



Costa Group
Holdings Limited



Sustainability Report

2019

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**Costa is Australia's
leading grower, packer
and marketer of premium
quality fresh fruit and
vegetables.**



CEO Report



The past year reinforces in the company's mind that we are on the right track when it comes to dealing with risk and being relentless in identifying ways in which we can continuously improve the environmental and economic performance of the business.

This is our fifth sustainability report and it covers the calendar year 2019. The report includes all of our operations, which are located in Australia, Morocco and China.

The 2019 year proved to be a challenging one, particularly with respect to the impact of weather events, most notably drought conditions which affected some of our farming locations, including our tomato glasshouses and north coast New South Wales berry farms. This has reinforced the need for our ongoing commitment to the Sustainable Commercial Farming objectives we established in 2018. Progress in meeting these objectives has been steady and I am pleased to report they are becoming ingrained in the Costa culture. Our business is committed to making our operations sustainable so they can both withstand environmental risk, including unforeseen and extreme weather events, and maximise opportunities with respect to improving our economic efficiency and profitability over the medium to long term.

Development of our people remains a key focus and they have not only risen to, but also met the challenges of the past 12 months, demonstrating both a resilience

and resourcefulness that is a credit to them and our business. Our active and ongoing involvement in the communities in which we operate is a further positive reflection on our people, with so many of them getting directly involved in local community activities, whether it be organising fundraising for local organisations or volunteering their time to help build fruit and vegetable gardens at local schools.

Improving our water use efficiency and security is a priority and will continue to be over the coming months and years. It is crucial that we further refine our water use to achieve not only greater efficiencies in its application to our crops, but also yield relative to usage. Projects commenced or undertaken in 2019 included improved water monitoring on our berry farms through the installation of water metres which will provide better insight into the variability of water use between the different berry varieties we grow, the use of soil moisture probes in our avocado plantings and the trialling of state of the art sensor technology in our raspberry crops, with initial results showing a 5% reduction in water usage and a 5% increase in yield.

We continue to address the risks associated with climate change particularly those of a financial nature. Our solar farm located at our newly expanded mushroom production facility in Monarto South Australia is now operational. All of the electricity produced by the solar panels is used on site and not only does it reduce our carbon emissions, it also serves to guard against the financial risk of disruptions to energy supply. The need to manage such risk in other parts of our business has seen work commence on identifying other suitable farming locations we have which can benefit from the use of solar energy.

Biodiversity and nutritional inputs are two of our key sustainable commercial farming principles. Our berry category has partnered with the University of New England on the Australian Government funded 'Securing Pollination for More Productive Agriculture' project, aimed at optimising crop pollination. Integrated pest management utilising beneficial insects as a way to reduce chemical usage is being used in our avocado category and reducing sediment and nutrient runoff into waterways is a key focus for our banana farms.





Reducing waste throughout our supply chain is aimed at realising both environment and economic benefits. Our berry category is helping to turn plastic poly tunnel film into pellets, which are used in the production of new material. Through this project, 240,000m³ of plastic was recycled in a year, along with the rope and string used to erect the tunnels. Fresh produce packaging has received considerable attention over recent times and although there are justifiable reasons for the use of packaging for certain fresh produce in order to maintain product integrity and shelf life, more can be done to use packaging which is sustainable. As it currently stands 100% of our punnets are manufactured from PET, which is completely recyclable and is the most recycled plastic worldwide. In addition our berry punnets are constructed with 80% recycled PET (r pet). We will continue to seek ways to increase this volume and Costa endorses the agreement by Australian state and federal Environment Ministers that 100% of Australian packaging be recyclable, compostable or reusable by 2025 or earlier.

A priority for any agricultural company is to improve the production yield of its crops. In 2019 the company initiated its 'Closing the yield gap' program, in which each produce category has been tasked with identifying and putting into practice actions which will contribute to reducing gaps in yield for each hectare farmed and improving overall financial returns on factors of production. These actions include further refining the application of nutrients to substrate and in soil plants, and more accurate grading of produce before and after it has been harvested. This is also supported by regular evaluation of critical task execution and how that has impacted production volume, quality and harvest efficiency. This program will be ongoing, and it is something that we cannot afford to stand still on if we are to remain competitive and achieve the most efficient return that we can on the capital we invest.

As we expand our operations internationally it is important that we consistently apply the same high standards across our workforce. To this end our 2019 reporting on key health and safety metrics includes those of our Moroccan operations for the first time as part of the overall group reporting. Other important health and safety developments during the past year in these locations included defibrillators being deployed across all of our China sites and the introduction of an incentive system to reward safety conscious staff. In Morocco, an employee safety induction program was introduced along with safety leadership training.

The diversity and geographical spread of our workforce was also formally recognised with our Board endorsing a company-wide human rights policy which demonstrates our commitment to respecting internationally recognised human rights and sets out our expectations for the conduct of our employees and suppliers. Recognising such rights is important to our ability to attract a workforce of the highest calibre and provides them with every opportunity to succeed and be rewarded for their efforts and contribution to our success.

We are committed to treating all of our workers fairly and not just those in our direct employ. This means ethical sourcing through our supply chain and in particular from our partner growers is a key focus, with work commencing on better understanding the social sustainability practices of our partner growers and being satisfied they are employing their workers lawfully and fairly while also respecting their human rights. Our Ethical Sourcing Programme is aimed at achieving this by utilising the Supplier Ethical Data Exchange Platform (Sedex), which is one of the world's leading ethical trade service providers. Through the Sedex platform we are working to assess our partner growers' management practices and work together with them to identify opportunities for improvement and provide support and action where it is necessary.

Our significant footprint across regional and rural locations means that our employees predominantly live and work in their local communities. It provides them with a unique insight into the particular needs of those communities, including the importance of volunteering and providing both financial and non-financial assistance to local organisations and initiatives. Whether this be helping to build vegetable gardens for the local state school, sponsoring kids with special needs to participate in a fishing tournament, fielding a team in a soccer tournament in Yunnan Province China, or donating funds in support of mental health awareness, the importance of Costa making not only a positive economic but also social contribution in the communities in which we operate, is integral to our sustainability as a company and of those local communities.

The past year reinforces in the company's mind that we are on the right track when it comes to dealing with risk and being relentless in identifying ways in which we can continuously improve the environmental and economic performance of the business. We remain committed to developing our quantitative reporting on our progress in these areas, this includes putting in place a framework that supports such reporting and ensures the accuracy and legitimacy of any data that we do report.

Finally, I am pleased to announce the board has considered the Taskforce on Climate Related Financial Disclosures framework and believes these set out a consistent and coherent framework to allow our company to disclose our climate change risks to our stakeholders. This voluntary framework deals with governance, strategy, risk management and metrics and targets. Although some reporting of climate-related information looks at the company's past performance such as GHG emissions, climate-related reporting is also focused on a company's future risks and opportunities which may have financial implications in the short, medium- and long-term. It is important for Costa to ensure our strategy is aligned with future risks and opportunities. This is why the TCFD has been identified as an appropriate framework for Costa to progressively incorporate over time, beginning in 2020.



Harry Debney
Managing Director and CEO
Costa Group

Sustainable Commercial Farming

Finding more sustainable ways to make fresh, healthy food available for everyone is one of the most critical issues of our times and we believe that Costa has a vital role to play.

Our challenge is balancing commercial fresh produce production with environmental responsibility and affordability with quality, so that healthy and nutritious food is available to everyone for generations to come.

At Costa, we call this Sustainable Commercial Farming and we are proud to lead the way.

Sustainable Commercial Farming Overarching Objective

Costa has developed a Sustainable Commercial Farming 'Overarching Objective' which broadly defines not only what we are seeking to achieve but also acknowledges the environmental and social responsibilities that go hand-in-hand with integrating Sustainable Commercial Farming into everything we do at Costa.

Our Sustainable Commercial Farming Overarching Objective is stated as follows:

Costa has adopted a systematic and tailored Sustainable Commercial Farming strategy to ensure that we work for the long term to progressively improve the yield and quality of our healthy and nutritious products whilst achieving a per unit reduction in crop production inputs.

We accept our responsibility for the environment and communities within which we farm and grow our crops whilst recognising that innovation is required to enhance productivity, reduce waste and adapt to challenges presented by such issues as water security and climate change, while continuing to supply product that is fundamental to the maintenance of a healthy and balanced lifestyle.

Furthermore, we will regularly undertake reviews beyond our own farm footprint with our partner growers and encourage them to be transparent about the challenges they face so that we can work with them to meet our standards.

Sustainable Commercial Farming Pillars and Principles

In order to realise our Overarching Objective, we have established three Sustainable Commercial Farming Pillars of Environment,

Economic and People, which are underpinned by 10 Sustainable Commercial Farming Principles.

The Pillars are interconnected reflecting their equal importance to successfully realising our strategy. The Principles which underpin the Pillars serve as a clear statement and commitment to what we consider to be the fundamentals of Sustainable Commercial Farming and what we commit to do in these areas.

Sustainable Commercial Farming Principles

Environment

1. Water use and security

We will maintain a focus on reducing water inputs per unit of crop output through efficiency of water use and ensuring water security with a particular focus on water capture and recycling.

2. Climate Change

We will continue to meet the challenges presented by climate change, using skills and technology to adapt to changing circumstances. This includes advancing the adoption and continued enhancement of protected cropping across our portfolio, finding new technological solutions and exploring the use of renewable energy sources where practical to do so.

3. Waste

We recognise that waste in all forms presents challenges with respect to its reduction. This requires a multi-faceted approach that includes adopting practices to reduce the impact on crop yield and quality loss, stringent post-harvest time-temperature management to extend product life cycles, active management of production waste, seeking ways to reduce packaging waste and removing or eliminating non and low value labour intensive activities.

4. Nutritional Inputs

We will carefully select and apply crop nutritional elements and where practical endeavour to use organic and biological crop nutritional inputs. Care will also be taken to eliminate or reduce any migration of applied nutrients beyond our farm boundaries.

5. Biodiversity

We will prioritise the application of organic and biological pest and disease control methods on our crops where practical and cost efficient. Where chemical applications are used, these will be closely monitored to measure ongoing efficacy of use and to ensure compliance with maximum residue limits.

Economic

6. Production Yield

We will continue to develop and embrace agronomic technology and practices to increase crop yields for each hectare farmed, including production which occurs out of the soil. We will also seek to better understand the variables in crop production via the use of advanced measurements and analytical tools to obtain improvements in agronomic practices.

7. Productivity and Efficiency

We will actively pursue investment that improves our productivity with a focus on the development of harvest and post-harvest automation initiatives to ensure long term cost efficiency and pricing competitiveness.

People

8. Workforce

The knowledge and application of our sustainable farming practices is central to the development and training of our workforce. We also recognise they deserve a workplace that respects and recognises their basic human rights, is both safe and healthy, promotes diversity and provides opportunity for career advancement and training, while ensuring they are appropriately rewarded for their efforts.

9. Community

We will build and maintain an active involvement in supporting the social fabric of the many regional and rural communities in which we operate. Our footprint requires us to not only act and behave as a responsible corporate citizen, but also work closely with communities so they can benefit both economically and socially from our ongoing presence.

10. Health and Well Being

We only grow healthy and nutritious fresh food that is acknowledged as being essential to maintaining a healthy body and mind. We take great pride in the fact nothing artificial is added to our products after harvest and sold fresh just as they are.

Corporate Governance/ Board oversight

Costa Group's Board of Directors oversees our sustainability performance and those policies relating to sustainability and progress toward achieving our sustainable commercial farming goals. The Board works with our CEO and Executive Leadership Team to review and evaluate key performance indicators and initiatives. The strategic management of sustainability is led by our CEO and Executive Leadership Team, who develop and monitor sustainability initiatives and projects, policies and standards. The daily management of our sustainable commercial farming commitments and implementation of objectives is guided by all Costa business unit leaders and their teams.

Sustainable Commercial Farming Principles





Environment

Water

State-of-the-art sensors reduce water usage

A trial project using state-of-the-art sensor technology in our raspberry crops has resulted in an initial 5% reduction in water usage and a 5% increase in yield.

Weigh-scale sensors have been installed in selected substrate systems at the Corindi New South Wales berry farm to enable more efficient irrigation scheduling. The system works by measuring moisture on a continuous, real-time basis and transmitting it to a fertigation unit where it can automatically trigger irrigation cycles based on set parameters.

The system provides more responsive and consistent scheduling, resulting in significant water savings across the trial blocks equivalent to 200KL per hectare, per year. Reduced water use has also resulted in reduced fertiliser use and subsequent run-off, providing benefits for both plant health and the surrounding environment.

Ultrasonic treatment to remove algae from water

Costa's African Blue farms in Morocco are based in two specific regions: Massa (Agadir Region) and Moulay Bouselham/Laouamra (Kenitra, Larache Region). Water is commonly extracted from the ground (bores), with the exception of the Baytar farm (Larache) where water is sourced from irrigation channels and put through a reverse osmosis (RO) process prior to use on the crop. Floating algae was identified by the African Blue team as causing filter clogging in the RO units. To deal with the problem an ultrasonic treatment was selected for trial as an alternative to copper-based algaecides, using high frequency sound waves to attack the algal cells. Testing continues to determine if there is a significant impact on reducing algal counts, raw water turbidity and total organic carbon.

Review of Avocado irrigation practices

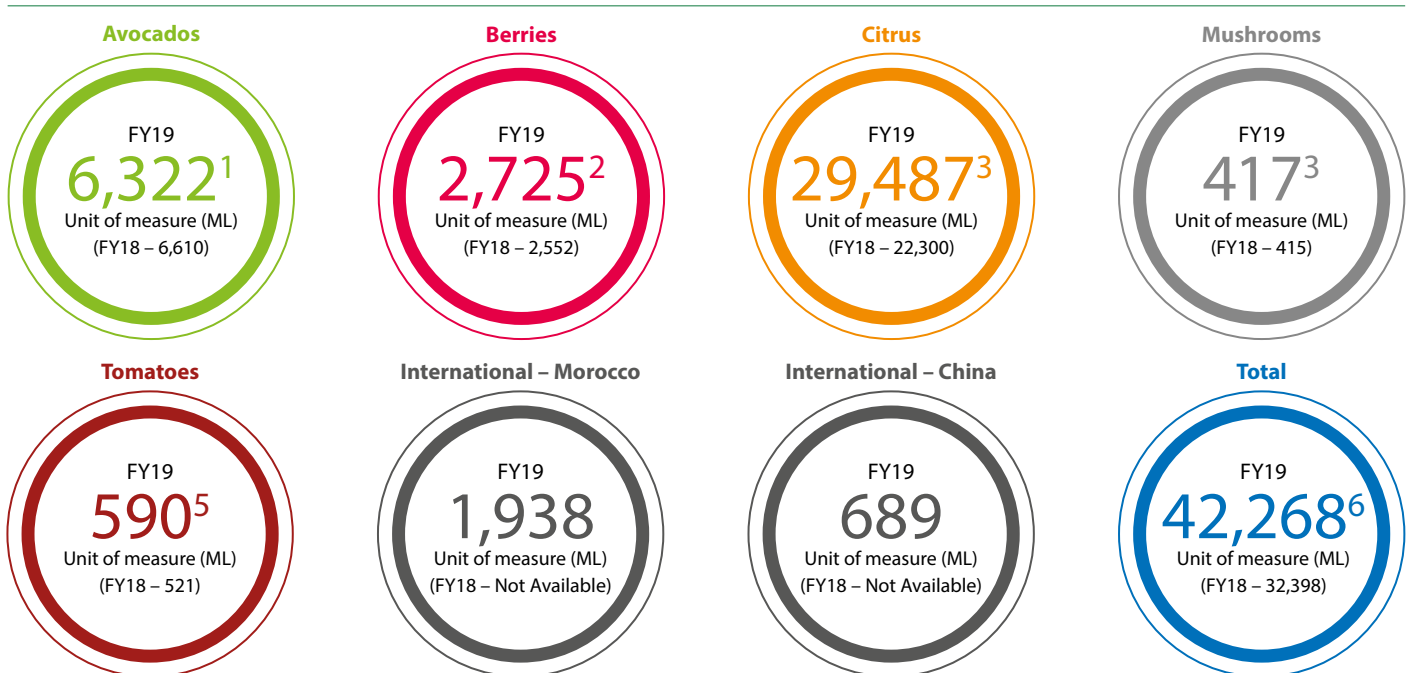
A review of all irrigation practices across our avocado farms was commenced in 2019 in order to determine what future investment and improvements may need to be made to ensure maximum water efficiency use is

being achieved. There has also been a range of initiatives already undertaken during the past year, including the increased use of soil moisture probes, automated irrigation practices to maximise efficiency and assist in delivering increased crop and the use of mulch on those crop areas that experience hotter and drier conditions, thereby minimising evaporation and assisting in protecting moisture around the roots of the trees and reducing the need to apply more water.

Improving water use monitoring

The monitoring of water use on our berry farms is being improved with the installation of new water meters. These will provide better insight into the variability of water use between different varieties and management methods to be evaluated in terms of water use efficiency. More accurate water use data also enables security of supply to be evaluated for existing crops and new developments.

Water consumption by produce category



1. Includes usage for banana production.
2. Increase was predominantly due to a larger production area (growth and redevelopments).
3. Includes for the first time the Colignan farm acquired in December 2018 and usage of 642ML for table grape production. Also reflective of higher amounts of water use in drought years due to lower rainfall and particularly due to hotter conditions with greater evapotranspiration.
4. This figure excludes the use of recycled water and reflects increased production and compost on prior year.
5. Of this total, 200ML was recycled drain water. Increase was predominantly reflective of dry weather conditions.
6. For the first time this total reported figure includes water consumption for our operations in Morocco and China.

Climate Change

Greenhouse Gas (GHG) Emissions

	UNIT	2016-17	2017 - 18	2018-19*
Total Scope 1** & 2^	tonnes CO ₂ -e	118,254	123,607	142,375
Scope 1	tonnes CO ₂ -e	54,064	55,568	55,102
Scope 2	tonnes CO ₂ -e	64,190	68,039	87,273

* Most recent reporting period for Australian operations only – National Greenhouse & Energy Reporting – s.19 Energy and Emissions Report.

** Scope 1 emissions include combustion of fossil fuels (e.g. natural gas, fuel oil, propane, etc.), combustion of fossil fuels (e.g. gasoline, diesel) used in the operation of vehicles or other forms of mobile transportation and unintentional release of GHG from sources including refrigerant systems and natural gas distribution

^ Scope 2 emissions include Indirect GHG emissions from consumption of purchased electricity, heat or steam.

Energy Consumption

	UNIT	2016-17	2017-18	2018-19
Total Energy Consumption	GJ	931,417	984,124	1,048,843
Total Energy Produced	GJ	-	-	-
Energy Consumed Net	GJ	931,417	984,124	1,048,843

Solar powers up at Monarto mushroom farm

The solar electricity generation system installed at the Monarto mushroom farm in South Australia, began full capacity generation in October 2019. There is a total of 5,096 solar panels installed on frames, split over 38 high powered inverters feeding through a step-up transformer to the 11,000 volt electrical supply system to the Monarto facility.

The system is capable of generating around 1,900 Kilowatts peak, with up to 13,319 Kilowatt-hours of electricity having been produced in total over a single day. This is enough energy to power over 600 homes and avoids around 9.4 tonnes of carbon dioxide being produced by conventional power stations per day. All of the electricity produced by the solar system is currently used on site.

Protected cropping – Table Grapes

Costa has installed netting over our table grape crop in Mundubbera, Queensland, with 100% of the 100-hectare crop to be completely covered by the end of 2020. The main benefit of netting is the protection it provides from extreme weather events, including hail and wind. The netting also reduces the threat of pests, including birds damaging the crop and therefore results in less product wastage. Additional benefits of netting include the creation of a micro climate which increases sugar development and yield improvement through increased grape size.





Waste

War on waste

A local Tasmanian company Envorinex, has been collecting our berry tunnel plastic poly film and turning it into pellets, which are used in the production of new material, such as the plastic film used on construction sites. Through this project, 240,000m² of plastic is recycled each year, along with the rope and string used in the erection of the tunnels. In addition, around 243,000 plastic bags which hold strawberry plants, are recycled through a similar process. At our Corindi New South Wales berry farm, over 24 tonnes of tunnel plastic was recycled in 2019.

Our berry replanting operations generate considerable volumes of used substrate material. In Far North Queensland, around 300 tonnes of coir material used in substrate planting is being successfully recycled into a commercial compost material each year, using local company Shark Recycling. In addition, around 20 truckloads of scrap steel have been recycled.

Recycling packaging waste from tomato glasshouses

Costa's tomato category is working with Australia's biggest recycling company, Visy to reduce our cardboard waste. In 2019, from across both tomato glasshouse sites in Guyra, New South Wales, a total of 1,620m³ of cardboard was collected by Visy, with collections occurring on a weekly basis.



Reducing product and packaging waste

Cardboard bulk mushroom boxes are pre folded for use at the start of every day at our mushroom production facilities. This allows the mushroom harvesters to pick and fill the boxes as productively as possible without having to wait for them to be made up during the day. At the end of the day any surplus and underweight folded boxes containing product were being unfolded and thrown away due to strict quality assurance requirements.

This was creating a product and packaging waste problem which needed to be addressed. The solution was to introduce scales enabling the Harvesting Supervisor to weigh the boxes as the harvest progressed in order to provide a more accurate indication to the harvester as to the box weight and what may need to be added in order to achieve the required weight.

As a result, the number of underweight boxes has been reduced, saving on both product and packaging, while ensuring continued compliance with quality assurance requirements.



Australian Fresh Produce Alliance packaging research

In August 2019 the Australian Fresh Produce Alliance (AFPA) of which Costa is a founding member, released research undertaken by RMIT University and Empauer that shows fresh produce packaging can help mitigate the estimated \$20 billion of food lost or wasted in Australia every year.

The research mapped the lifecycle of 10 fresh produce items both with and without packaging. The results showed that the benefits of packaging of fresh produce include product protection, extension of shelf life and the ability to communicate product information which assists consumers.

Costa along with all AFPA members recognises that consumers are concerned about the level and type of packaging that is used for fresh produce. What the research demonstrated is there are real and practical reasons for using packaging for certain types of fresh produce.

An estimated 7.3 million tonnes of food valued at \$20 billion dollars is lost or wasted every year in Australia, while rates of obesity are rising due to poor diet and low intake of fresh fruit and vegetables.

Consumers would benefit from a better understanding as to why producers utilise particular packaging formats, whether it be to ensure product integrity in the supply chain, extend shelf life and/or reduce food

waste. An example of this as demonstrated by the research is Costa's use of punnets to package berries. The research shows that the environmental impact of the waste generated from damaged, unsellable fruit actually outweighs the impact of utilising the punnet.

The report also highlights the importance of working to reduce packaging where reasonably possible and identifying packaging that provides greater opportunities for recycling.

AFPA has also undertaken further research on the behaviours of consumers in the home post purchase and how they store fresh produce in the home to maintain freshness and shelf life and reduce waste.



Fresh Produce Packaging Position Statement

As a founding member of the Australian Fresh Produce Alliance (AFPA), Costa fully supports the Position Statement on Fresh Produce Packaging which was released publicly by AFPA in September 2019.

We recognise that waste in all forms presents its challenges and this requires a holistic approach. Therefore, the design and application of the packaging we use is also aimed at minimising packaging waste.

The five key things we commit to do to minimise packaging waste are:

1. Ensuring that the role of packaging is focused on providing consumers with freshly grown, healthy and nutritious food, and minimising food waste.
2. Implementing the agreement by state and federal Environment Ministers in April 2018 that '100 per cent of Australian packaging be recyclable, compostable or reusable by 2025 or earlier to cut down on the amount of waste we produce'.
 - a. More than 75% of Alliance members' current retail packaging (by volume) is recyclable, compostable or reusable.

(With PET as the prime material used in our consumer packaging, Costa has moved to ensure that all labels and adhesives used on PET punnets and packs are 100% recyclable. Material used in our punnets are also constructed with 80% recycled PET (r-PET).)
3. Removing any non-functional or surplus packaging by designing it for optimal efficiency to maintain product freshness and maximising the availability of nutritious food.
4. Reducing the amount of packaging through the broader supply chain, and working toward developing a circular economy for packaging (where current packaging is recycled into new packaging) including recycled content.
5. Working with industry, suppliers, recyclers, and retailers to deliver outcomes, and encouraging the development of environmentally sustainable packaging.

A copy of the full statement can be found at <http://www.freshproduce.org.au/media-releases/reducingpackaging/>

Biodiversity

Research aims to ensure future bee health

Ensuring the health of native bees and honeybees and enhancing the pollination of crops is the aim of a partnership between Costa and bee researchers at the University of New England (UNE).

UNE and the team at Costa Berries in Corindi New South Wales are part of the collaborative 'Securing Pollination for More Productive Agriculture' project that is investing more than \$5 million to develop guidelines for effective pollinator management and stakeholder adoption.

Senior Costa horticulturist Maurizio Rocchetti, notes that bees play a critical role in all crop production and the ongoing research collaboration with UNE is vital to ensure bee health. One activity conducted under the project focused on optimising pollination for a range of crops including blueberries and raspberries.

Experimental work was undertaken which involved observing flowers for a long period of time and how many visits the different pollinators would make to the flowers. The project found there were on average 25-125 stingless bee colonies per hectare, each with thousands of forager bees.

Other activities are looking at how to support the bees and identify what type of flowers are needed to be introduced on the farm in response to certain weather patterns, or when there are no other flowers available. Blueberry pollen also does not have a high protein content, which bees need for the brood. This means looking at providing some additional pollen sources to attract bees and help maintain strong hives.

The 'Securing Pollination for More Productive Agriculture' project is supported by funding from the Australian Government Department of Agriculture as part of its Rural Research and Development for Profit program.

Bumblebees as effective pollinators

Costa is presently using bumblebees to pollinate our berry crops in China. Bumblebees are important pollinators, with wings that beat 130 times or more per second. The beating of their wings combined with their large bodies vibrates flowers until they release pollen, which is called buzz or sonic pollination. Bumblebees are also larger than honey bees and generate more heat, allowing them to work during cooler weather.

Bumblebees also greatly improve pollination of greenhouse crops (tomato, capsicum, eggplant, berry fruit), in field crops (strawberry, blueberry, cranberry, kiwifruit, zucchini, bean, eggplant) and in tree fruit (almond, apple, stone fruit, avocado).

Bumblebees are used to pollinate crops in up to 40 countries across Europe, North America, South America, Asia and China. In Australia although bumblebees are endemic to Tasmania and have been present in the wild for 25 years or more, the use of bumblebees to pollinate glasshouse and field crops in Tasmania and on the Australian mainland is currently prohibited under the Commonwealth *Environment Protection and Biodiversity Conservation Act (EPBC) 1999*. Costa supports the Federal Government's proposed amendment to the Act which would allow a trial to be conducted in Tasmania with local bumblebees in order to test their efficacy as pollinators and any potential impact on the local environment.

Organic approach to algae control

In our Tasmanian berry operations, an organic approach to algae control is being utilised through the use of barley straw bales. The bales are wrapped in shade cloth and placed in dams. As the bales decompose, a natural algaecide is released which inhibits the growth of algae across the summer period. This improves the water quality within the dam, maintains the natural aquatic ecosystems, reduces irrigation system maintenance and improves plant health – all without the need for chemical treatments.

Integrated Pest Management and nutritional program

Our avocado category has commenced the use of Integrated Pest Management (IPM) and a nutritional program to enhance soil biology.

IPM involves the use of so-called beneficial insects as a way to reduce chemical usage and increase biodiversity while growing premium fruit. Targeted crop timings for the most effective use of IPM include flower bud development, bloom, fruitlet development, fruit fill and harvest. Slashing of grass is avoided in the lead up to using IPM in order to allow inter row weed and grass growth with these areas acting as an insectary and providing an important source of pollen for adult beneficial insects.

The nutritional program involves the use of a blend of products from both synthetic and organic sources. The aim is to enhance soil biology by creating a more dynamic environment and increasing biodiversity, whilst maintaining soil quality and reducing soil degradation. These inputs include kelp, fish hydrolysate, molasses and fulvic and humic acid.

The trial is to ascertain their impact and effectiveness before any widespread use is adopted as the impact is not immediate, this is likely to continue over a number of years in order to properly measure the benefits.

The IPM and nutritional programs are both key to our goal of ensuring we are using the most efficacious biological products to improve and protect biodiversity, including plant health, reducing the use of insecticides and pesticides, minimising the use of synthetic nutritional inputs, optimising soil structure and health and delivering maximum nutrition to our plants.

Nutritional inputs

Reducing nutrient runoff

In 2019 the Queensland government introduced legislation focusing on the obligations of farmers with regards to sediment and nutrient run off into waterways and oceans on the coastline immediately adjacent to the Great Barrier Reef. Costa has been proactive in this area for a number of years in order to reduce the impacts of nutrient runoff from our banana farms through the following initiatives:

- Laser levelling of all land before planting to ensure runoff is measured and does not lead to excessive erosion.
- Introduction of fertigation practices rather than the spreading of granules. Fertigation enables the application of more precise, controlled and lower inputs.
- Overall reduction in nitrogen application levels to well below industry application levels and permitted regulatory levels.

In 2020 our banana category will be working closely with both the Queensland Departments of Agriculture, Forestry and Fisheries and Major Projects to better understand our environmental footprint into the future. This will include conducting commercial trials on the effect of different nitrogen levels on banana plant growth and bunch development (previous trials have been in a research environment). In addition to this we will undertake regular monitoring of water runoff from the farm to assess the levels of sediment and dissolved inorganic nitrogen and ascertain which practices and weather conditions may lead to changing levels of these elements.



Economic

Production Yield

Closing the yield gap

Improving the yield of our crops is fundamental to our ability to remain competitive and to maximise economic returns on our investment and for our shareholders. The 'Closing the yield gap' project which began in 2019, places yield improvement at the forefront of our sustainable commercial farming priorities. This means that 'yield' will no longer be treated as a catch all measurement. The many factors and variables that go into determining yield are now being more closely scrutinised and measured across our crops. This includes, but is not limited to establishing KPIs against the following:

- Volume of crop by first grade, second grade etc.
- Volume of waste and by type, ie. split/damaged, green, over ripe, soft, too small/too big
- Nutrition/fertiliser use
- Water use and quality
- Pest and disease
- Timing of plantings
- Picking/harvesting speeds – quantities and quality
- Packing speeds – quantities and quality
- Performance of specific crop areas (as opposed to just variety performance).

Importantly this is combined with undertaking regular self-evaluation of our critical task execution and how that impacts production volume, quality and harvest efficiency. From this we can then better understand and prioritise investment in projects and resources which improve yield and closing any gaps which impede maximising yield.

An IT platform is also crucial to track the use of key inputs, crop health and climate impacts and to better understand and manage the specific growing conditions that improve the quantity and quality of our yields.

With this aim in mind, Costa has engaged a leading Australian agtech company to provide microclimate weather predictions and yield predictions to Costa berry farms located across Australia.

Comprising of web and mobile apps with a core AI learning capacity, the platform generates data and insights which enable large-scale commercial growers such as Costa to make better informed decisions around resource allocation, irrigation, crop spraying, fertigation and harvest and how this can be used to improve yields.

Productivity and Efficiency

Virtual picker technology

Costa and Melbourne Polytechnic have teamed up on a project to develop a virtual reality (VR) harvest training tool with an initial focus on mushroom harvesting.

With a \$1.6 million grant from the Victorian Government's Workforce Training Innovation Fund, VR technology is being developed which will allow workers, trainees and trainers to experience what harvesting work is like in the field and prior to commencing work.

The labour intensive nature of mushroom harvesting makes it an excellent fit for the development of technology to improve worker training, skills and productivity, both prior to commencing work and during employment. There is also the capacity for multi-lingual delivery platforms, which is important given that many of Costa's mushroom workers have English as a second language.



The VR harvest training tool will provide the following benefits:

- A training environment that mirrors the harvesting operations of the mushroom farm, that doesn't impact business output.
- Allow potential employees to fully understand the job and skill requirements before committing to the role, allowing prospective harvesters to 'try before they buy'.
- Aim to reduce worker turnover, workplace injuries and food waste.
- Ability to adapt the technology to other horticultural crops.
- Formal recognition of the development of skills and knowledge.

Costa and Melbourne Polytechnic acknowledge the valuable support of the Victorian Government Department of Education and Training in making this project possible and commends the government for focusing on developing employment opportunities in the horticulture sector in recognition of the valuable role it plays in the Victorian economy. The project is due for completion by the end of 2020.

Energy and waste efficiency measures in mushrooms

During 2019 Costa's Mernda mushroom team undertook two small but important projects focused on improving energy efficiency.

Improving chilling efficiency

The cooling and chilling of the mushroom growing rooms through the use of two chiller units was proving challenging on days over 35 degrees, resulting in water having to be sprayed on the chiller coil in order to maintain coolness. This not only wasted water but was also inefficient with respect to the chilling process and risked product wastage due to insufficient chilling on hot days. The solution was to replace the two chiller units with one large chiller, which not only reduced water usage and was more energy efficient but operated better on hot days (over 35 degrees) thereby significantly reducing the risk of crop loss and product waste on extreme weather days.

Reducing gas usage and cost

The sterilization of the used compost utilised a steam line with an open end. As a consequence, when the boiler injected steam into the used compost to sterilize it, the pressure fluctuated to the point where the boiler was required to constantly operate at 100% capacity. This resulted in a waste of natural gas and increased cost. To fix this problem, the maintenance team replaced the open-end pump with a more precise injector nozzle, allowing for the injection of steam at a more stable and constant pressure, reducing the volume of gas used and also a saving on gas expenditure.

Robotic citrus and mushroom packing



Robotic packing technology has been installed in Costa's citrus packhouse at Renmark in the South Australian Riverland. The productivity benefits were immediate, with packing efficiency increasing to 60 bins per hour compared to the previous 40 bins per hour. In addition, another eight lane spectrim sorting line has been installed to handle the additional volume.

The Renmark packhouse sorts and packs up to 40,000 tonnes per year and the robots are stacking circa 13 cartons per minute. Although the robotic packaging has reduced the need for labour, those roles have been utilised elsewhere in the packhouse to deal with the increased volume.

It has also resulted in a reduction in waste, as the robots are more precise in their handling of the produce thereby resulting in less product being dropped or spilled on the ground.

Costa's biggest mushroom farm located at Mernda in Victoria utilises four robots to undertake the packing of our pre pack mushroom products.

Considerable efficiencies have been achieved, helping to reduce labour inputs with a capacity to pack 200 tonnes per week. Through proprietary technology the robots have also been modified to handle plastic reusable crates. This has reduced the incidence of packaging waste as previously cardboard cartons had been used in the packing and handling process.

China Pilot Harvest Management System project

Costa currently operates a customised Harvest Management System (HMS) across its berry and mushroom categories. The HMS tracks real time harvest data by individual picker. The HMS can be operated out in the field with limited or no internet connection. Data is stored in a local database and reported back to Costa once it connects to a 3G or 4G service.

Geospatial mapping has been added as a new interactive feature to the HMS for the Berry category, providing a real-time view and reporting of location crop yield, quality and berry weight and visibility on harvest crew location, activity and performance.

In Morocco, HMS will be used over the 2019/20 season to capture harvest performance. All of the African Blue farms have been Geo Mapped, with 10 years of historical yield performance loaded for analysis into the HMS. Harvest and team statistics will be loaded into the HMS on a daily basis, and the forecasting functionality used to better plan and track forecasts against actual performance.

In late 2019 the Costa IT team completed a pilot HMS project for Costa's China berry growing operations. Engagement with local workers was overwhelmingly positive, with key staff taking the lead on implementation. The aim is to rollout the HMS in the 2020/21 China season, with the benefits of the HMS clearly demonstrated during the pilot, including greater efficiency both in the field and administration, improved accuracy, ease of operation, access by management to live data and greater product traceability.

Food Safety and Quality Management

Costa is acutely aware of its ethical and legal obligations to meet food safety and quality compliance requirements and the associated public safety, reputational and financial risks of significant food safety incidents.

Our Food Safety & Quality Team, consisting of senior specialist managers from all Costa categories completed the following projects in 2019 as part of the continuous improvement of our Food Safety and Quality Management system and culture.

Foreign object control standard

With a number of well publicised incidents involving foreign object contamination of fresh produce over the past 18 months, Costa has taken steps to ensure it is prepared to deal with such risks through the development and application of a foreign object control standard.

Key areas covered under the standard include:

- Identification of potential sources of foreign object contamination.
- Preventative measures to avoid, eliminate or minimize the risk of foreign object contamination.
- Use of foreign object detection equipment and systems.
- Monitoring and verification activities.
- Management and investigation of foreign object contamination incidents and near misses.
- Established roles responsible for key actions and decisions to ensure that this standard is correctly implemented.
- Training.
- Metrics and Verification – KPIs have been identified and will be used to drive continuous improvement.
- Recall and Withdrawal standard and supporting documentation.

Review of recall and withdrawal program

While Costa's focus is always on prevention of incidents that can lead to a recall or withdrawal of a product, we must also be prepared for such an event. Having in place a robust plan, with easy to follow documentation, training our staff and testing the system through mock recall and withdrawal simulations are all designed to help prepare our business and minimise the impact of such an event.

In 2019, a review of our recall and withdrawal program was conducted resulting in the implementation of revised and new standards, which apply to all Costa sites nationally, including:

- Recall & Withdrawal Management standard: outlining the process and requirements in relation to assessment of a food safety and quality incident, escalation of an incident, convening the recall or withdrawal team, use of relevant documentation as part of a recall or withdrawal, traceability and mock simulations.

- Incident Support guides: to provide support during the assessment of microbiological, chemical, foreign object contamination, net weight / count error, labelling error incidents and determining the required actions and escalation paths.
- Food recall process checklist – outlining all steps that must be taken if an issue arises that has been escalated to the Recall team (i.e. has the potential to result in a recall)
- Food withdrawal process checklist outlining all steps that must be taken if an issue arises that has been escalated to the Withdrawal team (i.e. has the potential to result in a withdrawal)

Rollout of Greenlight QC system across Avocado category packing facilities.

The implementation of the Greenlight™ QC (quality control) system and standardisation of QC inspections across all of our avocado packing facilities has driven consistency and accuracy, allowing the avocado category to implement best practice in quality control.

The system is cloud based, enabling live data connections through the supply chain allowing any highlighted concerns to be managed quickly, which drives consistency and quality.

Greenlight™ QC also has a reporting function which allows for benchmarking and provides deep dive analysis helping to drive improvement to agronomic and post-harvest controls. It is used to report throughout the supply chain at various critical control points. This includes in-line and weight checks to provide immediate adjustment when required in response to defects and overall specification management during the packing process. There are also dispatch checks to ensure finished pallets are delivered according to specifications with temperature loggers inserted to evaluate the transport cold chain on every load, and shelf life checks to evaluate the robust integrity of the fruit and the outcome of its post-harvest journey.

The Greenlight™ system is also critical when managing our Lovacado brand, under which we sell our premium Hass and Shepard avocados, with our own farm production providing enhanced customer experience and consistent quality.



People

Costa Core Values

Determination

We act decisively with a sense of urgency.

Passion

We challenge the status quo with energy and enthusiasm.

Accountability

We focus on outcomes and deliver on commitments.

Sincerity

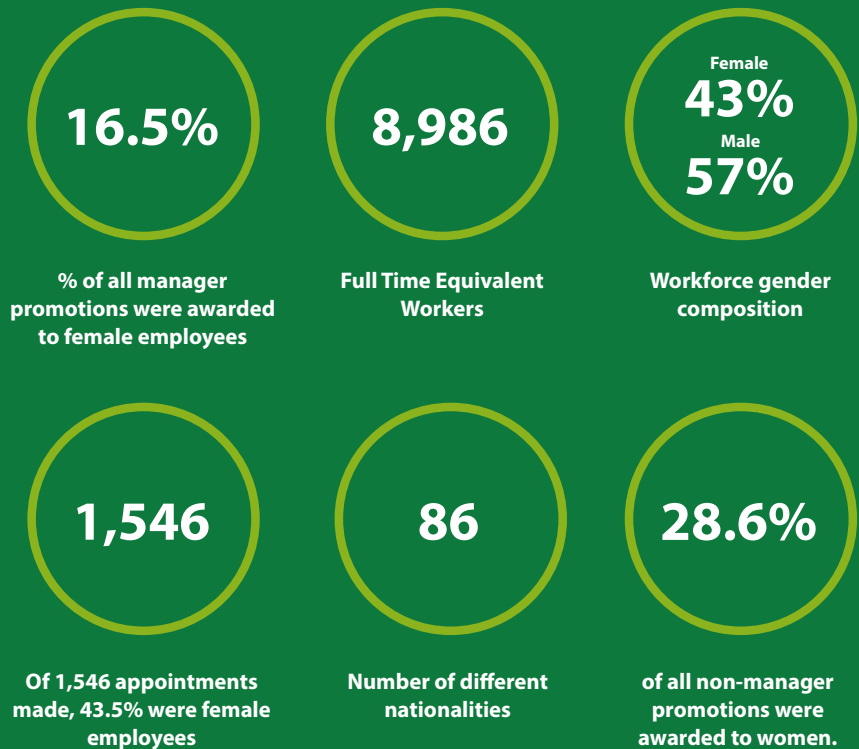
We act boldly in an open, honest and responsible manner.

Respect

We treat others as we expect to be treated in attitude, communication and personal safety.

The seasonal nature of the Costa business necessitates that our direct and indirect employee numbers will vary during the course of the year and in CY2019 our workforce comprised 8,986 full time equivalent workers. This number includes our Morocco and China employees.

CY 19 Key Data



2019 people stats



FTE's

Title	Hours	FTE
Costa Group	18,993,450	8,986
Australia	9,102,137	4,606
African Blue	1,935,799	3,400
China	7,955,514	980



Costa People Pillars



Source

Costa values underpin the selection and engagement of the right person for the right role.

Costa brand attracts the best workforce, industry leaders, thought leaders and emerging leaders.

Our domestic and international network introduces a pipeline of high calibre and diverse people.

Grow

We cultivate a holistic learning approach encompassing personal, technical and experiential development.

Performance feedback drives continuous improvement.

We leverage our talent and capability to benefit the business and our people.

We nurture and inspire excellence in people, passion and performance.

Prosper

We recognise, reward and celebrate success.

We foster a culture of mutual commitment to the success of Costa and it's communities.

Our People demonstrate agility and innovation to deliver in challenging and new environments.



Our people

As a values driven company we put our people first through our core values of passion, respect, sincerity, determination and accountability. We recognise that they deserve a workplace that is safe and healthy, provides them with every opportunity to succeed, and rewards effort for their contribution to our success.

Costa Awards

The development of our key talent is of critical importance to the future success of our organisation, and the Adrian Costa Scholarships and other major Costa awards including the CEO Awards support this key objective.

Costa Awards – Adrian Costa Scholarships

Eligibility for an Adrian Costa Scholarship is open to all Costa employees, regardless of their position in the organisation.

Individuals demonstrating the key Costa values of determination and passion in their respective duties are nominated for consideration. If successful, they are given a valuable opportunity to pursue a wide range of personal or professional development activities that not only benefits the individual but also contributes to the growth of the Costa business.



Andrew Hu

Finance Manager
International segment China

Andrew commenced employment with the Costa China operation in June 2016 and has consistently demonstrated high levels of determination and professionalism. The work that Andrew and his team produce is always of a high standard, including building the financial function from scratch, working remotely from the core finance team in Australia, and navigating the complexities of aligning the requirements of an Australian publicly listed company with the regulations and practices of China.

Andrew's input, direction, experience and commitment have contributed in a significant way to the growth of Costa's China operations, coupled with a detailed understanding and respect for the requirements of a foreign company and its staff operating in China.

Costa is extremely fortunate to have an individual of Andrew's calibre working for the company in China, he is a highly valued team player and a deserved recipient of an Adrian Costa scholarship.



Tabitha Collins

Human Resources Manager
Tomato category

Through her determination and passion in the field of human resources, Tabitha has been an inspiration for other employees while demonstrating a high level of commitment to the Costa core values.

Tabitha has worked to improve the Costa onboarding and recruitment functions, through introducing software to automate processes and remove the need for the double handling of information by the business units and payroll office. This has resulted in a number of strategic efficiencies which align with our key business objectives.

Tabitha has also been a key supporter of the Costa Careers Portal Project and through excellent communication skills and responsiveness to the needs of the tomato category workforce, successfully negotiated a four-year enterprise agreement for the Tomato category.

The integrity that Tabitha displays in everything she does makes her a role model to her colleagues and an employee who exhibits the behaviour of someone befitting an Adrian Costa scholarship award recipient.

Aziz El Kahlaoui

Chief Operating Officer
International segment – Morocco

Aziz has worked for Costa's African Blue business since its inception in 2007 and has been the driving force in developing significant greenfield farming operations across the northern regions of Morocco and in the south at Agadir.

Managing a large horticultural operation, Aziz supports the broad functions of the business including finance and financial management, harvest and postharvest management practices, new farming and project development and government liaison.

Operating in an at times difficult landscape, Aziz has met challenging time frames and established a number of farms through never losing sight of the end result.

Aziz genuinely enjoys his role and is passionate about achieving positive results, through leading from the front and working tirelessly in the pursuit of excellence. His willingness to always contribute to the improvement and growth of the African Blue business was fittingly recognised with him receiving an Adrian Costa scholarship.

CEO Awards

People First



Wayne Smith

Operations Manager
Citrus Category

Wayne is from our citrus business and was the winner of our CEO Award for People First. Wayne began his horticultural career in 1995 as a trainee farm hand at Yandilla Park South Australia, quickly progressing through supervisory and management positions and being appointed Operations Manager at Kangara Farm in 2013.

Wayne performs his role on this 800-hectare farm with skill, dedication and efficiency. He is directly responsible for all machinery operations, including maintenance of a large fleet of farm vehicles and he manages the daily work schedules of the fulltime staff, a role which of itself requires great organising skill, flexibility, patience and persistence. Dealing on a daily basis with numerous service providers, suppliers and contractors requires Wayne to have excellent communication skills and his ability to communicate with a diverse range of people from different backgrounds and nationalities is a major asset for our business.

Wayne takes great pride in leading his team and is constantly supporting them to ensure they realise their full potential. All of these attributes which encompass the five Costa core values made Wayne a worthy winner of the CEO's Award for People First.

Innovation



Elizabeth Byleveld

Cadet Grower
Mushroom Category

Elizabeth was the recipient of our CEO award for Innovation. Joining the mushroom category in Western Australia at the beginning of 2017 as a cadet grower under our Mushroom Grower Cadetship programme, Elizabeth identified the need for simplicity and efficiency in moving from a paper-based system to an electronic system in the collation of key growing room data.

Despite initial frustrations, Elizabeth persevered working closely with her manager and the growing room team, in which she patiently edited and re-edited formats to ensure the accurate digital collection of data. As a result of her hard work, Elizabeth developed electronic door charts or E-Charts, as a means of eliminating the requirement for the use of labour intensive paper door charts.

Elizabeth took complete ownership of the project putting in the time to create a functioning platform and working productively with her colleagues to resolve issues, and most importantly venturing into a whole new arena by moving mushroom growing from 'out of the dark' and into the digital age.



Chris Philpott

Shift Supervisor
Berry Category Tasmania

After a career in hospitality, including two years in London, Chris returned home to the North-West of Tasmania and is now the shift supervisor at the Costa Berry Distribution Centre in East Devonport.

Being Tasmanian born and bred, Chris says he is very happy to be back home and wouldn't want to be any place else, and since starting his career with Costa three years ago he has progressed to a supervisor's position.

Chris started working in the packhouse but it was not long before he moved from there into data collection and entry before taking on his current role, which included looking after the day-to-day operations of the packhouse.

Chris takes great pride in his role with Costa and enjoys being able to help and train the workforce, noting there are many opportunities for local Tasmanians who are interested in pursuing a career in horticulture with Costa.



Josh Turnbull

Irrigator
Berry Category Corindi

Gaining full-time work straight out of school is not always easy, so a traineeship combining work and study has proved a great option for Coffs Harbour's Josh Turnbull.

Josh completed a Certificate III in Production Horticulture while working part-time at Costa's Corindi Berry farm in 2019 and was subsequently employed as a full-time irrigator.

After completing his schooling at Coffs Christian Community College and Coffs Harbour Senior College, Josh looked for work over a couple of years but was unable to find anything permanent. He was then offered a traineeship with Costa and was able to combine study with hands-on work at the Corindi farm.

Irrigators play a key role in the farm operations, providing ongoing monitoring of the plants' nutritional and water needs. Josh has quickly developed his skills through a combination of practical work and theory, while becoming a highly valued member of the Costa Berry team.



Women in Horticulture

Horticulture is often considered a male dominated industry, but at the Costa Berry operations on the Atherton Tablelands in Far North Queensland a team of women is playing a key role in the horticultural operations.

Melissa Mullee moved from Costa's berry farm in Corindi New South Wales to take on the role of Horticultural Manager with responsibility for the Costa berry farms located at Walkamin, Tolga and Rangeview in Far North Queensland. Among her team are five other women all with a range of horticultural experience.

At just 28-years-old, Melissa acknowledges the significant career development opportunities she has had with Costa and the opportunity to be responsible for a whole growing region.

Sandra Alfonso, a horticulturalist, is originally from Columbia where she gained her degree in agricultural science. Bringing with her extensive horticultural experience, Sandra has enjoyed the challenges of growing blueberries in a tropical climate and the Tablelands lifestyle.

Among the other team members are Yuka Shiroma, originally from Japan and also from an agricultural background, Rowlina Legaspi, from the Philippines, and Bailey Hoch, who moved to Australia from the United States to complete a degree in sustainability, at James Cook University.

Atherton local Carol Mortensen, who is completing a horticultural apprenticeship, is one of the other younger members of the team. Carol has always had an active interest in agriculture, and counts being offered an apprenticeship an amazing opportunity and couldn't say no to a chance to commence her journey on an agricultural career path. Melissa is excited about the diversity in her team, noting that all you need to be is motivated and passionate about what you are doing. Her team is also determined to make an ongoing success of farming berries in a low-latitude tropical growing region.

Human Rights Policy

As a business, Costa relies on labour as a key input, and we are committed to maintaining a workplace that recognises, respects and protects the human rights of our employees. To meet this commitment, we strive to provide all employees and others who work with us safe and healthy working conditions which respect their human rights. This includes providing a workplace where all people are treated without discrimination or harassment, and in which employees are free to associate with each other and participate or not participate in unions or other labour organisations, free from any coercion.

In early 2019, the Costa Group Board approved a Human Rights policy which applies across all of our locations and demonstrates our commitment to respecting internationally recognised human rights. It also sets out our expectations for the conduct of our employees and suppliers. Costa acknowledges and respects all internationally recognised human rights as relevant to our operations. In doing so, we strive to act in a manner consistent with the UN Guiding Principles on Business and Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work in all areas of our business. We are also opposed to and will oppose all forms of slavery, forced or compulsory labour and child labour, both within our operations and within our supply chain.

Ethical Sourcing Programme

Costa's aim is that all workers employed within the farming and packing operations in our own business and that of our partner grower supply chain are employed fairly, treated with dignity and their human rights are respected.

In addition to ensuring that our direct employees are treated fairly and in accordance with all relevant laws, our challenge has been to better understand the social sustainability practices of our partner growers, and to this end we have undertaken and commenced a number of steps in this direction.

Management Commitment

In 2016 Costa joined Sedex, the Supplier Ethical Data Exchange platform which is one of the world's leading ethical trade service providers. The purpose was to share information on our employment practices with our retail customers.

In 2019 the Costa Executive Team made the decision to introduce an Ethical Sourcing Programme, which includes the use of Sedex as a management tool to help the company understand the level and scope of social sustainability practices within our partner grower base.

Through the Sedex data platform, we can assess management practices employed by our partner growers and work together with them to identify opportunities for improvement, provide support and to take action where necessary.

Resourcing

To demonstrate our commitment to properly resourcing this programme, the role of an Ethical Sourcing Manager was created with the primary focus on implementing and further developing our Ethical Sourcing Programme.

Training

To ensure a successful launch of the Ethical Sourcing Programme training and support was provided to Costa personnel who have direct dealings with our partner growers. Forty one employees have received in-house training on Ethical Sourcing Awareness, covering topics including Modern Slavery and an introduction to our ethical sourcing programme.

Communication and support

The programme was launched with our partner growers with a message from our Chief Operating Officer outlining Costa's commitment to the programme and the expectations we have of our partner growers. Resources and support have also been provided in the form of guidance documents and optional webinars, with an Ethical Sourcing Bulletin utilised as a means by which to further communicate and reinforce our expectations, as well as to provide updates on topical issues as and when required.

Progress to date

Since the launch of the programme in July, 70% of our domestic partner grower base have registered on Sedex and shared visibility of their site information with Costa. Further work is to be done on including our international segment partner growers in the programme.

Diversity and Inclusion Strategy

Costa has developed a Diversity and Inclusion Strategy 2019-2021. This strategy sets out our commitment to a workplace culture that

builds respect, fosters inclusiveness, promotes diversity and embraces the unique skills and qualities of all our employees.

A large amount of research over the past decades has found that diversity and inclusion have a positive impact not only on productivity, collaboration, innovation and creativity, but also on reputation, recruitment and the retention of staff.

The strategy articulates our goals and identifies our diversity priorities. These priorities align with each stage of the employment life cycle of people – attract, recruit, develop and retain. They also reflect those groups requiring priority attention, including women, Indigenous Australians, people with a disability and the LGBTQI+ community.

Graduate Program

In late 2019, Costa launched a new group wide Graduate Program designed to provide career pathways and opportunities for people passionate about the future of sustainable fresh food production.

The program supports our focus on people through an investment in the leaders of the future. It is a natural extension of the Costa university scholarships, which are aimed at students who live in the rural and regional communities in which we operate.

The 18-month Graduate Program, with its first intake in February of 2020, provides exposure across key areas of the Costa business including agronomy, logistics and sales and marketing. Three rotations in different regions and business categories will include time in our nurseries, glasshouses, packhouses, farms and agronomy teams.

Graduates will also gain an insight into what happens after the product leaves the farm through exposure to the sales and marketing functions based in our Melbourne head office, as well as access to senior leaders.

Training

A new online Learning Management System has been introduced to provide all Costa employees access to a suite of training modules covering the key areas of: business management, communication and personal development, compliance, diversity and inclusion, ethics and conduct, information technology and leadership and development.

Costa is also committed to supporting the training and development of our employees through traineeships and apprenticeships.

Health and Safety

In 2019 we commenced reporting of key safety metrics in our African Blue, Morocco operations. Our reported data for the year includes all of our domestic operations and those in Morocco and China.

Two new metrics were introduced – days taken to close a hazard and the number of safety contacts. These metrics are both reported.

3 PILLARS OF SAFETY



TO PROTECT

- To look out for your work colleagues
 - To point out any work practice you think is unsafe
- To treat company plant & equipment as if it were your own
- To prevent damage being done to our sites/properties

TO IMPROVE CULTURE

- To create and maintain a workplace where people feel safe at all times
- To create and maintain a working environment where people feel comfortable to raise safety concerns

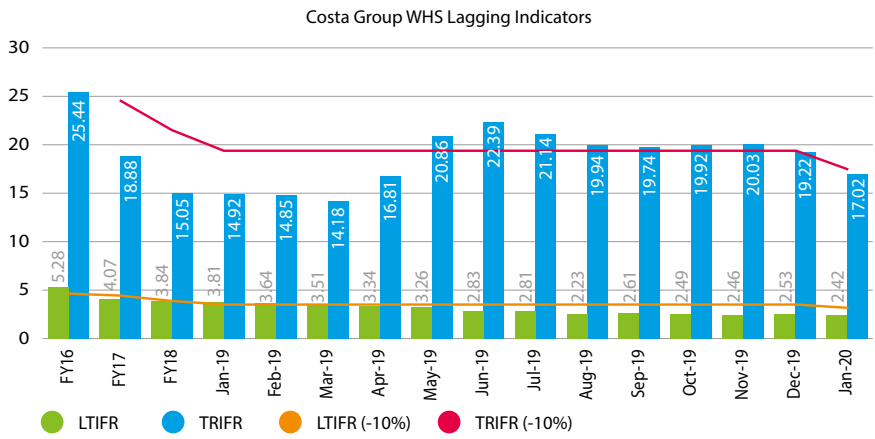
TO BE THE BEST

- To continually strive to improve our people behaviours, knowledge and systems
- To achieve safety outcomes that set high standards and benchmark among the best in our industry



COSTA WHS STRATEGY

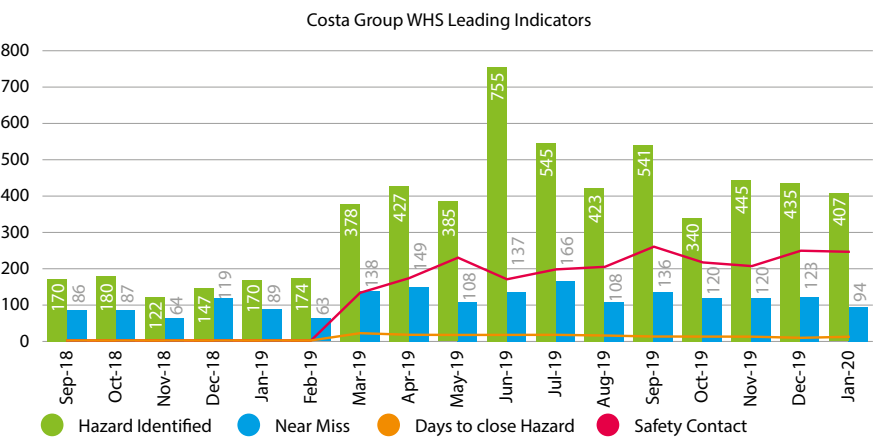




Leading metrics – Overall group metrics are steady year on year. The days to close hazards is a new metric and it is expected to reduce from 7.1 days (as at end of 2019) to within one working week during 2020.

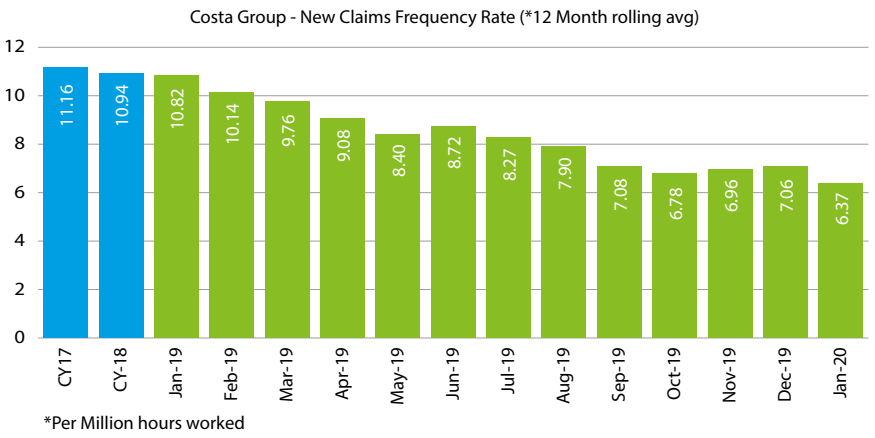
Increasing safety contacts and hazard identification will continue to be a focus in order to lead the company's ability to remove hazards from workplaces.

Near miss reporting and hazard identification – Stable across the group however it should be noted there was a significant increase of reporting from African Blue (Morocco) which for the first time has been included in the reporting of group OHS metrics. This increase in reporting is positive as it continues to improve safety leadership skills and to develop a culture focused on mitigation.



Lagging metrics –The LTIFR rate was steady over the last three months of 2019 with a slight increase in December due to five LTI's across the group.

Workers compensation – Monthly reporting continues across all categories. A focus on the management of each case is being maintained to ensure the worker returns to work as soon as possible as well as properly managing associated cost.



Strategic Plan – This was the final year of the three-year strategic plan. Preparations are under way to commence a review of the plan, including the use of more analytics to better inform and support the review. Continued focus will be on leading indicators to drive safety leadership and a strong safety culture at all levels of the company.

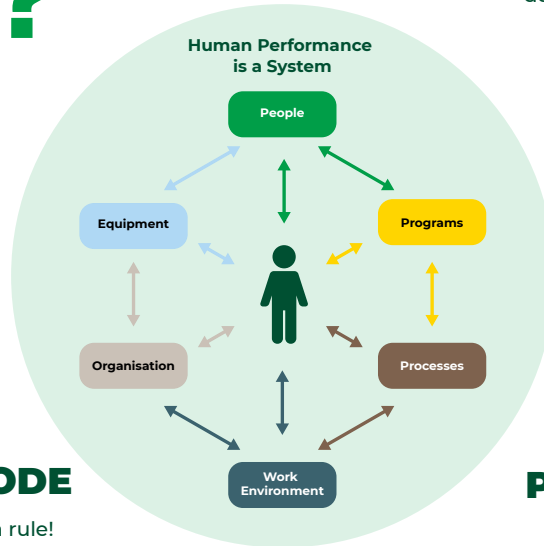
There were zero fatalities in 2019.

- LTIFR** Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million hours worked.
- TRIFR** Total Recordable Injury Frequency Rate, the number of injuries (excluding fatalities) requiring medical treatment per million hours worked within an organisation.

Health and Safety continued

Human Performance training

WHAT PERFORMANCE MODE ARE YOU IN?



KNOWLEDGE BASED PERFORMANCE MODE

Lack of knowledge, you don't know what you don't know. You can't think your way out!

ERROR RATE 50%



RULE BASED PERFORMANCE MODE

There is a rule and I know there is a rule!
Do NOT have to know the rule —
 Just that it exists so they can find it and follow it.

ERROR RATE 1 IN 100

SKILL BASED PERFORMANCE MODE

Habit, Routine, not thinking, little or no conscious thought.
 <7-15 discrete steps.

ERROR RATE 1 IN 1000

Fisher Improvement Technologies has trained a group of 30 Human Performance (HP) advocates to implement the HP program across our Mernda, Victoria mushroom facility.

Human Performance was developed in the nuclear industry to prevent catastrophic errors. HP is a program that puts together a specialist process and a number of accepted safety strategies and pulls them into an easy to understand process and common language.

HP sets up the process so that people understand the concepts of human error prevention. They also understand and recognise error traps, modes of performance and predict when an error is most likely to occur.

Over time this will reduce errors across the business in safety and improve quality and production. By training onsite advocates and trainers, the program is ongoing and kept relevant and independent of the original Fisher company trainers.

In addition to the 30 HP advocates, four HP trainers are certified to train all workers at the site. A total of 230 people have undertaken the eight-hour training course and it will continue to be rolled out in 2020.

Following the introduction of the HP program, Mernda's hazard reporting and safety contacts is the highest in the mushroom category and amongst the top performers across the company.

International safety

Our China operations continue to make great progress on imbedding a safety culture. Safety achievements in 2019 included:

- Monthly farm safety walks taking place with management and staff identifying hazards and raising awareness of safety issues.
- Defibrillators deployed across all sites and training on their use completed.
- Systems in place for safety data reporting to staff.
- Incentive system introduced to reward safety conscious staff and create positive examples.
- Safety leadership contacts commenced, focused on hazard identification and mitigation with the workforce at farm level.



RUOK day

As part of our commitment to fostering a healthy workplace, Costa celebrated RUOK day across the country. Many of our employees took part in presentations and attended breakfasts, barbecues and morning teas to share awareness about mental health. www.ruok.org.au

Our African Blue Morocco operations key safety metrics were for the first time included in group reporting as from January 2019.

Safety achievements during the year included:

- Training in identification of high risk hazards and mitigating those hazards.
- Employee safety induction program introduced.
- Safety leadership training commenced to build a safety leadership culture.
- Targeted training programs in higher risk areas, including electrical, welding and mobile equipment.



Community

We are actively involved in supporting the social fabric of the many regional communities in which we operate. Our footprint requires us to not only act and behave as a responsible corporate citizen, but to also work closely with communities so that they can benefit both economically and socially.

Costa grow and supply a range of fresh produce that are all healthy, nutritious and acknowledged as being essential to maintaining a healthy body and mind. This provides Costa with a unique opportunity to engage with the communities in which we operate through using our products and locations to promote healthy eating and living.



Multicultural Centre for Women's Health

The Multicultural Centre for Women's Health (MCWH) is a national, community-based organisation which is led by and for women from immigrant and refugee backgrounds. Since 1978 MCWH has been working together with immigrant and refugee women, community organisations, health practitioners, employers, communities and

governments to build and share knowledge, achieve equity and improve health and wellbeing for immigrant and refugee women.

Costa has partnered with the MCWH for a number of years participating in their Industry Visits Program at our Mernda (Vic) mushroom farm where 70% of our workforce are migrant females with English as a second language. The program is conducted in the workplace and is specifically designed for women from

immigrant and refugee backgrounds. Using bilingual Health Educators from different countries, cultures and backgrounds who understand the issues immigrant and refugee women face when taking control of their own health, the program delivers health education sessions on many topics.

Costa was proud to sponsor the MCWH's celebration of their 40th Anniversary in late 2018.

Tomato Category Tertiary Scholarships

The Costa Tomato Category Tertiary Scholarship assists a local year 12 school student from the Guyra northern New South Wales area with educational and living expenses during their university studies, receiving \$4,000 per year and up to \$16,000 over a four-year degree. Scholarship recipients also have the opportunity to undertake paid employment with Costa during the year, including over academic holiday periods.

The Tomato team have also been working with the Principal of Guyra Central School Ms Michelle Nicholson on educational initiatives, including hosting the Year 12 Biology and Chemistry students, allowing them to undertake in depth study as part of their HSC assessment and supporting the school's proposal to participate in the Stephanie Alexander Kitchen Garden Program, which will involve the building of gardens and a new greenhouse at the school.



These new scholarships are in addition to the Costa North-West Scholarship in Agricultural Science and the Costa Honours Scholarship in Agricultural Science, offered through the University of Tasmania.

Costa has a strong commitment to supporting the industry and the communities in which we operate. A skilled workforce provides benefits to our business and the industry as a whole and also provides lasting employment opportunities for the people in our regions who wish to pursue a career in horticulture and do not have to move away from their local area to pursue one.

For rural science student Emily Dryden, receiving a scholarship from Costa Berries has made all the difference in her studies at UNE. Emily, from the Central Coast of New South Wales, is in the second year of a Bachelor of Rural Science and was the inaugural recipient of the Costa (Berry Category) Scholarship in Horticulture.

For Emily, who comes from a single parent family the scholarship has been a great help, providing financial assistance to buy text books and other equipment, meaning she does not have to try to fit in part-time work and can concentrate on her degree.

Emily is keen to use science and research as a gateway to improving and sustaining Australia's agricultural production and ensuring that every person has access to fresh food for generations to come.



Berry Category Scholarships in NSW and QLD

During 2019 the Costa Berry Category announced two new ongoing university scholarships to encourage and assist students studying agriculture related degrees.

The two scholarships are worth \$5,000 each a year and will be offered through the University of New England (UNE) and the University of Queensland.

Avocado Scholarships focus on Queensland

The Costa Avocado Category has joined with Central Queensland University (CQU) and the University of Queensland (UQ) to offer scholarships to students enrolled in the study of agriculture.

The CQU scholarships are available to those studying a Bachelor of Agriculture degree, while students undertaking a Bachelor of Sustainable Agriculture degree with a major in horticulture at UQ are also eligible to apply for a scholarship.



Raising money for disability services in Western Australia

More than 40 employees from Costa's Western Australian mushroom team participated in the 2019 Chevron City to Surf for Activ fun run, to raise money and awareness for those living with, or supporting people with disability.

The 4km circuit also brought out the competitive side of those who participated, with members of the harvesting, growing, sales and management team all participating.



Recycled scrap metal goes to a good cause

Scrap metal is being put to good use at Costa's Corindi berry farm, with all the proceeds of recycled metal going towards a community fund. The first beneficiary of the fund is Woolgoolga's One Wave Fluro Friday, a non-profit organisation aimed at raising awareness of mental health.

Costa was the major sponsor of the One Wave Race Day, an event held as part of the Coffs Harbour Gold Cup on 1st August. All the funds raised through this event went towards the One Wave Fluro Friday at Woolgoolga.

Fluro Friday is the main awareness campaign for OneWave spreading to more than 50 beaches worldwide. It's all about putting on some fluro and neon colours, getting together with your mates and talking about mental health, while getting a fix of salt-water therapy in the process.

Costa employees came up with the idea of using the funds raised from the metal, cans and drink bottle recycling for community purposes. With mental health being such a critical issue and a spate of suicides among young people in our local community, Fluro Friday was an obvious choice to donate funds to.

China

Supporting local sport in China

In December 2018 Costa fielded one of 11 teams in a soccer tournament held in the township of Mengzhe, which is the closest town to Costa's Xishuangbanna Prefecture farms located in Yunnan Province. The tournament was part of the Entertainment Festival held each year by the local Government, with other activities including mountain biking and grasping fish.

Costa was approached by the government to offer its support and based on the enthusiasm of our local staff, readily agreed, providing sponsorship and a trophy.

Although we did not win the tournament, our team had a lot of fun and it was a great opportunity to demonstrate our commitment to the local community while also supporting the promotion of health and wellbeing.





Costa Board visits China operations

In April 2019 our Board of Directors visited our China berry farming operations in Xishuangbanna Prefecture, Yunnan Province.

Our farms in Xishuangbanna are in close proximity to each other, located in the south of the Prefecture near the border with Myanmar. A combination of blueberries, raspberries and blackberries are being grown for supply into the Chinese market.

The Board visited each of the farms and took the opportunity to talk to the local management and staff. There was plenty of on farm activity for the Board to see, with harvest staff being drawn mainly from local villages. The Board also gained an appreciation of the positive impact our farms are having on local communities with respect to economic and social benefits.

Meetings were also held with senior government officials from the Prefecture Government and Yunnan Provincial Government. It was clear to the Board that our team in China has established a strong and positive relationship with the various levels of Government in the region, which is the cornerstone of any successful operation within this part of China.

In the city of Kunming, the Director General of the Bureau of Investment and Promotion also met with the Board, followed by a gathering with senior representatives from several regions located across Yunnan. This direct interaction provided the Board with a deeper insight into Yunnan Province, including the opportunities that exist to undertake further development. In recognition of the level of cooperation and support that exists between the two parties, a Memorandum of Understanding (MoU) was also formalised.

The stated purpose of the MOU is to *“strengthen the existing working relationship between the parties and to create a framework which will enable Costa Group to continue to operate in an economically, socially and environmentally positive way and can continue to develop its commitment to Yunnan Province.”*

Our team in China has done a fantastic job in establishing our farming presence in Yunnan. The Board was very impressed by what has been achieved in such a short period of time, and the way in which Costa’s world leading agronomic practices and IP have been successfully adapted to the local conditions.

Costa celebrates Chinese Spring festival

China’s most important annual festival, Spring Festival occurred on the 4th February in 2019. The festival which lasts for one week, celebrates Chinese New Year’s Day in the traditional sense as it is the first day in the Chinese lunar calendar. During Spring Festival, a range of diverse and colourful activities are held to say goodbye to the past year and usher in the new – welcoming happiness, worshiping the gods and ancestors, and praying for a good harvest in the coming year.

It is also a time when Chinese families come together to celebrate the coming year. People do all they can to go back to their homes and family, resulting in a mass movement of people through China. A number of Costa staff come from provinces outside of Yunnan so need to travel long distances to be with their families, including two of our staff who travelled 5,000 km. Because most staff return home for the festival, companies hold their annual parties before Spring Festival.

In recognition of our growing farming footprint, Costa held two parties for staff working at our farms around Mengzhe, Xishuangbanna and one for staff from our farm at Bailang, Honghe Prefecture. The annual party is recognised as a way to demonstrate the company’s gratitude to our staff for their efforts over the past year, and also help to build team work and communication between colleagues.

In northern China family members traditionally make and cook dumplings together during Spring Festival, which led to a dumpling making contest being organized, with Costa colleagues from northern and southern China participating. Other activities included team building games, lucky prize draw and a delicious BBQ using all local ingredients.





Walkamin State School reaps the fruits of Costa labour

Costa's avocado, banana and berry teams joined forces to build new vegetable gardens at the Walkamin State School (Far North Queensland), in addition to providing fresh fruit for the school's morning breakfast club.

Organiser Kylie Stonehouse, from Costa Bananas, noted it was great to be involved in such an important community project, overseeing a team of 35 Costa volunteers who installed 11 new garden beds and irrigation system.

The school uses the vegetables from the garden beds for student cooking classes where they learn about healthy eating and developing good food habits through the Stephanie Alexander Kitchen Garden program.

Costa also teamed up with Walkamin Primary School to celebrate National Banana Day on the 1st May. Up to five million bananas are consumed by Australians everyday making them one of the most popular fruits in the country.

Walkamin School principal Mr Ric Baruksopulo welcomed the support from the local Costa team and emphasised the importance of teaching students healthy lifestyle choices from a young age which will benefit them throughout their life.



Promoting horticultural careers to high school students

The employment opportunities in fresh produce are many and varied, ranging from unskilled work (Harvesting, Packing) to semi and highly skilled occupations with defined career pathways (Agronomists, Quality Assurance, Finance, Tradespeople etc.).

Getting young people interested in a career in horticulture must start when they are still in high school. With this firmly in mind, the Costa Berry Category hosted high school students at its operations in Tasmania and attended a careers day in Coffs Harbour on the New South Wales north coast.

The Costa team in Tasmania hosted a group of Burnie High School students, who visited Costa's strawberry and raspberry farms and Costa's main Distribution Centre located in East Devonport. The students were in Grade 8 and the visit formed a key part of their 'Introduction to Agriculture' unit.

In Coffs Harbour, the Berries team went along to the Coffs Coast Career Connections event, with around 1,200 Year 10 students in attendance to find out about career opportunities in horticulture.



Supporting inclusion

The Costa Avocado category were Gold sponsors of the 2019 Bundaberg Ability Ball which raises funds for those with mental or physical disabilities and is organised by the non-profit organisation, Community Lifestyle Support (CLS).

As a not-for-profit organisation dedicated to the provision of innovative, best-practice services to people living with disability, CLS strives to create new and exciting ways to foster community inclusion.

The Ability Ball is designed to bring the entire community together to celebrate people's abilities. While the benefits of providing a genuinely inclusive opportunity for people with disability to dress up and celebrate diversity are significant, the community awareness benefits of such an event are also enormously powerful.

Costa is proud to partner with CLS to promote inclusion and understanding through the Ability Ball and the tremendous work of CLS.



Celebrating 40 years of touch football in Devonport

The Devonport (Tasmania) Touch Football Association's (DTA) 40th year kicked off with a fresh start thanks to the Costa Berry category continuing its naming rights sponsorship.

DTA President Matthew Bowles noted the Association was thrilled to partner with Costa as its naming rights sponsor and that over its 40-year history hundreds, if not thousands of local people have played touch football with many going on to represent Tasmania at national championships. Teams are fielded in men's, women's, mixed and junior competitions.

Costa has a strong commitment to supporting the local communities we operate in through sponsorships and other activities, including a natural synergy between Costa and the DTA, with Costa growing quality fresh produce that aims to support a healthy diet and lifestyle, and the DTA providing an important outlet for active sport and recreation for individuals and families in the Devonport region.



Helping kids with special needs go fishing

When Costa's central Queensland avocados team were approached by Isis State High School located in the town of Childers to see if they could help sponsor students with special needs to participate in the Bribie Island Fishing Competition, they did not hesitate to say yes. Nicola Priestly and Megan Turner from the avocados team got busy and raised the \$500 required to send the students on their way.

The Bribie Island Fishing Competition for students with a disability has been running for nearly 30 years with the Redcliffe Amateur Anglers Club coaching the students in all things fishing prior to the actual competition. Given the focus on providing safe and challenging experiences, students who would not normally have access to beaches, were unstoppable with their specially designed beach wheelchairs.



Stakeholder Group Engagement

Costa has a comprehensive approach to stakeholder engagement. There is ongoing, two-way stakeholder dialogue across a variety of channels. These interactions provide valuable opportunities for Costa to explain the company's strategy and performance and to listen and better understand our stakeholders priorities and what they want to know about Costa.

Stakeholder group	Engagement approach	Frequency
Investors	<ul style="list-style-type: none"> Financial reporting, 1:1 meetings and post results roadshows Investor conferences ASX announcements AGM Site/investor tours ESG/Sustainability reporting 	<ul style="list-style-type: none"> Twice a year and at investors request Up to six per year As required Annual Twice a year (average) Annual
Financiers	<ul style="list-style-type: none"> 1:1 meetings Financial Reporting 	<ul style="list-style-type: none"> Ongoing Annual and half year
Employees	<ul style="list-style-type: none"> Capability Reviews Performance Reviews People First Costa Awards 	<ul style="list-style-type: none"> Three times per year Bi annual Bi monthly Annual
Customers	<ul style="list-style-type: none"> Customer surveys Customer relationship management Site tours 	<ul style="list-style-type: none"> Ongoing Regularly On request
Suppliers	<ul style="list-style-type: none"> Contract audits Supplier relationship management Contract reviews 	<ul style="list-style-type: none"> Initial and ongoing Ongoing Ongoing
Local Communities	<ul style="list-style-type: none"> Sponsorships/donations Reference Groups with respect to major capital developments Employee engagement 	<ul style="list-style-type: none"> Ongoing As required Ongoing
Regulators	<ul style="list-style-type: none"> Site visits and inspections Licence requirements reporting Meetings 	<ul style="list-style-type: none"> Several times per year Annual Regularly





Data Assurance

The accuracy of this report is important to our stakeholders and to Costa. Our senior management and relevant functional specialists have reviewed all information in this report and believe it to be an accurate representation of our sustainability performance over the past year. The water usage data is derived from water metres and the greenhouse gas emissions and energy consumption data was compiled by an independent third party.

Corporate Governance policies

Visit <http://investors.costagroup.com.au/Investor-Centre/?page=corporate-governance>

- Anti-Bribery and Anti – Corruption Policy
- Audit & Risk Committee Charter
- Board Charter
- Code of Conduct
- Disclosure & Communication Policy
- Diversity policy
- Environmental Policy
- Human Rights Policy
- Nomination Committee Charter
- Privacy Policy
- Remuneration Committee Charter
- Risk Management Policy
- Securities Trading Policy
- Supplier Code of Conduct
- Whistleblower Policy
- Workplace Gender Equality Report

Useful Links

Company website – costagroup.com.au

Investor website – investors.costagroup.com

Linked in key word – [linkedin.com/company/costa/?originalSubdomain=au](https://www.linkedin.com/company/costa/?originalSubdomain=au)

Facebook key word – [facebook.com/Costa-Group-223068677852676/](https://www.facebook.com/Costa-Group-223068677852676/)

