

Coles Teys

Quarterly Review Q3 – FY22

21 April 2022

coles



Performance Scorecard

Category	Deliverable	Target	Q1	Q2	Q3	Q4	Comments
Service Kill - Beenleigh	Livestock Qty/ Avg Wgt Plan to Actual	< 0.5%					Some challenges in Dec, recovered in Jan from floods. Note: Q4. Schedule confirmed 2000-2500hd w kly Easter, Anzac & May Day
	Chiller Loss - Yield Cold Shrink	< 0.8% (with spray chillers)					Under target avg 0.57%
	Primal Yield Compliance	< 1.0% variance to standard yield					Consistent yield performance – opportunity products data captured reported daily & with discussing with broader team F/N meeting
	Carton Compliance	> 95.0%					Nath & site working closely to address recent changes of ctn size impacts on pc per carton (also incl in F/N pack)
	Service Level (DIFOT)	> 98.5%					Daily production reconciliations in place to ensure service levels are met & any corrections made live
	Non-conformance	> 99.0%					
Retail Ready - Wagga	Volume (kgs) Plan to Actual	< 0.5%					Dec/ Jan Combination of COVID & raw material – impacted service levels Feb resumed 100% service levels
	Cutting Yield Compliance	< 1.0% variance to standard yield					Scotch fillet continued opportunity focus – install / commissioning new TVI multiple primal size with a yield improvement of avg 1% seen target
	Service Level (DIFOT)	> 97.5%					Avg 97.5%, challenges raw material availability & BCP support uplift for CF VIC (Sept/Oct) Note for Q3 challenges experienced with latest wave of COVID & impacts to service levels Dec/ Jan and limited availability RM Strips & Cubes in network
	Non-conformance	> 99.0%					

Strategic Value Creation Activities

Value Creation Opportunity	Q1	Q2	Q3	Q4	Summary Update
Export Program					
Logistics					Teys legal drafting separate agreement as agreed in schedule 14 upon post trial period Teys confirm recruitment of Coles Export Logistics & Documentation manager, onboarding to commence WC 2 May 2022
China Market					Q3. Last engagement 6 October, follow up email from Teys' initially outlining the key principles we require alignment on with Coles, in order to resume shipments to the Chinese port of Tianjin on terms as discussed. With Coles export team for review & reply Note Q4: Port congestions/ short term closure at Shanghai due to snap lockdowns have seen diversion other ports
Service Kill – Value Add					
Pet Treat					1 Project on track: Woofin Good Pet Treat range 2 sku(Beef ears IW & Beef Jerky 100g) for launch August '22. 2 Project Pig Ears (5pkt & IW): Currently with Coles reviewing viability of commercials 3 March '23 range review: Teys invited to tender on existing, Coles NPD & present Teys NPD
Crates					Coles final stages of Chep agreement. Coles/ Teys reviewing option to trial 1-2 products initially, while working through Coles/ Chep agreement & site evaluation to handle 100% domestic product in crates. Opportunity: data capture at site, cycle rates with chep, chep overall process, logistics impacts etc...
TAFS Wagga (NSW)					
Tenure of Partnership/Costing Models					The Coles steak line will cease production at TAFS Wagga the week of 16 May 2022. This is due to Coles' 2022 strategy to rationalise their beef SKU range and volume in response to rising beef prices and bring that volume back into their internal processing network at RROA. CW Farms mince for Coles will continue at TAFS Wagga with approximate volume of 30MT per week
New Initiatives – Winter 2022 NPD					Unsuccessful with proposal, CM Beef feedback not sure concept would work in stores. However, a few other concepts that Coles are considering and may reach out for TAFS to quote but was a still TBC back in Oct. No further progression
Other					
Retail Ready Northern Solution QLD					Preliminary sessions held between Teys and Coles teams. Sustainability considerations, Teys Capital Approval process and QLD location options provided. Awaiting further direction from the Coles team
Value Added TAFS QLD					Q3. Sensory sign off "sandwich steaks" liaising with CM on next steps for potential launch Late Oct '22 Note Q4. Liaising with Hot Deli CM on tender Beef, Brisket, Lamb + Teys NPD (like BBQ pork ribs) with potential launch Oct '22

Capital Project Initiatives

Facility	Project	Q1	Q2	Q3	Q4	Summary Update
Beenleigh	Refrigeration upgrade*					ON Track . Target implementation second half of calendar year 2022. Phased in works and upgrades, phase 1 completed. Some minor delays in timing currently but remain on track to target implementation timing – COVID related delays Key Benefits: Upgrading system to improve electricity costs and performance, by improving the efficiency and reliability of the total system
	New chilled and frozen lidders & bases (case erectors)					Chilled Lidding Machine & Carton Erectors: Both machines were installed in February 2022, after delays due to COVID-19. Carton erector was in place with no concerns, and has led to reduced downtime, increased efficiency and employee engagement. The chilled carton lidder is now running efficiently, with reduced downtime, reduce stoppage time for lid changeover, and greater inspection access for each carton Frozen lidder upgrade is due for install in the latter half of 2022
	Water system upgrade*.					ON TRACK, PROGRESSING. Target implementation timing end of FY 22' . Nozzle audit completed with onsite Environmental Officer and Projects Manager Key Benefits: Allows measurement of water usage within specific areas, to assist in setting baseline targets and other usage improvement initiatives. Plant targeting 2000L/hd processed, with continuous improvement to reduced water intensity by 10%
	Upgrade to meal processing within render area					COMPLETED Dec 21'. Key Benefits: Improved efficiencies and expectation longer term to reduce R&M spend within this area. Continuous improvement works are continuing within the area continuing in 2022 – removal of redundant screw conveyors, replacement of the tallow settling tanks and optimisation of the continuous cooker through boiler optimisation.
TAFS Wagga	TVI Size Mould Set (3 Size)					Recorded yield improvements of an avg \$12k, identifying continued key opportunity on VSP porterhouse
Port of Brisbane	Centralised Cold Store					Planning/ testing underway for Coles products transition to CCS Status: Teys team & Nathan, tested 1 load FRZ 85CL from BNL to CCS with key actions identified for teams to review (loading ex BNL, port mark management & export QC checks) Next steps: Working with Teys team/ Nathan to develop a consistent & coordinated change management plan.

Ethical Sourcing Scorecard

Self-Assessment Questionnaire (SAQ)	Rating	Next Due Complete	Q1	Q2	Q3	Q4	Summary Update
Teys Aust Beenleigh	Low Risk	10.11.2022	●	●	●		NEW SCORECARD
Teys Aust Biloela	Low Risk	16.09.2022	●	●	●		
Teys Aust Rockhampton	Low Risk	30.09.2022	●	●	●		
Teys Aust Murgon	Low Risk	19.11.2022	●	●	●		
Teys Aust Wagga	Low Risk	13.09.2022	●	●	●		
Teys Aust Naracoorte	Low Risk	30.09.2022	●	●	●		
Teys Australia Food Solutions (NSW/ QLD)	Low Risk	09.11.2022	●	●	●		
Teys Australia Food Solutions (NSW/ QLD)	Low Risk	09.11.2022	●	●	●		
Supplier Ethical Data Exchange (Sedex)	Audit Status	Next Due Complete	Q1	Q2	Q3	Q4	Summary Update
Teys Aust Beenleigh	COMPLETED	11.05.2022	●	●	●		<p>Coles is Murgon only Sedex customer and Coles only require an audit if their SAQ returns a medium to high risk rating</p> <p><i>Note: all other sites, other customers require annual audits regardless of SAQ rating</i></p> <p>Audit completed 01.03.2022</p>
Teys Aust Biloela	COMPLETED	17.05.2022	●	●	●		
Teys Aust Rockhampton	COMPLETED	19.05.2022	●	●	●		
Teys Aust Murgon	N/A	N/A	N/A	N/A	N/A	N/A	
Teys Aust Wagga	OPEN	15.12.2021	●	●	●		
Teys Aust Naracoorte	COMPLETED	18.05.2022	●	●	●		
Teys Australia Food Solutions (NSW/ QLD)	COMPLETED	18.05.2022	●	●	●		
Teys Australia Food Solutions (NSW/ QLD)	COMPLETED	18.05.2022	●	●	●		

Doing Well by Doing Good



PILLAR 1 Best Practice Animal Welfare

Responsible livestock sourcing

- Accredited livestock suppliers
- Safe livestock movements

Ethical handling

- On-plant practices
- Innovation and continuous improvement

Positive influence on animal health outcomes

- Producer engagement
- Data sharing + collaboration

PILLAR 2 Collaborative Environmental Stewardship

Low carbon protein

- Transition to net zero
- Renew able energy

Responsible production

- Reduce waste to landfill
- Sustainable packaging
- Every drop counts

Promote regenerative agriculture

- Deforestation free beef
- Biodiversity / Soil health and sequestration

PILLAR 3 Thriving People & Communities

Enable lifelong learning

- Career pathways
- Learning and development

Strength from diversity

- Diversity and inclusion
- Sustainable workforce

Safe places to work

- Safety leadership
- Employee health and wellbeing

Build strong communities

- Community engagement
- Social impact investments

PILLAR 4 Safe, Healthy & Affordable Foods

Champion protein as part of a balanced diet

- Good health and wellbeing

Advocate for red meat

- Provide safe, nutritious food
- Product quality and integrity

PILLAR 5 Economically Resilient Business

Disciplined margin management

- Sustainable TMC
- Net zero utility cost

Sustainable value chain

- Collaboration & value co-creation
- Enabling Producer success

Robust governance + decision-making

- Sustainable investments
- SDG and framework alignment



Teys Sustainability – Our Commitment

Tey's Group Targets	BNL	Result
 <p>Reduce water intensity by 10%</p>		<p>Overall result</p> <ul style="list-style-type: none"> • Beenleigh water intensity 15% lower than industry benchmark in 2020 • Have invested in industry-leading wastewater treatment systems and set very challenging stretch targets (almost 25% lower than industry average) <p>Beenleigh contribution – 15% over actual v stretch target</p> <ul style="list-style-type: none"> • Tracking over site specific stretch target. Flood event a contributor to additional water • Nozzle audit actions formed
 <p>Reduce carbon intensity by 20%</p>		<p>Overall result</p> <ul style="list-style-type: none"> • Group on track to achieve target with 18.8% reduction in carbon intensity <p>Beenleigh contribution - 9% under actual reduction v baseline</p> <ul style="list-style-type: none"> • Continued focus on biogas utilisation and minimal flaring - less than 1% of biogas – <i>holding number one for group renewable energy performance</i>
 <p>Source 30% of our energy via renewables</p>		<p>Overall result</p> <ul style="list-style-type: none"> • Tracking okay to meet target – Covid and war related supply chain challenges creating some delay to Naracoorte HV/cogen and Tamworth solar projects (capex committed). <p>Beenleigh contribution – 22.6% actual v group target of 30%</p> <ul style="list-style-type: none"> • Ongoing performance tweaks to (new) 10MW dual fuel (biogas/natural gas) steam boiler – offsets 30-40% of boiler fossil fuel • 22.6% of total site energy needs sourced from renewables in FY21 NGER reporting period (FY22 reporting due 31 Oct 2022) • Beenleigh biogas cogeneration – concept design to start mid to late 2022
 <p>Reduce energy intensity by 6%</p>		<p>Overall result</p> <ul style="list-style-type: none"> • Was exceeding with 8.6% reduction in energy intensity (EOFY19), however production downturn has reduced to 1.1% reduction. Still on track to meet target. <p>Beenleigh contribution - 11% reduction v baseline</p> <ul style="list-style-type: none"> • Some delays experienced with roll out LED lighting upgrade and refrigeration projects • However, solid results via thermal and refrigeration efficiencies • New refrigeration condensers to be installed over Easter/ANZAC period. Final stage for lowering head pressure (resulting in energy savings)
 <p>Reduce, recycle and remove packaging</p>		<p>Overall result</p> <ul style="list-style-type: none"> • Supply chain transition to 100% REDcycle underway <p>Beenleigh result</p> <ul style="list-style-type: none"> • Reduced 800 kg of soft plastic and diverted 4,000 kg from landfill to REDcycle program (through transition of family roast and blade roast products). Next transition to REDcycle scheduled May '22 (retail products marrow bones, soup bones & beef bones)

Quarterly Actions Register

Category	Action		Status
Sustainability Initiative	Feed Additive Trial 100D cattle		Teys have confirmed approved for human consumption & market access requirements to Coles team. Cattle on feed trial currently. Actions that need to be taken are coordination between Coles livestock team and intended BNL site delivery schedule timings and numbers. Likely new product code set ups for BNL site to process TBC.
	Coles and Teys to merge and assess sustainability strategies alongside each other to produce a list of high priority initiatives		Elissa (Teys) / Jason (Coles)
Teys Performance Scorecard	Share broader Teys sustainability pillars and strategy with Coles team when corporate communications pack available		Carl Duncan, Teys Chief Sustainability Officer, presented to the Coles team Fri 1 April on Teys sustainability pillar framework and key initiatives
	Teys to explore potential measuring of transport impact (from emissions perspective) – BNL site to Coles destination		Elissa (Teys) w/ Carl (Teys Sustainability) – not actioned to date
Value Add	Accelerate the investigation of opportunities around Pet Food: and explore opportunities for key sustainability outcomes as well		Elissa (Teys) / Coles? (TBA) - Teys team progressing with Feb 2023 NPD pipeline opportunities for the February 2023 planogram business award (exploring poultry by-product NPD opps from RROA). Long term partnership discussions and sponsorship still to be conducted.
Teys CCS (Port of Brisbane)	Update Coles on CCS progression and present rate cards to Coles for chilled and frozen cartons		Elissa (Teys) lead – CCS transition trial has begun on certain Coles frozen programs. Teys to send CCS rate cards for chilled and frozen w/ of 18 April.
Integrated business processed & data	Teys to connect Coles (Larry) with Stuart Bisley (Teys lead on Luma Chain project)		Charlie (Teys) - completed on the agenda for Coles visit 21 April
	Teys (Charlie) and Coles (Larry) to connect on the Teys experience with the Oliver Wight diagnostic work and future consultancy project in Wagga visit		Charlie (Teys)/Larry (Coles) - insight provided, alongside Teys participating in the Coles Immersion Session with John Cox, Coles CTO.
Reporting 1%'ers	Teys to send some details on the 1%'er framework reported on once a month at SLT		Elissa (Teys) - still to be provided
	Coles (Larry) to also provide some details on how the Coles 1%'er initiatives framework and reporting is structured (initiative brought to Coles by Liam Keenan – ex Hilton)		Larry (Coles) - Teys team reviewed 1%'er initiatives on tour at RROA
	Incorporate 1%'er initiatives program and reporting into the Teys performance quarterly traffic light scorecard		Elissa (Teys) - BNL site team currently setting proposed set of 1%'er initiatives to undertake for FY23 (currently going through Teys internal review before presentation to Coles)
Best Practices Labour	Open Action: Coles responsible sourcing team to set meeting re. modern slavery statement with Teys team		Aaron (Coles) - not actioned to date
Upcoming Visits	Coles Senior Leadership Meat Team visit to Teys sites (BNL, CCS, possibly TAFS cooked time permitting), tentative proposed date is Thurs 21 April		Coles visit scheduled for Thurs 21 April
	Larry to visit Wagga 10 th -11 th March		Charlie to coordinate timings with Larry for TAFS Wagga visit – Completed