| Permanent Full Time | 1148 | 235 | 1383 |
| Permanent Part Time | 228 | 51 | 279 |
| Fixed Term Part Time | | 4 | 4 |
| MALE | 2489 | 2424 | 4913 |
| Casual | 22 | 440 | 462 |
| External Contractor | 5 | 271 | 276 |
| Fixed Term Full Time | 58 | 78 | 136 |
| Permanent Full Time | 2378 | 1597 | 3975 |
| Permanent Part Time | 26 | 38 | 64 |
| Grand Total | 3920 | 3281 | 7201 |

More than 1,000 people participated in leadership programs throughout the year

LEADERSHIP

In FY14, we continued to deliver quality leadership programs and offer learning resources to develop the capability of our leaders.

At the heart of our approach is helping our leaders demonstrate constructive behaviours, authenticity and an ability to achieve through others.

MATERIAL DEVELOPMENTS IN FY14 WERE:

Building leadership capability:

During FY14 we continued to roll out our core leadership programs including – Leadership at Lion, Foundations of Authentic Leadership, Growing our Authentic Lion and Coaching to Make a Difference.

Leadership capability review:

During FY14 we also reviewed our approach to leadership development to consider what will be needed to support Lion's new 10-year strategy. Using an approach known as 'human-centered design thinking', the project team engaged extensively with our leaders to understand their needs. This process was complemented by expert advice, research, our own people data, financial reports and market performance data. This process enabled Lion to define which leadership capabilities will be the focus of our capability programs over the next few years. We will report progress in FY15.

LION – ONE OF AON HEWITT'S 'TOP COMPANIES FOR LEADERS'



During FY14 Lion was selected as one of AON Hewitt's 'Top Companies for Leaders'. The AON Hewitt award is one of the most prestigious of people and culture awards in the world.

Lion was recognised for excellence in developing authentic leaders, driving culture and engagement through leaders and also the way we identify and develop our future leaders.

The judges commended Lion for taking a 'unique approach to leadership development, harnessing and celebrating individual strengths as well as identifying the behaviours that support an achievement culture,' and for encouraging our leaders to build their own 'psychological capital'.

AON Hewitt also commented positively on Lion's 'progressive' and 'evidence-based' focus on authentic leadership, commenting that Lion has 'seen a demonstrable link

between authentic leaders, engaged employees and trusting relationships with all stakeholders including customers, consumers and the community'.

AON Hewitt recognised Lion's understanding of the central role played by leaders in role modeling constructive behaviours and setting the tone for our culture.

On receiving the award, Lion CEO Stuart Irvine said: "True authenticity requires courage and self-awareness - there's no short cut, and it can't be faked. Cultivating authentic leadership capability takes sustained investment and in our experience it's worth the effort.

"We know that authentic leaders build highly engaged people, who in turn build high engagement with Lion, which has a direct link back to business results."

Lion's Engagement Model



ENGAGEMENT

We know that high levels of engagement amongst our people is critical to Lion's ability to achieve its strategy.

During FY14 Lion developed and began implementing a new 10-year strategy supported by new business unit strategies and an organisational review. At the time of our engagement survey in August, the business was working through the structural changes of the organisational review.

Encouragingly we had an 80% response rate. However our engagement score across Lion dropped four points to 79%, meaning we fell away from the Towers Watsons Global High Performance Companies Zone of 84% we achieved in FY13. While disappointing, it was not surprising, given the amount of change and organisational design going on.

This reduction was primarily driven by drops in measures indicating motivation, intent to stay, advocacy and wellbeing. On the other hand, Lion people reported strong commitment to our vision, values and how they contribute to Lion's success, as well as an unwavering commitment to safety.

We remain deeply committed to growing engagement. Engaged people ensure highly engaged customers, consumers and the community and underpin business success.

While we expect FY15 will remain challenging, we aim to return our engagement scores to growth through a continued commitment to an achievement culture and detailed action plans that each function and business unit have developed and are focused on delivering.

CAPABILITY

Highly capable people are critical to our business. In addition to our leadership programs, we continue to invest heavily in broader capability programs. We have also developed a comprehensive learning and development plan for FY15 which is designed to take learning wider than the classroom; making it more available 'on the job', and at the point of learning need.

We will continue to build on our portfolio of leadership and technical skills development to ensure it is aligned to the needs of our business and our people.

Material developments in FY14 were:

- Continued implementation of technical and leadership learning programs across the sales, marketing, finance, information technology, supply chain and people and culture teams
- Significant finance capability programs were rolled out to support new financial systems and processes
- A number of new supply chain programs were initiated focused on technical competency and leadership skills



In FY14, 61% of our vacancies were filled internally, which is a great reflection of the depth of our capability and high levels of engagement among Lion people

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 also build trusted relationships for future opportunities.

Development and succession:

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 build bench and share talent internationally.

Diversity and inclusion:

We regard diversity as all the ways that we are different from each other including visible differences, such as age, gender, ethnicity, disability and physical appearance and the invisible differences such as values, lifestyle, religion, sexual orientation and education.

We believe in creating an environment where each person can flourish and is valued for their diverse experiences and perspective. We continue to keep a focus on this through targeted diversity programs and by tracking our progress against our diversity measures in our People Engagement survey.

In FY15 we are focusing on better understanding the diversity that exists within Lion through our Diversity Survey along with developing a strategy that aligns to Lions 10 year business strategy.

SAFETY AND WELLBEING

Wellbeing at Lion includes not only our people's physical safety, but also their psychological and social needs.

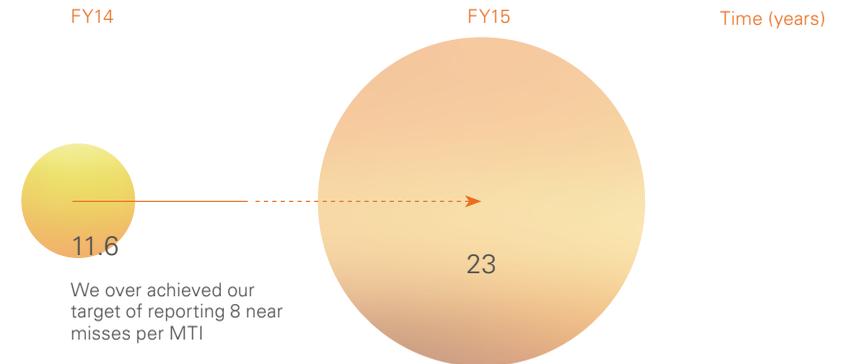
We believe our people achieve their best when their environment is safe from physical harm and supports positive social interaction. This is why we continue to focus on a holistic approach to wellbeing as a fundamental part of our people and culture strategy, with our FY16 goal being to achieve 'high levels of wellbeing at work'.

We were disappointed to see our Medically Treated Injury Frequency Rate increase during the year to 22.7% (up 5.6 % versus FY13), reversing some of the gains we made in FY13.⁴ However, some parts of our business continue to make significant improvements in reducing the actual number of our people injured at work including our craft and hospitality businesses. The actual numbers of lost time injuries (LTIs) and medically treated injuries (MTIs) decreased in both our Australian and New Zealand alcohol businesses.

⁴Medically 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.

Near miss reporting

Target reporting near misses per MTI



MATERIAL DEVELOPMENTS IN FY14 WERE: Near miss reporting:

We are committed to creating a reporting culture to identify potential causes and therefore prevent injuries. In FY14 we set a target of reporting 8 Near Misses to every MTI reported as a lead indicator. Across Lion we over achieved this by reporting 11.6 Near Misses per MTI. To continue the focus on Near Miss reporting we have set a target for FY15 of 23 Near Misses reported to every MTI reported.

Contractor safety:

During FY14 a very unfortunate incident occurred at our Speight's Brewery site where a contractor died whilst working on decommissioning a lift.

Worksafe NZ investigated the incident and took no action against Lion.

We recognise contractor safety is a key risk for our business and we are committed to doing all we can to extend our safety culture to third party contractors, including:

- Implementation of our 'Contractor Safety & Wellbeing' procedures and 'Permit to Work' project, which identifies the safety risks involved in their activity and puts in place appropriate controls
- Auditing contractors on our major projects to ensure they meet our safety standards

Safety and wellbeing capability:

We continued to deliver safety and wellbeing capability programs to our people. These programs focus on four key areas: Incident, Injury, Hazard and Contractor Management. Approximately 1,150 team members attended one or more of these modules in FY14.

Safety and wellbeing continuous improvement:

In FY13 we started implementing a safety and wellbeing continuous improvement initiative at our XXXX Brewery and we continued this roll out across several sites in FY14. This initiative focuses on improving the safety culture of an organisation by adopting best practice in health and safety at sites. This initiative

has had a significant impact on participating sites with increased engagement and involvement by team members.

Safety and wellbeing action plans:

Based on an annual internal audit against Australian Standard 4801, these plans are implemented across all of our sites and reviewed regularly – helping Lion to share best practice and establish a common approach to safety management.

Workplace relations:

A number of our people, predominantly in our supply chain operations, are covered by collective agreements.

We aim to engage with and empower our team members to achieve greater engagement and a shared understanding of issues. This constructive approach has led to greater levels of flexibility and willingness to change to support business imperatives.

We encourage all of our people to focus on modeling our '10 Behaviours that Add Value' and these deliver a framework for all aspects of Workplace Relations at Lion.

LION IN FIGURES

TOTAL PEOPLE EMPLOYED

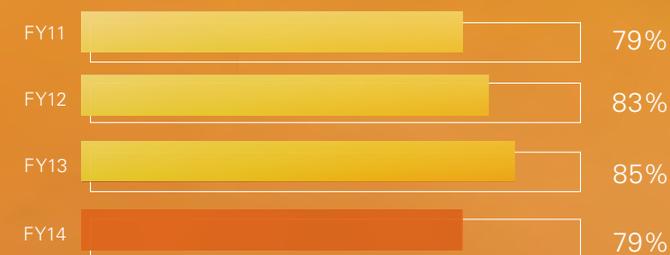


78%
COMMUNITY
ENGAGEMENT
OVERALL

WATER USAGE RATIO (kl/kl)



% OF PEOPLE ENGAGED



| | FY11 | FY12 | FY13 | FY14 |
|---|-------|--------------------|--------|--------|
| ECONOMIC IMPACT⁵ | | | | |
| Revenue (\$m) | 5,058 | 4,863 | 5,151 | 4,990 |
| EBIT pre significant items (\$m) | 595 | 625 | 698 | 668 |
| Direct economic value added (\$m) | 2,399 | 2,310 | 2,723 | 2,339 |
| Indirect economic value added (\$m) | 3,205 | 3,019 | 3,057 | 2,987 |
| Total value added (\$m) | 5,604 | 5,329 | 5,779 | 5,326 |
| PEOPLE | | | | |
| Total employed | 7,098 | 7,464 ⁶ | 7,700 | 7,201 |
| People engagement | 79% | 83% | 85% | 79% |
| Safety – (Medically Treated Injury Frequency Rate) ⁷ | 27.0 | 24.2 | 21.5 | 22.7 |
| COMMUNITY INVESTMENT | | | | |
| Total annual investment ⁸ | \$4m | \$2.4m | \$2.1m | \$2.7m |

| | FY11 | FY12 | FY13 | FY14 |
|---|-----------------------------|-----------------------------|--|--|
| ENVIRONMENTAL STEWARDSHIP | | | | |
| Water – Usage ratio (kl/kl) | 2.69 | 2.60 | 2.52 | 2.54 ⁹ |
| Energy – Usage ratio (Mj/L) | 1.20 | 1.23 | 1.21 | 1.15 |
| Emissions – Co ₂ e, Scopes 1 and 2 | 140.64 | 144.48 | 137.56 | 136.08 |
| Australian litter rate – items per 1,000m ² | 10/11 61 | 11/12 58 | 12/13 56 | 13/14 51 |
| FY14 COMMUNITY ENGAGEMENT | | | | |
| Community engagement overall – (positive reputation, trust, relationship quality) | Customer engagement – BSWAU | Customer engagement – BSWNZ | Farmer engagement – (positive reputation, trust, relationship quality) | Supplier engagement – overall satisfaction |
| | 78% | 8/10 | 8.1/10 | 43% |
| | | | | 78% |

⁵Lion 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.

⁶This number differs to that reported in our FY12 Sustainability Report as it also includes contractors.

⁷Medically 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.

⁸In 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.

⁹Data is limited to production facilities, vineyards, hospitality venues and one packaging / contract manufacturing operation.

GRI INDEX

| GRI INDICATOR | GRI ASPECT | LION MATERIAL THEME | LION MATERIAL ISSUES | PAGE AND LOCATION IN REPORT | EXTERNAL ASSURANCE |
|-------------------------------|---|--|---|---|--|
| STRATEGY AND ANALYSIS | | | | | |
| G4-1 | Statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability and strategy for addressing sustainability | Sustainable growth and economic contribution | Strategy and growth potential | Pg 2 – A message from our CEO and Sustainability Director; and Pgs 4-7 – Focus on strategy and materiality | Assurance not conducted on this data set |
| ORGANISATIONAL PROFILE | | | | | |
| G4-3 | Name of organisation | N/A | N/A | Pg 1 – Scope of report Pg 59 – Name, ABN and contact details | Assurance not conducted on this data set |
| G4-4 | Primary brand, products and services | N/A | N/A | Pg 3 – Our business | Assurance not conducted on this data set |
| G4-5 | Location of headquarters | N/A | N/A | Pg 59 – Name, ABN and contact details | Assurance not conducted on this data set |
| G4-6 | Number of countries where the organisation operates, and names of countries where either it has significant operation or that are specifically relevant to the sustainability topics covered in the report | N/A | N/A | Pg 3 – Our business | Assurance not conducted on this data set |
| G4-7 | Nature of ownership and legal form | N/A | N/A | Pg 59 – Name, ABN and contact details | Assurance not conducted on this data set |
| G4-8 | Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries) | Sustainable Growth and Economic Contribution | Strategy and growth potential Dairy industry sustainability Tapping the Asian food boom | Pg 3 – Our business | Assurance not conducted on this data set |
| G4-9 | Scale of organisation including: <ul style="list-style-type: none"> • Total number of employees • Total number of operations • Net sales (for private organisations) or net revenues (for public sector organisations) • Total capitalisation broken down in terms of debt and equity (for private sector organisations) • Quantity of products or services provided | Sustainable Growth and Economic Contribution | Strategy and growth potential Job creation | Pg 3 – Our business | Assurance not conducted on this data set |



GRI INDEX continued

| | | | | | |
|-------|--|--|---|--|---|
| G4-10 | <p>a) Total number of employees by employment contract and gender</p> <p>b) Total number of permanent employees by employment type and gender</p> <p>c) Total workforce by employees and supervised workers and by gender</p> <p>d) Total workforce by region and gender</p> <p>e) Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than</p> <p>f) employees or supervised workers, including employees and supervised employees of contractors</p> <p>g) Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)</p> | <p>Building an achievement culture</p> <p>Sustainable growth and economic contribution</p> | <p>Fairness in the workplace</p> <p>Diversity and Gender equality</p> <p>Job creation</p> | <p>Relevant section: Focus on building an achievement culture pgs 44-50</p> | <p>Assurance not conducted on this data set</p> |
| G4-11 | Percentage of total employees covered by collective bargaining agreements | Building an achievement culture | Fairness in the workplace | Relevant section: Focus on building an achievement culture pgs 44-50 | Assurance not conducted on this data set |
| G4-12 | Organisation's supply chain | Responsible value chain | Sustainable sourcing Fair treatment of suppliers (inc. farmers) | Pgs 24-25 – Focus on a responsible value chain | Assurance not conducted on this data set |
| G4-13 | Significant changes during the reporting period regarding size, structure, ownership, or supply chain | Sustainable growth and economic contribution | Strategy and growth potential Job creation Dairy industry sustainability Tapping the Asian food boom | <p>Pg 9-10 – Focus on sustainable growth and economic contribution</p> <p>Specifically: Business Performance and economic contribution, Organisational review and Closure of juice facilities, Lion Asia Dairy</p> <p>Pg 22 – Focus on a sustainable value chain</p> <p>Specifically: Launching the Daily Drinks Co, Returns in the dairy and juice industries</p> | Assurance not conducted on this data set |
| G4-14 | Report whether and how the precautionary approach or principle is addressed by the organisation | Responsible value chain | N/A | Pg 19 – Focus on a responsible value chain: Stage One – Governance and Risk Management | Assurance not conducted on this data set |
| G4-15 | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses. | Trusted business partners Responsible value chain Environmental stewardship | <p>Industry leadership/ collaboration</p> <p>Stakeholder engagement/ responsiveness to community concerns</p> <p>Sustainable sourcing</p> <p>Fair treatment of suppliers (inc. farmers)</p> <p>Alcohol culture change</p> <p>Nutrition culture change</p> <p>Emissions/ energy</p> <p>Waste</p> | <p>Pgs 11-17 – Focus on being trusted business partners, specifically industry leadership, policy and collaboration</p> <p>Pgs 18-35 – Focus on a responsible value chain; and</p> <p>Pgs 40-43 – Focus on environmental stewardship</p> | Assurance not conducted on this data set |
| G4-16 | <p>Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation:</p> <ul style="list-style-type: none"> • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic | Trusted business partners | <p>Industry leadership/ collaboration</p> <p>Stakeholder engagement/ responsiveness to community concerns</p> | <p>Pgs 11-17 – Focus on being trusted business partners, specifically Industry leadership, policy and collaboration</p> <p>A full list of memberships is outlined on our website at www.lionco.com/sustainability</p> | Assurance not conducted on this data set |



GRI INDEX continued

| IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES | | | | | |
|--|---|---------------------------|--|--|--|
| G4-17 | a) All entities included in the organisation's consolidated financial statements or equivalent documents. b) Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report. | N/A | N/A | Pg 1 – Scope of report | Assurance not conducted on this data set |
| G4-18 | a) Process for defining the report content and the aspect boundaries. b) How the reporting principles for defining report content has been implemented | N/A | N/A | Pgs 4-7 – Focus on strategy and materiality | Assurance not conducted on this data set |
| G4-19 | List all the material aspects identified in the process for defining report content | N/A | N/A | Pg 7 – Focus on strategy and materiality | Assurance not conducted on this data set |
| G4-20 | For each material aspect, report the aspect boundary as follows: <ul style="list-style-type: none"> • Report whether the aspect is material within the organisation • If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> • The list of entities or groups of entities included in G4-17 for which the aspect is not material or • The list of entities or groups of entities included in G4-17 for which the aspects is material • Report any specific limitation regarding the aspect boundary within the organisation | N/A | N/A | Pgs 4-7 – Focus on strategy and materiality, aspect boundaries outlined in diagram on page 7. | Assurance not conducted on this data set |
| G4-21 | For each material aspect, report the aspect boundary outside the organisation, as follows: <ul style="list-style-type: none"> • Report whether the aspect is material outside of the organisation • If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified • Report any specific limitation regarding the aspect boundary outside the organisation | N/A | N/A | Pgs 4-7 – Focus on strategy and materiality, aspect boundaries outlined in diagram on page 7. | Assurance not conducted on this data set |
| G4-22 | Effect of any restatements of information provided in previous reports, and the reasons for such restatements | N/A | N/A | Pg 43 – Environmental Stewardship, specifically Accreditation, reporting, notable incidents and complaints | Assurance not conducted on this data set |
| G4-23 | Significant changes from previous reporting periods in the scope and aspect boundaries | N/A | N/A | Pgs 4-7 – Focus on strategy and materiality | Assurance not conducted on this data set |
| STAKEHOLDER ENGAGEMENT | | | | | |
| G4-24 | Stakeholder groups engaged by the organisation | Trusted business partners | Industry leadership/ collaboration Stakeholder engagement/ responsiveness to community concerns | Pgs 11-17 – Trusted business partners | Assurance not conducted on this data set |



GRI INDEX continued

| | | | | | |
|-----------------------|--|---------------------------|--|--|---|
| G4-25 | Basis for identification and selection of stakeholders with whom to engage | Trusted business partners | Industry leadership/ collaboration Stakeholder engagement/ responsiveness to community concerns | Pgs 4-7 – Focus on strategy and materiality Pgs 11-17 – Trusted business partners | Assurance not conducted on this data set |
| G4-26 | Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process | Trusted business partners | Industry leadership/ collaboration Stakeholder engagement/ responsiveness to community concerns | Pgs 11-17 – Trusted business partners | Assurance not conducted on this data set |
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns | Trusted business partners | Industry leadership/ collaboration Stakeholder engage- ment/ responsive- ness to community concerns | Pgs 11-17 – Trusted business partners | Assurance not conducted on this data set |
| REPORT PROFILE | | | | | |
| G4-28 | Reporting period for information provided | N/A | N/A | Pg 1 – Scope of Report | Limited assurance conducted |
| G4-29 | Date of most recent previous report | N/A | N/A | FY13 – mentioned throughout | Limited assurance conducted |
| G4-30 | Reporting cycle | N/A | N/A | Pg 1 – Scope of Report | Limited assurance conducted |
| G4-31 | Contact point for questions regarding the report or its contents | N/A | N/A | Pg 59/ Back page | Limited assurance conducted |
| G4-32 | a) 'In accordance' option chosen b) GRI Content Index for the chosen option Reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.) | N/A | N/A | Pg 59/ Back Page plus this document | Limited assurance conducted |
| G4-33 | a) Policy and current practice with regard to seeking external assurance for the report. b) If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c) Relationship between the organisation and the assurance providers. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report. | N/A | N/A | Pg 59/ Back Page plus this document | Limited assurance conducted |
| GOVERNANCE | | | | | |
| G4-34 | Governance structure, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts | Responsible value chain | N/A | Pg 6 – Our Sustainability Governance | Assurance not conducted on this data set |

GRI INDEX continued

| ETHICS AND INTEGRITY | | | | | |
|--|---|--|---|--|--|
| G4-56 | Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics | All material issues | All material issues | Throughout report | Assurance not conducted on this data set |
| SPECIFIC STANDARD DISCLOSURES | | | | | |
| Category: Economic Aspects: Economic performance, Indirect economic impacts Generic disclosures on management approach | | | | | |
| G4 DMA | a) Why this is material and the impact that makes it material. b) How organisation manages it or its impacts c) Management approach, including: <ul style="list-style-type: none"> • Mechanisms for evaluating its effectiveness • Results of the evaluation • Any related adjustments to the management approach | N/A | N/A | Pg 2 – Strategy as outlined in CEO/ Sustainability Director message. Pgs 4-7 – Focus on strategy and materiality Pgs 8 –10 – Focus on sustainable growth and economic contribution | Limited assurance conducted |
| DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED | | | | | |
| G4 – EC1 | <ul style="list-style-type: none"> • Direct economic value generated: <ul style="list-style-type: none"> – Revenues • Economic value distributed: <ul style="list-style-type: none"> – Operating costs – Employee wages and benefits – Payments to providers of capital – Payments to government (by country) – Community investments • Economic value retained (calculated as ‘Direct economic value generated’ less ‘Economic value distributed’) | Sustainable growth and economic contribution | Strategy and growth potential Dairy Industry sustainability Tapping the Asian food boom | Pg 9 – Focus on sustainable growth and economic contribution | Assurance not conducted on this data set |
| SIGNIFICANT INDIRECT ECONOMIC IMPACTS, INCLUDING THE EXTENT OF IMPACTS | | | | | |
| G4 – EC8 | Examples of significant identified positive and negative indirect economic impacts | Sustainable growth and economic contribution | Strategy and growth potential Job creation Dairy Industry sustainability Tapping the Asian food boom | Pgs 9-10 – Focus on sustainable growth and economic contribution | Limited assurance conducted |
| CATEGORY: ENVIRONMENT | | | | | |
| G4 – EN23 | <ul style="list-style-type: none"> • Report the total weight of hazardous and non-hazardous waste, by the following disposal methods: <ul style="list-style-type: none"> o Reuse o Recycling o Composting Recovery, including energy recovery Incineration (mass burn) o Deep well injection o Landfill o On-site storage o Other (to be specified by the organization) • Report how the waste disposal method has been determined: <ul style="list-style-type: none"> o Disposed of directly by the organization or otherwise directly confirmed Information provided by the waste disposal contractor o Organizational defaults of the waste disposal contractor | Environmental Stewardship | Waste | Pgs 37-41 – Focus on environmental stewardship Lion has reported industry-wide Australian Packaging Covenant data since 2003 for: <ul style="list-style-type: none"> • National packaging recycling rate • Rate of packaging going to landfill • The national litter index In respect of New Zealand, Lion has reported the national glass-recycling rate, the only measure currently available. | Limited assurance conducted |



GRI INDEX continued

MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

| | | | | | |
|-----------|--|---------------------------|-------|---|--|
| G4 – EN29 | a) Report significant fines and non-monetary sanctions in terms of: <ul style="list-style-type: none"> Total monetary value of significant fines Total number of non-monetary sanctions Cases brought through dispute resolution mechanisms b) Where organizations have not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient. | Environmental Stewardship | Waste | Pgs 37-41 – Focus on environmental stewardship – material incidents | Assurance not conducted on this data set |
|-----------|--|---------------------------|-------|---|--|

Category: Social/ Labour practices and decent work

Aspects: Employment, Labour/ Management Relations, Occupational Health and Safety, Training and Education, Diversity and equal opportunity, Equal remuneration for Women and Men

Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region and by gender, occupational diseases, lost days and absenteeism,

| | | | | | |
|----------|--|---------------------------------|------------------------------|---|-------------------------------------|
| G4 DMA | a) Why this is material and the impact that makes it material. b) How organisation manages it or its impacts c) Management approach, including: <ul style="list-style-type: none"> Mechanisms for evaluating its effectiveness Results of the evaluation Any related adjustments to the management approach | N/A | N/A | Pg 7 – Focus on strategy and materiality Pg 45 – Our People infographic Pg 49 – Safety and Wellbeing | Limited assurance conducted |
| G4 – LA6 | a) Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities, for the total workforce (that is, total employees plus supervised workers), by: <ul style="list-style-type: none"> Region Gender b) Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities for independent contractors working on-site to whom the organization is liable for the general safety of the working environment, by: <ul style="list-style-type: none"> Region Gender c) Report the system of rules applied in recording and reporting accident statistics. | Building an achievement culture | Health, safety and wellbeing | Pg 45 – Our People infographic Pg 49 – Safety and Wellbeing MITFR and sub-contractor fatality reported Lion does not report specific types of injury, LDR or AR or cut the data by gender as it is not viable for Lion to collect such data at this point in time. | Limited assurance conducted (MTIFR) |

PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, BY GENDER AND EMPLOYEE CATEGORY

| | | | | | |
|-----------|--|---------------------------------|------------------------|--|--|
| G4 – LA11 | a) Report the percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period. | Building an achievement culture | Culture and engagement | Pg 46 – Building an achievement culture – Capability | Assurance not conducted on this data set |
|-----------|--|---------------------------------|------------------------|--|--|

GRI category: Social/ Product responsibility

Aspects: Customer health and safety, Product and service labelling, Marketing communications, Compliance

| | | | | | |
|----------|--|-----|-----|--|--|
| G4 – DMA | a) Why this is material and the impact that makes it material. b) How organisation manages it or its impacts c) Management approach, including: <ul style="list-style-type: none"> Mechanisms for evaluating its effectiveness Results of the evaluation Any related adjustments to the management approach | N/A | N/A | Pg 7 – Focus on strategy and materiality | Assurance not conducted on this data set |
|----------|--|-----|-----|--|--|



GRI INDEX continued

PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE CATEGORIES FOR WHICH HEALTH AND SAFETY IMPACTS ARE ASSESSED FOR IMPROVEMENT

| | | | | | |
|--|--|-------------------------|-------------|---|-----------------------------|
| G4 – PR1 (including food processing sector supplement) | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement. Report steps taken as a result of such procedures and the steps taken. | Responsible value chain | Food safety | Relevant section: Responsible value chain (pgs 18-36) Specifically: Pgs 26-27 – Manufacturing – Improved dairy and drinks quality assurance/ MEX Note – no percentage given. Essentially all our major product and service categories of alcohol, dairy and juice are assessed for risks on an ongoing basis through our risk champion process, while we conduct a continual role out of continuous improvement initiatives across our manufacturing facilities. Our MEX quality assurance initiative touches our entire business. | Limited assurance conducted |
|--|--|-------------------------|-------------|---|-----------------------------|

TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES DURING THEIR LIFE CYCLE, BY TYPE OF OUTCOMES

| | | | | | |
|----------|--|-------------------------|-------------|---|--|
| G4 – PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: <ul style="list-style-type: none"> • Incidents of non-compliance with regulations resulting in a fine or penalty • Incidents of non-compliance with regulations resulting in a warning • Incidents of non-compliance with voluntary codes | Responsible value chain | Food safety | Relevant section: Responsible value chain (pgs 18-36) Specifically: Pgs 26-27 – Manufacturing – Manufacturing – Improved dairy and drinks quality assurance/ MEX Note: no material adjudications or fines to disclose in FY14. | Assurance not conducted on this data set |
|----------|--|-------------------------|-------------|---|--|

TYPE OF PRODUCT AND SERVICE INFORMATION REQUIRED BY THE ORGANISATION'S PROCEDURES FOR PRODUCT AND SERVICE INFORMATION AND LABELLING, AND PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE CATEGORIES SUBJECT TO SUCH INFORMATION REQUIREMENTS

| | | | | | |
|----------|--|-------------------------|--|---|-----------------------------|
| G4 – PR3 | Whether the following product and service information is required by the organisation's procedures for product and service information and labelling: <ul style="list-style-type: none"> • The sourcing of components of the product or service • Content, particularly with regard to substances that might produce an environmental or social impact • Safe use of the product or service • Disposal of the product and environmental/social impacts • Other (explain) b) Report the percentage of significant product or service categories covered by and assessed for compliance with such procedures. | Responsible value chain | Consumer information (via education, labelling etc.) Alcohol and nutrition culture change | Relevant section: Responsible value chain (pgs 18-36) Specifically: Pgs 29 – 32 – Consumption – clear and effective labelling – statistics given re. standard drinks and pregnancy labelling. | Limited assurance conducted |
|----------|--|-------------------------|--|---|-----------------------------|

SECTOR SUPPLEMENT – FOOD PROCESSING

Aspects: Healthy and affordable food

| | | | | | |
|----------|---|-------------------------|---------------------------------|--|--|
| G4 – FP6 | Percentage of sales volume of consumer products, by product category, that are lowered in saturated fat, trans-fats, sodium and added sugars. | Responsible value chain | Product formulation/ innovation | Relevant section: Responsible value chain (pgs 18-36) Specifically: Pg 21 - Product development (Goodness Project) Note: targets only are supplied in year 1. Progress will be reported in future years. | Limited assurance conducted (Goodness Project) |
|----------|---|-------------------------|---------------------------------|--|--|



ASSURANCE AND GRI

This year we produced our report 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 in accordance level. It is the second 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](#).

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