



LION

20

17

*Sustainability
Report*

Our Leading Brands

Alcohol



Dairy & Juice



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SCOPE

This report covers all Lion operations in Australia and New Zealand for the financial year from 1 January 2017 through to 31 December 2017, unless otherwise stated. Where FY is used it refers to our old financial year of 1 October through to 30 September. This financial year is referred to as 2017 throughout the report. The report does not cover the operations of our parent company Kirin Holdings.

Joint ventures (JVs) are included in some data and will be specifically referenced as such. JVs with Vitasoy and Capitol Chilled Foods Australia (CCFA) are included in environment measures, people and engagement data, and the facilities listed on page 7.

In accordance with GRI Standards (Core), our boundaries for material issues are disclosed throughout the report. If you would like to review our assurance process or read our GRI Index, please click [here](#).

Welcome



Welcome to Lion's 2017 Sustainability Report.

At Lion we define our core purpose – our central objective – not in terms of shareholder returns, but the value we deliver for society. We exist to champion sociability and help people to live well. That's why sustainability and trust are core to delivering our business strategy, not something we do on the side.

For us at Lion, sustainability is about doing the right thing for the long term. For the Long Term is our vision for a better future. A future where everyone enjoys the benefits of positive sociability and living well through responsible consumption and easy access to good nutrition. Where our people, customers, suppliers and all of the communities we touch thrive and prosper. And it's this vision that helps guide our decision-making at every level of the organisation.

We refreshed our sustainability strategy in 2017 to focus on three pillars:



*Be Sociable
& Live Well*



Tread Lightly



*Grow our
Positive Impact*



We believe that by operating in a transparent and responsible way and delivering against these core commitments, we can be a force for good: creating value for Lion, our partners and the communities we operate in.

In 2017 we made good progress, continuing to lead innovation in mid-strength beer with new brands including Iron Jack at 3.5% ABV (Alcohol By Volume) in Australia and Lilli by Lindauer in New Zealand, a 4.5% ABV sparkling wine that is much lower in sugar and calories than cider or RTDs. And as part of our ongoing Goodness Promise commitments we launched Farmers Union yoghurt pouches, enabling healthy snacking while on the go.

We're also pleased to report that both our health and safety and engagement scores improved during 2017, and we continue to receive positive feedback from our people about our closure of the gender pay gap in 2016. We have now built on this, last year announcing a new target of achieving a 50:50 gender split across our entire business by 2026. It's an ambitious commitment, but we know it's the right thing to do and will ultimately provide us with a stronger business better placed to grow and expand at home and in new markets.

But while we're making good progress, we also know that we can't be complacent. So we're continuing to look at our operations and how we can identify opportunities for improvement, including revisiting and strengthening our responsible sourcing policy in 2018 and investing in renewable energy projects.

We hope you enjoy our 2017 Sustainability Report, our first to report against our new calendar year. Don't forget to visit our dedicated For the Long Term sustainability microsite at sustainability.lionco.com for further updates on our performance throughout the year.

Stuart Irvine

CEO

Libby Davidson

Group General Counsel,
Sustainability & External
Relations Director



Click on this icon throughout the report to find out more information on our website: sustainability.lionco.com

About Lion



For more than 170 years, Lion has crafted some of Australia and New Zealand's most loved brands in beer, wine, dairy and juice.

These are brands steeped in history. Brands that reflect craftsmanship and quality. Brands that evoke memories of great times with family and friends.

We believe that our heritage, combined with our drive for growth at home and in new markets, will ensure that our products continue to be part of people's lives for many years to come.

OUR CORE PURPOSE

*To enrich our world every day
by championing sociability and
helping people to live well.*

Lion in Numbers

\$ 4.1bn

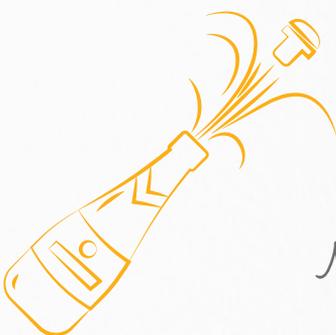
Revenue


\$ 475m
Earnings before interest and tax (EBIT)

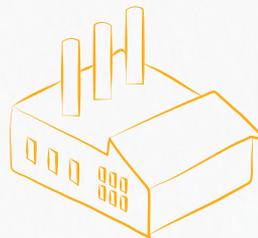

\$ 771m
Employee benefits and wages


\$ 2.3m
Community investment


6,640
People employed



34
Manufacturing facilities across 4 countries



History



LION NATHAN (LN) IS FORMED

when New Zealand's largest retailer, LD Nathan & Co, merges with brewer, wine and spirit manufacturer and hotel operator, Lion Breweries.

1840

LD NATHAN ESTABLISHED AS A TRADING COMPANY IN NZ.



1988

Dairy Farmers Milk Co-operative formed.

1900

1998

Kirin acquires 45% interest in LN.

2007

Kirin acquires National Foods.

2008

National Foods acquires Dairy Farmers Milk Co-operative.

2009





LION

WE BECOME LION

operating as one company with three businesses:

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



2011

Kirin Group acquires remaining LN shares and obtains 100% ownership.

Lion Nathan National Foods formed.

2014

Lion develops Asia dairy export strategy.

2016

Byron Bay Brewery acquired.

Eumundi beer relaunched.

Little Creatures opens venue in Kennedy Town, Hong Kong.

Panhead craft beer business acquired.

2010

LN acquires Lindauer.

2012

Lion acquires Little World Beverages and Emerson's.

2015

LION GLOBAL MARKETS ESTABLISHED

Official opening of The Heritage specialty cheese facility.

Sale of everyday cheese business.

Sale of Fine Wine Partners business.

2017

Malt Shovel craft beer business established within Lion Beer Australia.

First Little Creatures 'Brewers Lab' opens in Shanghai, China.

Lion acquires a minority shareholding in GoodBuzz Beverage Co. in NZ.

Lion acquires minority shareholdings in Made by Cow, Ordermentum, BarCats and Schibello Coffee.

Lion Unleashed corporate accelerator program launched.



Our Business

ARGYLE, OREGON



MACROSTIE, CALIFORNIA



MALANDA

BRISBANE

XXXX, Milton

CRESTMead

Byron Bay Brewing Co. BYRON BAY

PERTH

Bentley

Little Creatures, Fremantle

ADELAIDE

Salisbury

West End, Thebarton

LEETON

Vitasoy, WODONGA Joint venture

CCFA, CANBERRA Joint venture

Little Creatures and White Rabbit, GEELONG

MORWELL

KING ISLAND

The Heritage, BURNIE

James Boag's, LAUNCESTON

MELBOURNE

Chelsea Heights

Docklands

LENAH VALLEY

34
Manufacturing sites



Little Creatures.
HONG KONG

Australia and New Zealand

SYDNEY

- Malt Shovel, Camperdown
- CBD, York St
- Sydney Olympic Park

WESTERN SYDNEY

- Tooheys, Lidcombe
- Penrith
- Smithfield
- Wetherill Park

AUCKLAND

- Freemans Bay
- The Pride
- East Tamaki

PALMERSTON NORTH



Wither Hills, MARLBOROUGH



DUNEDIN

- Emerson's Dunedin
- Speight's Dunedin

LEGEND

- Major Office
- Craft Brewery
- Major Brewery
- Winery
- Specialty Cheese Facility
- Milk Processing Facility
- Dairy Food Facility
- Plant Milk Facility
- Juice Facility
- Contract Bottling Facility

Value Chain

Manufacturing

For us, it's critical to deliver the highest quality food and beverages while treading as lightly as possible on the planet, and ensuring the health and safety of our people. We continually review and improve both our environmental and safety measures and set clear environmental targets that meet the international standards to which we hold ourselves accountable.



Marketing & Sales

We pride ourselves on responsible marketing and adhere to a number of best-practice self-regulatory codes. Our Marketing and Sales teams are trained in responsible marketing standards, while robust consumer and competition law training is in place for all of our people. We also work hard to promote the inherent goodness of dairy through our marketing and advertising.





Product Development & Innovation

The reach of our brands means that we can play a direct role in improving the choices and health of families across Australia and New Zealand. We do this through nutrition initiatives like Our Goodness Promise, which celebrates the existing goodness of our products, and illustrates our commitment to further improve their nutritional value. We also continue to drive lower-than-full-strength innovation in our alcohol portfolio.



Sourcing

Our procurement policy and responsible sourcing code establish the environmental, social and human rights standards we expect from suppliers. We work directly with our Australian dairy farmers and fruit suppliers to better understand their needs and foster long-lasting and mutually beneficial partnerships, as well as promoting sustainable farming practices and animal welfare standards.

Consumption

We provide transparent product labelling information to help consumers make informed purchase decisions, in terms of both nutritional and alcohol content. Our responsible consumption initiatives are aimed at building a positive drinking culture and ensuring our brands are consumed in the spirit of sociability and wellbeing. Through Our Goodness Promise we have a number of commitments to help improve the nutritional literacy of consumers. We continue to look at how we can reduce our packaging and better inform consumers about recycling.





Economic Value Distribution

As one of the largest food and beverage companies in the region, our impact on local and national economies is significant.

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

Operating costs including community investments	\$3.67bn
Employee wages and benefits	\$771m
Payments to providers of capital	\$158m
Payments to governments	\$148m
Total economic value distributed	\$4.75bn

In addition we paid almost \$1.1bn to governments in excise, Wine Equalisation Tax (WET) and customs duty. We also received \$7.5m in payments from government in 2017, including:

Tasmanian Freight Equalisation Scheme	\$3.85m
R&D Tax Credit	\$3.14m
WET Producer Rebate	\$500,000

TAX TRANSPARENCY

Lion supports the Australian Government's Voluntary Tax Transparency Code as a platform to better inform public debate about tax policy and to increase transparency for the wider community.

In 2017, Lion paid a total \$1.02bn tax in Australia and \$317m tax in New Zealand, including excise, WET, customs duty, GST, HPA levy and other corporate-related taxes.

Our tax transparency reports are publicly available on our corporate website.





Strategy & Governance

2020 BUSINESS STRATEGY

Lion's 2020 business strategy is focused on growth at home and in new markets, while living up to our core purpose to champion sociability and live well. Our strategy has three pillars:

Build our brands to grow the core

Accelerate new avenues for growth

Customer at the heart

Within this third customer-focused pillar sits a business-wide commitment to *Sustainability and Trust*. Through this commitment, we've prioritised three key areas of focus:

- Champion nutrition and responsible consumption.
- Proactively reduce our environmental footprint and source ethically.
- Build strong and inclusive community relationships.

SUSTAINABILITY GOVERNANCE

We report annually on our Creating Shared Value commitments to Lion's parent company, Kirin Holdings, and Lion's CEO is accountable to the Board for the direction, governance and implementation of the Group Sustainability Strategy.

The Sustainability Director is accountable for our sustainability strategies overall, with the Group Supply Chain & Technical (GSCT) Director accountable for the company's environmental and responsible sourcing strategies.

You can find full details of Lion's corporate and sustainability governance frameworks and competition and consumer law compliance programs on our website.

 [Read more](#)

Materiality & Engagement

We believe that open two-way dialogue is key to building enduring relationships based on trust.

STAKEHOLDER ENGAGEMENT

Through our day-to-day business activities, we regularly engage with stakeholders including:

- Employees
- Customers
- Suppliers, including dairy farmers and fruit suppliers
- Distributors
- Marketing and sponsorship partners
- Industry groups
- Policy makers and regulators
- The community
- Charities and not-for-profits

The frequency and nature of this engagement is tailored to the unique needs of our various stakeholder groups.

For example:

- We send regular newsletters to our dairy farmers to keep them up to date on business news, and also host a number of roadshows during the year in key regional locations – giving farmers a chance to engage with our management team about issues that are important to them.

- We are proud to host an annual thank you dinner for our key suppliers across the Lion Group, which provides an opportunity to recognise the importance of our collaborative supplier partnerships across all areas of our business.
- We also regularly engage with our industry groups, regulators and politicians on policy matters of importance to our business and stakeholders.
- In terms of internal engagement, we have regular CEO Forums, business updates and engagement surveys to provide opportunities for two-way feedback throughout the year.

To gain more insight and feedback, we carry out a Corporate Reputation Study every two years, involving a survey of key stakeholders and 2,000 people in the broader community. The objective is to find out about issues that are important to our stakeholders, and gauge their perceptions of Lion. The last survey was done in early 2016, with top-level results published in our FY15 report. The next survey is due to take place in 2018.

We are also a member of a range of industry associations. Full details of our memberships can be found on our website.

[Read more](#)



MATERIALITY AND SDG PROCESS

We've developed our list of material issues through ongoing consultation, both with our own people and those outside our business. We've also done extensive competitor and peer analysis.

In 2017, we reviewed the United Nations Sustainable Development Goals (SDGs) to understand which were relevant to our business, and how we could connect them to our sustainability strategy and material issues. This involved following a robust, four-step process:

1. Completing a thorough SDG review in the context of all of Lion's business activities.
2. Mapping the list of identified goals to our value chain.
3. Mapping the list of identified goals to a company impact matrix, looking at both direct and indirect influence.
4. Considering the relevance to our stakeholders of the identified goals.

At the end of this process we identified the six SDGs where Lion can have the greatest impact and create the biggest market opportunities, #3, #8 and #12 being the most materially relevant.



We also found a further four SDGs that open up opportunities to particular parts of our value chain or, in the case of #17, present a new approach for working towards our goals.



While we haven't specifically identified SDG #13 (Climate Action), we have addressed our impact and approach to climate change under SDGs #6, #7, #12, #14 and #15.

We now plan to use our identified core SDGs as a focus for future activities, and a platform from which we can explore new ways to Create Shared Value.



2017

Material Issues

HIGHLY MATERIAL

 1 Obesity & Poor Nutrition	 9 Water Scarcity & Quality
 2 Alcohol Misuse & Anti-Social Behaviour	 10 Packaging Waste
 3 Adverse Health Impacts of Our Products	 12 Sustainable Agriculture Procurement
 4 Transparent Labelling	 13 Supporting Local Communities
 5 Responsible Marketing	 16 Culture & Engagement
 7 Sustainable Procurement	 17 Safety, Health & Wellbeing
 8 Climate Change	 18 Diversity & Inclusion
	 20 Governance & Risk Management

MATERIAL

 6 Animal Welfare	 19 Access to Skilled People
 11 Food Waste	 21 Food Safety

IMPORTANT

 14 Community Resilience & Wellbeing	 15 Poverty & Inequality
--	--

Our Strategy



BUILD OUR BRANDS TO GROW THE CORE

CUSTOMER AT THE HEART

ACCELERATE NEW AVENUES FOR GROWTH

SUSTAINABILITY & TRUST

Be Sociable and Live Well

Champion nutrition

① ③

Encourage responsible drinking

② ③

Provide transparent labelling

④ ⑤



For the Long Term

Tread Lightly

Take action on climate change

⑧ ⑨ ⑦

Reuse & recycle – adopt a circular economy

⑩ ⑦

Promote responsible sourcing

⑦



Grow our Positive Impact

Support our communities

⑬ ⑭ ⑳

Support our suppliers

⑫ ⑬ ⑳

Support our people

⑯ ⑰ ⑱ ⑳



○ ○ ○ Material topics

Targets & Progress

Be Sociable and Live Well

We are committed to championing better nutrition and responsible consumption.

Commitments	Targets	Progress
<p>Champion nutrition</p> <p><i>Across our Dairy & Drinks portfolio:</i></p>	<ul style="list-style-type: none"> 100% of our children's products and 80% of our adult products (by volume) will meet our 'best' or 'good for you' criteria by 2019. By 2019, we will reduce added sugar and salt/sodium by 10% and 5% respectively, and reduce fat by 10% in our 'treat' products. 	<ul style="list-style-type: none"> 76% of our Lion Dairy & Drinks sales volume is in the 'best' or 'good for you' categories. Reformulations should result in an 897-tonne reduction in added sugar over the next year — 62% of our target (1,440 tonnes, 10% of our 2014 volume).
<p>Encourage responsible drinking</p>	<ul style="list-style-type: none"> We will continue with innovation in the lower-than-full-strength category in Australia and New Zealand. By 2020 we will have externally engaged 5,000 people in New Zealand in our Alcohol&Me responsible drinking program and continue to roll this out to our people in Australia. 	<ul style="list-style-type: none"> New lower-alcohol options launched in 2017 include Iron Jack (a 3.5% ABV beer) and James Squire Mid River (also a 3.5% ABV beer) in Australia, and Lindauer Sparking Grape Juice in New Zealand. 3,113 in 2017 (3,459 in FY17) people have completed the three-hour Alcohol&Me program, with 28 new businesses attending showcase events in New Zealand. We are making good progress around our Cheers! and DrinkWise investments, as outlined on page 24.
<p>Provide transparent labelling</p>	<ul style="list-style-type: none"> We will provide nutrition information panels on all permanent Lion-owned key beer brands in Australia and in New Zealand by the end of 2018. We will roll out Health Star Ratings on 100% of our Dairy & Drinks' retail products by 2018. 	<ul style="list-style-type: none"> At the end of 2017, 97% of permanent Lion-owned key beer brands in Australia and 79% of permanent Lion-owned key beer brands in New Zealand bore nutrition information panels. By the end of 2017, 60% of our products had been updated to bear Health Star Ratings, up from 43% in FY16.

Tread Lightly

We are committed to proactively reducing our environmental footprint and sourcing responsibly.

Commitments	Targets	Progress
Take action on climate change	<ul style="list-style-type: none"> We will reduce our carbon emissions by 30% from our FY15 levels by 2026. We will install 10MW solar energy generation by 2025. We will map water risk and impact in our supply chain, in 2018 identify water stress areas and develop a targeted water stewardship plan in 2019. 	<ul style="list-style-type: none"> By the end of 2017, our carbon emissions (scopes 1 and 2) had been reduced by 12.8%. Our new Dairy & Drinks distribution centre is currently being built in Chullora, Sydney, and will feature solar panels. A water stress study is planned for 2018.
Reuse and recycle – adopt a circular economy	<ul style="list-style-type: none"> 100% of our consumer packaging will be recyclable by 2025. Our packaging will contain at least 50% recycled content by 2025. We will collaborate with industry and other stakeholders to simplify recycling information and help our consumers improve their recycling. 	<ul style="list-style-type: none"> Around 90% of our consumer packaging is recyclable through existing schemes. By the end of 2018, we will have a baseline for recycled content.
Promote responsible sourcing	<ul style="list-style-type: none"> All high-risk suppliers will complete supply chain risk assessments increasing our traceability further down the supply chain beyond first tier suppliers by 2020. 	<ul style="list-style-type: none"> 96 of our suppliers have completed supply chain risk self-assessments.

Grow our Positive Impact

We will help foster strong and resilient communities.

Commitments	Targets	Progress
Support our communities	<ul style="list-style-type: none"> We will positively impact young people through Lion-funded early intervention programs. We will increase our people's engagement with community causes they are passionate about (and specifically our volunteering hours by 10%). 	<ul style="list-style-type: none"> 14,877 people were supported by our sponsored programs for Uplifting Australia. 3,014 young people were supported through the Graeme Dingle Foundation's Kiwi Can programs in New Zealand. In 2017 our people volunteered 782 hours.
Support our suppliers	<ul style="list-style-type: none"> We partner with our dairy farmers and growers by building long-term, mutually beneficial relationships, including the delivery of a tailored Orchard Pride sustainability program in 2018. 	<ul style="list-style-type: none"> Through the Lion Landcare Dairy Pride Grants Program, we awarded ten grants totalling \$100,000 to dairy farmers. 100% of dairy suppliers have now completed the Dairy Pride self-assessment. Our Lion Dairy Pride by-products program has been expanded, and is now available in QLD, SA, NSW, VIC and WA.
Support our people	<ul style="list-style-type: none"> We will reduce our Total Recordable Injury Frequency Rate (TRIFR) to less than 8.5 by 2019. We will achieve a 50:50 gender mix by 2026. 	<ul style="list-style-type: none"> Our TRIFR was 9.3 in 2017, down from 13.7 in 2016. Our gender split is currently 67% male and 33% female (this includes all permanent and fixed term people). 2016 restated numbers: 67.3% male and 32.7% female (this includes all permanent and fixed term people). (Numbers stated in FY16 report only included permanent full time people).



What we eat and drink has a big impact on our health and wellbeing, and as one of the region's largest food and beverage manufacturers, we want that impact to be positive.

We're committed to championing better nutrition, encouraging responsible drinking, and providing transparent labelling – all of which helps people make better, more informed choices. In 2017 we continued to support responsible drinking initiatives, improved the nutritional profile of many products, and enhanced our labels with more information to help people make better choices.

Championing Nutrition



Currently, almost 25% of children and around 66% of adults in Australia are overweight or obese, and these rates continue to rise.

As well as being a major public health issue, obesity has financial implications too — costing our economy \$8.6 billion in 2011-2012 alone.¹ In 2017, Lion continued to help combat this issue through Our Goodness Promise, working to improve the nutritional content of our products. We made real progress towards our targets by introducing some new better-for-you products, and by offering people new ways to integrate healthy food and beverage into their daily routine.

1. aihw.gov.au/reports/overweight-obesity/a-picture-of-overweight-and-obesity-in-australia/contents/table-of-contents



Our Goodness Promise

To celebrate and share the nutritional benefits of our products, we've developed Our Goodness Promise (formerly known as The Goodness Project).

As well as promoting the inherent goodness of our dairy and juice products, this initiative showcases our commitment to improving the health and nutrition of the people who buy our products.

Established in 2014, Our Goodness Promise has seen us set around 20 public targets that address key areas — such as nutritional value, portion size and consumer information. Lion has produced specific nutrient criteria to help guide the development of our products and communication, based on local and international scientific and government standards. These criteria have been independently reviewed and approved by experts at the CSIRO and Deakin University.

Lion has produced specific nutrient criteria to help guide the development of our products and communication based upon local and international scientific and government standards.

So far, our progress has been good, and in 2017 we made some significant achievements:

- **More natural goodness:** 76% of our Lion Dairy & Drinks sales volume² is now in our 'best' and 'good'³ categories (up from 74% in 2016).
- **Reducing added sugar:** Reformulations should result in an 897-tonne reduction in added sugar over the next year² — 62% of our target (1,440 tonnes, 10% of our 2014 volume).
- **Product innovation:** 74% of our innovation projects are in our 'best' and 'good' categories, on track for 80% by 2019. New products or innovations include:
 - Lion Specialty Cheese Little Entertainers, which make it easier for consumers to integrate healthy portions of dairy into their diets in a social context.
 - The Culture Co. Probiotic Kefir, a fermented milk drink containing natural probiotics to enhance gut health.
 - Farmers Union Greek Style Yoghurt pouches, which allow consumers to enjoy the goodness of natural yoghurt on the go — ideal for those with busy lifestyles.

[Read more](#)

2. Based on Lion Dairy & Drinks sales volumes (Dec 2016 – Dec 2017)

3. Best, Good and Treat categories are based on independently assessed nutrient criteria.



Milk Loves You Back

While milk was a staple in times gone by, these days people tend to forget how nutritious dairy really is — in fact 9 out of 10 Australians are not consuming their recommended serves of dairy or alternatives each day.⁴

To refresh consumers' memories and educate younger generations, we created a campaign called 'Milk Loves You Back', which was launched on World Milk Day in 2017.

 [Read more](#)

4 ABS; 2016. Australian Health Survey: Consumption of Food Groups from the Australian Dietary Guidelines, 2011-12. Cat 4364.0.55.012



9 out of 10
Australians are not consuming their recommended serves of dairy or alternatives each day.

A Partnership for the Bigger Picture

In 2017, the Australian Government launched the Healthy Food Partnership — a collaborative initiative to help tackle obesity, encourage healthy eating and empower food manufacturers to improve their products.

Along with other industry partners and public health groups, Lion is proud to be a member of the Partnership, and we will link our own activities into the master program logic. As well as providing support for our initiatives, the Partnership will help give us meaningful ways to assess our progress, and see how we're contributing to the bigger picture.

Lion has actively participated in the Healthy Food Partnership, with a representative from Lion working on the Portion Size Working Group. This work has included the commissioning of a rapid review of the evidence surrounding portion size strategies. Four other working groups within the Healthy Food Partnership include education and communication, product reformulation, food service, and implementation and evaluation.



Encouraging Responsible Drinking

A photograph of a young woman with dark hair, smiling warmly. She is wearing a white button-down shirt and blue jeans. She is seated at a round, light-colored table. On the table in front of her is a brown glass bottle of Pilsener beer. The background is slightly blurred, showing what appears to be an outdoor or semi-outdoor setting with wooden elements.

While the majority of people drink responsibly, it's important to acknowledge a proportion still misuse alcohol.

To gain insight into these behaviours, The Australian Institute of Health and Welfare's National Drug and Alcohol Survey has been conducted approximately every three years since 1985. It is the deepest study of its kind, typically yielding just under 25,000 responses.

It surveys Australians aged 12 and above, providing a glimpse into underage behaviours as well as short and long-term risky drinking among adults. On a positive note, the survey has shown consistent improvements since 2007 in many areas, including underage drinking, short and long term risky drinking, misuse of alcohol whilst pregnant and hazardous drinking patterns for most population groups.

At Lion, we're in a great position to help support this shift to more moderate drinking by offering lower-alcohol options that don't compromise on flavour and quality. Through our marketing campaigns, we actively role-model responsible drinking — and encourage people to savour the experience rather than just drink for effect. In 2017, Lion also continued to invest heavily in initiatives including DrinkWise, Cheers! and Alcohol&Me, which promote a responsible and sociable drinking culture.

Helping Australians Drink Wisely

Established in 2005, DrinkWise aims to foster a healthy drinking culture in Australia through evidence-based social marketing. Lion has been a contributor to DrinkWise since its inception, and in 2017 we contributed \$1.2m to DrinkWise campaigns, including You Won't Miss a Moment if You DrinkWise and How to Drink Properly.

Research says that the best way to encourage sports fans to regulate their drinking is to appeal to their love of the action.

In 2017, 10 years after Drinkwise undertook its first comprehensive study into the Australian drinking culture, Drinkwise released Australian Drinking Habits 2007 vs 2017 charting the encouraging improvements in Australia's drinking culture.

[Read more](#)

New Zealand Says Cheers! to Responsible Drinking

In New Zealand, Lion continues to be a lead sponsor of Cheers! — a program that we co-created.

Managed by the Tomorrow Project, Cheers! seeks to help improve New Zealand's drinking culture through evidenced-based, targeted campaigns.

Alcohol consumption trends in New Zealand are encouraging, with the latest New Zealand Health Survey (released in December 2017) showing that heavy episodic drinking (at least weekly) had dropped from 12% in 2015 to 11.7% in 2016. Meanwhile, the number of drinkers that the New Zealand Government defines as 'hazardous' declined from 20.8% of the total population to 19.5%.

In 2017, Lion's \$154,132 contribution helped Cheers! build on this positive progress by launching a number of new campaigns, including the Uber Sober Self Bot Partnership and an initiative with Hells Pizza.

[Read more](#)

DrinkWise Study: Australian Drinking Habits 2007 vs 2017

In 2017:



63% of drinkers consumed no more than 2 standard drinks on a single occasion (up from 48% in 2007)



16% usually consumed more than 5 standard drinks on a single occasion (down from 24% in 2007)



6% drink daily (down from 9% in 2007)

Alcohol & Me

To make the right choices, consumers need access to good information.

With this in mind, Lion developed a program to help educate New Zealanders about making smarter drinking choices.

Originally developed back in 2012 as an internal initiative, Alcohol&Me has now grown to become an external program that is run in New Zealand workplaces. The program was written with the help of local and international experts, and looks at how alcohol affects our bodies — aiming to close the gap between perception and reality. Interactive and information-rich, the program can be accessed by New Zealanders either online (where it's broken into four modules) or via their workplace where it is delivered as a three-hour face-to-face workshop.

In 2017 we also continued to roll out the program to Lion people across Australia and New Zealand. The program has been an enormous success to date, and we look forward to seeing it continue to reach more people in 2018 and beyond.

FY17 UPDATE (1 OCT 2016 – 31 DEC 2017)

- 24,428 training sessions have now been completed since launch.
- 514 participated in face to face training.
- 8,071 engaged in free online training modules.

2017 update:

22,777 training sessions have now been completed since launch.

457 participated in face to face training

6,572 engaged in free online training modules.

Innovative New Products

Another way we're making it easier for people to drink responsibly is by giving them more lower-than-full-strength and alcohol-free options to choose from.

In 2017, we introduced drinkers to several new or re-imagined products with lower or no alcohol content.

[Read more](#)



Lindauer Sparkling Grape Juice



Lilli by Lindauer



Mac's Sparkling Soda



Mac's Love Buzz Gluten Free



Good Buzz Kombucha



Speight's Summit Ultra Low Carb



James Squire Mid River



Iron Jack

Transparent Labelling



By making it clear what's inside our products, we make it easier for people to make informed choices.

This year, we made progress towards providing transparent, easy-to-understand labelling on all of our packaging, addressing key consumer concerns around sugar and caffeine.

We're voluntarily giving consumers more nutrition information about our products, including:

- Caffeine content (now included on 77% of coffee products).
- Added sugar (now included on 61 products).
- Calories (now included on 145 products).
- Calcium content (now included on 95 products).

All nutrition and health information on our labels is based on the latest scientific evidence, and in many cases is supported by off-pack awareness campaigns. The Milk Loves You Back campaign was one key example, which has seen an expanded nutrition information panel included on 42 products, supported by a national TV and online campaign.

Heroing Health Stars

As part of Our Goodness Promise, Lion has committed to displaying the Health Star Rating (HSR) front of pack labelling system on all of our applicable retail portfolio.

By the end of 2017, 60% of our products had been updated to bear Health Star Ratings, up from 43% in FY16, and our aim is for 100% compliance across our applicable retail portfolio by the end of 2018. It's just another way we're empowering our customers to make informed choices.

NUTRITION INFORMATION PANELS

In 2017, we committed to rolling out nutrition information panels on all permanent Lion-owned beer brands in Australia and New Zealand. At the end of 2017, 97% of Lion-owned key beer brands in Australia and 79% of Lion-owned key beer brands in New Zealand bore nutrition information panels.

Responsible Marketing

Lion aims to support Australia and New Zealand's best-loved brands through a clear commitment to marketing that endorses positive nutrition and healthy drinking habits.

In 2017, 100% of advertising complaints made against Lion were dismissed.

[Read more](#)

Beer, Spirits and Wine Ads

- 4 Advertising Standards Bureau — (4 dismissed)
- 1 Advertising Standards Authority New Zealand — (1 dismissed)
- 7 Alcohol Beverages Advertising Code Australia — (7 dismissed)

Lion Dairy & Drinks Ads

- 2 Advertising Standards Bureau — (2 dismissed)

Pregnancy Labelling

Lion has committed to rolling out pregnancy labelling on 100% of our beer and cider products in Australia, and on 100% of our beer, cider and wine products in New Zealand.

In New Zealand, where we distribute a number of spirit and ready-to-drink products on behalf of other manufacturers, we are working with our international partners towards better compliance.

While the percentage of spirits that have pregnancy labels has fallen slightly in 2017 compared to FY16 (74%), we are now checking all incoming shipments and adding an over-sticker as required. Due to these efforts we expect 2018 compliance to be much higher.

The numbers opposite represent data at March 2017. A check was performed in May 2018 and compliance is improving.

PREGNANCY LABELLING ON LION PRODUCTS:

100%

beer, cider & wine (no change since 2016)

68.9%

spirits (74% in 2016)

88.9%

ready-to-drink (77% in 2016)



Lion also includes the DrinkWise Australia logo in Australia and the Cheers! logo in New Zealand, which encourage people to get the facts on drinking.



Our products are made in 34 production sites, predominantly across Australia and New Zealand.

We rely on thousands of suppliers to provide us with everything we need to keep our business operating – from raw ingredients to packaging and services. We're conscious of the impact this large supply chain can have on the environment, and in turn, we're aware of the environmental factors that impact our suppliers, particularly the effect that climate change can have on agriculture. While these are significant global challenges, we believe there are concrete ways in which we can contribute to a healthier planet.

After assessing our material issues, we've developed a 10-year Supply Chain Strategy that aims to minimise our footprint in partnership with our suppliers.

Developed in accordance with the 10 principles of the UN Global Compact (UNGC) and the UN Sustainable Development Goals, our strategy is based on three areas of focus that are critical to the long-term future of our business:

- Taking action on climate change.
- Moving to a circular economy.
- Promoting responsible sourcing.

Under each of these areas, we have set ambitious goals and clear measurable targets, which we're working towards between 2016 and 2026, with 2015 as our baseline year.

While this initiative was only launched in 2016, we have already made progress towards our targets, with the support of a comprehensive governance framework that allows us to track and measure our activities at every production site.

Taking Action on Climate Change



Our business relies on the constant supply of high quality milk, fruit, barley, hops and water – all agricultural goods that are impacted by climate change.

Over time, we've seen temperatures rise, rainfall patterns shift, and extreme weather events increase in frequency – food producers across the world are feeling the impact. Such issues could have a knock-on effect by making our food supplies scarcer, less secure and more expensive.

For this reason, we consider climate change a material issue for Lion, and firmly support the UN Sustainable Development Goals and the Paris Agreement, which aims to limit global warming to less than 2°C on pre-industrial levels. We believe it will take collective action to make this possible, and through our Supply Chain Sustainability Strategy, we're actively working to do our bit.

[Read more](#)

Tackling Our Challenges Head On

Compared to our 2015 baseline, we made good progress this year in reducing our total energy use by 8.6% and carbon emissions (scopes 1 and 2) by 12.8%. In other areas, we weren't as successful – with our energy intensity and water intensity increasing by 3.3% and 14.6% respectively. In addition to greater product diversity, this was due to lower volumes through the manufacturing sites.

We're working to tackle these issues by consolidating production volumes and focusing on efficiency projects at our larger production sites. In 2018 we also plan to carry out a water study to identify opportunities to improve how we manage this precious resource.

Our Action Plan for Carbon Reduction

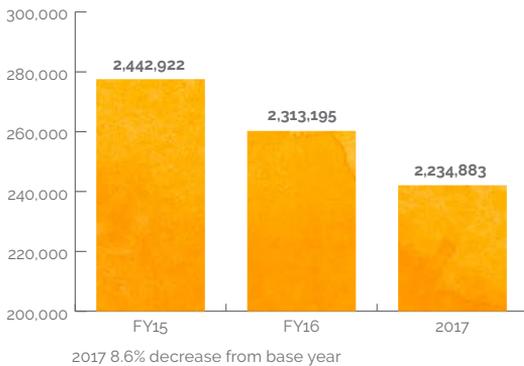
Our science-based target is to achieve a 30% carbon reduction by 2026. We've developed a pathway for getting there by improving our energy efficiency and purchasing or investing in renewable energy. By 2026, our aim is to have 10MW solar generation capacity, delivering an estimated carbon emissions reduction of more than 1,100 tonnes of CO₂-e per year.

Our science-based target was validated in 2017 as part of our parent company, Kirin Holdings' science-based target validation and published on the Science Based Targets [website](#) in March 2017.

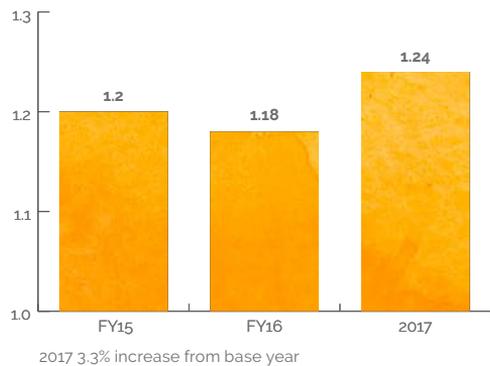
Greenhouse gas emissions	FY15	FY16	2017
Total CO ₂ emissions – scope 1 (tCO ₂ -e)	91,298	70,108	72,555
Total CO ₂ emissions – scope 2 (tCO ₂ -e)	186,253	190,149	169,551
Total CO ₂ emissions – scope 1 and 2 (tCO ₂ -e)	277,551	260,257	242,106
Change in CO ₂ -e from FY15 base year – scope 1 and 2 (tCO ₂ -e)	-	17,294	35,445
Percentage change from FY15 base year – scope 1 and 2 (%)	-	6.2% ▼	12.8% ▼

Note: FY15 base year has been adjusted to include retail stores in New Zealand and biogas emissions from wastewater treatment for completeness. Due to a change in our reporting year, our 2017 figures are for calendar 2017. Our historical figures are stated as per our old financial reporting period of Oct-Sept.

Total energy use (GJ)



Energy intensity (MJ energy/L production)



Energy data for FY15 base year has been adjusted to include retail stores in New Zealand for completeness. Due to a change in our reporting year, our 2017 figures are for calendar 2017. Our historical figures are stated as per our old financial reporting period of Oct-Sept.

MAKING THE MOST OF BIOGAS

Biogas is a renewable energy source that can be used in boilers to reduce carbon emissions – this is generated on site at our own waste water treatment plants. In 2017, we reconfigured our boilers at our XXXX brewery in Queensland to increase the biogas use to 40%, replacing an estimated 2,736GJ of natural gas with biogas, and reducing the annual carbon emissions from the brewery by approximately 127 tonnes of CO₂-e.

SET UP FOR SOLAR

At Chullora in Sydney's West, we're in the process of building a new Dairy & Drinks distribution centre, which is due to open in May 2018. In a joint initiative with our landlord, Charter Hall, we're pleased to announce that the centre will feature a solar power system, reducing our carbon emissions.

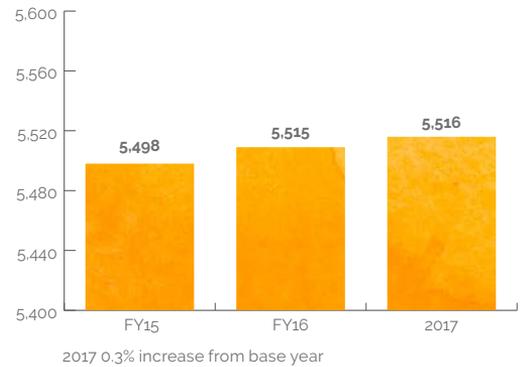
Watching our Water Use

SMART WATER SAVING

In 2017 we reviewed our production cleaning processes at several of our breweries and found scope to optimise our water use significantly by an estimated 22.8ML/year. (That's enough to fill more than 9 Olympic swimming pools.)

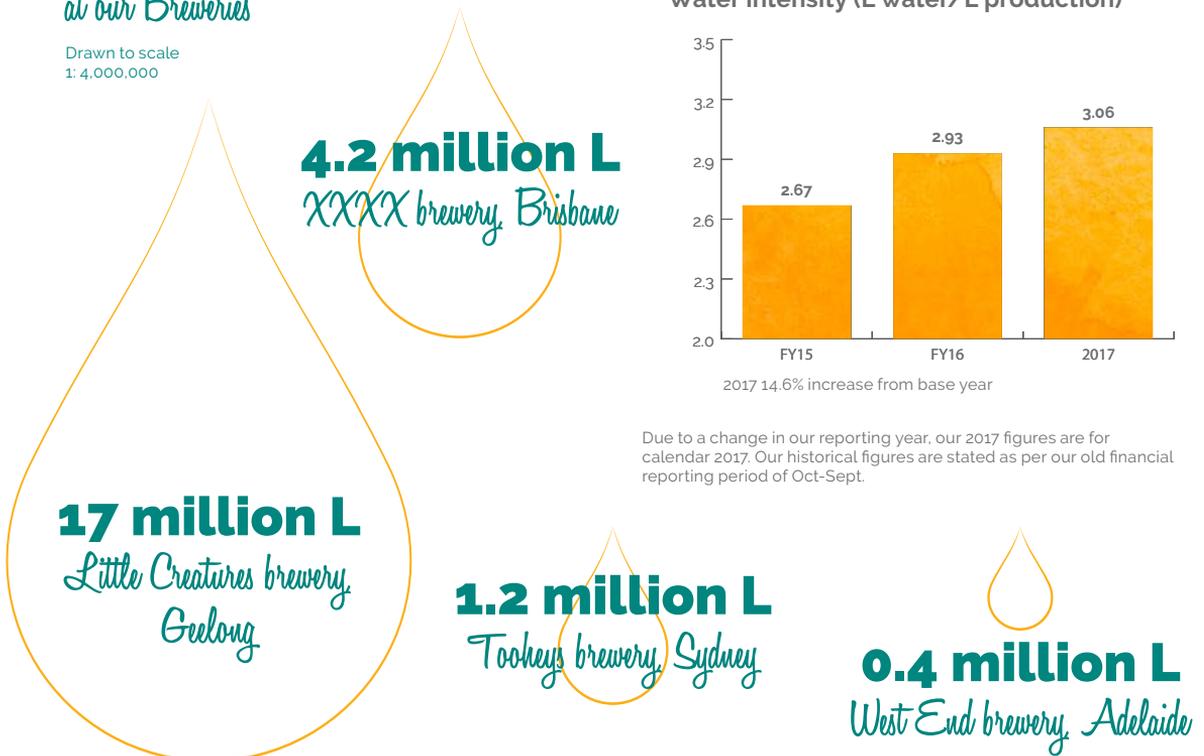
Unfortunately we weren't as successful in New Zealand, where our water usage increased. We will focus on driving improvements in 2018.

Total water use (ML)

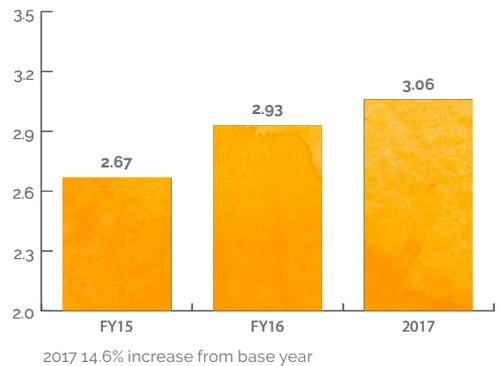


Amount of Water Saved at our Breweries

Drawn to scale
1: 4,000,000

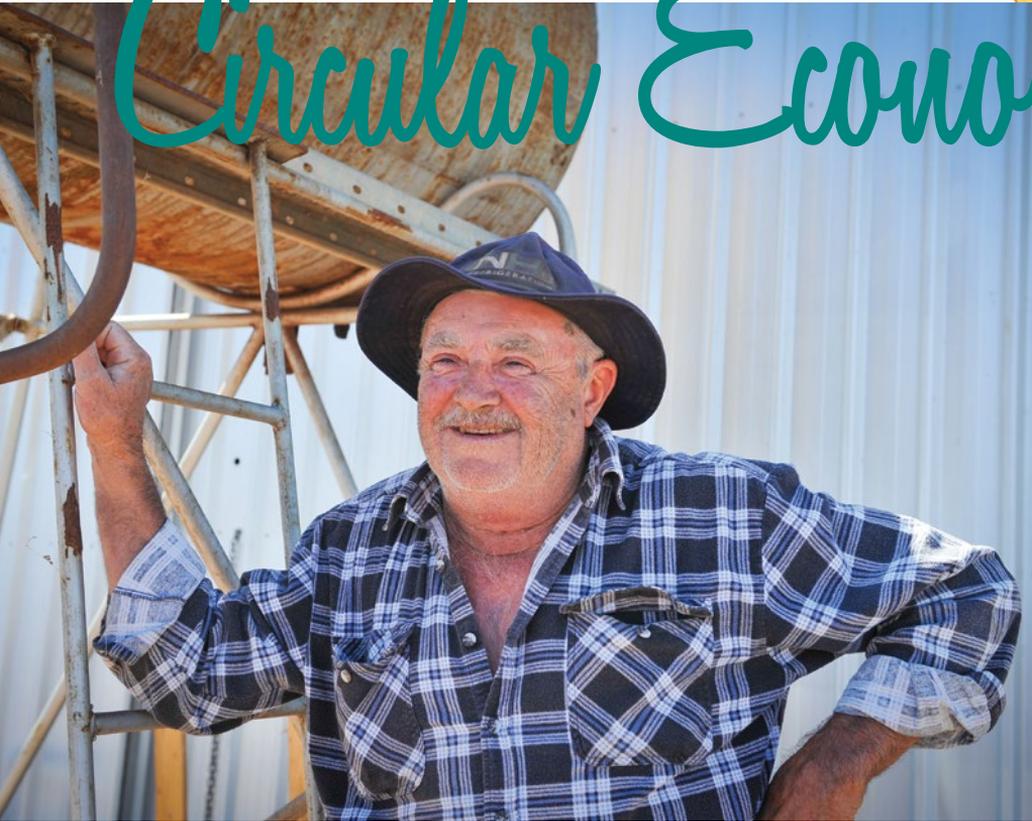


Water intensity (L water/L production)



Due to a change in our reporting year, our 2017 figures are for calendar 2017. Our historical figures are stated as per our old financial reporting period of Oct-Sept.

Moving to a Circular Economy



We're conscious that the generic economic model of 'take, make, dispose' isn't sustainable in the long run.

With millions of products sold each year, the impacts of our packaging can really add up, both in terms of the natural resources we use and the implications for waste and product disposal. This fact isn't lost on consumers, who are increasingly demanding more eco-friendly packaging.

Having set some ambitious targets for improving our packaging approach, we've begun to embed the principles of a circular economy into our business at an accelerated pace. This means considering every phase of the packaging life cycle of both new and existing products and designing solutions that can be made in a 'closed loop' system. So, where we can, we will reduce our reliance on natural resources, cut down on waste, and save money.

[Read more](#)

Reviewing Our Approach to Recycling

Around 90% of our consumer packaging is already recyclable through kerbside recycling schemes in Australia and New Zealand, and we're working with our suppliers to establish a clear baseline for recycled content.

In 2017, we continued developing a Responsible Sourcing Code that sets out what we require in terms of recycled content and recyclability – and we expect to have this ready to share in 2018.

REUSE, RECYCLING AND WASTE TO LANDFILL FROM LION FACILITIES

	FY16 tonnes	FY16 (%)	2017 tonnes	2017 (%)
Beneficial Reuse	552,913	97.2%	349,916	95%
Recycling	6,726	1.2%	7,215	2%
Landfill	9,390	1.6%	11,423	3%
Total	569,028	100%	368,554	100%

Due to a change in our reporting year, our 2017 figures are for calendar 2017. Our historical figures are stated as per our old financial reporting period of Oct-Sept.

Our consumer packaging materials include aluminium, steel, glass, cardboard, paper and plastics. By weight, the materials we use the most of are glass, aluminium and board.

LIGHTER GLASS

By reducing the weight of our Summer Bright 330mL beer bottle by 10 grams, we reduced our glass packaging by an estimated 550 tonnes per year.

LESS PLASTIC

With a weight reduction of 8 grams in our 2L HDPE milk bottles (which are used across Dairy Farmers, Pura, Masters, Big M, Dare and Farmers Union brands) we managed to reduce our use of HDPE plastic by an estimated 720 tonnes per year.

In 2017, we also made some strategic changes

Around 90% of our consumer packaging is already recyclable through kerbside recycling

to our blow moulding packaging lines, which will see us reduce the plastic resin used for all our 3L milk bottles by 14%. By our estimation, this will reduce the polyethylene resin that we use by 44 tonnes a year.

[Read more](#)

In 2017:



361,053t

total by-products from our production



97% *either recycled or reused as input to other processes*

Promoting Responsible Sourcing



More and more, people want to know where their products come from and how they're made – and consumers increasingly need to feel confident they're not buying brands that conflict with their values.

As a leading food and beverage company with a portfolio that includes many of our region's favourite beer, wine, dairy and juice brands, we believe the scale of our operations provides both an obligation and an opportunity to help drive positive change.

We do this by respecting and upholding business ethics, implementing sustainable sourcing practices and upholding the human rights of our own people, as well as those impacted by our extended value chains.

But we can't achieve this alone. We are currently finalising a Responsible Sourcing Code that complements our existing Procurement Policy and will see us work together with our suppliers to improve responsible business practices.

Designed to help us mitigate both human rights and environmental risks in the supply chain, our Responsible Sourcing Code, due to be launched in 2018, also embraces the International Bill of Human Rights and other ILO Conventions relevant to our supply chain.

By acting with integrity, upholding ethical and sustainable practices, and expecting our suppliers to do the same, we can play a part in tackling these global issues.



Steps towards Supplier Assessment

The first step towards achieving our 2026 targets is to get a clear picture of our supply chain. In 2017, we made good progress on this front by conducting a risk analysis of every site or company that supplies our raw materials.

To do this, we assessed general risk levels according to where each supplier is located and what category of goods they supply, and we also requested they complete a self-assessment.

Our self-assessment includes a comprehensive set of questions based on globally recognised best practice codes; namely, The Ethical Trade Initiative (ETI) Base Code, SA8000:2014 – Social Accountability Standard, ISO 14001:2015 – Environment Management System Standard and OHSAS 18001 – Occupational Health and Safety Management System standard.

The self-assessment covers four key areas:

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

In 2017, we assessed 96 of our individual suppliers, and we're aiming to assess 100% by 2020.

Those with medium or high risk ratings will be subject to further review and, where needed, independent audit, with plans developed to make strategic improvements.

Environmental Compliance

Across all our production sites, we're committed to minimising our environmental impact, and aim for 100% compliance with environmental requirements.

In 2017, Lion had zero prosecutions, fines or penalties related to breaches of environmental regulations.

All of our production sites have an environmental management system (EMS) based on the core elements of the ISO 14001:2015 Standard for Environmental Management Systems. We also require that our large production sites with an environmental licence issued by the Environment Protection Authority (EPA) or an equivalent authority relevant to their jurisdiction, obtain ISO 14001 EMS certification.

In 2017, Lion had zero prosecutions, fines or penalties related to breaches of environmental regulations.

Of the 15 sites we operate that are subject to EPA licences, 13 are certified to the ISO 14001 standard and the remaining two sites will be certified to the Standard in 2018. Five of our smaller sites that are not subject to EPA licences have obtained certification to the Standard.

REGULATORY ENVIRONMENTAL REPORTING

Along with our on-site compliance, Lion also has a number of other regulatory environmental reporting obligations to meet at both site and company levels in Australia and New Zealand.

You can find a list of all of our environmental compliance obligations on our sustainability microsite.

[Read more](#)

49 
low-risk suppliers

47 
medium-risk suppliers



We know that a strong and enduring business can only exist with the support of our communities.

So at Lion, we invest in a range of programs aimed at building community resilience – such as our Lion Dairy Pride Landcare Program, which focuses on sustainable farming practices for dairy farmers; and our activities with Uplifting Australia and the Graeme Dingle Foundation in NZ, which build resilience and emotional wellbeing in families and young people.

We also invest in our own Lion community, working hard to create a diverse and inclusive workplace where our people can thrive.

Supporting Our Communities



Our Community Investment Program, which strives to address social issues relevant to our business, had another positive year in 2017.

Our community investment strategy has five key areas of focus:

- 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.

As part of this program we continued our support of our three key partners: Uplifting Australia, the Graeme Dingle Foundation and Landcare Australia.

We also expanded the volunteering program offered to our people and continued to promote our workplace giving initiative.

\$512,000

funding for programs that support the emotional wellbeing of young Australians and New Zealanders.

782

hours spent volunteering by Lion people.



\$2.3m

Total 2017
community
investment



Building positive relationships and community resilience



\$225,000

to support program delivery.



\$225,000

to support program delivery and around \$15,000 to support research sponsorship.

Building a positive drinking culture

DrinkWise. \$1.2m

Lion's contribution to a multi-million-dollar industry donation

Cheers!

\$154,000

in direct Lion activity and contributions to industry initiatives*.

Better nutrition for all



Delivering **2m** meals for people in need



\$195,000

including \$100,000 for 10 Lion Landcare Grants and \$30,000 for volunteering projects.

Engaging our people in causes they are passionate about



Lion contributed over **\$239,500**

to 11 charities through its Workplace Giving Program (through which Lion matches employee donations) and Employee Referral Program.

In addition to our investment in partnerships, Lion commits over

\$47,000

annually in product donations to a range of worthy fundraising causes aligned to our investment priorities.

*All figures in Australian dollars (ex GST)

Measuring Our Volunteering

We offer all of our people on a permanent contract two additional paid annual leave days to volunteer with a community organisation they are passionate about.

We've also committed to increasing the number of hours our people volunteer by 10% each year. We know that historically we've

been under-reporting on our volunteering hours, and unfortunately we do not currently have systems in place to capture the complete impact of those volunteering hours. However, we recently launched an expanded volunteering program for our people to help address this issue and will report on our progress in next year's report.

Building More Resilient Australians

Uplifting Australia runs programs to strengthen the emotional wellbeing and resilience of Australian children and families. Lion is proud to be a foundation partner of Uplifting Australia, and in 2017 we supported the organisation to significantly expand the reach of its programs.

Thanks to our contributions, Uplifting Australia supported the wellbeing of 9,475 people through program and event engagement, including whole school projects, individual school programs, workplace programs and events. Since the beginning of our relationship in 2014 with Uplifting Australia, we have supported 14,877 parents, children, and teachers – and in future, we expect our impact to increase as Uplifting Australia looks to improve their digital offering to families.

During 2017, Uplifting Australia also presented four parent talks for Lion people as part of Lion's Best Me program, which were attended by 135 people.

Also in 2017:

- 190 people supported through workplace programs and events.
- 8 schools benefited from the whole-school, year-long Lift Off! Program.
- 99% of teacher participants learned strategies to strengthen the classroom.
- 100% of teacher participants believe Lift Off! will benefit their school community.

Visit upliftingaustralia.org.au for more information.

Uplifting Australia



9,475 people supported through program and event engagement, including whole school projects, individual school programs, workplace programs and events.



14,877 parents/children/teachers have engaged with Uplifting Australia since the beginning of our relationship with them in 2014.

Empowering Kiwi Kids

In New Zealand, we continued to support the Graeme Dingle Foundation's Kiwi Can education program, which sees primary school students receive a weekly Kiwi Can lesson focused on topics like positive thinking, role modelling and accountability. Other topics include integrity, respect and resilience.

In 2017 we also brokered a partnership between the Graeme Dingle Foundation and one of our own creative agencies – which means the Foundation will now receive pro bono assistance for a digital marketing strategy. Our support also took on a personal dimension, with several Lion team members volunteering as mentors in Project K, which helps Year 10 students to develop confidence, positivity and life skills.

Visit dinglefoundation.org.nz for more information.

826 students reached through Kiwi Can programs. 

3,014 students have benefited from a program with the Foundation since the inception of our partnership.



Lion & Landcare Australia Going Strong

Since 2014, Lion and Landcare Australia have worked together to support the dairy farms that supply us through our Lion Landcare Dairy Pride Grants Program – an initiative we were proud to continue in 2017. Each year we have awarded ten \$10,000 grants to ten farmers to implement a range of initiatives to boost energy efficiency, improve nutrient management and increase biodiversity. This means that since 2014, we have awarded grants worth \$334,000 to a total of 34 farmers. These projects not only help our dairy farmers be more environmentally sustainable in the production of milk, but also deliver cost savings.

This year, we also joined Landcare Australia in raising awareness of the impact of litter on Australia's bays and waterways – awarding two special grants of \$5,000 to community groups who are restoring and protecting these environments. Working with local councils, we ran events and online activities to drive community engagement.

- \$100,000 awarded to dairy farmers across Australia.
- \$5,000 awarded to Friends of Westgate park (VIC) and Greater Sydney Landcare Network (NSW).
- 480kg of litter cleared from Sydney Harbour and Port Phillip Bay.
- 14 events held to raise awareness of the impact of litter on bays and waterways.
- 166 local volunteers engaged.

[Read more](#)

The key environmental, community and social highlights of the 2017 Landcare program include:

1.5km
fencing covering
5ha

544
energy-efficient
devices installed

8%
average savings since the
implementation of the projects

3 ha
revegetated

500
plants planted

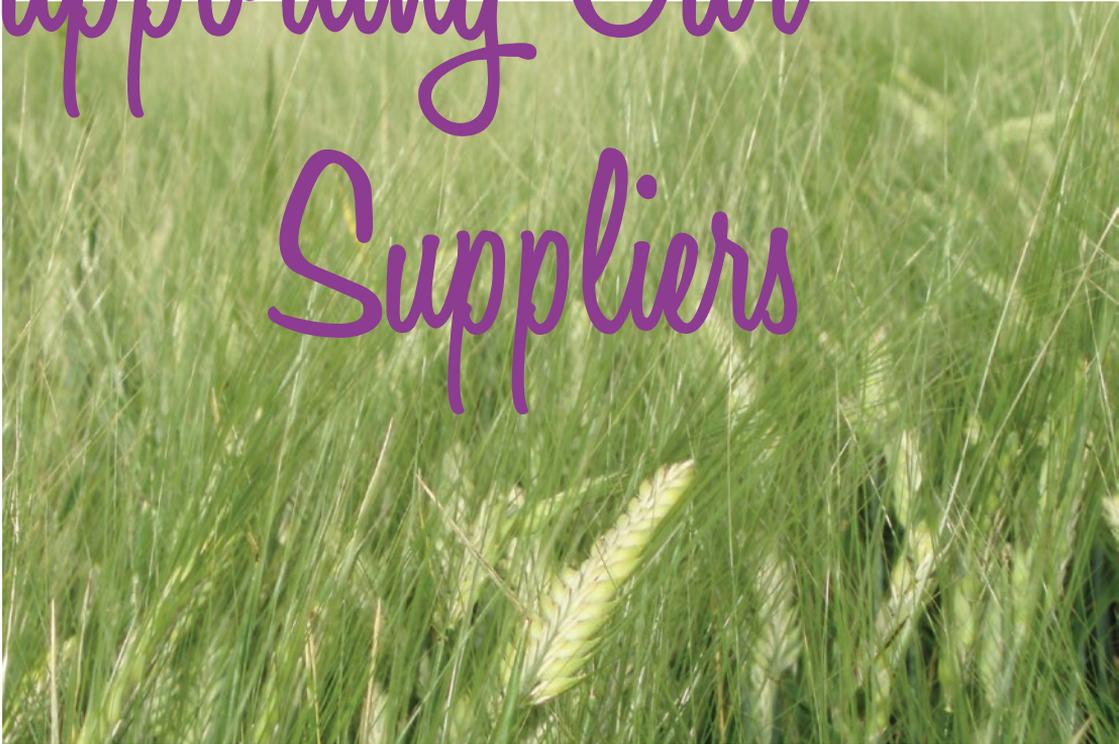
5ha
habitat protected

4ha
weeding

90%
plant survival



Supporting Our Suppliers



Given the importance of high quality, fresh milk to our dairy business, it's essential for us to have strong mutually beneficial partnerships with our dairy suppliers and that's why our milk sourcing is based on a commitment we call 'The Three Ps' – Competitive Pricing, Partnerships and a Clear Purpose.

We work hard to build enduring relationships based on mutual trust with the 393 Australian farmers who supply our business, whether it's directly or through the Dairy Farmers Milk Cooperative (DFMC).

Another key group of suppliers are the people who make our juice products possible: the 107 Australian fruit suppliers who provide us with citrus, apples and other fruits.

Whether it's by helping our suppliers to manage market volatility or operate more efficiently, we want our suppliers to have secure, sustainable futures.



Flexibility for Our Dairy Farmers and Fruit Suppliers

The dairy farming industry can be volatile, so we offer our farmers secure, competitive pricing and plenty of choice to help them manage the ups and downs of the commodity cycles. We don't believe in retrospective cuts, and in the more volatile or trade-exposed southern states we offer plenty of choice and flexibility in contract terms – including fixed and variable options, and varying contract lengths (1, 3 or 5 years).

Our fruit suppliers have a similar level of choice, with options available for 'core grower' and 'whole-of-farm' contracts over periods of 1, 2 or 3 years. We're also proud to give fruit suppliers short 30-day payment terms in line with the Australian Supplier Payments Code, plus significant end-of-season bonuses. All of this helps to ensure the cash flow of our fruit suppliers remains steady.

Prompt payments

Paying suppliers on time – in particular smaller suppliers – is critical not only to our suppliers' businesses, but also to enduring and mutually beneficial commercial relationships. In 2017 we were proud to be one of the first signatories to the Australian Supplier Payment Code, which now has the support of around 50 major Australian businesses.

The Code is an important step towards improving transparency and trust with members of the small business community, and we were happy to be of the first businesses to begin implementing the Code, a year ahead of schedule.

Staying True to Our Purpose

Our third 'P' is purpose, and it's a common thread that underpins everything we do. From our flexible farm gate milk pricing approach, to Our Goodness Promise and our consumer campaigns such as Milk Loves You Back (detailed on page 22).

Lion has a clear and credible strategy that is focused on the long term and is committed to driving value and profitability back into dairy and juice categories. We want our dairy farmers and fruit suppliers to feel part of our business and take pride in making some of the most iconic dairy and juice brands in the country.

The voluntary Code commits us to:

1. Pay small suppliers within 30 days of receipt of a valid invoice.
2. Pay all suppliers on time.
3. Support small suppliers to implement new technologies that make the invoicing and payment process faster and more efficient.

On 1 January 2018, we rolled out 30-day payment terms to all Lion eligible suppliers, not just small suppliers, across both Australia and New Zealand. We will report on the impacts of this initiative in our 2018 report.

Cultivating Long-Term Partnerships

To demonstrate our commitment to these important partnerships, we provide ongoing practical support to our farmers and growers through a number of tailored programs.

BRINGING BEST PRACTICE TO LIFE

One way we're actively helping farmers and growers to improve their efficiency and sustainability is through our dedicated Farm Services team, who promote best practice growing and dairying techniques across the country. In 2017, the team made 1,554 visits to dairy farms, offering advice and working with farmers individually to plan their operations and manage the natural variations in supply.

LIFTING SUSTAINABILITY STANDARDS

In 2017, we continued rolling out our new Lion Dairy Pride program, which was launched in late 2016. Designed to give farmers a unique way to evaluate, improve and track their sustainability, the program includes a website

with a user-friendly online self-assessment tool. Using this tool, farmers can look at the sustainability of key areas including quality standards, animal welfare, environment management, farm safety, labour management and effective business management.

In 2018, we will be rolling out the delivery of a tailored Orchard Pride sustainability program for our fruit growers. Progress on this will be reported in our 2018 Sustainability Report.

We also provide grants to farmers through the Lion Dairy Pride Landcare Grants Program, which are detailed on page 41.

EXPANDING OUR BY-PRODUCTS PROGRAM

Quality stock feed can make a big difference to the productivity of a farm, as well as the quality of their milk. With this in mind, we developed a program to give farmers access to our own manufacturing by-products through the Lion Dairy Pride by-products program.

Recognising great growers

We're fortunate to have 160 fruit suppliers providing our fruit. In December, we launched the inaugural Lion Grower of the Year award to recognise the best-performing growers within our supply chain. The first winner was Leeton citrus grower Jim Hillyer, who said, "It's fantastic to see our efforts rewarded in this way."

State-wise safety

Another initiative we ran for farmers in 2017 was a Farm Safety training program. Run together with Dairy Australia and WorkSafe representatives from each state, the program was delivered to all Lion dairy suppliers across Australia.

Lightening the burden of energy bills

In 2017 we continued to work together with Origin Energy to give our dairy farmers access to energy discounts, helping to make these ongoing and increasing costs more manageable.

Counselling around the clock

We continued to support the mental health and wellbeing of our dairy farmers, fruit suppliers and their families in 2017 by giving them access to a free, independent and confidential 24-hour phone counselling service.

One of these by-products is brewers grain, which can help increase milk output and enhance fat and protein composition. In 2016, we trialled discounted access to brewers grain from our breweries for our dairy farmers in South East Queensland and South Australia – and in early 2017, we extended and rolled out the program to those in New South Wales, Victoria and Western Australia. While not intended to meet farmers' entire stock feed needs, we believe the program allows us to make the most of our operations and add value to our suppliers. In 2018 we hope to extend the offer to Tasmanian farmers too.

Another by-product we have started giving our New South Wales dairy farmers access to is citrus pulp, a by-product of our juice processing site at Leeton in NSW. While not intended to meet farmers' entire stock feed needs, the citrus pulp certainly plays a role in the overall feed ration.

\$100,000
awarded to dairy farmers across Australia

393
dairy farmers supply our business

1,554
visits made by Lion Farm Services team

100%
of farmers completed Lion Dairy Pride sustainability self-assessment



Supporting Our People



Lion has a large and diverse workforce, with over 6,500 people directly employed at 34 sites across Australia and New Zealand predominantly, as well as Asia and the US, so it's important to us to build a culture that enables our people, as well as our business, to grow and thrive.

An underpinning principle of Lion's 'high growth culture' is developing and growing our people so they can be the best they can be.

The vast majority of our people are permanent full-time employees; however, given the seasonal nature of production, we do also employ external contractors and people on casual contracts.

Keeping Our People Engaged

Measuring engagement is important to us, as we know that a highly engaged workforce leads to business success, through more engaged customers, consumers and the community.

86%

Overall engagement (vs 87% in 2016)

91%

strongly believe in Lion's business vision



91%



support Lion's values: 'Do the right thing for the long term, be courageous, work together to make a difference'

84%



believe their leader creates an environment where they can openly and honestly share their views



84%

really enjoy working at Lion



83%

would recommend Lion as a great place to work

Getting the Gender Balance Right

Of course, we also know that a diverse workforce is key to our future success – in fact, diverse teams are thought to drive greater innovation and outperform their peers. We've been formally focused on diversity and inclusion since 2012 when we started exploring strategies to boost diversity of thought within the business and we continue to make good progress every year.

A diverse, inclusive workforce doesn't just make our people feel valued – it also keeps us connected with our diverse range of customers and people who buy our products. By hiring and paying people fairly, offering equal opportunities and preventing discrimination in the workplace, we're working towards a more diverse and inclusive workforce every day.

One important aspect of our Diversity & Inclusion strategy is gender. In some parts of the business we recognise we still have a long way to go. However, in 2017 we set ourselves an ambitious target to achieve 50/50 gender balance by 2026 – and are committed to making this happen. Helping us achieve this are our Diversity & Inclusion and Families at Lion policies, as well as our ongoing Lion Flex policy.

We set ourselves an ambitious target to achieve 50/50 gender balance by 2026 – and are committed to making this happen.

Launched in early 2017, our Women at Lion leadership program aims to strengthen and shape our leadership pipeline by accelerating the development of talented women, providing them with future leadership skills to advance their career.

The program provides participants with the knowledge, skills and opportunities to develop and strengthen their leadership vision, grow their peer networks, build their sponsorship and increase their confidence. We had 31 participants in 2017 and will continue to roll the program out in 2018.

Total Number of Employees by Employment Contract (Permanent and Temporary), by Gender

Gender	Age Grouping	Permanent	Temporary	Grand Total
Female	Less than 20 Years	6	49	55
	20-30 Years	331	201	532
	30-40 Years	684	108	792
	40-50 Years	443	58	501
	50-60 Years	229	21	250
	60-70 Years	45	5	50
	70+ Years	6	1	7
	Unknown	1	100	101
Female Total		1,745	543	2,288
Male	Less than 20 Years	8	87	95
	20-30 Years	391	225	616
	30-40 Years	1,020	134	1,154
	40-50 Years	1,074	68	1,142
	50-60 Years	766	37	803
	60-70 Years	233	20	253
	70+ Years	10	4	14
	Unknown	3	272	275
Male Total		3,505	847	4,352
Grand Total		5,250	1,390	6,640

Temporary: external contractor, casual, fixed term full time, fixed term part time, salaried casual and salaried contractors. Permanent: permanent full time, permanent part time and hourly permanent. Includes all Lion team members and External Contractors to Lion.

Fair pay for women and men is also important to us, so in 2016 we undertook a gender pay analysis to see how we were tracking. This analysis revealed that we did, in fact, have a gender pay gap. We decided to take swift action, and since then we've closed the gender pay gap and are working hard to keep it shut – and have even been nominated as a Pay Equity Ambassador by the Workplace Gender Equality Agency (WGEA).

In 2017, we also continued to include our Respect at Work policy in our induction, which 100% of new staff completed.

To support our Diversity & Inclusion policy which was introduced in 2017, we are trialling a range of new initiatives. As outlined in detail above, while gender has been our primary focus, we are also trialling programs and initiatives to foster cultural diversity and support mature age workers, for example. We look forward to reporting further on our progress in future.



Embracing Cultural Diversity

With much of Lion's history originating from New Zealand, and a significant business presence there today including many people who identify as Māori, it's important that we understand and embrace the Māori culture.

In 2017 we celebrated our Māori heritage through Te wiki o te reo Māori (Māori Language Week), including encouraging our people to have a go at speaking Te Reo and translating our values and behaviours into this national language/Te Reo.

By raising awareness and celebrating our cultural differences, we aim to foster a better understanding of the Māori culture and will be expanding our focus in 2018 to also include other main cultures that our people self-identify with in New Zealand.

From January to August 2017, we ran a Cultural Immersion Project to support the development of a shared understanding between Lion and Accenture support people located in Manila, Philippines, and Gurgaon/Gurugram, India. By enabling effective collaboration, we are working to ensure a successful, sustainable partnership that delivers business results.

Safety & Wellbeing

If our people are happy and energised at work, they'll be more effective and productive. So while supporting the wellbeing of our people is simply the right thing to do, it also makes good business sense. At Lion, our approach to safety and wellbeing takes into account physical health and safety as well as mental and emotional health. By giving our people the right tools and support for better wellbeing, we can maintain a workforce of consistently high-performing people who bring our purpose to life.

At Lion, we capture and report incidents or exposures to risk across all our business sites. This is shared with our leadership team on a routine basis via weekly Group Leadership Team reports, a quarterly Board report, and Safety Alert shares. Leadership can also access the most recent report as and when they need.

We believe it's vital that our approach balances both personal safety (high frequency, low consequence events) and process safety (low frequency, high consequence events). In 2017 we brought new rigour to our safety and wellbeing system, assessing all operational sites against process safety and critical risk requirements so that controls are established, monitored and continually improved.

2017 also saw us make improvements to key aspects of our safety and wellbeing system. We

introduced new systems for risk and chemical management across all sites. We also expanded our newly launched safety brand, Everyone Safe Everyday, by introducing two campaigns for our people: Best M.E and Safety Essentials.

We saw a reduction in the number of people injured at work, exceeding our targets set for lead indicators

Mental health was a key focus for us, as we launched our new Best M.E (Mental and Emotional Wellbeing Framework) across all Lion sites. Best M.E helps open up the conversation around mental health, and make sure we're supporting our people on the right level, both mentally and emotionally. Safety Essentials brings our safety brand to life by setting clear, non-negotiable safety standards that all our people are expected to follow.

As a result of these initiatives, we saw a reduction in the number of people injured at work, exceeding our targets set for lead indicators (near miss reporting) as well as lag indicators across Lost Time Injuries (LTIs) and Total Recordable Injuries (TRIs).

[Read more](#)

Safety Performance Measures (FY2017, FY2016)

Measure	2016	2017	FY16	FY17
LTI	63	52	71	56
LTIFR	5.7	4.9	6.4	5.2
TRI	151	99	159	118
TRIFR	13.7	9.3	14.4	11.0
Near Miss (NM)	11,176	12,407	10,726	12,947
NM:TRI Ratio	74	125.3	67.5	109.7

LTI: Lost Time Injury, LTIFR: Lost Time Injury Frequency Rate, TRI: Total Recordable Injuries, TRIFR: Total Recordable Injury Frequency Rate

100% of sites were audited for process safety and critical risk



TRIs reduced by
34.5%
(from 151 in 2016 to 99 in 2017)



TRIFR reduced by
32%
(from 13.7 in 2016 to 9.3 in 2017)

LTI's reduced by
17.5%
(from 63 in 2016 to 52 in 2017)

LTIFR reduced by
14%
(from 5.7 in 2016 to 4.9 in 2017)



Total Number of Employees by Gender (this includes permanent and fixed term people only)

	Permanent	Fixed Term	Total
Female	1,629	115	1,744
Male	3,415	121	3,536
Grand Total	5,044	236	5,280

Permanent, fixed term and international team members, excluding Lion Liquor Retail

Total Number of Employees by Employment Contract (Permanent and Temporary), by Region

	Permanent	Temporary	Total
Australia			
ACT	69	2	71
NSW	1,637	368	2,005
NT	9	-	9
QLD	429	71	500
SA	280	53	333
TAS	446	95	541
VIC	982	320	1,302
WA	174	194	368
New Zealand			
North Island	852	202	1,054
South Island	244	83	327
China	7	-	7
Hong Kong	41	2	43
Malaysia	2	-	2
Singapore	9	-	9
USA	69	-	69
Grand Total	5,250	1,390	6,640

Temporary: external contractor, casual, fixed term full time, fixed term part time, salaried casual and salaried contractors. Permanent: permanent full time, permanent part time and hourly permanent.

Employees Covered by EA/Award or Contract

Payscale Type (Desc)	Female	Male	Grand Total
Contract	1,774	2,387	4,161
EA / Award	358	1,550	1,908
External	156	415	571
Grand Total	2,288	4,352	6,640

Includes all Lion team members and External Contractors to Lion.

Proportion of Full Time/Casual Employees

Employee Type	
External Contractor	8.60%
Casual	8.69%
Fixed Term Full Time	2.88%
Fixed Term Part Time	0.77%
International	1.37%
Permanent Full Time	69.92%
Permanent Part Time	7.77%
Grand Total	100.00%

Total Number and Rate of New Employee Hires and Turnover During the Reporting Period, by Age Group, Gender

Age Grouping	Hires			Turnover		
	Female	Male	Grand Total	Female	Male	Grand Total
Less than 20 Years	6	10	16	15	14	29
20-30 Years	168	160	328	200	173	373
30-40 Years	135	163	298	203	264	467
40-50 Years	90	100	190	134	202	336
50-60 Years	22	48	70	45	107	152
60-70 Years	1	9	10	23	65	88
70+ Years	-	1	1	1	5	6
Grand Total	422	491	913	621	830	1,451

Includes permanent and fixed term only.

While we still have higher rates of male employees compared to female employees, our 2017 Workplace Gender Equality Agency (WGEA) Report shows that representation of women across all levels of the business is on the rise, and promotion rates of men and women have equalised.

Employees Entitled to Parental Leave

Gender	Total
Female	1,821
Male	3,580
Grand Total	5,401

Includes permanent and fixed term only.

Total Number of Employees That Took Parental Leave, by Gender.

Gender	Primary	Secondary
Female	185	-
Male	6	90
Grand Total	191	100

In addition to paid parental leave, we offer all permanent employees a number of benefits including: flexible work, purchase of additional leave, recognition awards, salary packaging for novated leases, discounted corporate health insurance, retirement planning and default superannuation, access to personal support, uncapped leave for domestic violence victims, workplace giving and volunteering leave.



ASSURANCE AND GRI

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