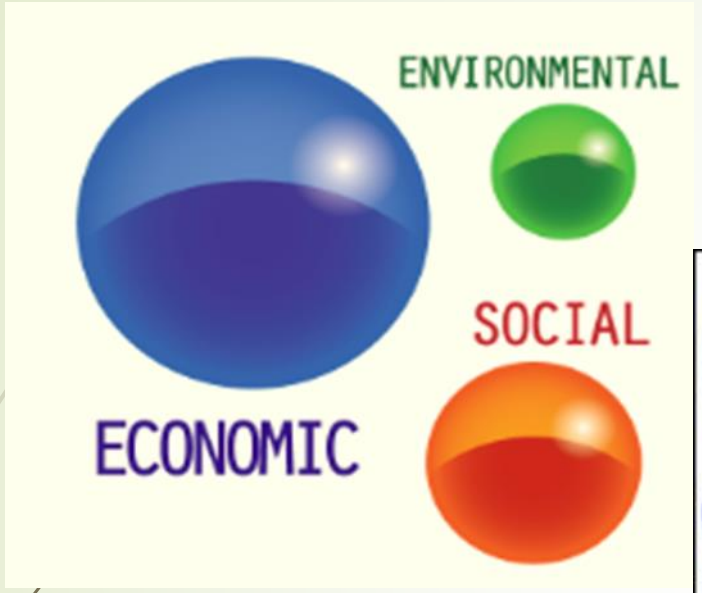
# Dairy Australia GOTAFE Webinar

## Sustainability: What's all the fuss about?

9 May 2018
Presenter: Robyn Leeson

# Sustainability and its origins






Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs


# Drivers for the dairy sector - Customers

1. Global and domestic customers are setting increasingly ambitious targets and across a broader range of issues


- Source 100% of energy across operations from renewable sources by 2030.
- Source all electricity purchased from the grid from renewable sources by 2020.
- Eliminate coal from company energy mix by 2020.

- We will inspire our customers to consume all of our products in a healthy, sustainable way.
- Invest the equivalent of 1 per cent of a three year rolling average of total Group Earnings Before Interest and Tax (EBIT) in community partnerships and programs.



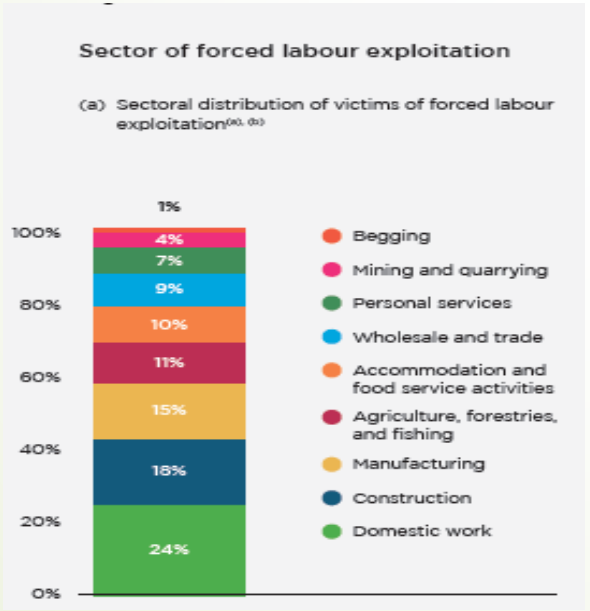
- By 2019: Have a functioning governance structure in place in all markets that looks after human rights risks and opportunities.
- By 2020, train all nestle employees on human rights

# Drivers for the dairy sector - Customers

2. Global and domestic customers are subject to increasing guidance and regulation

**Principle 3:** Calls for companies to "***act with ethics and integrity'*** and commentary re "***good corporate citizen***." References:

- dealing honestly and fairly with suppliers and customers
- only dealing with business partners who demonstrate similar ethical and responsible business practices


Source: Global Estimates of Modern Slavery 2017 ILO & Walk Free Foundation

**Commonwealth Inquiry into Modern Slavery 2017**

**Arla Foods Modern Slavery Statement**

- Code of Conduct for Suppliers
- Responsible sourcing policy
- Demonstration of due diligence and audit regimes
- Grievance mechanisms & whistleblower protection

# Drivers for the dairy sector - Customers

3. Global and domestic customers are subject to sustainability labelling and certification schemes


# Drivers for the dairy sector - Customers

4. Dairy manufacturers are subject to multiple assessments from customers

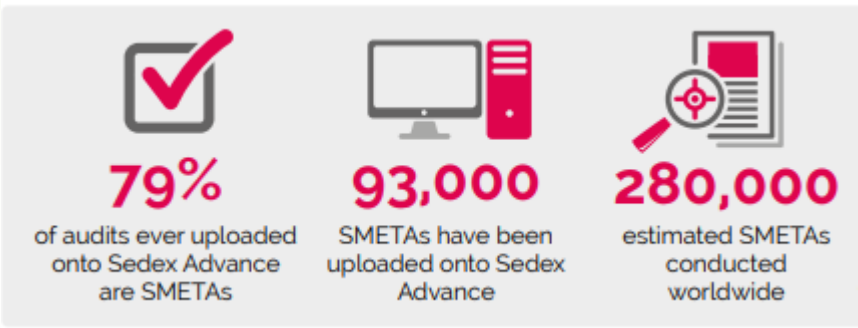
20 page questionnaire and scorecard can be shared with multiple customers

Sedex has 67-203 questions for agriculture companies and has both customer and supplier interfaces.

# Drivers for the dairy sector - Customers

Example: Sedex Members Ethical Trade Audit - SMETA


78 Pages, 3rd party Audit




| | |
|---|---|
| C: Is there any evidence of discrimination based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation?: | ☐ Hiring<br>☐ Compensation<br>☐ access to training<br>☐ promotion<br>☐ termination or retirement |

| | |
|---|---|
| A: Does the facility have a Business Ethics Policy and is the policy communicated and applied internally, externally or both, as appropriate? | ☐ Internal Policy<br>☐ Policy for third parties including suppliers<br><br>Please give details: |

| | |
|---|---|
| B: Has the site conducted a risk assessment on the environmental impact of the site, including implementation of controls to reduce identified risks | ☐ Yes ☐ No<br>Details: |

| | |
|---|---|
| A: Legal age of employment | |
| B: Age of youngest worker found: | |
| C: Children present on workfloor but not working at time of audit | ☐ Yes<br>☐ No |
| D: % of under 18's at this site (of total workers) | % |
| E: Workers under 18 subject to hazardous work assignments?<br>(Go to clause 3 – Health and Safety) | ☐ Yes<br>☐ No<br>If Y give details |

# Drivers for the dairy sector - Customers

5. Global and domestic customers are making some of the sustainability rules for suppliers


Nestlé

## Implement responsible sourcing in our supply chain

Working alongside NGO partners, we map our supply chains, and conduct supplier audits and farm assessments to ensure the procurement of 12 priority ingredients complies with our *Responsible Sourcing Guideline* criteria.

### Objectives

By 2015, complete 10 000 responsible sourcing audits, 70% of them with full compliance.

### Our progress

Our objective of conducting 10 000 audits has been exceeded and, already, 61% of the non-compliances identified have been addressed. We also achieved our traceability and responsible sourcing targets, and have set new objectives for 2016.

**Supplier audits since 2010**

10,950
2015

8,700
2014

6,500
2013

# Drivers for the dairy sector - Investors

1. Investors are interested in the opportunities in the food sector - but also the risks

riaa Responsible Investment Association Australasia

**Responsible Investment Benchmark Report 2017:**
Funds managed according to a "core" responsible investment strategy increased by 26% last year.

- Population growth and rising income levels in Asia
- Changing consumer trends - health & convenience
- Regulatory change - sugar tax, packaging
- Competition for natural resources – arable land and water scarcity
- Increased consumer awareness of ethical issues - globalised supply chains and transparency
- Climate change – regulatory changes & impacts of climate change on assets, resources & suppliers.

http://www.ampcapital.com.au/site-assets/articles/market-watch/2016/january/part-4-of-the-esg-series-food-trends-investor

AMP CAPITAL

# Drivers for the dairy sector - Investors

2. Investors are asking specific questions

## ESG SCORE CARD

| |
|---|
| **Environment** |
| Water Stress |
| Product Carbon Footprint |
| Raw Material Sourcing |
| Carbon Emissions |
| **Social** |
| Product Safety & Quality |
| Opportunities in Nutrition & Health |
| Health & Safety |
| **Governance** |
| Corporate Governance |
| Tax Transparency |

MSCI | MSCI ESG RESEARCH LLC

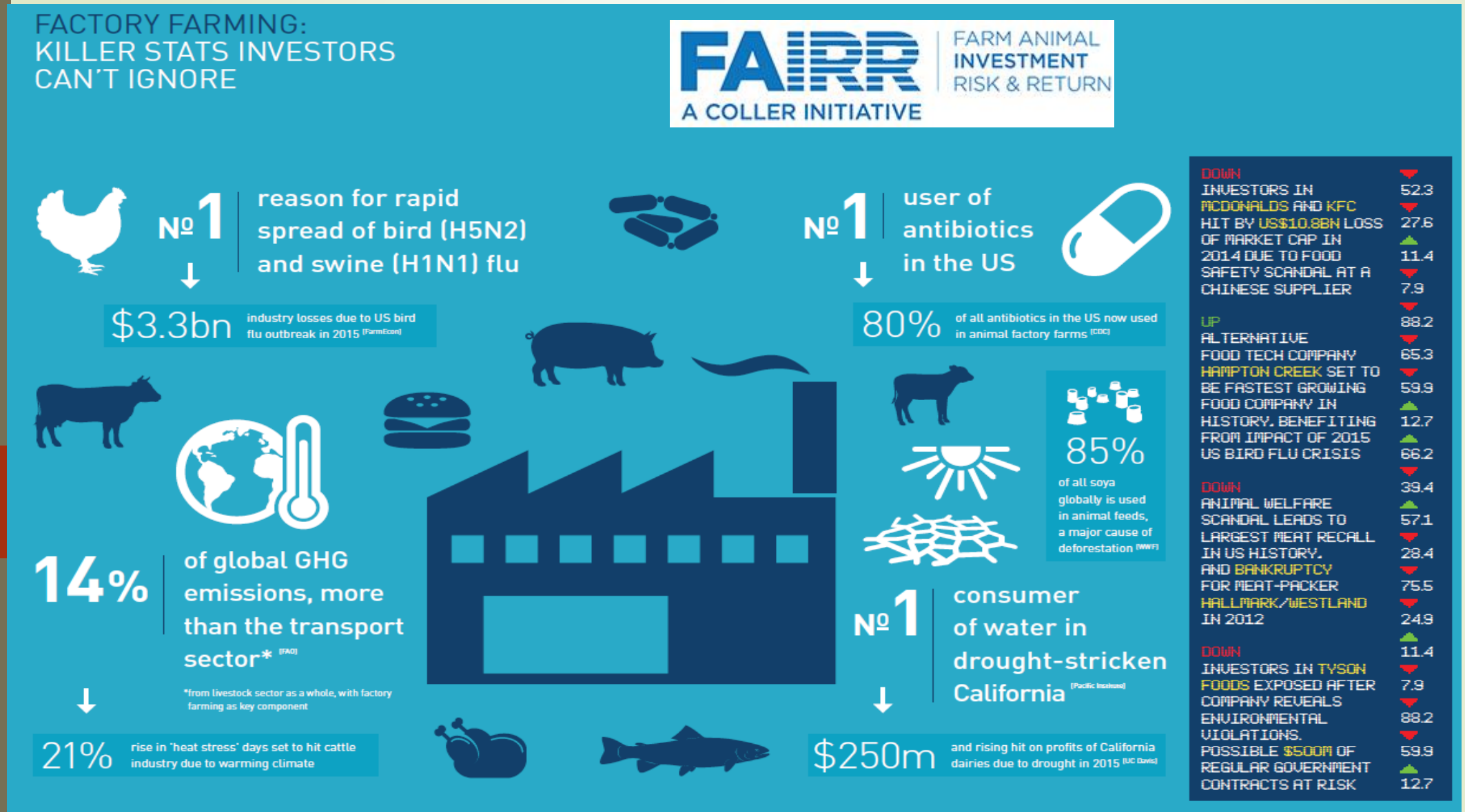
- Are suppliers in areas of water stress?
- How is increasing energy cost being mitigated?
- What's the greenhouse gas intensity of products?
- Understanding of supply chain & sourcing policy

- Exposure to regulation and costs associated with recalls
- Opportunities or costs associated with changing consumer preferences such as lower fat, sugar and salt
- Safety & costs in lost productivity

- Board diversity and independence of Directors

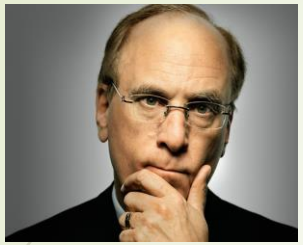
# Drivers for the dairy sector - Investors

3. Investors are asking questions – which have specific implications for dairy




- Animal welfare
- Anitbiotic stewardship
- Hormones
- Plant-based protein

# Drivers for the dairy sector - Investors



- BlackRock – manages $6 trillion USD in assets
- CEO – Larry Fink's annual letter to the S&P 500:

directors should "have demonstrable fluency in how climate risk affects the business" and how a given company will address it.

BLACKROCK

To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES


**Governance**
Disclose the organization's governance around climate-related risks and opportunities.

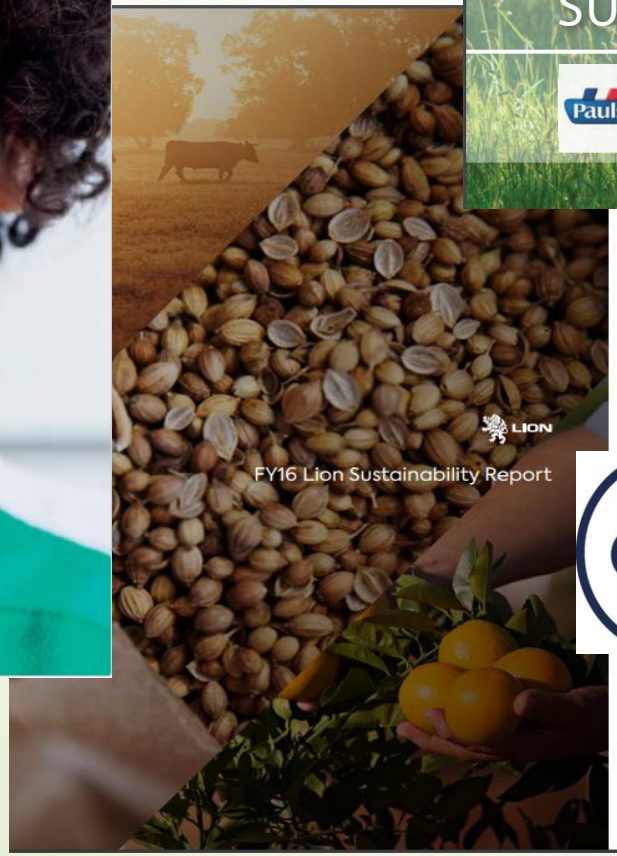
**Strategy**
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

**Risk Management**
Disclose how the organization identifies, assesses, and manages climate-related risks.

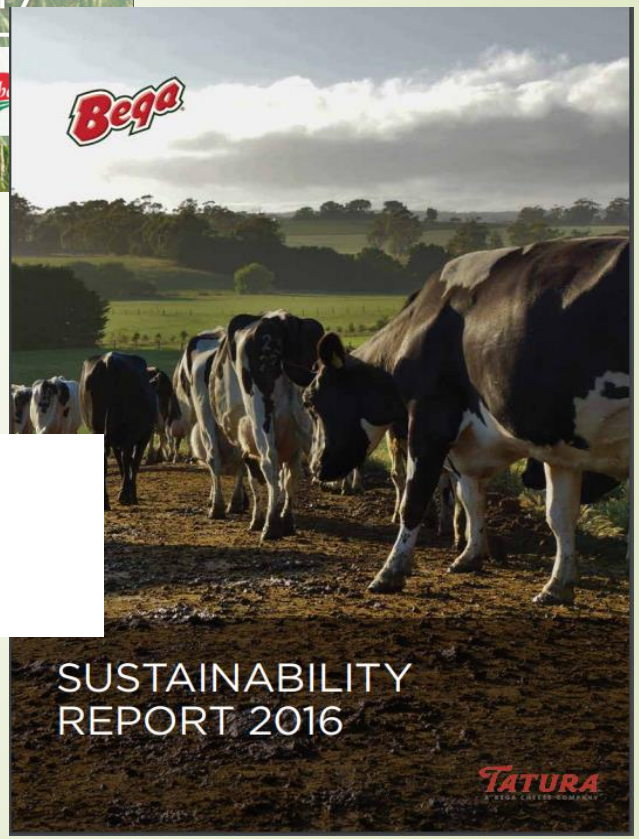
**Metrics and Targets**
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

# Drivers for the dairy sector - Investors






GRI STANDARDS



# Global context and frameworks

*Paris Agreement on Climate Change 2015*

195 of the world's governments commit to prevent dangerous climate change by limiting global warming to well below 2 degrees celsius.

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celsius compared to pre- industrial temperatures.

bel

DANONE

ONE PLANET. ONE HEALTH

MARS

Nestlé

KIRIN

# Global context and frameworks

# Global context and frameworks

Food and Agriculture Organization of the United Nations

## THE DAIRY DECLARATION OF ROTTERDAM

### The dairy community accepts sustainability challenge

We, representatives of the one billion person global dairy community, gathered in Rotterdam at the World Dairy Summit, are committed to the sustainable development of the dairy sector to generate widespread benefits for people and the planet.

We recognize:

- the UN 2030 Agenda for Sustainable Development as the overarching framework that guides our actions towards sustainable development from a social, environmental, economic and health perspective;

October 2016

# Global context and frameworks


Fonterra™
Dairy for life

Tetra Pak®

8 DECENT WORK AND ECONOMIC GROWTH

Tetra Pak developed the Dairy Hub concept to help local dairy processors - to access more locally produced, better quality milk. In Bangladesh average milk yield per cow and day has increased by 110% and average income for the small holder has increased 145%.

# Australian Dairy Industry Sustainability Framework

## The Australian Dairy Industry Sustainability Framework:

### Aligning dairy goals and targets with the Sustainable Development Goals

SDGs grouped according to the 5Ps:

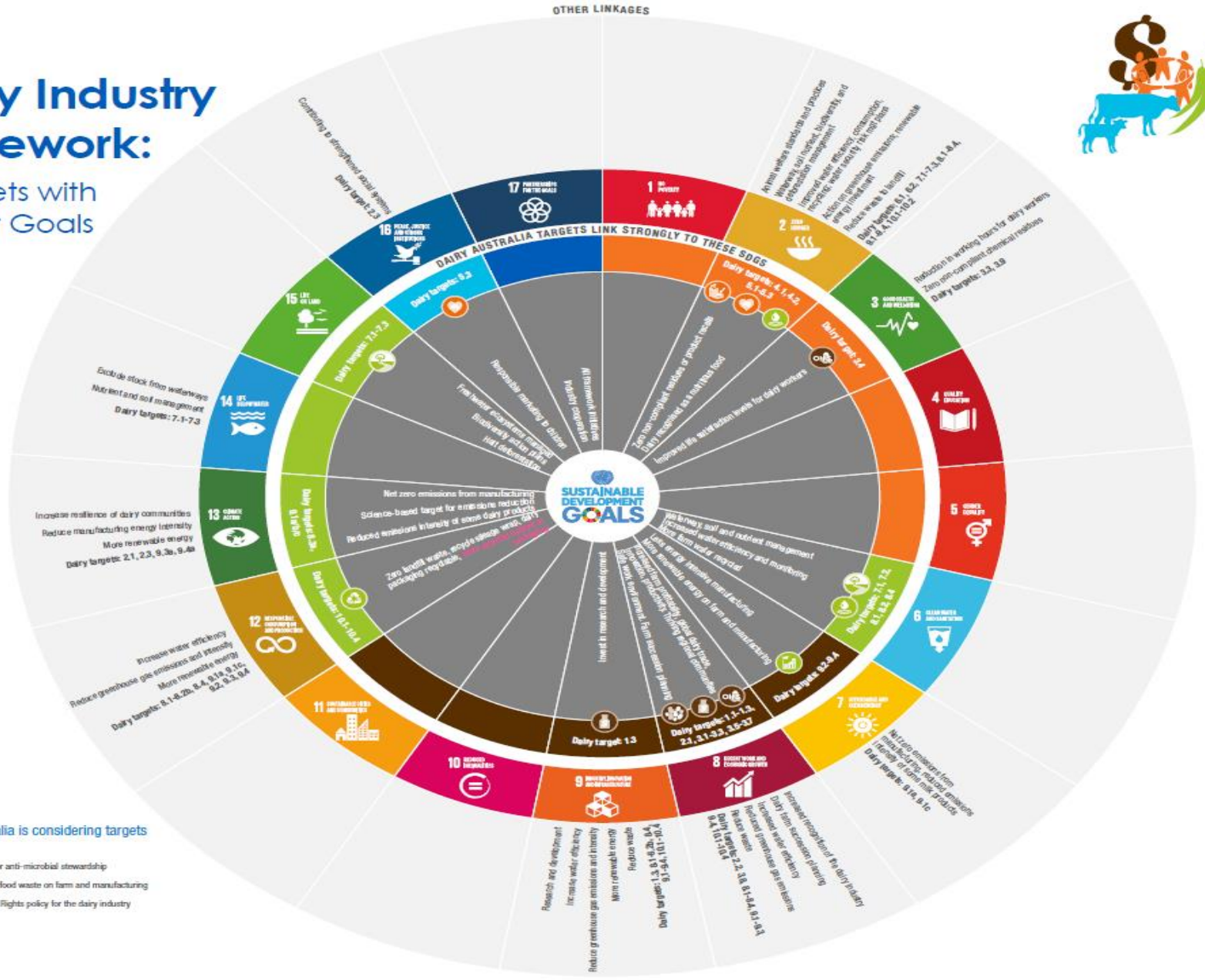
- People
- Planet
- Prosperity
- Peace
- Partnership

The 10 goals of the Australian Dairy Industry Sustainability Framework:

1. Increase the competitiveness and profitability of the Australian dairy industry
2. Increase the resilience and prosperity of dairy communities
3. Provide a safe, productive and rewarding work environment for all dairy workers
4. All dairy products and ingredients sold are safe
5. Dairy contributes to improved health outcomes for all Australians
6. Provide best care for all animals for whole of life
7. Improve land management
8. Increase water efficiency
9. Reduce greenhouse gas emissions intensity
10. Reduce waste

Dairy Australia is considering targets for these:

- Consider targets for anti-microbial stewardship
- Consider reducing food waste on farm and manufacturing
- Consider a Human Rights policy for the dairy industry



# Australian Dairy Industry Sustainability Framework

For ADIC endorsement **October 2012**

Enhancing livelihoods
Improving wellbeing
Reducing
environmental impact

A Strategic Framework for Keeping
the Australian dairy industry in business for the long term

# Australian Dairy Industry Sustainability Framework

## Our Dairy Promise:
## To provide nutritious food for a healthier world

**We are committed to:**

- Creating a vibrant industry that rewards dairy workers and families, their related communities, business and investors
- Providing nutritious, safe, quality dairy food
- Striving for health, welfare and best care for all our animals throughout their lives
- Meeting the challenge of climate change and providing good stewardship of our natural resources

**We measure and publicly report our progress against our commitments.**

# Australian Dairy Industry Sustainability Framework

**Enhancing economic viability and livelihoods**

**Improving wellbeing of people**

**Providing best care for our animals**

**Reducing environmental impact**

## Dairy Industry Goals to 2020*

1 Increase the future competitiveness and profitability of the Australian dairy industry

2 Increase the resilience and prosperity of dairy communities

3 Provide a safe work environment for all dairy workers

4 Attract, develop and retain a skilled and motivated dairy workforce

5 All dairy products and ingredients sold are safe

6 Dairy contributes to improved health outcomes for Australian communities

7 Provide best care for all our animals
- All of industry complying with legislated Animal Welfare Standards
- All of industry adopting relevant recommended industry practices:
  - Reduced use of routine calving induction
  - Don't dock tails
  - Disbud prior to 2 months of age
  - Have a lameness strategy
  - Have cool infrastructure
  - Bobby calves fed within 6 hours prior to transport

8 Improve nutrient, land and water management

9 Reduce the consumptive water intensity of dairy manufacturers by 20%

10 Reduce greenhouse gas emissions intensity by 30%

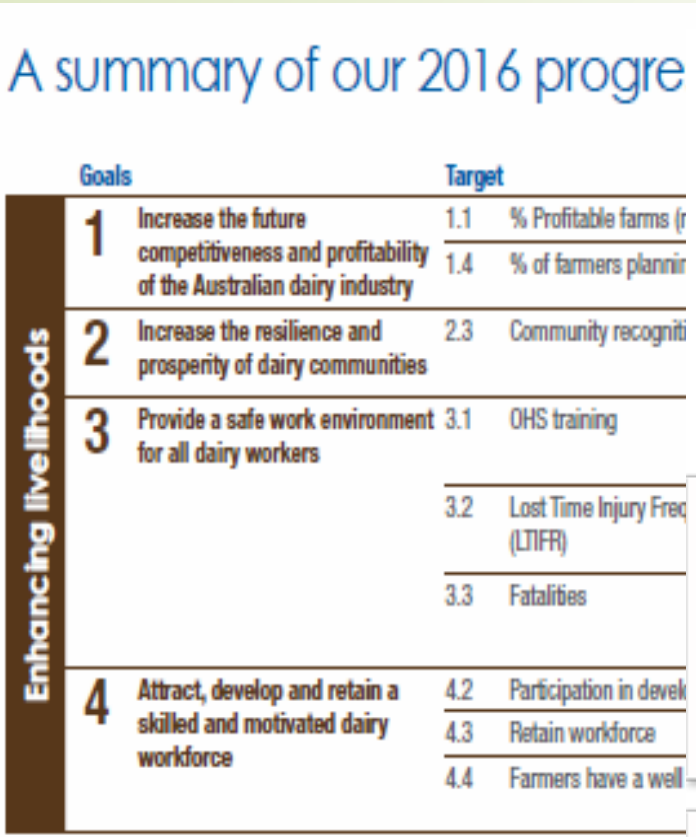
11 Reduce waste to landfill by 40%

# Australian Dairy Industry Sustainability Framework

## Previous Progress Reports and ongoing review

- View Full Report - Dairy Industry Sustainability Report 2016
- View Full Report - Dairy Industry Sustainability Framework Progress Report - 2015
- View Summary - Dairy Industry Sustainability Framework Progress Report - 2015
- View Full Report - Dairy Industry Sustainability Framework Progress Report - December 2014
- View Summary - Dairy Industry Sustainability Framework Progress Report - 2014
- View Full Report - Dairy Industry Sustainability Framework Progress Report - November 2013
- View Summary - Dairy Industry Sustainability Framework Progress Report - November 2013
- View Dairy Industry Sustainability Framework - December 2012

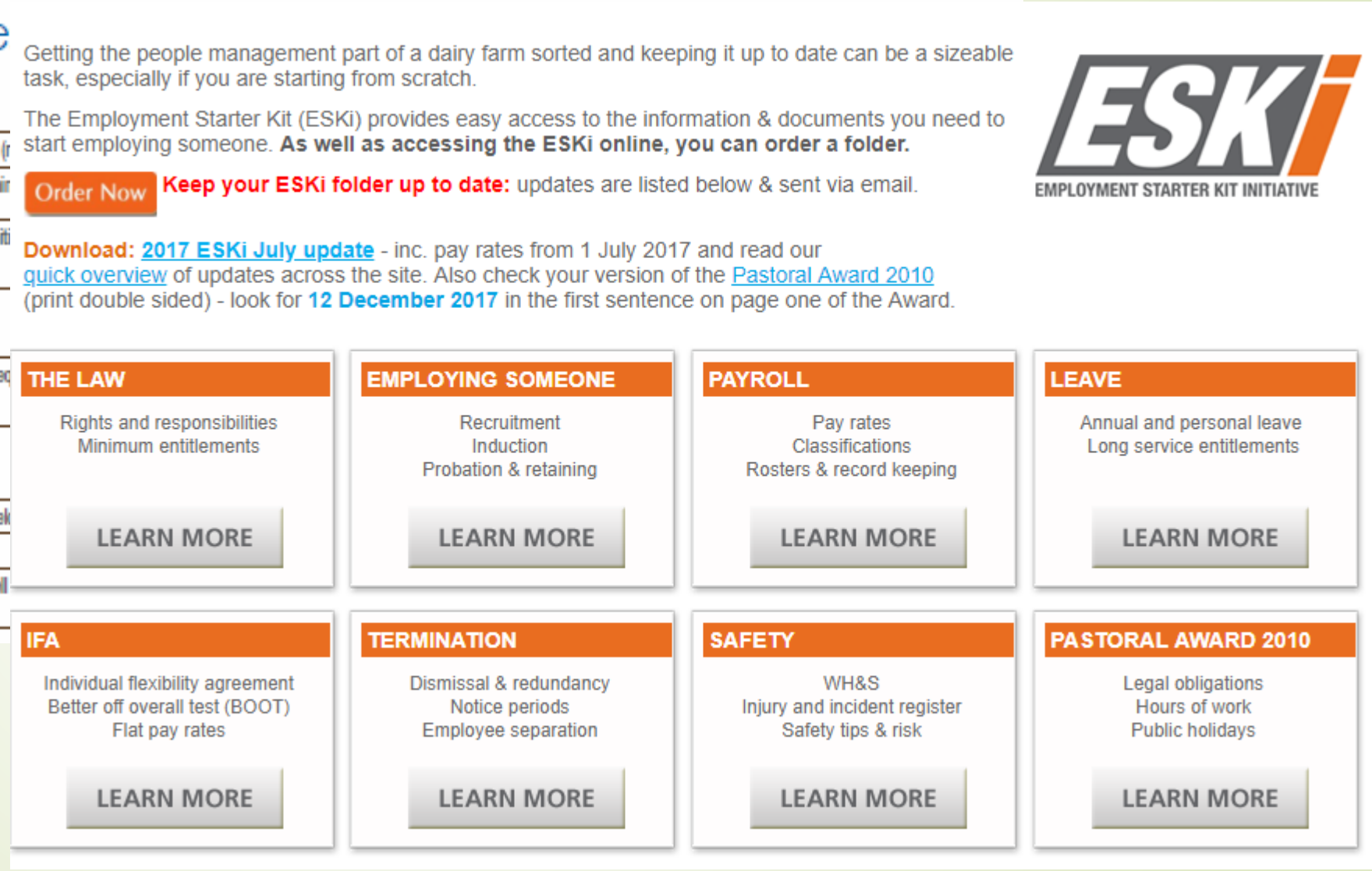
# Progress Reporting



## A summary of our 2016 progre

Enhancing livelihoods

| Goals | | Target | |
|---|---|---|---|
| 1 | Increase the future competitiveness and profitability of the Australian dairy industry | 1.1 | % Profitable farms (r |
| | | 1.4 | % of farmers plannir |
| 2 | Increase the resilience and prosperity of dairy communities | 2.3 | Community recogniti |
| 3 | Provide a safe work environment for all dairy workers | 3.1 | OHS training |
| | | 3.2 | Lost Time Injury Freq (LTIFR) |
| | | 3.3 | Fatalities |
| 4 | Attract, develop and retain a skilled and motivated dairy workforce | 4.2 | Participation in devel |
| | | 4.3 | Retain workforce |
| | | 4.4 | Farmers have a well |



Getting the people management part of a dairy farm sorted and keeping it up to date can be a sizeable task, especially if you are starting from scratch.

The Employment Starter Kit (ESKi) provides easy access to the information & documents you need to start employing someone. **As well as accessing the ESKi online, you can order a folder.**

Order Now **Keep your ESKi folder up to date:** updates are listed below & sent via email.

ESKi
EMPLOYMENT STARTER KIT INITIATIVE

**Download: 2017 ESKi July update** - inc. pay rates from 1 July 2017 and read our quick overview of updates across the site. Also check your version of the Pastoral Award 2010 (print double sided) - look for **12 December 2017** in the first sentence on page one of the Award.

**THE LAW**
Rights and responsibilities
Minimum entitlements
LEARN MORE

**EMPLOYING SOMEONE**
Recruitment
Induction
Probation & retaining
LEARN MORE

**PAYROLL**
Pay rates
Classifications
Rosters & record keeping
LEARN MORE

**LEAVE**
Annual and personal leave
Long service entitlements
LEARN MORE

**IFA**
Individual flexibility agreement
Better off overall test (BOOT)
Flat pay rates
LEARN MORE

**TERMINATION**
Dismissal & redundancy
Notice periods
Employee separation
LEARN MORE

**SAFETY**
WH&S
Injury and incident register
Safety tips & risk
LEARN MORE

**PASTORAL AWARD 2010**
Legal obligations
Hours of work
Public holidays
LEARN MORE

# Progress Reporting

**Dairy welfare, we care**
Animal husbandry survey 2016

## A summary of our 2016 progress

Improving wellbeing

| Goals | | Target | | | Baseline | 2014 | 2015 | 2016 | 2020 Target |
|---|---|---|---|---|---|---|---|---|---|
| 5 | All dairy products and ingredients sold are safe | 5.1 | Chemical residues non-compliance | | 0 | 0 | 0 | 0 | 0 |
| | | 5.2 | Product recalls | | 7 | 8 | 9 | 7 | 0 |
| | | 5.3 | Consumer sentiment | Dairy products are safe | 67% | 69% | 67% | 68% | 77% |
| | | | | Dairy makes high-quality products | 77% | 74% | 75% | 74% | 88% |
| 6 | Dairy contributes to improved health outcomes for Australian communities | 6.1a | Healthy diet | Dairy is essential for good health | 72% | 68% | 69% | 71% | 85% |
| | | | | Dairy food increases my weight | 32% | 30% | 31% | 32% | 20% |
| | | 6.1b | Maintain recognition as five food group foods in ADG | | Recognised | Recognised | Recognised | Recognised | Ongoing recognition |
| | | 6.2 | Daily intake | | Under review | - | - | - | Under review |
| 7 | Provide best care for all animals | 7.1 | All industry complying with legislated Animal Welfare Standards | | | | | | 100% |
| | | | | Awareness of new Animal Welfare Standards | 56% | 56% | - | 47% | 100% |
| | | 7.2 | All of industry adopting relevant recommended industry practices: | | | | | | 100% |
| | | | | Reduce use of routine calving induction | 80% | 80% | 88% | 90% | |
| | | | | Don't dock tails | 80% | 85% | - | 91% | |
| | | | | Disbud prior to 2 months of age | 57% | 63% | - | 63% | |
| | | | | Have a lameness strategy | 87% | 95% | - | 95% | |
| | | | | Have cool infrastructure | 94% | 98% | - | 92% | |
| | | | | Bobby calves fed within 6 hours prior to transport | 97% | 97% | - | 96% | |
| | | 7.3 | Public recognition of caring for animals | | 60% | 62% | 59% | 58% | 75% |

**Progress**

Currently 65% of farms have a documented animal welfare protocol.

Almost all dairy farmers (94%) have a means of monitoring herd nutrition.

The number of calving inductions has almost halved since the 2014 survey.

Tail docking for management purposes has fallen significantly since the 2014 survey, from 13% of farms to 9%.

95% of farmers have a lameness prevention strategy.

Nine out of 10 dairy farms have a heat stress mitigation strategy.

Care for down cows has improved considerably, with 64% being nursed in a dedicated area, and 69% checked every eight hours.

Calves are typically provided with additional colostrum always (61%) or mostly (20%).

Antibiotic treatment of sale calves has dropped from 41% to 27% over the last two years and when calves are treated 98% of farmers have systems in place to ensure withhold periods are met.

Approximately 98% of calves that are transported are fed within six hours of the start of transport.

The 3-Step Calf Plan is now being fully implemented in significantly more farms than two years ago (up from 40% in 2014 to 50%).

# Progress Reporting

## A summary of our 2016 progress

| | Goals | Target | | Baseline | 2014 | 2015 | 2016 | 2020 Target | Progress towards target against baseline |
|---|---|---|---|---|---|---|---|---|---|
| Reducing environmental impact | 8 Improve nutrient, land and water management | 8.1 | Exclusion of stock from waterways | 73% | - | 76% | - | 90% | |
| | | 8.2 | Nutrient management plans | 30% | - | 58% | - | 80% | |
| | | 8.3 | Irrigation automation | 47% | - | 54% | - | 80% | |
| | | 8.4 | Managing land for conservation and biodiversity | | | | | | |
| | | 8.5 | All dairy farmers actively managing noxious weeds where relevant | Noxious weeds identified as major land issu<br>Actively managing noxious weeds where a pr | | | | | |
| | | 8.6 | Recycle water on farm | | | | | | |
| | 9 Reduce the consumptive water intensity of dairy manufacturers by 20% | 9.1 | Consumptive water intensity of dairy manufacturers (litres per litre of milk process | | | | | | |
| | 10 Reduce greenhouse gas emissions intensity by 30% | 10.1 | Emissions from dairy manufacturers (tonnes of $CO_2$ equivalent per ML milk processe | | | | | | |
| | | 10.2 | Farm emissions abatement actions | | | | | | |
| | 11 Reduce waste to landfill by 40% | 11.1a | Waste to landfill intensity of dairy manufacturers (tonnes of waste per ML milk proce | | | | | | |
| | | 11.1b | Manufacturers: signatories to Australian Packaging Covenant (APC) | | | | | | |
| | | 11.2 | Farm level waste reduction | | | | | | |

* The Safe Work Australia website shows 0 reportable incidents for 2014/15 (latest figures). Monitoring of media reports for farm related fatalities in 2016
* In 2016, the scope of consumptive water was adjusted and has impacted the measure.

# Australian Dairy Carbon Calculator

The Australian dairy industry is committed to a 30% reduction in greenhouse gas (GHG) emissions intensity across the dairy supply chain based on 2010/11 levels.
To track industry progress Dairy Australia has developed a GHG accounting tool linked to DairyBase called the Australian Dairy Carbon Calculator. This tool enables farmers, advisers and industry to estimate emissions on farm and identify areas where there are opportunities for improvement.

Farm data from Dairybase is used to pre-populate the carbon calculator, saving time entering data. The carbon calculator provides a breakdown of emissions sources and potential abatement strategies.

Measuring actual emissions on farm is expensive and the Australian Dairy Carbon Calculator is an internationally recognised tool that can be used to estimate on farm emissions. It can also be used to estimate the impact of changes in management practices on emissions.

# Progress Reporting

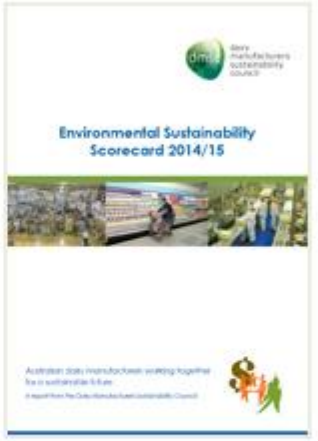
dairy manufacturers sustainability council

**Environmental Sustainability Report**


2004-05 Australian Dairy Manufacturing Industry State of the Environment Report


2007-08 Australian Dairy Manufacturing Industry Sustainability Report


2010-11 Australian Dairy Manufacturing Environmental Sustainability Report

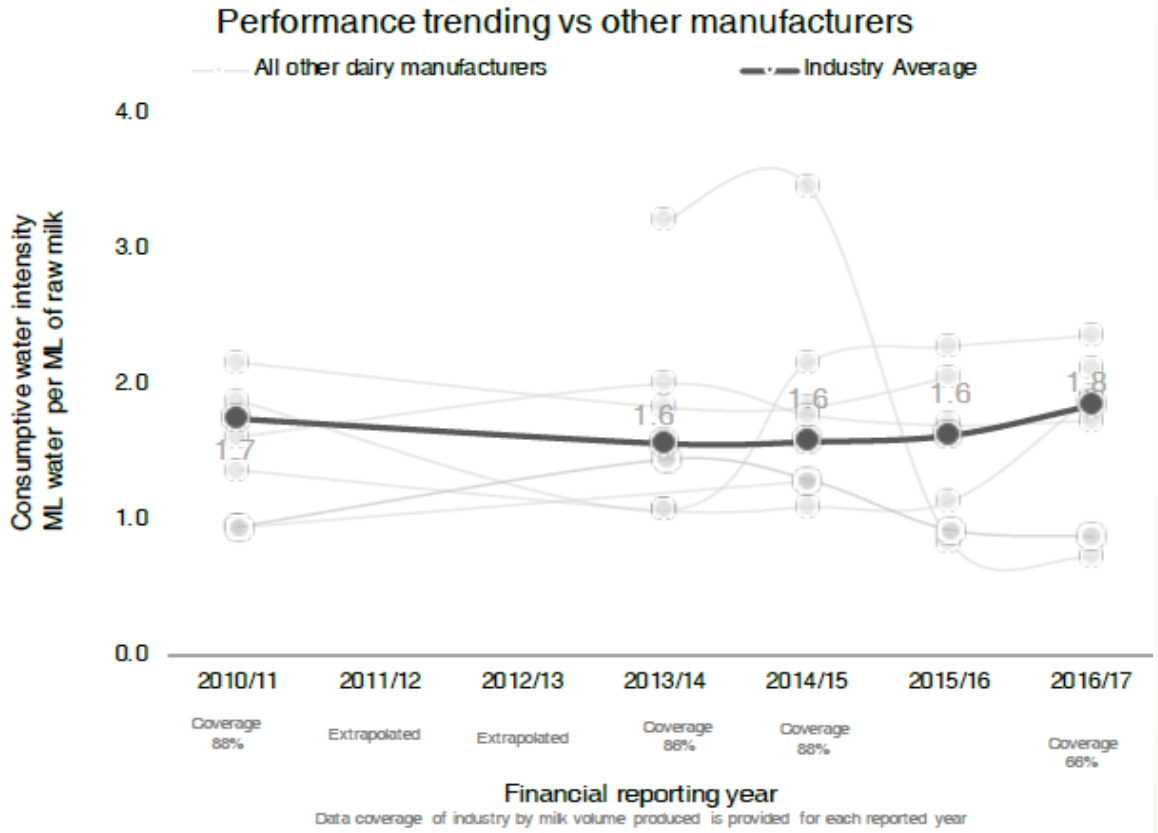



2014/15 Dairy Manufacturing Environmental Sustainability Scorecard


2015/16 Dairy Manufacturing Environmental Sustainability Scorecard

# Progress Reporting

## Consumptive Water

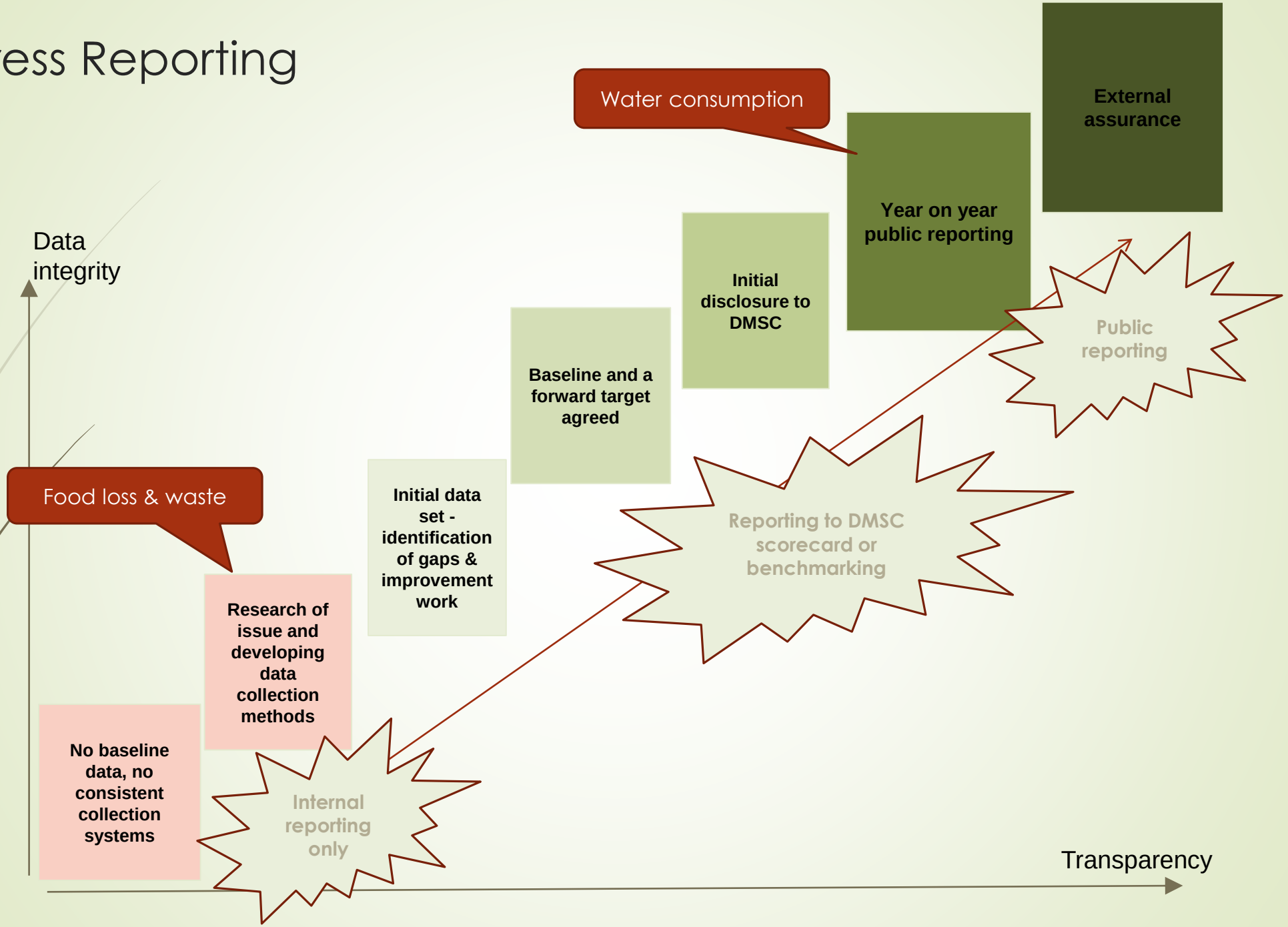



In 2016-17 DMSC members consumed an estimated 1.85 ML of water per ML of milk processed. In the same period, Company X reported consumption of an estimated 0.88 ML of water per ML of milk processed which was 52.5% below the industry average.

Benchmarking and capacity building:

- Energy
- Greenhouse gas emissions
- Water
- Waste
- Wastewater
- Waste diversion
- COD losses

# Progress Reporting



# Recognition for the Framework

Winner of the national Banksia Foundation Food for Sustainable Thought Award 2015


Corporate Register

2nd place in the Corporate Register's 2018 global reporting awards for innovation in reporting

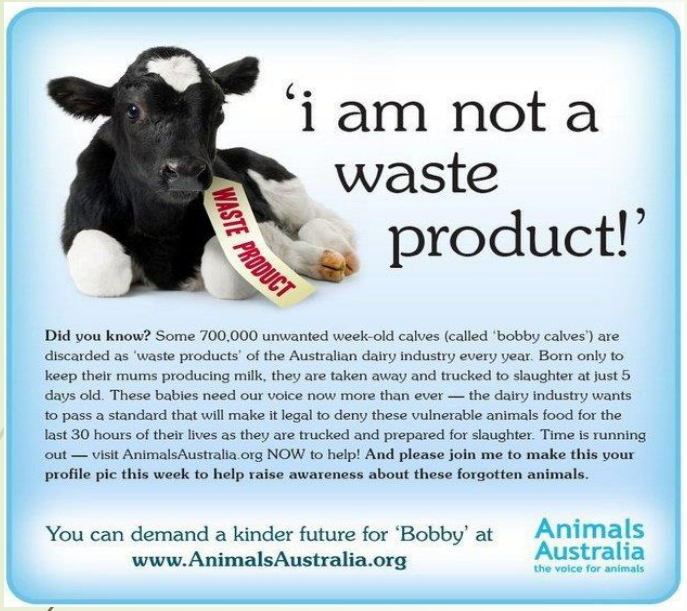
Unilever

- Unilever set a goal of sourcing 100% sustainable agricultural raw materials by 2020 and developed their own Sustainable Agricultural Code (SAC).
- Following extensive benchmarking, Unilever declared all Australian milk production meets its SAC and can be sourced as 100% sustainably produced.
- Australia was the first country to have the entire dairy sector declared compliant.

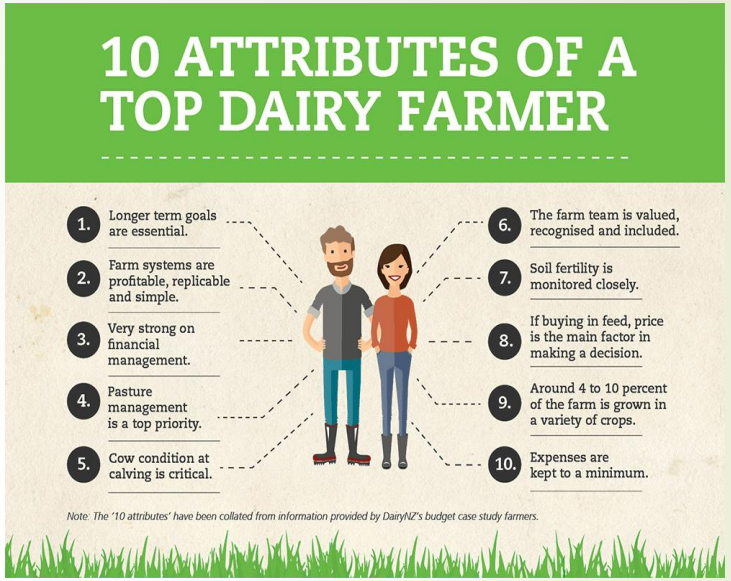
# Next steps

| Current (2013–2016) | | | Possible goals for further consideration in 2017 | |
|---|---|---|---|---|
| Enhancing livelihoods | 1 | Increase the future competitiveness and profitability of the Australian dairy industry | Enhancing economic viability and livelihoods | 1 Increase the number of profitable dairy farmers and Australia's share of global trade |
| | 2 | Increase the resilience and prosperity of dairy communities | | 2 Increase the resilience and prosperity of dairy communities. |
| | 3 | Provide a safe work environment for all dairy workers | | 3 Provide a safe and rewarding work environment which enables dairy to attract and retain the people it needs |
| | 4 | Attract, develop and retain a skilled and motivated dairy workforce | | |
| Improving wellbeing | 5 | All dairy products and ingredients sold are safe | Improving wellbeing of people | 4 All dairy products and ingredients sold are safe |
| | 6 | Dairy contributes to improved health outcomes for Australian communities | | 5 Dairy contributes to improved health outcomes for all Australians |
| | 7 | Provide best care for all our animals | Providing best care for all our animals | 6 Provide best care for all our animals for whole of life |
| Reducing environmental impact | 8 | Improve nutrient, land and water management | Reducing environmental impact | 7 Improve land management (including no net deforestation) |
| | 9 | Reduce consumptive water intensity of dairy manufacturers by 20% | | 8 Water use efficiency |
| | 10 | Reduce greenhouse gas emissions intensity by 30% | | 9 Reduce greenhouse gas emissions intensity |
| | 11 | Reduce waste to landfill by 40% | | 10 Reduce waste (including food waste) |

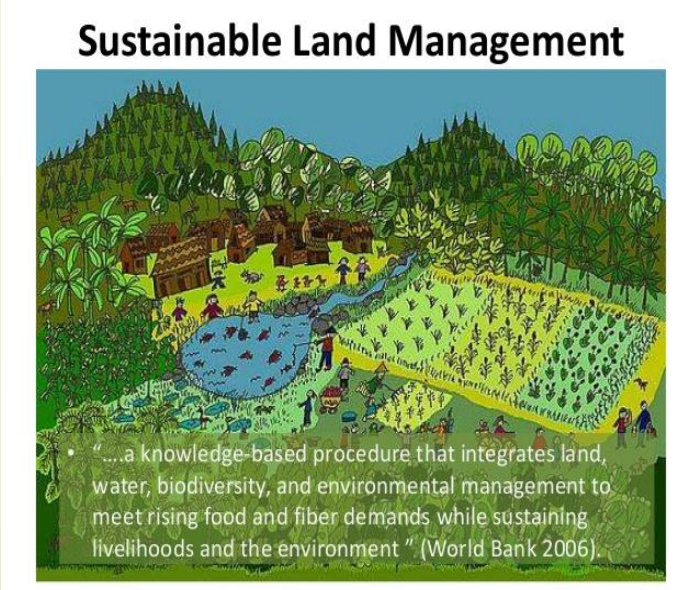
# Next steps – priorities and challenges




Best care for animals



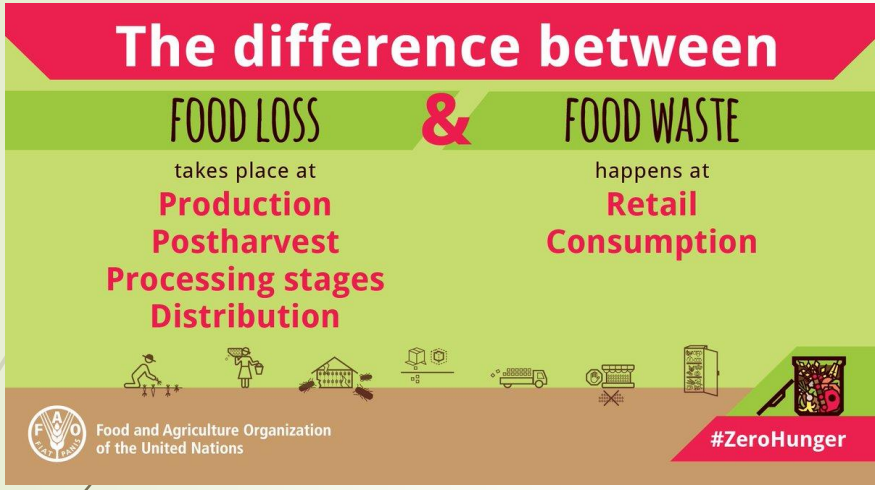

Profitability

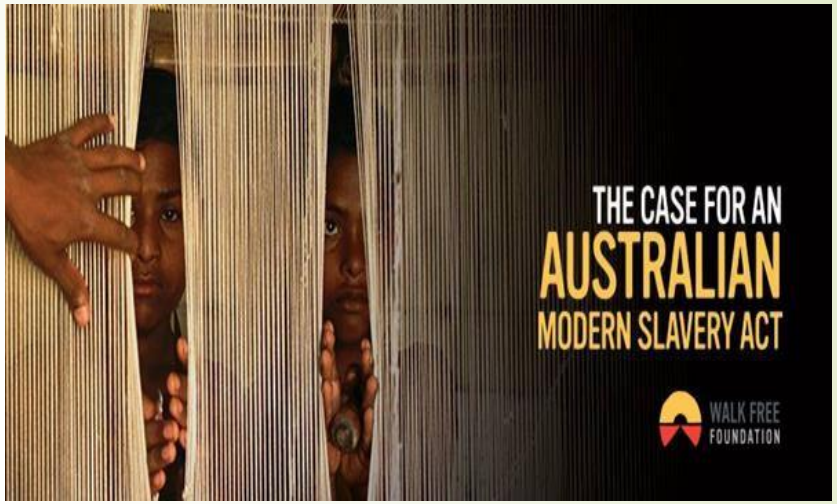



Nutrient, land & water management

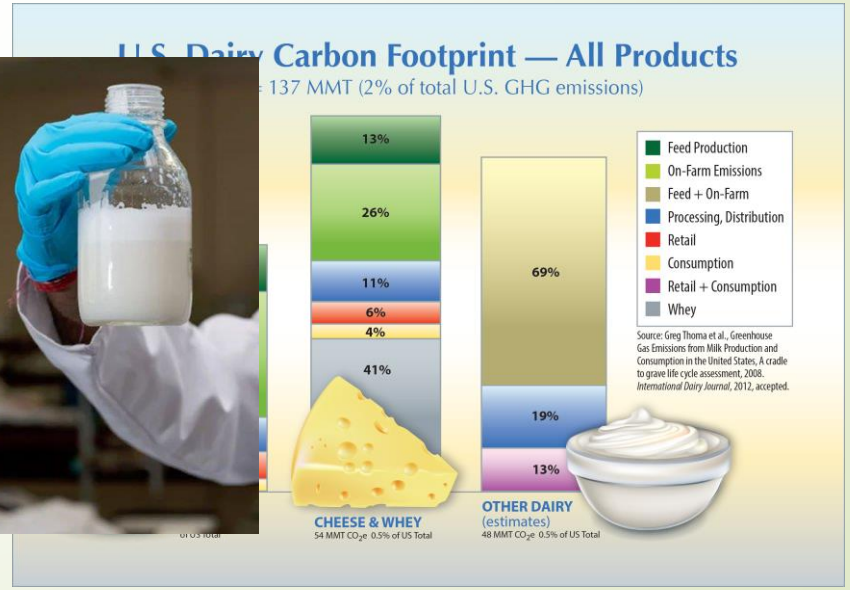
Climate change & greenhouse gas emissions

# Next steps – emerging issues





# Australian Dairy Industry Sustainability Framework

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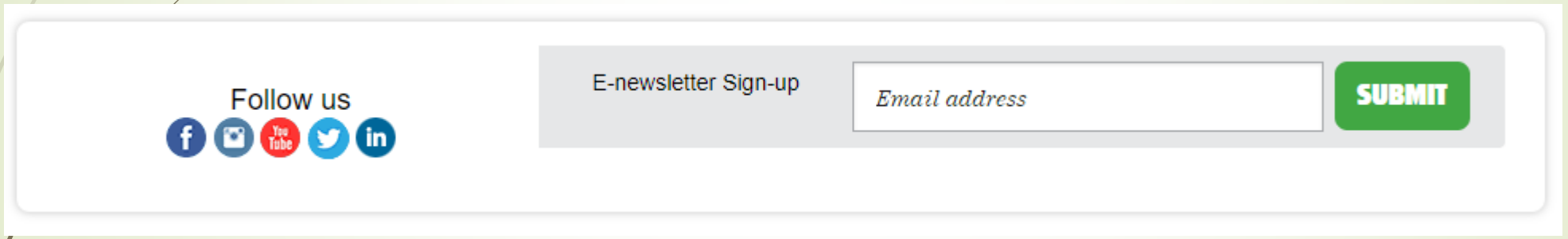

# Questions?