

2019 ANNUAL REPORT  
TO SHAREHOLDERS

# Growing Sustainably



CARBERY



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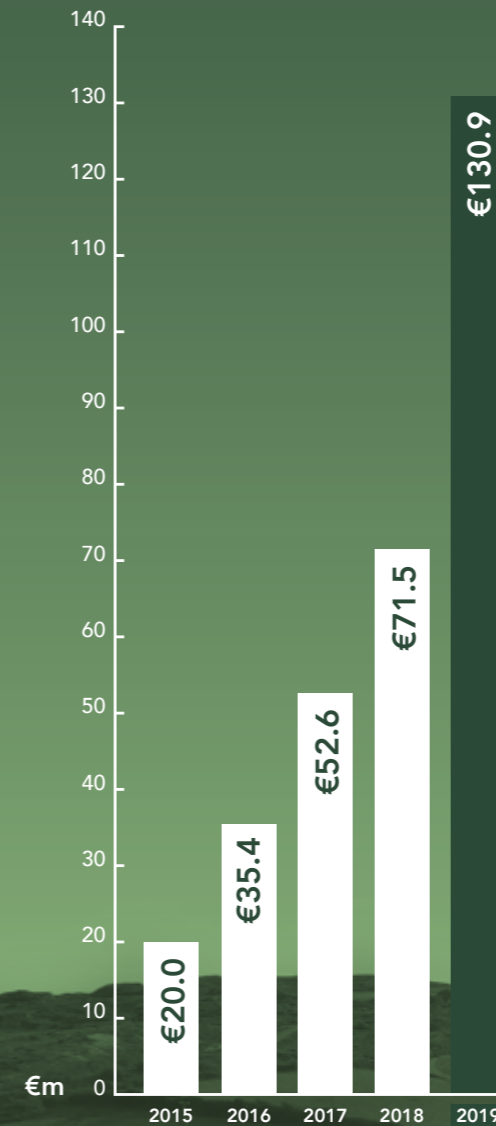


# Carbery at a glance



## Operational highlights

Cumulative capital expenditure



**567m**

litres of milk processed in Ballineen

Milk volume

**+6%**



### REVENUE

2019	<b>€434.1m</b>
2018	<b>€423.5m</b>

### EBITDA

2019	<b>€44.3m</b>
2018	<b>€43.9m</b>

### EBITA

2019	<b>€30.2m</b>
2018	<b>€32.4m</b>

# Our Mission

To create sustainable value for our farmer shareholders. Our focus and investment is aligned to our three strategic platforms of Dairy, Nutrition and Taste to ensure we are well positioned for long term growth.



**OUR DAIRY** platform will continue to create value for our milk pool, focus on delivering efficiencies in our cheese business and growing our cheese portfolio internationally.



**OUR NUTRITION** platform will deliver value through the development, production and marketing of nutritional ingredients for performance and lifestyle nutrition, infant formula and clinical nutrition markets.



**OUR TASTE** platform, represented by our taste division, Synergy Flavours, will deliver growth through the creation of innovative customer solutions with flavours, extracts & essences.

# Our Values

These are the qualities that we seek to achieve in our performance. They give us direction, reflect our highest principles and release tremendous potential for success and accomplishment.



## Dedication to sustainability

As a co-operative owned Group, we pursue economic viability and social responsibility in everything we do. Carbery supplies grass-fed, hormone & antibiotic free, sustainable premium dairy ingredients to consumers across the globe every day.



## Dedication to service & integrity

Our entire business is customer focused. We align with our customers to ensure we understand their businesses and help them achieve product success through an agile, responsive and reliable customer service.



## Collaborate to innovate

We continually invest in consumer insights, technology, R&D and key partnerships with our customers and suppliers to help define the next generation of food and drink.



## Quality excellence

We deliver the highest quality products and services for our customers. We excel in quality and food safety through efficient processing, operational excellence and strong product stewardship.



## Nurturing talent

We develop individual talent and empower high-calibre teams across all geographies. We actively recruit the best talent, promote diversity, provide training and mentoring through specialised development programmes.

# Chairman's Statement

## 2019 at a glance

We will remember 2019 as a very significant milestone in the continuing development of our cheese business with works commencing on the €78m cheese investment project at Ballineen. This expansion is due for commissioning in 2020 and excitingly opens the route for product and market diversification opportunities in the years ahead.

Similarly, 2019 saw our Taste division Synergy continuing to build for future growth with both an investment in our main manufacturing facility in Chicago as well as an investment in a new commercial / technical centre in Indonesia.

Overall while 2019 was a less challenging year weather wise compared to 2018 for our shareholder suppliers, it was a little more challenging with regard to the returns from some of our main dairy markets. However, I am pleased to say that in order to help offset the impact of weaker markets on milk pricing, the Board of Carbery took the decision again to support milk prices for suppliers over the course of 2019.

## Milk supply

Overall the weather in 2019, including a very early Spring, was favourable for milk production during the year which was a blessing compared to the challenging weather events of 2018.

Although global and EU milk output expanded at modest rates of 0.1% and 0.5% respectively, Ireland's output grew at a greater rate of circa 7%. Milk supply to Carbery from our shareholder suppliers grew by 6% in 2019, with record milk volumes being processed at Ballineen during the peak season.

## Brexit looms

The challenges of Brexit continued to rumble on over the course of the year with continually changing perspectives and predictions adding to uncertainty especially around the UK market, which is our main market for cheddar.

Although greater political certainty exists in some regards, it is almost certain that uncertainty relating to the implications of Brexit will remain for a while yet. However, current concerns around the

from buyers. For now it seems that butter pricing might remain in a lower and tighter range than seen over the past few years. Now that EU stocks have been unwound, skim milk powder (SMP)

## Milk pricing

As noted earlier poorer market returns resulted in reduced milk pricing over the course of 2019. The Board of Carbery took the decision to support milk prices over the course of 2019 with a view to lessening the impact of lower milk prices for our shareholder suppliers. We provided this support through a combination of Carbery bearing extra costs during the year plus support paid from the stability fund.

## Investment in product and market diversification

To help the Carbery Ireland Dairy & Nutrition business become more flexible and better able to withstand market shocks, the investment in product and market diversification kicked off in earnest during 2019 with major construction work taking place in Ballineen. When fully operational, this expansion will allow Carbery to tap into exciting new diverse markets, adding value to our ever increasing milk supply from the finest farmers in the world, on the lush, green pastures of West Cork. This will help create a more sustainable future for suppliers but also have an eye on the next generation of milk producers who will be the backbone of our communities in West Cork.



impact of Covid-19 have, for now, overshadowed the potential implications of Brexit in 2020.

## Dairy markets

In global market terms overall supply/demand fundamentals remained reasonably in balance for 2019. However against this overall backdrop some dairy commodity markets, notably butter and cheese, were on a negative trajectory from early spring onwards due to a variety of factors.

Butter which has been the shining star of more recent years saw prices decline by as much as 20% over the course of 2019. Global supply (and as a result global stocks) of butter increased, causing reduced demand

looks to be better positioned from a market return point of view. Prices of SMP improved during 2019 from a very low and weak 2018 base. Cheddar, which is a significant product for Carbery, experienced market price falls of 6% on average in 2019. Brexit fears drove aggressive selling by some producers and this together with signs of increased stocks in the UK resulted in weaker sentiment amongst buyers.

Other factors, including the global economy, trade negotiations, and the associated risk of tariffs, like those seen between the US and EU, had an impact in 2019 and remain issues with the ability to affect returns for our products from international markets.





Opening of Synergy facility in Jakarta, Indonesia

### Synergy

Our Taste business Synergy continues to broaden its global footprint with the opening of a commercial / technical facility in Jakarta, Indonesia. 2019 also saw the completion of a major expansion of the Synergy USA headquarters based in Wauconda, Illinois. Synergy now operates from nine locations globally covering the UK, mainland Europe, Asia and the Americas.

### Safety & wellbeing

As a farmer I am acutely aware of the pressures involved in modern farming. Farmer wellbeing is the most important element of a successful dairy industry, because the primary producer is key to the success of Carbery and the wider community. We all have difficult days especially during busy Springtime periods when the weather is poor or perhaps for no obvious reason at all. Covid-19 is an additional factor adding stress to farming life this year. It's at these times we need to look out for ourselves and each other as a

healthy body and mind are what makes us resilient. Take care of yourself and try to farm safely as second chances may not come when dealing with animals or machinery.

### Quality & sustainability

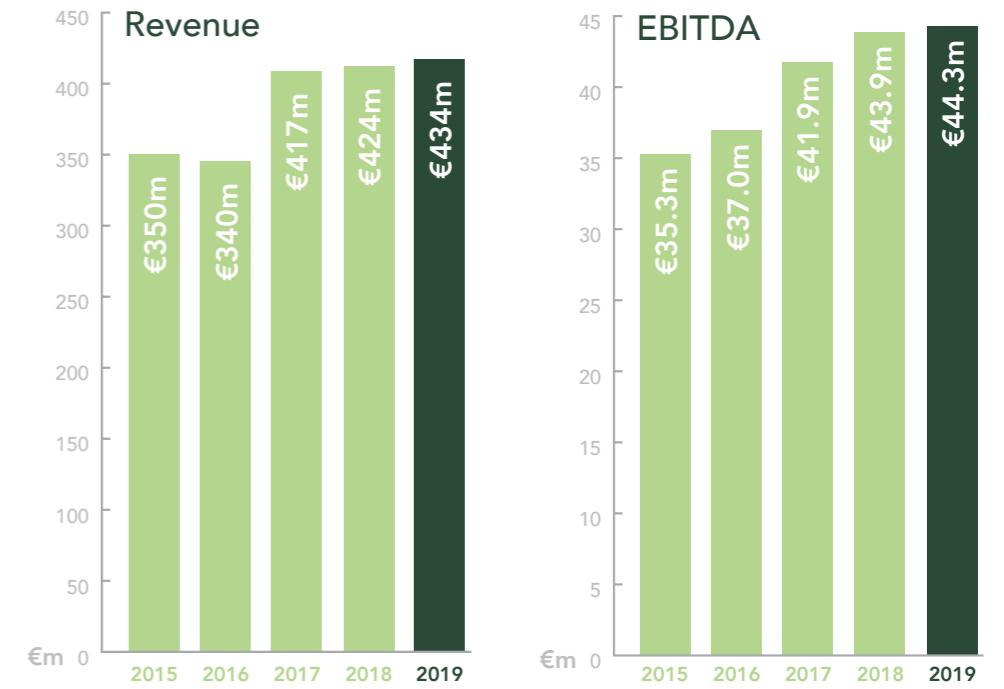
Sustainable dairy production is a top priority for Carbery. Being a co-operative with a collaborative mindset, Carbery has already come a long way and this is further demonstrated by the integration of our sustainability report this year within our annual report. I believe our sustainability report shows how we are well positioned to continue our contribution in making West Cork dairy production even more sustainable. As a global food company, food safety is critical to Carbery. It is identified as a key element of our business by internal as well as external stakeholders. We are dedicated to ensuring that our products are safe to consume and we work across our entire value chain to ensure that the highest standards are upheld.

### Board and global team

I would like to thank my fellow board members for their dedication and time during the year as we continue to build on the strategic decisions which have made Carbery Group a diverse international food company. Thanks also to the management, staff, shareholders, milk producers and everyone involved in another successful year.

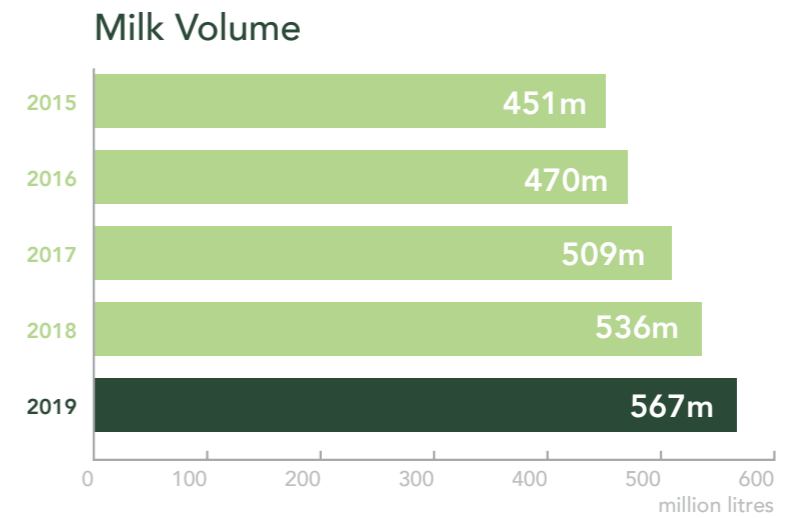
T J SULLIVAN  
Chairman  
Carbery Group

# Financial Report: Five Year Review



	2015 €m	2016 €m	2017 €m	2018 €m	2019 €m
Revenue	349.5	340.0	417.3	423.5	434.1
EBITDA*	35.3	37.0	41.9	43.9	44.3
EBITA*	25.5	27.1	31.1	32.4	30.2
Operating profit (EBIT)*	16.3	22.1	25.5	26.6	24.3
Net Debt	27.8	26.2	12.7	30.1	47.2

\*Before exceptional items



# Chief Executive's Review

## GROWING SUSTAINABLY

Delivering growth while balancing the needs of the business, our shareholders and the environment.

2019 was another year of solid business performance, meeting our internal business targets and strategic goals. As we move forward it is critical that we continue to meet our long term business plans, but equally important that we address the needs of our farmer shareholders while also delivering against our Corporate Responsibility goals.

2019 brought some much improved weather conditions for our farmer shareholders, compared to a very difficult first half in 2018.

This was a contributing factor to milk volume growth of 6% during 2019. However, global dairy prices softened in 2019, primarily driven by geopolitical uncertainty, including Brexit, impacting demand and pricing. Global supplies continued the recent years' trend of being relatively tight, which supported dairy market pricing.

Given the difficult markets, Carbery once again made the decision to support our milk price from business profits as well from our stability fund towards the latter part of the year. Supporting our farmer shareholders during periods of weaker dairy markets is a fundamental principle by which Carbery operates.

2019 was a pivotal year in terms of investing in the future of our business right around the world. We continue to invest in innovation, our assets and our people to ensure that we can deliver upon our ambitious business growth plans into the future.

In particular, our cheese diversification investment of €78 million demanded a significant amount of energy and focus from

our team in Ballineen. We are very pleased with the progress to date and look forward to fully operationalising the new mozzarella line in 2020. The commercial activities supporting this investment have also been significant, and we have achieved great positive progress.

In terms of the evolution of our Corporate Responsibility and Sustainability focus, 2019 was a year of further significant progress. As you can see in our sustainability report we are focused on a number of different areas, which balance the diverse needs of our business, our shareholder suppliers, our people, the community and the environment.

### 2019 financial results

Group turnover increased by 3% to €434.1m, while on a constant currency basis turnover increased by 1.0% year-on-year.

Group EBITDA (earnings before interest, tax, depreciation (net of grants), amortisation of goodwill, other intangibles and exceptional items) increased by 1% to €44.3m (2018: €43.9m)

Group EBITA (operating profit before interest, tax, amortisation of goodwill, other intangibles and exceptional items) decreased to €30.2m (2018: 32.4m) reflecting a year-on-year decrease of 7%. On a constant currency basis EBITA decreased by 11%. The group's net debt position at 31st December was €47.2m (2018: €30.1m).

This performance is based on the combined strength of our three Carbery businesses; Dairy, Nutrition and Taste. Dairy & Nutrition is led from our head office and production facility in Ballineen West Cork. The Taste elements of our business are delivered by Synergy, our Taste division, which is a leading global manufacturer and supplier of flavourings, extracts and essences and which has manufacturing and commercial facilities in the UK, mainland Europe, Asia and the Americas.



“ To ensure focus and singularity of purpose and in order to deliver value for our farmer shareholders, our proposition is focused on three key platforms; Dairy, Nutrition and Taste. ”

## Strategic approach and business update

Our strategic imperative at Carbery Group, is to build a sustainable business that delivers a competitive milk price to our shareholders, based on a diversified product range, which provides the best return possible.

To achieve this, the products we deliver must meet the needs of our customers and their consumers, thereby enabling us to drive the business forward and significantly increase shareholder value.

Staying close to the changing needs of the consumer is key, with our teams across the business focused on consumer insights, to inform our product development initiatives, ensuring our business and our customers are, at all times, ahead of what the market and consumers want.

This is the formula that will deliver success for our shareholders, and ultimately our customers. If our customers are successful, Carbery will be successful.

To ensure focus and singularity of purpose and deliver this success, our proposition is focused on three key platforms; Dairy, Nutrition and Taste.

### DAIRY:

The primary focus of our Dairy business in 2019 was to continue to secure the best returns for the products produced in the year while beginning the execution of our cheese diversification strategy and investment.

The €78 million expansion of our facility in Ballineen began in earnest in 2019 and we made great progress throughout the year in meeting the project timelines and objectives. We were successful in securing support from Enterprise Ireland, while also working with the European Investment Bank, and our partner banks of AIB, BOI and Rabobank, to secure competitive funding for the project.



On the market facing front our commercial, marketing and R&D teams made significant progress in evolving our product portfolio to meet the needs of new markets we have targeted for growth. We have had very positive feedback from our customers, and the broader marketplace, and we are confident that we can continue to grow our business in these new segments. We continue to work with the team at Ornu, with whom we have had a long and close relationship, to supply quality products to support the Kerrygold brand around the world.

**NUTRITION:**

Our Nutrition business continues to grow and performed strongly in 2019. Selling to over 30 countries worldwide, our strategy is based on understanding the complex needs of the markets in which we operate, delivering new ingredients and always meeting the demanding specifications of our customers. In 2019, to support our market expansion into Asia we opened a

focused on the role of whey protein pre exercise in improving metabolic adaptation and performance in athletes.

Our on-going research in this space enables us to support athletes to achieve their peak performance through exercise and targeted nutrition.

**Collaborating on long-term strategic research**

2019 saw the official launch of Food for Health Ireland's third phase of research. This latest round of funding comes on the back of the centre's 10-year collaboration with research and industry partners to produce peer-reviewed market-led research that supports innovation in the functional food space. Food for Health Ireland's human-intervention trials have already produced results that can be translated into innovations in food for use in tackling the key health issues that underpin diabetes, obesity and heart health, as well as supporting healthier ageing.

market driven, taste solutions to our partner customers.

In Europe we continued to respond to the changing taste and dietary needs of our customer base, strengthened by the integration of the Synergy Italy (Janoušek acquisition in 2018) business and their broad range of natural extracts.

Our growth ambition in Asia was underpinned by the opening in 2019 of our first customer centre in Indonesia, driven by local customer partnerships and demands. We were honoured to be awarded "The most successful market entry into Asia" by the 'Asia Matters' organisation in Ireland in 2019.

Our Americas business continues to deliver strong results as we continue to expand our taste portfolio and customer base. In particular, we launched our Dairy Taste portfolio during 2019 in the Americas market, building upon our dairy heritage and know-how in Ireland, while also leveraging our capabilities across our flavour creation and applications teams globally.

Over the course of 2019 we further invested in, and expanded upon, our naturals portfolio in the US with significant progress across various beverage categories.

As a global business we continue to focus on our business processes, utilising lean techniques, as well as our supply chain and information systems to ensure that we can

remain competitive in the global marketplace. Most importantly we are wholly committed to the safety & wellbeing of our employees across the globe to ensure that the work environment, culture and support measures are in place to create a workplace which is safe for everyone.

“ Most importantly we are wholly committed to the safety & wellbeing of our employees across the globe to ensure that the work environment, culture and support measures are in place to create a workplace which is safe for everyone. ”

commercial base in Shanghai and recruited additional staff to support our sales and marketing efforts in the region.

In 2019 we completed a clinical study on Optipep® hydrolysed whey protein in conjunction with the University of Limerick. The study

**TASTE:** 2019 was a pivotal year as we began to execute upon our recently updated Synergy global strategy. The global teams have worked very closely together to ensure that we are leveraging our technologies and assets to deliver innovative,

**Our farmer suppliers**

The continued success of our farmer suppliers and shareholders is central to the Carbery organisation and co-op ethos. Working alongside the four West Cork co-ops of Bandon, Barryroe, Drinagh and Lisavaire we continuously strive to match the needs of our suppliers with the ever changing demands of the marketplace.

Post the elimination of quotas in 2015 our milk volumes have grown by 42% to 567 million litres which we have processed entirely at our site in Ballineen in 2019. As we look forward to future supply growth we believe that our current capital investment will allow us to continue to support our farmer shareholders' growth through 2030, without significant additional capacity investment.

The co-operative model remains at the epicentre of the Carbery business which is why we continuously strive to support our farmers' milk price through a focus on value added, innovative, dairy and nutritional products. Furthermore the board of Carbery has consistently looked to support the milk price paid to

our shareholders during periods of difficult dairy markets, through the use of our stability fund and by leveraging the profits from the overall business.

Carbery Group's farmer suppliers have always demonstrated a dedication to the highest standards right across their operations. The commitment to milk quality, as demonstrated by the fact that 100% of our suppliers are SDAS approved, is matched by the progressive work being undertaken at farm level from an environmental perspective. Our Carbery Greener Dairy Farmers initiative continues to explore new and innovative ways in which we can balance the needs of economic farming with that of our environment.

Carbery is very committed to our farmer suppliers and we deeply appreciate their ongoing commitment to supply us with the highest quality grass-fed milk that is produced with the greatest care for their animals and the environment.

**Corporate responsibility and sustainability**

Our Dairy business is naturally sustainable: we have the advantage of using milk from grass-fed cows, reared according to West Cork's traditional dairying methods. Our 1,220 farmer shareholders share our vision to reduce emissions and to add value to every drop of milk. After all, no-one understands better than a farmer how important it is to leave the land in better shape than you found it.

As the world grapples with the challenges of climate change and resource constraints, it is more important than ever that we continue to do business in a way that we are proud of. We have always embraced strong sustainability principles and have worked hard to minimise our environmental impacts, manage our energy requirements, and bring nutrition improvements and innovation to our products. As we look ahead, our ambition is to have a fully sustainable chain, from pasture to plate, and to drive a carbon neutral and zero-waste philosophy right across our business.





Our successes to date have been built on continually evaluating our influence across the entire value chain, with each of our divisions implementing sustainability plans, with specific initiatives to deliver and targets to achieve. Read pages 16 to 59 to find out more about our Corporate Responsibility initiatives in 2019.

### 2020 and Beyond

Despite some of the challenges that we face in the farming sector, as a business and as a sector I am confident that we are in a strong position to continue to grow our business in a sustainable manner into the future. Our continued investment in research and development will help us maintain our competitive edge in the marketplace and ensure long term strategic growth.

Building on our investment in our Ballineen facility we look forward to producing and selling mozzarella in 2020, and further diversifying our customer base.

Dairy markets had been looking to have firmed in recent months, however the spread of Covid-19 across the globe in 2020 is now causing significant uncertainty and volatility in global dairy markets. We have worked with our farmer suppliers and partners to put contingency plans in place to see our business, employees and farmer suppliers through this crisis and we are currently well positioned to do so.

I would like to thank all of our dedicated suppliers and their families for their ongoing support. Thanks to the four co-ops in Bandon, Barryroe, Drinagh and Lisavaird and all their staff for the continuing support of our business. A special thank you to our team of people around the world who continue to be committed to the business and who make everything come together in order to deliver our performance. Thanks to our customers and business partners who continue to work with us to grow our respective businesses together.

Finally a sincere thank you to the Board of Carbery, led by our Chairman TJ Sullivan, who continue to advise and support the management team.



JASON HAWKINS  
Chief Executive Officer



Planning for the future as Carbery prepares for Brexit with the cheese diversification project by building a mozzarella plant

## MILK QUALITY & SUSTAINABILITY AWARDS

The awards have been running since 2004 and recognise our commitment to milk quality and sustainability. The Carbery Milk Quality Awards recognise our farmers' commitment to supplying quality milk of the highest standard. The Sustainability Awards highlight the growing ambition of our farmers to produce sustainable dairy products while maintaining and nurturing the land around them.



*Nigel Daunt* - Milk Quality Award Winner



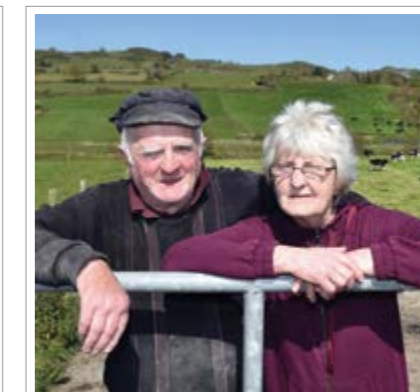
### Milk Quality Award individual co-op winners



Jerry Keohane.



William O'Donovan, with his daughter, Alice & wife, Patricia.



Christopher and Hannah McCarthy.



# Sustainability Report

# Corporate Responsibility: Our Approach

The world around us is in a constant state of flux, meaning we must pay close attention to the risks and issues that might become material to our business. At Carbery Group, we listen to our stakeholders and regularly review our approach to keep pace with change and maintain our status as an ethical business. The Paris Agreement and the UN Sustainable Development Goals have set clear expectations that businesses must engage with and address the difficult issues that we all face. And we are committed to rising to that challenge.

For Carbery Group, being sustainable means ensuring our business is futureproofed and resilient. The following pages outline the programmes and initiatives that we have developed to mitigate against challenges such as environmental degradation, climate change and resourcing challenges.

As a company with a heritage rooted in farming communities, operating sustainably is instinctive for Carbery. We have always done it, and we always will. But we wanted to bring a more formal shape to our approach and, in 2018, took the step of putting additional structures around the principles of sustainability. We built a stand-alone strategy which will act as a road map for us over the decade ahead. Having set the course, we created a Sustainability Team to lead the change. We are now working in partnership with our farming partners, our customers and the wider community to deliver our strategy.

We are committed to operating our business in a transparent and responsible way, and this report has been written to provide an update on the major environmental, social and governance (ESG) initiatives that we have developed to meet our targets. Our strategic approach to sustainability is focused on five main areas: environment, people, community, supply chain and marketplace. This report highlights initiatives and achievements in these areas during 2019 and looks ahead at how we will progress this programme into the future.



ENDA BUCKLEY  
Sustainability Director, Carbery Group

“ For Carbery Group, being sustainable means ensuring our business is future-proofed and resilient. ”



**Barryroe**  
CO-OPERATIVE LIMITED

*Tim Keohane*

– Barryroe Sustainability Award Winner



**Bandon** co-op

*Mark Kelleher*  
– Bandon Sustainability Award Winner

## Our five strategic sustainability priorities

In line with our ethos and commitment to constantly striving to improve the environmental footprint we create and the contribution we make to the world as a business, we focus our energies on five key Corporate Responsibility (CR) pillars:



OUR ENVIRONMENT



OUR COMMUNITY



OUR PEOPLE



SUPPLY CHAIN



MARKETPLACE

## The business of sustainability

Carbery Group is a global leader in nutrition ingredients, flavours and cheese. Sustainability sits at the very heart of our business, ensuring our approach to our business and the communities in which we operate, are mutually beneficial for each other from a social, economic, and environmental perspective.

We believe that integrating sustainability into our core business strategy is the best way to drive it across the Group, as it is simply part of how we do business. For Carbery, sustainability is about doing the right thing for all our stakeholders, all of the time.

It is our vision to create a better future for our farmer shareholders and those who are affected directly and indirectly by our business including our colleagues, suppliers, customers, communities and consumers.

A future where as a business, we continue to minimise the impact we have on the environment by constantly challenging, innovating and taking a leadership role in new initiatives that have the potential to benefit and improve the environmental footprint of the dairy industry; where our contribution to the food industry ensures that

everyone enjoys the benefits of living well through responsible consumption and easy access to good nutrition and where our people, customers, farmers and all of the communities we interact with thrive and prosper.

We believe by taking this responsible approach and operating in a transparent manner, we will deliver on these core commitments and be a force for good; creating value for Carbery, our people, our partners, our farmer suppliers and our communities.



Green Awards 2019 Winner of The Sustainable Water Achievement Award



Sustainable Energy Award – 2018



100% renewable electricity



Chambers Ireland CSR Awards (shortlisted)



LEED Gold Certification



Excellence in Sustainability Award – 2017








**Ireland's food and drink sustainability programme**

Carbery is a member of Origin Green, Ireland's food and drink sustainability programme. Launched in 2012, the voluntary programme brings together Ireland's food industry through the Irish Food Board — Bord Bia. Our shared vision is to help Ireland produce more food from fewer resources.

As a condition of membership, we have adopted a sustainability charter for our Ballineen site covering our manufacturing, raw material sourcing and social sustainability activities. The charter is aligned with our Group-wide sustainability objectives and sets out targets and goals in the areas of environment, health and nutrition, and community support. We report our progress to Bord Bia annually.

## Supporting the Sustainable Development Goals

The United Nations Sustainable Development Goals were devised in 2015 as a blueprint to achieve a better and more sustainable future for everyone. By operating responsibly, our business makes a contribution to 8 of the 17 goals.

Goals	Our Contribution
 <b>2</b> NO HUNGER Good Health and Well-Being	Carbery and Synergy are committed supporters of tackling hunger and in 2019, we took part in events to prevent undernutrition and provide hunger relief. Our product portfolio delivers high quality nutritional ingredients and great tasting, nutritionally balanced food and beverages to consumers of all ages.
 <b>3</b> GOOD HEALTH Clean Water and Sanitation	Carbery Ireland improves water quality and reduces pollution through our reverse osmosis process which results in reduced water abstraction from rivers (SDG 6.3).  In addition to reducing pollution, Carbery works to mitigate risks to waterways. 36 farmers have enrolled in the ASSAP pilot programme which enhances water quality (SDG 6.3, 6.B).
 <b>6</b> CLEAN WATER AND SANITATION Affordable and Clean Energy	Carbery is committed to increasing the share of renewable energy and since 2018, we have purchased 100% renewable electricity through a green tariff. 4.6% of the gas we use is produced in our own anaerobic facility, making it a renewable fuel.
 <b>7</b> RENEWABLE ENERGY Decent Work and Economic Growth	We are committed to pushing our business forward and we cannot do that without attracting the brightest, most innovative, diverse and creative minds to our business. In recent years, Carbery Group has invested significant resources in the development of Graduate and Leadership Programmes and we also work with local schools to provide career support.
 <b>8</b> GOOD JOBS AND ECONOMIC GROWTH Responsible Consumption and Production	Carbery is committed to the efficient use of natural resources and are trialing a small-scale grass biorefinery which converts grass into a range of products, such as protein for monogastrics and prebiotics for animals and humans (SDG 12.2).  In Ireland, Carbery has joined the Savour Food Programme to reduce food waste (SDG12.3).  Across our supply chains, Carbery has committed to source 100% of raw materials from suppliers with recognised sustainability certifications. To date, 95% of the paper and carboard bought in Ballineen is certified sustainable (SDG 12.2).
 <b>13</b> CLIMATE ACTION Climate Action	Carbery is working across our sites to mitigate our environmental impact and have reduced carbon emission across the group by 11.7%. Investment in heat recovery projects and purchasing 100% renewable electricity helps us to reduce emissions. The Carbery Greener Dairy Farms™ (CGDF) programme provides support to help farmers reduce energy use and carbon emissions.
 <b>15</b> LIFE ON LAND Life on Land	Through the Carbery tree initiative over 45,000 native trees have been planted on West Cork dairy farms.  In the US, 20 tonnes of coffee waste produced daily on site in Ohio is reused as organic fertiliser (SDG 12.5).
 <b>17</b> PARTNERSHIPS FOR THE GOALS Partnerships for the Goals	Carbery believes in the power of partnerships to accelerate change and works closely with organisations such as Food for Health Ireland and Madagascar Development Fund to collaboratively tackle current issues and promote sustainable business practice.





# OUR ENVIRONMENT

Our businesses are highly dependent on a range of environmental assets and ecosystems, from stable supplies of water, to vibrant biodiversity. Conserving and, where possible, enhancing the environment in which we operate is a moral as well as a commercial imperative.

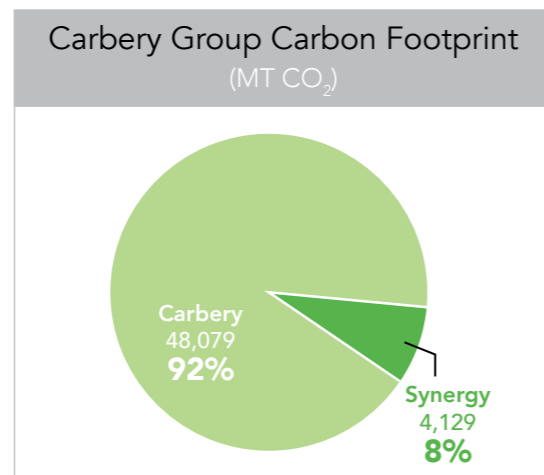
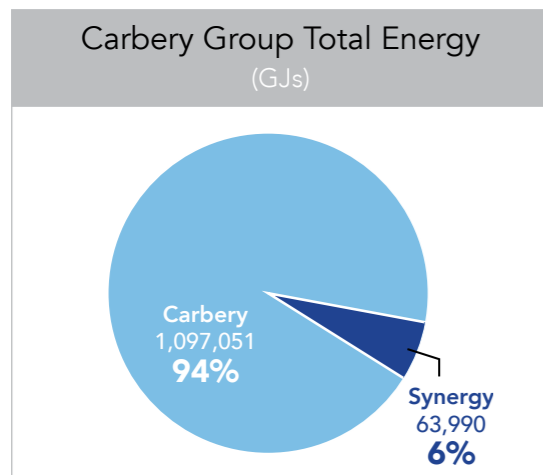
Our philosophy has always been to gain maximum value while causing minimal impact, an approach that is evident in all our processes. Through our Environmental Management System (EMS) and membership of Origin Green, we annually review our environmental impacts, to assess our risks and ensure we are carefully managing the areas where we make the biggest impacts. Our key impacts continue to be: the use of energy and resultant greenhouse gas (GHG) emissions; the abstraction of water and discharge of effluent; and the generation and management of waste.

## Carbon reduction

Climate change is a material issue for Carbery, and we are active supporters of both the UN Sustainable Development Goals and the Paris Agreement, which aims to limit global warming to less than 2°C on pre-industrial levels. We believe it will take collective action to make this possible, and through our sustainability strategy, we are actively contributing. We have eight manufacturing sites around the world: our dairy and

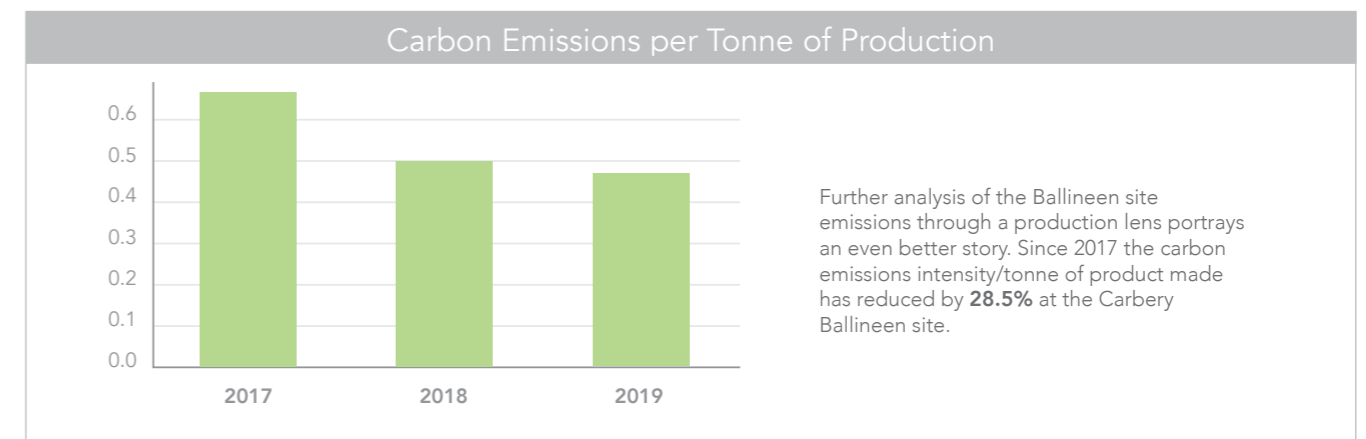
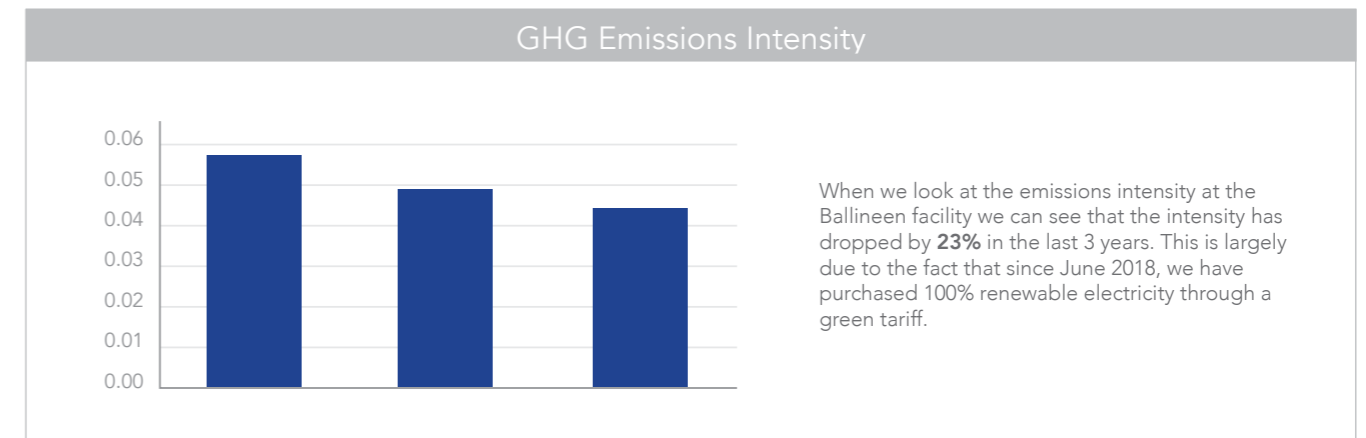
nutrition lines are produced in our Ballineen factory, and our flavours, extracts and essences are produced at our Synergy sites. Despite production increasing by around 20% since 2017, we are pleased to have managed to reduce carbon emissions across the group by 11.7%. Our Ballineen facility is our most significant emitter, generating 92% of all our carbon emissions. It is therefore appropriate that this

is the main focus of our efforts. The site has been at the forefront of sustainability innovation and performance within our industry and, between 2017 and 2019, we reduced the carbon footprint of Ballineen by one fifth through a series of energy saving projects and procuring more green electricity.



Despite production increasing by around 20% since 2017, we are pleased to have reduced carbon emissions across the group by 11.7%.

## Carbery Ireland emissions



## Circular economy at Carbery Ireland

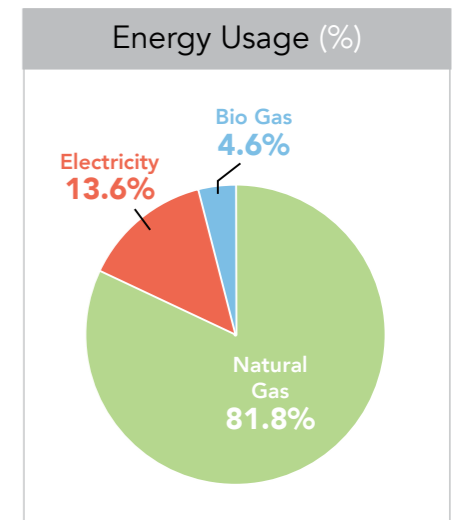
The efficient use of energy has been an inherent operational activity and strategic aim at our Ballineen facility for the past decade or more. It presents for us, a material risk and a significant business opportunity.

We have invested in several heat recovery projects, which have had a dramatic impact on the energy profile of the site. We use combined heat and power technology (CHP) to provide both the steam and electricity needed to operate the plant. In a conventional power station, the heat generated when electricity is created is usually wasted, whereas we utilise it for various hot processes. CHP is therefore highly efficient – around 85% of the energy in the fuel is

extracted and put to use, compared with standard power stations which tend to extract around 40% of the energy.

The CHP plant is fuelled with natural gas which has half the emissions factor of grid electricity in Ireland. In addition, around 4.6% of the gas we consume is produced in our own anaerobic facility making it a renewable fuel.

In addition to the gas that powers our CHP boilers, we also buy electricity. Since June 2018, we have purchased 100% renewable electricity through a green tariff.

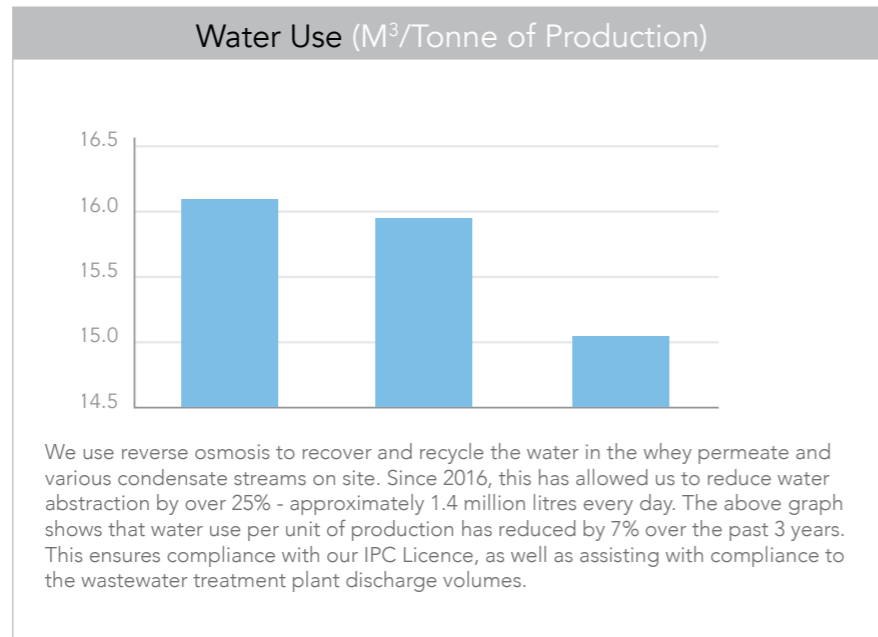


## LOOKING AHEAD

We aim to be carbon neutral by 2035 across all of our sites through decarbonising our existing energy sources.

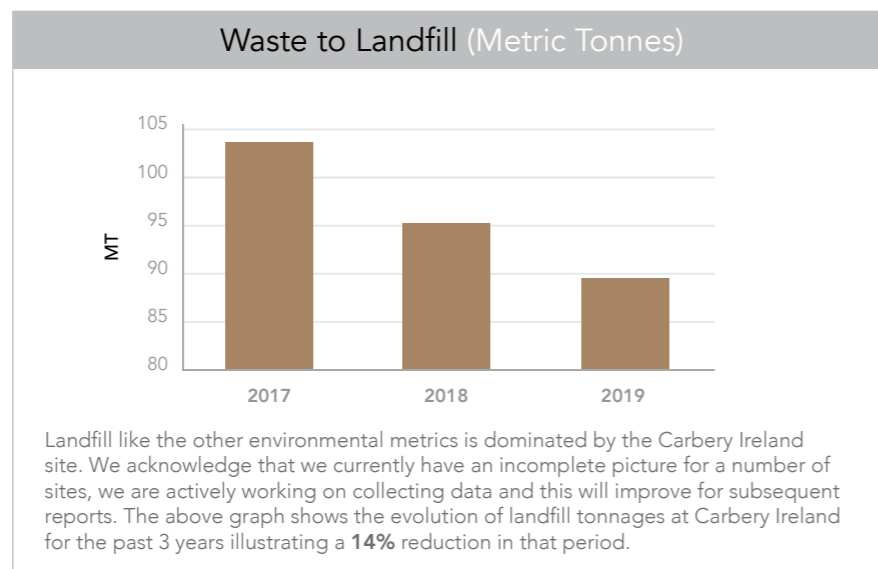
## Conserving water

Our businesses use water for various activities and all our sites measure water use to help ensure that it is being used efficiently and appropriately, being re-used where possible, and returned back safely to the natural environment. We are committed to water conservation, at Carbery Ireland in 2019 we completed a series of mapping exercises to determine where the most water could be saved. This led us to invest in reverse osmosis, a water purification process that removes unwanted molecules and particles, allowing us to reuse our wastewater. We use reverse osmosis to recover and recycle the water in the whey permeate and various condensate streams on site.



## Waste and co-products

Recovering waste materials from our operations is an intrinsic element of the business model. At our Ballineen site, we aim to make the best possible use of every drop of milk and, over many years, have developed a series of processes that extract as much value from our principle raw ingredient as possible. Across Carbery Group, the majority of our wastes are recycled or reused as organic fertiliser or compost rather than sent to landfill.



## LOOKING AHEAD

We aspire to be a zero waste organisation, right across the company. Activities to help achieve this include improving segregation of waste streams and the use of recycling, composting and anaerobic digestion.

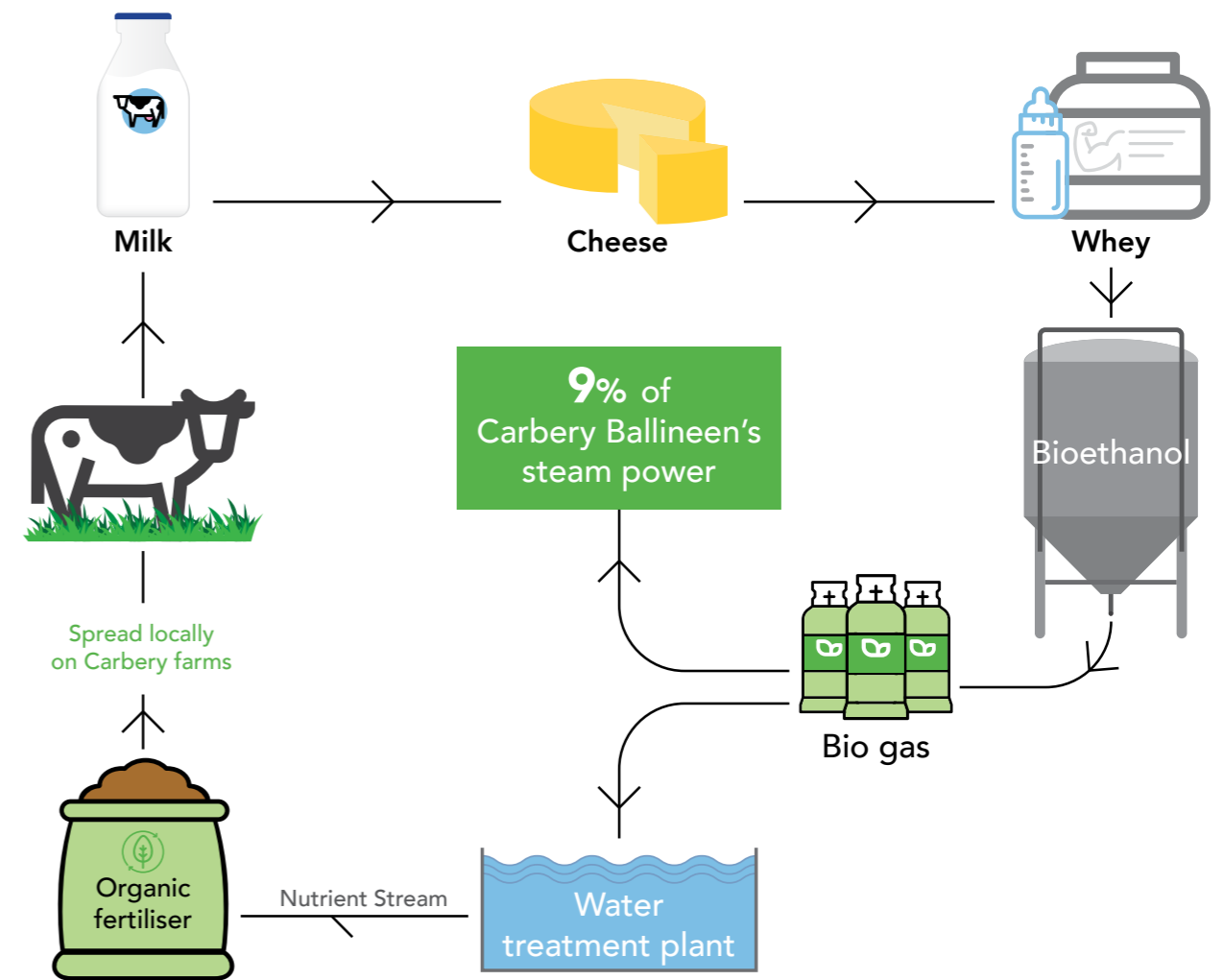
### Compost

One of the key ingredients we work with in our Synergy Flavors site in Hamilton, Ohio, is coffee. We extract the raw materials with a water-based process and the resulting slurry is passed through a decanter to remove the non-

soluble solids. We generate around 20 tonnes of this solid waste daily which is taken to a compost farm to biodegrade. After six months, the nitrogen rich material can be added to soil as a completely natural organic fertiliser.



## Circular Economy at Carbery Ireland



### Bioethanol

Whey permeate is a biodegradable waste that is generated from the process of abstracting proteins from whey. For over 40 years, we have used it to generate bioethanol and today produce around 12 million litres every year.

Most of our bioethanol is used as a biofuel. In 2017, we acquired an International Sustainability & Carbon Certification (ISCC) licence following a very comprehensive greenhouse gas assessment. This established that the bioethanol we produce is 86% less carbon intensive than standard petrol. Using Irish data, this equates to a reduction of over 16,000 tonnes of carbon dioxide a year — a meaningful contribution towards helping Ireland meet its 2020 transport targets.

### Bio gas

A co-product of creating bioethanol is stillage waste. In 1982, we installed the first commercial Anaerobic Digestion (AD) system to generate biomethane from this waste stream. We use this carbon neutral fuel in our CHP boilers to generate steam. Biomethane delivers 9% of the Ballineen site steam requirements.

### Organic fertiliser

In keeping with the circular approach towards resources and waste at Carbery, the final co-product that results from processing is a nutrient rich fertiliser which is certified as organic by the Irish Organic Association. Following treatment at our Anaerobic Digestion plant and aerobic treatment at our waste water treatment plant we generate over 15,000 tonnes of organic fertiliser which is an ideal bio stimulant for grass and crops and is utilised by farmers throughout West Cork for that purpose.

## Building better

In 2019, we added 38,000 square feet of new office space at our Synergy US headquarters in Wauconda, Illinois. We wanted to make it as green as possible and designed it with the hope of achieving a LEED Gold certification.

LEED (Leadership in Energy and Environmental Design) is a green building certification programme used worldwide to certify sustainable buildings and neighbourhoods. It includes a set of rating systems for the design, construction, operation, and maintenance of green buildings that aims to help operators be environmentally responsible and use resources efficiently.

The new building was constructed using recycled, renewable, and low emitting materials and has solar panels and high efficiency boilers to reduce the carbon footprint of its energy use. Other initiatives include bike racks and dedicated parking spaces for more fuel-efficient vehicles. Inside, the building benefits from demand control ventilation and a highly efficient Variable Air Volume cooling system, as well as auto-control metering tap and flush valves.

Synergy Flavors won 'Development of the Year' at the 2019 Lake County district Stormwater Awards. The judges were very impressed with the implementation of bioswales into the design as well as the sustainable landscaping which was designed with native prairie style species, requiring less irrigation, yet still creating a lush natural setting.



Synergy staff enjoying lunch at the new sustainably-built Wauconda facility



*Alexandre Massumoto*  
– Marketing Associate, Wauconda.



## Reducing the impact of our supply chain

We recognise the importance of keeping pace with all new sustainability developments in farming and actively share these with our supplier farmers. By upskilling our farmer shareholders to engage with the issue of sustainability, we help strengthen their businesses and improve the resilience of our supply chain.

### Improving water quality

Carbery is a founding member of Ireland's national Dairy Sustainability Initiative (DSI), which developed the Agricultural Sustainability Support and Advisory Programme (ASSAP). The collaborative initiative aims to improve Ireland's water quality and support the goals of the River Basin Management Plan (RBMP - 2018) and Food Wise 2025. ASSAP offer a free advisory service to farmers in Ireland's dairy co-op's in tandem with Teagasc.

In 2018, we recruited a dairy sustainability advisor to support

our farmer suppliers to manage issues related to water quality, management and conservation. So far, thirty-six farmers have enrolled in the ASSAP pilot programme and have learned about the benefits of enhanced water quality, mitigation measures, and potential risks to waterways. As part of this, we have organised a series of events to raise awareness around water conservation, which have included farm walks, community meetings, stream side talks and presentations at the co-op board meetings.



### Carbery Greener Dairy Farms

In 2012, we launched Carbery Greener Dairy Farms™ (CGDF) an innovative, dairy efficiency programme designed to measure, monitor and optimise resource allocation and best practice on farm. Our primary objective was to introduce efficiencies and improve environmental sustainability on all Carbery milk supplier farms. Initially, twelve dairy farms took part in the programme. Over the years, this has risen to 30.

Through the programme – Ireland's first model for delivering best practice in sustainable dairy farming – we have been able to measure carbon, water and energy footprints at an individual farm level, as well as support on soil and nutrient management. By educating farmers on the importance of sustainable dairy production, we have supported them to reduce their energy use and carbon emissions as well as increasing awareness of the importance of managing water use.

During 2019, we focused on improving soil structure, biodiversity, animal health and overall efficiencies. This included holding a workshop on soil structure to explain how soil health is imperative for increased grass growth as well as mitigating against risks to waterways. We also took farmers to visit Donal Sheehan at the Biodiversity Regeneration in a Dairying Environment (BRIDE) project in Castlelyons, Co. Cork, to demonstrate how to maintain and enhance biodiversity while farming intensively.

The education we provide to farmers has helped to advance their knowledge and competencies around sustainable farming and the importance of farming in a viable manner. Through the Retrospective Prior Learning mechanism at University College Cork, the CGDF programme now makes up 60% of an existing Diploma in Environmental Science and Social Policy. To date, 23 of the 30 farmers on the CGDF programme have been conferred.



Our 2019 Greener Dairy farmers after graduating in the Diploma in Environmental Science & Social Policy in UCC.

### Bioeconomy: creating co-products from grass

In summer 2019, we tested a small-scale grass bio-refinery on five Carbery farms in West Cork – the first of its kind to be trialled in Ireland.

The biorefinery converts freshly harvested grass into a range of products, including: an optimised cattle feed fibre, a protein concentrate feed for monogastrics, a high-value sugar stream of fructo-oligosaccharides, and a grass whey for fertiliser or bioenergy applications. The technology will allow farmers to diversify their

business and generate a new income stream while contributing to a circular bio-economy. The bio-refinery targets a 40% increase in usable protein per hectare. The environmental benefits are clear: the high-protein grass-based monogastric feed is a suitable alternative to imported soybean feed, cutting emissions associated with soy production and transportation. The feed also leads to an estimated 25% reduction in nitrogen emissions in cattle excrement.

We are one of five participants in the project, known as 'Biorefinery Glas', alongside IT Tralee, Grassa, Barryroe Co-op and University College Dublin. Biorefinery Glas is a European Innovation Partnership (EIP) Operational Group funded by the Department of Agriculture, Food and the Marine (DAFM). More information can be obtained at <https://biorefineryglas.eu/>. The project is now in the feed trial phase and one of the main outcomes will be a feasibility of grass biorefining in an Irish context.

### LOOKING AHEAD

We are currently working with a number of partners to develop a net zero emissions farm at Shinagh Estates farm which is owned by the West Cork co-ops.



A demonstration of the bio-refinery, attended by some of the staff members & shareholders of Carbery.

### Greening our workplaces

Although the most significant carbon impacts are generated through our production plants, we also encourage our people to make changes for the benefit of the planet. Though the gestures might feel small, we believe that our sustainability strategy will be more successful if our people are passionate advocates for leading a greener life.

#### Cutting down on plastic

Single-use plastics have become symbols of a wasteful approach to nature's resources. We are therefore exploring ways to reduce our use of them. In our Ballineen site, the laboratories where we test milk for microbial growth generates plastic waste such as petri dishes. We invested in a machine called an Envitec 2000 which has the ability to decontaminate plastic laboratory waste safely whilst at the same time recovering a very useful plastic

stream. We estimate that over 30 tonnes of lab waste will now be recovered and recycled each year.

Synergy Brazil and Carbery have both provided staff with a reusable cup to discourage the habit of using single-use cups. In the Ballineen site, we also installed a cup rinser to make it easier for people to clean their reusable cups and water bottles.



Staff at Synergy São Paulo show off their new reusable cups.

### Sustainability awareness

Carbery Ireland celebrated Sustainability Day in November 2019, with a focus on energy, water, food waste and the environment. 'Stop Food Waste' talks were held along with 'Bitesize Learnings' on the site's sustainability, water, energy and environmental projects. An 'Energy Awareness Stand' provided guidance to staff on energy reduction and savings.

### Cutting food waste

In 2019, Carbery joined the Savour Food Programme which is designed to support businesses to reduce food waste. A member of the Savour team visited our Ballineen site and evaluated the processes in both our canteen and production line. They noted that waste arisings from production were extremely low, and offered some suggestions on how to further reduce waste from the canteen which we are now putting into action.



Re-usable cups were provided to staff in Ballineen during Carbery Sustainability Day to cut down on single-use cups.



Sustainability Day in Ballineen last November included a series of talks & events to make staff more aware of how they can make a difference in work and at home.



*Rachel Dannemeyer*  
– Senior Nutrition Applications Technologist, Wauconda.



## OUR COMMUNITY

We want to play a proactive role in our local communities through creating employment, purchasing goods and services from local suppliers, and supporting educational and community groups such as charities, schools and sporting organisations.

We also understand the need to be a good neighbour, which means minimising any negative impacts on the people around us, but also maximising our positive impacts.

### Supporting agricultural communities

Through our co-op roots, Carbery is, and has always been very closely connected to our local communities. We support our farmer shareholders with specific farm development programmes, sustainability initiatives and quality improvement schemes.

We are passionate supporters of local agricultural shows. We know

that they play an important part in the cultural life of Irish villages and towns and celebrate the contribution that agriculture makes to the community. These hugely popular local events recognise and reward good animal husbandry and promote associated activities such as gardening, cooking and arts and crafts.

In West Cork, Carbery supports shows in Bandon, Bantry, Barryroe, Belgooly, Clonakilty, Dunmanway and Skibbereen by providing financial support to ensure the shows can grow and develop, to reflect the changing interests and issues of the farming community.

### Raising money for local charities

Across our business, our people choose to support and fundraise for a wealth of worthy causes in their communities.

#### Fundraising and donations

Synergy UK staff raised £636 in 2019 with a variety of on-site fundraisers including McMillan Coffee Morning and Breast Cancer Day. They also donated food and goods to Wycombe Homeless Connection, a local homeless charity.

Our team in Hamilton, Ohio, provided 50 children with Christmas presents by supporting the Salvation Army Angel Tree gift drive.

Our team in Wauconda, near Chicago, raised \$2,736 through donations during their annual Holiday Spirit month-long drive. The cash donations were donated to Lake County Haven, a local shelter dedicated to empowering women and children.

In addition to the above, Synergy's 'Support for Fundraising' programme supports employees who raise funds for a recognised

charity in their own time by matching whatever they raise. In 2019, we gave over £1,000 in matched funds.



### Tackling hunger and malnutrition

In 2019, our Synergy US team joined more than 1.3 million volunteers who helped to hand-pack nutritious meals at an event coordinated by the non-profit organisation Feed My Starving Children. These meals are specifically designed to assist in reversing and preventing undernutrition.

We are also committed supporters of Rise Against Hunger, an international hunger relief non-

profit organisation that coordinates the packaging and distribution of food and other life-changing aid to people in developing nations. We filled boxes of nutritious food packs for them at our spring commercial meeting and sponsored a food packing event where our employees and their families helped to pack over 20,000 meals.

In June 2019, a team from Synergy Flavors raced with the Northern

Illinois Food Bank to support healthy eating programmes in over 13 counties in Illinois. The race generated \$137,000 dollars for local food banks, helping them to offer feeding programmes and nutritious food for half a million people a year.



Synergy US team joined more than 1.3 million volunteers to hand-pack nutritious meals at an event coordinated by the non-profit organisation Feed My Starving Children.

### Skibbereen Charity Adventure Race

Since its inception, the Skibbereen Charity Adventure Race (SCAR) has raised over €160,000 for various local charity groups. Carbery Group is proud to have sponsored it for the past three years and a number of employees have participated in it over that timeframe.

Charity recipients, including both national and local beneficiaries,

have included Bóthar, the Mercy Foundation, Dunmanway Playground, the Capuchin Day Centre for Homeless People, Pieta House and Cork South West Autism.

SCAR is the largest Charity Adventure Race in Ireland and is managed by a special race team on behalf of Skibbereen & District

Lions Club. It offers something for every level of fitness with a beginner, intermediate and expert race option. Participants can look forward to a serious challenge that will test and push them to compete, around a truly memorable course, unique to South West Ireland.



Carbery employees who participated in SCAR 2019

**LOOKING AHEAD**  
 In 2019, the Carbery team in Ballineen initiated a charities working group with a view to selecting a charity partner. From 2020 onwards, we will raise money for Foodcloud, a charity which reduces food waste by redistributing surplus food to charities that can make use of it.

### Adopt-a-Roadway

Our Synergy facility in Wauconda has experienced a period of rapid growth. The local community has been very supportive of us as we developed and increased the size of our facility, and we wanted to give something back. In 2018, we began working with the local community on the upkeep of nearby Garland Road as part of Wauconda's 'Adopt-a-Roadway' initiative. Our commitment included organising clean-up events at least three times a year.



### Investing in local air quality

Synergy UK meets local residents on a regular basis to discuss how we can improve the environment for residents in the surrounding areas. Based on their feedback, we invested £2.2 million in 2019 in installing a new air handling plant in our facility in High Wycombe to reduce stray odours.

### Supporting education

At our Ballineen site, we support local post-primary schools through our work with 'Business in the Community'. We partner with the nearby Mary Immaculate Community College in Dunmanway to support its transition year programme. This includes participating in 'Day in the Life' careers briefings.

Carbery employees from different backgrounds (including engineering, science, finance, marketing and production) meet the students to describe their typical working day at Carbery.

They discuss their backgrounds, educational achievements and how they have progressed and managed their careers, with a view to providing insights into the different career options students might pursue. Students are also given the opportunity to prepare for their first real job interviews, with a series of mock interviews. They prepare their CVs and visit the Carbery site, to be put through an authentic interview experience, following which, the Carbery team provide tailored feedback.



### Work placement

Another initiative which supports young people and education at the Ballineen site is the Work Placement Programme which aims to place 12 university / college students, annually, in such diverse areas as production, quality, research & development, finance, and services. Aside from gaining practical on-the-job experience, these students attend workshops covering effective presentations, project management and problem-solving skills.





# OUR PEOPLE

With a growing global workforce of more than 700 people, we are committed to being a best-in-class employer, constantly improving our work standards and making Carbery Group a great place to work for everybody. We have a diverse, multi-cultural, multi-generational workforce, based in facilities all over the world. Wherever they are based, we strive to help our people progress and take control of their careers. Our approach is based on respect, continuous improvement and an absolute focus on safety, while encouraging our people to contribute to the betterment of both our business and the broader community.

## Our policies and programmes

Across our business, no matter what the geographic location or job function, we are committed to a culture that supports diversity, inclusion, respect and ethical behaviour at all times. We are committed to providing a safe workplace for all of our employees, as well as supporting their general health and wellbeing. Our human resources (HR) teams across the organisation work to ensure that we have the right people, programmes, and processes in place, to create the environment we need to achieve results.

### Our HR policies include:

- Anti-bribery policy
- Anti-fraud policy
- Charitable contributions and political donations policy
- Conflict of interest policy
- Whistleblowing policy
- Dignity at work policy
- Tuition reimbursement policy
- Ethical Trading policy

### Our HR programmes include:

- Employee Assistance Programme (EAP)
- Business Excellence Programme
- Employee Engagement Programme
- Leadership Development Programme
- Graduate Development Programme
- Work Placement Programme
- 'Great Place to Work' employee survey
- Campus Recruiting Programme

In addition to these, we also work particularly hard to engender and encourage our distinct and unique Carbery Group culture. To do this, we hold events such as our Family Open Days, Work Wellbeing Programmes and sports and social events. We aim to help our employees achieve a healthy work/life balance.

## Developing our people

We are committed to delivering a range of learning and development programmes to support all our colleagues at all stages of their careers. It is important that

we support our employees' development, to help them achieve their personal development goals and career aspirations: as they grow and develop, so will

our organisation, the customer experience and, ultimately, the benefit we bring to our shareholders.



## Growing future leaders

As Carbery Group continues to grow and expand, we need a pipeline of talent rising within our business, ready to take on leadership roles. Our Leadership Development Programme (LDP) is designed to develop high potential managers, providing them with an in-depth understanding of our business and priming them for leadership.

The goals of the programme are to provide the participants with an in-depth understanding of the Carbery business while helping

them to strengthen their leadership skills and capabilities to help drive business growth, develop good strategies, and manage financial information. The programme comprises of four modules, each of which is taught in a different company location. Participants receive input from senior leaders and experienced tutors.

The latest cohort of eighteen participants came from Brazil, China, Ireland, Thailand, UK and USA. In addition to completing the four modules, they also completed

a six-month project which encapsulated all the learnings from the LDP program.

As a demonstration of how seriously Carbery takes sustainability, the leadership team requested that the LDP team supported the sustainability team with the development of a group sustainability strategy. This approach helped to further engrain and embed a sustainability culture across the group.

## Recruiting the best young talent

We are committed to pushing our business forward and we cannot do that without attracting the brightest, most innovative and creative young minds to our business. In recent years, we have invested significant resources in the development of our Graduate Programme. The programme is a stimulating blend of training, development and experience for the participants, helping to build competences, develop thinking and enhance future leadership potential – all while growing an international network of friends and colleagues.

aspects of our business. The roles they take up are real, meaning that they begin contributing to the organisation immediately.

Our measure of success is the number of graduates that move from the Graduate Programme into a permanent role within the organisation.





## Building the right culture

We believe that the best organisations are passionate about creating the right culture and then articulating it, supporting it, and maintaining it. The benefits of a positive work environment are well-documented: creativity, productivity and happiness go up while stress levels reduce.

Change is a constant part of all our working lives: we must manoeuvre to adapt and respond to our customers and our markets. We therefore rely on our strong culture of trust and authenticity to support our colleagues as they navigate these changes.

We aim to be a place that inspires and nurtures the individual while also facilitating teams within the group to flourish. We promote employee wellbeing through wellness days, employee health checks, flu vaccinations, employee assistance programmes and rewards and recognition programmes.

## Great Place to Work

In 2019, we rolled-out the 'Great Place to Work' survey across the entire global business for the first time, with very good results.

Over 80% of our employees participated in the survey, with the majority confirming that they are proud to work here, and view Carbery as a 'Great Place to Work'. These numbers exceed many peer companies, and we were pleased to see evidence of how engaged and committed our people are. This year, we are proud that our US and Brazil offices achieved Great Place to Work Certification.

Our employees identified our core strengths as being: customer focus; corporate social responsibility; strategy and direction; job security;



empowerment and accountability; and engagement. A strength of the Great Place to Work survey is that it also helped us to identify some areas where we need to invest more energy and attention, namely: communication and development.

We are now working hard to make improvements in these areas across our business.

## Showing our gratitude

We aim to create a culture where people want to work for us and are proud to call themselves Carbery and Synergy employees. We show our appreciation for the invaluable contribution made by our employees with Long Service Awards. These awards encourage and reward loyalty, enthusiasm and experience by celebrating long service at intervals of 10, 15, 20, 25, 30 and even 40 years.



## Reviewing our ways of working

The global nature of our business means that we understand that not everyone on our team works in the same way, or needs to deliver the same things. We constantly review and update our ways of working and recognise how important it is for us to be flexible.

In 2018, a team at our Ballineen site conducted a comprehensive review of how we articulate our people values, or ways of working. The intention was to evolve our management style, to reflect our growing and diverse workforce. The team – comprised of 25 people from different functions in our

business – looked at our current activities, re-grouping them into six distinct areas of focus and developing clearer definitions. Respect is the foundational basis from which these six ways of working have been developed. These values were then discussed with all staff through interactive workshops at an offsite event in January 2019. The resulting six statements provide clear direction on what needs to be delivered for the business, yet are flexible enough that each team can deliver them in a way that suits their style of working.

The new Ways of Working – shown below – are now being piloted in Ballineen, to ensure our areas of focus and definitions are fit for purpose, before we begin to roll them out across the rest of the organisation. To complement this, 40 managers from the Ballineen site are currently participating in a Coaching Programme to further develop their management styles and support the ways of working.



### SAFETY & WELLBEING

Health, safety and wellbeing are our top priorities. We keep everyone safe and create a workplace centred on dignity and respect.



### TEAMWORK

We trust and support each other as a team, through leadership and taking responsibility to efficiently achieve our goals. We recognise and respect our teams' challenges and overcome these through open communication, guidance and co-operation.



### CUSTOMER FOCUS

Our focus is to develop a collaborative relationship with our customers through listening and understanding their needs and values. We deliver best in class products and service through industry benchmarking, while anticipating the future requirements of our customers.



### AMBITION

We pride ourselves on being an ambitious and innovative business. Through continuous improvement we continue to evolve and grow. We invest in our people, processes and systems, to enhance efficiencies and achieve our company goals.



### SUSTAINABILITY

Our future depends on sustainable development. We support our stakeholders while respecting and protecting the environment. We will sustainably secure the future for our employees, our farming families and the communities from which Carbery has grown.



### COMMUNICATION

We actively communicate, encourage involvement and act accordingly. We give and receive feedback openly, with humility and respect and recognise our success and achievements.



*Bo Zhang*

– International Business Sales Executive, Ballineen.

## Keeping our people safe

We have always made safety a top priority by focusing on reducing risk in the workplace environment, implementing new and improved programmes to prevent injuries, recognising and

rewarding top safety performers and focusing on leading indicators such as observations and near miss reporting.

While these efforts have resulted in substantial reductions in injuries over the course of time, this remains a priority and we continue to give it focus.

### SafeStart

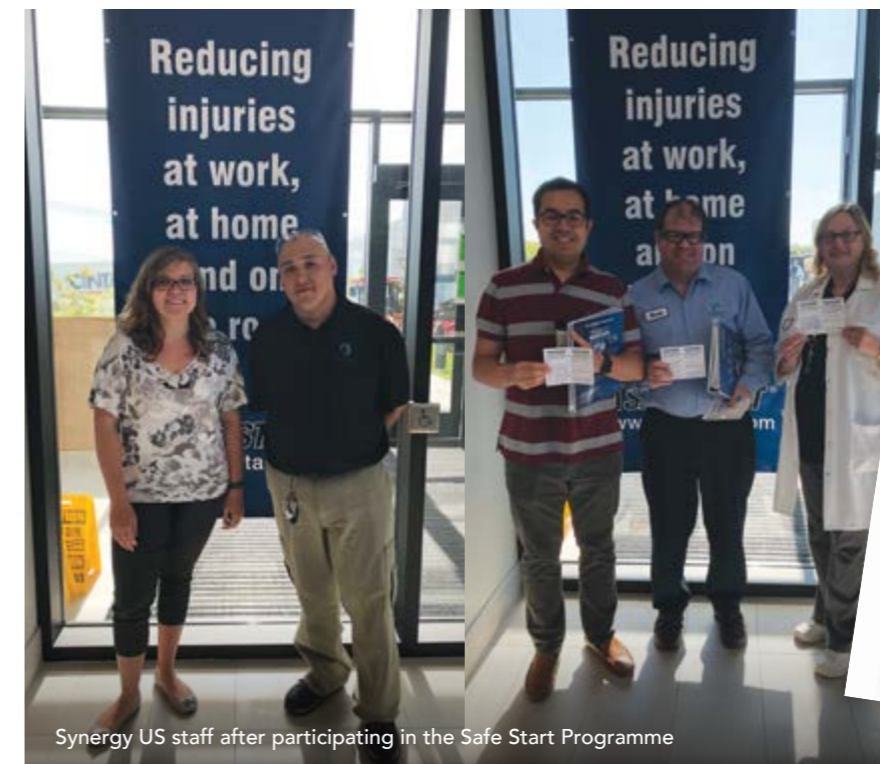
In the USA, Synergy introduced an exciting new safety training initiative in January 2019. SafeStart was created by Larry Wilson, a leading expert on human error prevention, and is based on input from over 100,000 workers. More than two million people around the world have now been trained in SafeStart principles. It's a personal safety skills workshop aimed at reducing errors that cause injury not only at work, but also at home and on the road.

Called SafeStart, this programme has been proven across sites around the world to reduce on-the-job injuries by 30-70% in the first one to two years.

SafeStart was selected by the Synergy Senior Leadership team, because they felt it would fit the Synergy culture and provide the biggest short-term and long-term gains in reducing injuries.

We began training in February and finished our core units in August. We expect further improvement over the next 18 months, as evidenced by the current streak;

- Synergy US: Lost time cases down approximately 19% from 2018
- Synergy US: Near miss/safety observations up approximately 123% from 2018



Synergy US staff after participating in the Safe Start Programme



## LOOKING AHEAD

Our longer term plan is to leverage the key learnings and ways of working from the SafeStart Programme and roll-out across the Group.



# SUPPLY CHAIN

Food security and safety is at the core of everything we do, with traceability and ethical sourcing of all raw material the cornerstones of our approach.

We are focused on building vibrant, diverse supply chains that increases the prosperity of the communities from which we buy. For our Dairy, Nutrition and Taste businesses, this means operating an integrated, mutually beneficial and sustainable supply chain from the farms of our supplier shareholders, all the way to our customers and consumers.

## Responsible sourcing

Conducting our business in an honest and ethical manner is key to maintaining our license to operate and maintaining the strong reputation we have established. We want to work in partnership with likeminded suppliers to jointly improve our performance on quality, efficiency and environmental impact.

### Our new Ethical Procurement policy

In 2019, we developed an Ethical Procurement policy which outlines our expectations on environmental, social and human rights aspects

related to procurement. We are now building this into our contracts process and insisting that all new suppliers adhere to this policy.

Over time, we hope that all Carbery Group suppliers will sign up to it.

### Increased transparency

Carbery Group is a member of Sedex, an ethical data platform where buyers, suppliers and auditors store, share and report on supply chain information. By making this information easy to access, Sedex aids transparency and helps to improve working conditions in global supply chains. The tools, services and community network that this platform gives us is helping us to improve our responsible and sustainable business practices, and source responsibly.

As a Sedex member, we are obliged to carry out a Sedex Members Ethical Trade Audit (SMETA) every three years. The SMETA methodology is a compilation of best practice ethical audit techniques that encompasses four aspects of responsible business practice: Labour, Health and Safety, Environment and Business Ethics.



In 2019, we developed an Ethical Procurement policy which outlines our expectations on environmental, social and human rights aspects related to procurement.



**LISAVAIRD**  
CO-OP

*Eddie O'Flynn*

– Lisavaird Sustainability Award Winner



### Partnerships for sustainable development

We believe in the power of partnerships to accelerate change. Through pooling knowledge, expertise, technology and financial resources with relevant partners, we are better able to support the achievement of the Sustainable

Development Goals and to strengthen our long term presence in our growth markets.

During 2019, we strengthened our involvement in partnerships with civil society organisations

to promote sustainable dairy products. We have also enhanced our dialogue with NGOs to ensure that our local engagement actively supports national plans to implement the Sustainable Development Goals.

### Rethinking our approach to packaging

Wherever possible, we want to shift to using renewable raw materials which are ideally recyclable. From 2021 onwards, we have committed to source 100% of our raw materials from suppliers with recognised sustainability certifications. To date,

over 95% of the paper and cardboard we buy is certified sustainable.

From 2020 onwards, we will begin light-weighting our plastic packaging and sourcing alternatives with a view to reducing the amount

of plastic we use by as much as 10 tonnes a year. For the plastic that we continue to buy, we want to help to stimulate a circular economy by contributing to a market for high quality recycled plastics, while safeguarding food safety.

To date, over 95% of the paper and cardboard we buy is certified sustainable.

### Our milk supply chain

Carbery Group is 100% owned by four Irish milk co-operatives based in West Cork. These co-ops are, in turn, owned by the farmer shareholders, many of whom supply milk to them.

The milk used in our cheese and nutritional ingredients businesses is supplied by these co-ops. This makes our supply chain unique: the co-ops are deeply invested in the success of Carbery and we therefore

work closely together to grow our business sustainably.



Most of our milk comes from within 50km of our factory in Ballineen in County Cork

### Animal Health Ireland

Our farmers work closely with Animal Health Ireland (AHI) to ensure the effective control of potential disease on farm. AHI provides the knowledge, education and coordination required to establish effective control programmes for non-regulated diseases of livestock. In 2019 a CellCheck on farm event was held looking at the risk of antibiotic

resistance in herds and what farmers can do to reduce this risk.

As active supporters of the CellCheck programme, it is important to us that events like this help farmers to understand the risks and implement appropriate measures to ensure top quality milk whilst also ensuring good animal health and less requirements for

antibiotics. In December 2019 we held a Calf Care event in Shinagh Estates Farm to prepare farmers for the busy calving season ahead. We continue to support and fund testing for the Irish Johne's Disease Control Programme and encourage suppliers to sign up to the programme through the AHI website on a continual basis.



Farmer shareholders at the CellCheck event. Events like this help farmers to understand the risks and implement appropriate measures to ensure top quality milk whilst also ensuring good animal health





**Drinagh** *John Young*  
 – Drinagh Sustainability Award Winner

**Sustainable, traceable milk from grass-fed cows**

Our co-operative model means that our principle raw material is sourced very locally: most of the milk comes from within a 50km radius of the facility.

West Cork's temperate climate means that Carbery cows can spend their full lactation (up to 300 days) out at pasture during the year. This means that, on average, the cows that supply our milk are 95% grass-fed and meet the Bord Bia Grass-fed standard.

Every one of our farmer suppliers is accredited by the Sustainable Dairy Assurance Scheme (SDAS), a comprehensive quality and sustainability programme that independently audits performance at farm level every 18 months.

There are over 170 auditable requirements in the SDAS standard including traceability, animal health, hygiene and carbon assessments. Every farmer is provided with a carbon navigator which enables them to calculate their individual

carbon footprint. The SDAS has been designed to demonstrate the sustainability of Irish dairying in a systematic way, providing the necessary proof to our customers that our milk has been produced under both sustainability and quality assurance criteria. The scheme is fully accredited under ISO 17065.



Our co-operative model means that our principle raw material is sourced very locally: most of the milk comes from within a 50km radius of the facility

**Project Non-GMO**

Globally, many consumers choose to avoid consuming products containing genetically modified organisms (GMOs). We are strong supporters of transparency in labelling and believe that people have the right to know what's in the food and beverages they eat and drink.

All Carbery cheeses and whey protein ingredients sold in the

US, are approved by the Non-GMO Project's Product Verification Programme. This is the first and only system in the United States designed to test if a product has met defined standards for the presence of GMOs. These vigorous standards provide strict and comprehensive traceability, segregation and testing requirements.



## Our flavours supply chain

While our Dairy business requires very few raw materials, our Taste business (Synergy Flavours) requires small amounts of a huge array of different ingredients to make our many different products.

During 2019, we conducted a materiality assessment to determine which of our ingredients are the most critical to the business in terms of volume or value, and which carried the highest risk

of being associated with ethical or environmental issues. This has enabled us to focus our initial efforts on a key group of ingredients.

### Responsibly sourced vanilla

Synergy procures vanilla beans through sustainable sources that prioritize the well-being and livelihood of vanilla farmers and their families. We work only with suppliers that use traditional curing methods which promote

environmental and economic benefits in the community. By focusing on traditional curing methods, we are helping to extend seasonal employment for farmers and preparers while improving the quality of the vanilla we source.

These actions, coupled with our continued commitment to providing educational opportunities for local children, increase the likelihood that vanilla will remain a key source of income for Malagasy farmers.

We work only with suppliers that use traditional curing methods which promote environmental and economic benefits in the community.



Opening of a school in Madagascar, the schools are fully cyclone-proof buildings that can be used for shelter during storms.



## Supporting vanilla growing communities in Madagascar

We source vanilla from Madagascar which, according to the United Nations Development Program, has the third lowest school attendance in the world, ahead of only Haiti and Afghanistan. Synergy Flavours has been working with the Madagascar Development Fund (MDF) over many years to help address this issue and drive transformational change.

In 2016, we completed the construction of two primary schools near Sambava, Madagascar and, the following year, completed two further schools in Antohomaro and Farahalana. These latter replaced two other schools that were destroyed by Cyclone Enowa.

In 2019, through the coordination of MDF, we supported the construction of a further two new

schools in Antsirabe Nord and Menagisa.

Madagascar is one of the poorest and most under-developed countries on earth and helping to fund these six schools is a way for Synergy to give back to the underserved community of vanilla growers and processors who have been at the heart of our success for decades.



In 2019, through the coordination of Madagascar Development Fund, we supported the construction of a further two new schools in Antsirabe Nord and Menagisa.



## MARKET PLACE

We have a key role to play within today's dynamic and fast-moving marketplace, in staying ahead of consumer preferences. In addition to ensuring that our products are safe, we are constantly innovating to find ways to respond to the growing demand for healthier and more ethical and sustainable products, and are focused on helping our thousands of customers worldwide to do the same.

### The Carbery Way

At our site in Ballineen, we processed over 567 million litres of milk in 2019, used to produce our range of award-winning cheeses and whey protein. Our whey protein portfolio uses the latest dairy protein science and technology to develop innovative nutritional ingredients for the sports, clinical and infant nutrition sectors.

Our flavours division, Synergy, develops and formulates exceptional tasting flavours, extracts and essences for the global food and beverage industry, for a multitude of market applications, from bakery and dairy, to nutrition and beverages.

Whether cheese, whey or flavours, we draw on the knowledge and diversity of skills within our research and development teams to support our customers as they create innovative new products and ingredients that enable healthier eating.

### Dairy: A delicious and nutritious whole food

Ireland's temperate climate, abundant rainfall and tradition of family farming delivers one of the best grass-fed dairy systems in the world, with cows grazing outdoors for the majority of the year. Studies show that grazing on such rich pastureland produces milk of the highest quality containing higher levels of conjugated linoleic acid (CLA). Whilst the science is still relatively new, there is emerging evidence that CLA confers a number of health benefits related to weight loss and reduced cardiovascular and metabolic disease risks. Grass based feeding also beneficially alters the omega-6 and omega-3 fatty acid ratio in cow's milk, as well as increasing levels of the vitamin B2, B7 and E.

Our milk pool in Ballineen is used for cheese production which, when eaten as part of a healthy diet, offers many nutritional benefits. It is a great source of calcium, fat, and protein and contains high amounts of vitamins A and B12, along with zinc, phosphorus, and riboflavin which, we believe, makes it one of the most natural and wholesome foods available.

As well as being a key ingredient in many dishes, cheese makes a healthy snack on its own, and our innovation programme is now looking at new pack and product formats that meet consumers' demand for healthy on-the-go options.



Cheese makes a healthy snack on its own, and our innovation programme is now looking at new pack and product formats that meet consumers' demand for healthy on-the-go options.

## Cheese Natural Dairy Goodness Across the Life Stages



### In Children

- **PROTEIN** is essential for normal growth and development
- **CALCIUM** for bone health
- **ZINC** and vitamin **B12** to support the immune system
- **IODINE** supports normal growth
- **FAT** for normal cell development

### In Adults

- **PROTEIN** is required for muscle and bone health
- **ZINC** to support cognitive function and the immune system
- **FOLATE** to support the immune system as well as normal cell functioning
- **VITAMIN A** for healthy skin
- **CALCIUM** and **PHOSPHORUS** for bone health

### In Seniors

- Source of **CALORIES** and **FAT** to support body weight maintenance
- **PROTEIN** to support maintenance of muscle mass
- **CALCIUM** and **PHOSPHORUS** for bone health
- **VITAMIN A, B12** and **ZINC** for immune support



New Launch



### Introducing Dubliner Snack Bites

Childhood obesity is a major global public health crisis, and has increased dramatically since 1990. In Ireland alone 1 in 4 children is overweight or obese. What we do in our homes, schools and communities to help build healthy habits for all children and families is vital to our efforts to prevent childhood obesity. Key healthy habits include reducing portion sizes and managing treat foods, along with increased activity levels and sleep.

Dubliner Cheese recently launched the brand-new Dubliner Snack Bites range. Delicious and nutritious, these bitesize packs are great for lunchboxes and are an ideal-on-the-go snack for children and all the family.

Dubliner Snack Bites are a nutrient dense snack, containing calcium, phosphorus, zinc and iodine (for cognitive function), vitamin A, B2 and B12 (for immune function) and protein.

They can replace other less nutritious snacks, and help build healthy eating habits from a young age.

With the same great multi award-winning Dubliner Cheese taste, only smaller (20g servings, 6 to a net), its mini size is ideal for on the go nutritious snacking.

### Whey: a complete, high-quality protein

Whey protein is a complete high-quality protein, containing all of the essential amino acids. It is highly digestible, making it one of the best dietary sources of protein available. It is also a well-documented source of other nutrients which strengthen and support human health.

In 2019 we completed a clinical study on Optipep® hydrolysed whey protein in conjunction with the University of Limerick. The study focused on the role of whey protein pre exercise in improving metabolic adaptation and performance in athletes.

Our on-going research in this space enables us to support athletes to reach their maximal performance via targeted nutrition.



### LOOKING AHEAD

We are focusing on developing health benefit platforms for life-stages where we believe better nutrition has the power to transform health and quality of life such as muscle performance, lean body mass, metabolism, inflammation, immunity and tolerance. We are also looking to maximise the nutritional and health benefits of whey across a wide range of applications including powdered supplements, clear beverages, gels, bars and tablets.

## Delivering great tasting balanced nutrition

### Health for the Nation

Public Health England have set out their plans to tackle the obesity crisis by challenging the UK food industry to cut calories and sugar in a number of food categories.

At Synergy, we are fully committed to improving the dietary health of the nation by using our flavour technology and our unique dairy expertise to support reformulation

of lower calorie and nutritionally balanced products.



**20%**  
reduction in sugar of foods that contribute to children's sugar intake by the year 2020

**20%**  
reduction in calories of a diverse range of foods by the year 2024

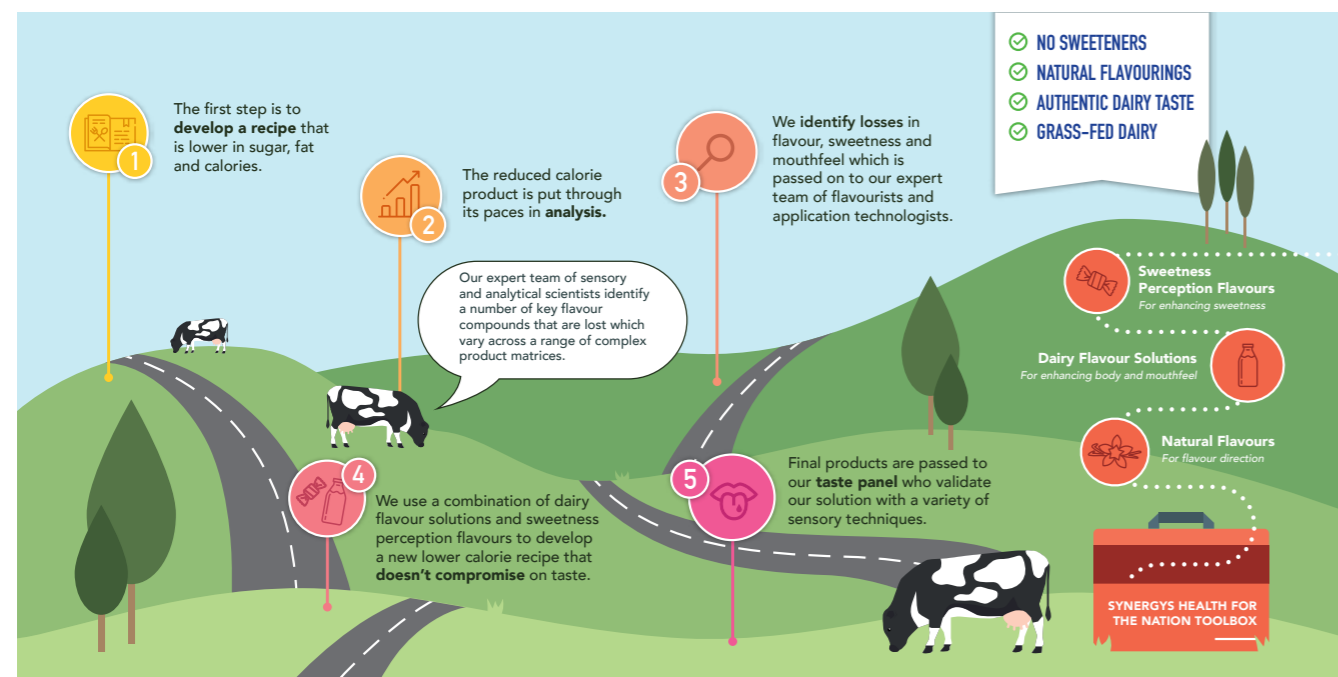
### The journey to better health

Our ongoing investment and innovative approach has allowed us to develop a deep understanding of the role of sugar and fat in complex base recipes. We go through a detailed process involving sensory and analytical science to ensure we hit the mark on taste every time.

Our cross category approach ensures that we can offer solutions for a diverse range of products from biscuits, cookies and cakes, dairy desserts to ready meals and sauces.

As manufacturers are now being challenged to provide reduced calorie alternatives, we have

created solutions to mimic the taste and mouthfeel of these dairy ingredients with a significant reduction in fat. Some cuisines that are hugely popular in the UK such as Indian and Italian are traditionally associated with high saturated fat content due to the amount of cream, butter and cheese added.



## Collaborating on research

2019 saw the official launch of Food for Health Ireland's third phase of research. This latest round of funding comes on the back of the centre's 10-year collaboration with research and industry partners to produce peer-reviewed market-led research that supports innovation in the functional food space. Food for Health Ireland's human-intervention trials have already produced results that can be translated into innovations in food for use in tackling the key health issues that underpin diabetes, obesity and heart health, as well as supporting healthier ageing.

With cutting edge capabilities – including extraction techniques, analytical research and sensory methodologies – we are well placed to deliver on flavour breakthroughs. Our latest advances in understanding flavour-protein interactions provide us with an unrivalled ability to help our customers develop protein-enriched products that offer exceptional taste and outstanding performance.

solutions around flavour delivery, taste and aroma to support the development of nutritious and healthy foods. The Flavor Research and Education Center (FREC) based at The Ohio State University is one of the collaborations in place to accelerate and enhance innovation at Synergy.

We are also involved in several industry-academic research partnerships focused on the development of innovative

Outside of advancing nutrition, we are also focused on the functional aspects of our ingredients. The Dairy Processing Technology Centre (DPTC) was established as an industry/academic collaborative research centre of excellence for dairy processing research and innovation in Ireland. Established in 2018, the Centre will help to fuel growth in the Irish dairy sector by performing research focused on cost-efficient processing, facilitating a step-change in environmental sustainability and creating, validating and commercialising a pipeline of science and technology-based manufacturing platforms for dairy ingredients.



At Synergy, our Internal Research Programme is designed to provide industry-leading solutions to the nutrition sector. We assign our best technical experts from across our sites to collaborate on projects that are designed to create value for our customers in an efficient and effective way.

Outside of advancing nutrition, we are also focused on the functional aspects of our ingredients.



### LOOKING AHEAD

Health and Wellness continues to be a key focus and growth driver for our business. Consumers are paying more attention than ever before to their physical and cognitive health, wanting to make long-term, manageable changes to their diets and lifestyle.

From a food and drink perspective, consumers also want products that they deem to be healthy indulgences, and are guilt-free, both from a nutritional and ethical standpoint.

Our portfolio will continually evolve into the future delivering on key consumer trends including; good for me, good for the earth, expanding sensory expectations, and the evolution of nutrition.



*Manon Galizzi*

– Applications Technologist, Synergy, High Wycombe.

# Report of the Committee

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

## Principal activities

Carbery Creameries Limited and Subsidiaries ("the Group") is a leader in the development, manufacture and supply of cheeses, dairy and nutritional ingredients and flavours.

The Group operates across many global geographies with facilities comprising manufacturing and commercial capabilities in Ireland, the UK, the USA, South America, China and South East Asia.

Synergy, the Group's international flavours and taste business, continues to grow both organically and acquisitively from its European and Asian headquartered base in High Wycombe, Berkshire (UK) and from its Americas headquartered base near Chicago, Illinois (USA).

## Review of the business

### RESULTS AND DIVIDENDS:

Group turnover increased by 2.5% in 2019 to €434.1m (2018: €423.5m). On a constant currency basis turnover increased by 1.0%. Group EBITA (operating profit before interest, exceptional costs, amortisation of goodwill and other intangibles, share of profit/losses in joint ventures and tax) decreased by 6.8% to €30.2m (2018: €32.4m). On a constant currency basis EBITA decreased by 11.4%. Profit before taxation on ordinary activities (excluding exceptional and once off items) in the financial year amounted to €23m compared with a profit of €25.1m in the year ended 31 December 2018.

After debiting taxation of €5.6m (2018: debiting €5.5m) and paying dividends to minority interests of €0.5m (2018: €0.6m) a profit of €16.9m has been transferred to reserves (2018: €19m).

Group net debt increased to €47.2m at 31 December 2019 (2018: €30.1m). Group debt is presently funded by bank term debt and

revolving credit facility borrowings with repayments of between one and twelve year duration.

### Dividends

The committee does not propose to pay a dividend. Free cash flow for the Group decreased in 2019 by €2.3m to (€10.8m) (2018: €8.5m) (non-GAAP).

### RESULTS FOR THE YEAR:

Details of the results for the year are set out in the consolidated income statement on page 68 and in the related notes forming part of the financial statements.

### CAPITAL STRUCTURE:

The Group finances its operations principally through cash generation, working capital facilities and bank debt. During 2012 and 2013 the Group broadened its capital structure with the issuance of equity in one of its subsidiary companies to its existing 'A' shareholders.

This resulted in a cumulative amount of €9m of equity being subscribed for by the existing 'A' shareholders. During 2019 €7m of this equity was redeemed and the balance of €2m is reflected under minority interest on the Group statement of financial position.

### SHARE CAPITAL:

Details of the share capital are shown in note 19 of the financial statements. The share capital is divided into 'A' and 'B' ordinary shares, the respective rights of which are detailed in note 19. During the year ended 31 December 2019, 260,517 'B' ordinary shares were issued and 145,449 'B' ordinary shares were repurchased by the society under the terms of "The Milk Supply Share Scheme".

### MILK SUPPLY SHARE SCHEME:

The Milk Supply Share Scheme was launched for the milk suppliers of the Group's parent society 'A'

shareholders during 2012.

The purpose of the milk supply share scheme was to ensure that Carbery was well positioned to efficiently manage the growth in milk supply volumes subsequent to the removal of milk quota limits which occurred on 1 April 2015. In addition the scheme is designed to enable milk suppliers share in the future growth of Carbery by the provision of an exit mechanism for suppliers retiring from milk supply in the future.

From 1 April 2015 milk suppliers are now obliged to have a minimum shareholding of 16 'B' shares per 1,000 litres of pre April 2015 permanent milk quota (Existing Milk) and a minimum shareholding of 25 'B' shares per 1,000 litres of extra milk (New Milk).

Following a review of the Scheme in 2016 the Board decided to decouple the entry price for New Milk from the 'B' share price with effect from 1 January 2017. As a result suppliers now have a choice of purchasing 25 Processing Notes or 25 'B' shares per 1,000 litres of New Milk. Alternatively suppliers may purchase any combination of 'B' shares and Processing Notes provided that the combined number amounts to 25 per 1,000 litres of New Milk. Each year there is an annual supply trading window for suppliers to purchase shares in respect of New Milk supplied in the preceding calendar year and a general trading window where suppliers may, if eligible, sell 'B' shares in Carbery.

### Other committees

The board has established committees to help it discharge its responsibilities in compliance with appropriate corporate governance standards. Two such committees established by the board are the Audit Committee and the Remuneration Committee. These

committees have specified terms of reference outlining their respective roles and the delegated authority of the board

### AUDIT COMMITTEE:

The Audit Committee is chaired by Mr. Paddy Ryan and its other members include, Mr. Peadar Murphy Mr Joe O Sullivan and Mr. Dermot O Leary. All members of the Committee are determined by the board to be independent non-executive directors. The Audit Committee met six times during the 2019 financial year. Under its terms of reference, the Audit Committee monitors the integrity of the Group's financial statements, the independence of the external auditor, internal audit and risk management functions. The Committee is also responsible for monitoring the effectiveness of the external audit process and making recommendations to the board in relation to the appointment, reappointment and remuneration of the external auditor. As appropriate, the Audit Committee is supported by expert independent professional advice on industry best practice.

### APPOINTMENT OF AUDITORS:

During 2018, the group's external audit service was put out to tender. Following a selection process overseen by the Audit Committee the Board recommended the appointment of KPMG as external auditor to its Annual General Meeting on June 10th 2019. KPMG's appointment was approved by the AGM with such appointment taking effect as of that date.

Ernst and Young, Chartered Accountants resigned as external auditors with effect from June 10th 2019. The financial statements on pages 68 to 95 have been audited by KPMG.

### REMUNERATION COMMITTEE:

The Remuneration Committee is chaired by Mr. TJ Sullivan and its other members include Mr. Dermot O'Leary, Mr. Paddy Ryan, Mr. Peter Fleming and Mr. Jerome O'Mahony all of whom are determined by the board to be independent non-executive directors. In

delivering its responsibilities regarding remuneration policy for the Carbery Group, the Remuneration Committee applies robust governance standards to its decisions.

As appropriate, it is supported by expert independent professional advice on industry best practice, including benchmarking and other remuneration matters within its remit. The principal responsibilities of the Remuneration Committee are to establish and maintain a remuneration policy for the Group and to approve the remuneration arrangements for certain senior executives, including the Chief Executive. The Committee is also responsible for the remuneration policy in regard to the Group's international senior executives, including those working with Synergy in global markets.

A key objective of the Group remuneration policy is to attract, retain and incentivise senior executives to grow shareholder value for the long term benefit of Carbery's shareholders. In this regard, the Committee is responsible for approving the terms of the Synergy Long Term Incentive Plan (LTIP) for certain senior executives responsible for the strategic development and future growth of the Synergy business.

The Committee, at its discretion, is also responsible for making recommendations to the board in respect of the remuneration and expenses payable to board members.

The Remuneration Committee met three times during the 2019 financial year.

Attendance at scheduled Board and Committee meetings during the financial year under review was as follows:

Board Member	Board	Audit Committee	Remuneration Committee
TJ Sullivan <sup>1</sup>	14/14	2/2	3/3
Paddy Ryan <sup>1</sup>	13/14	6/6	3/3
Gerard Brickley <sup>1</sup>	13/14	2/2	
Peter Fleming	14/14		3/3
Pat Moriarty	14/14		
Peadar Murphy	14/14	5/6	
Dermot O'Leary <sup>1</sup>	14/14	4/4	3/3
Jerome O'Mahony	14/14		3/3
Joe O'Sullivan <sup>1</sup>	14/14	3/4	

1. TJ Sullivan and Gerard Brickley completed their terms as Chairperson and member of the Audit Committee respectively on 16 July 2019. Joe O'Sullivan and Dermot O'Leary were appointed as members in their stead. Paddy Ryan was appointed as Chair of the Audit Committee on 16 July 2019.

## Important events since the year end

The global outbreak of COVID-19 is addressed under Principal Risks and Uncertainties later in this report. There have been no other significant events affecting the Group since year end.

## Future developments in the business

The Group's strategy is to develop its international dairy, nutrition and taste business in developed and developing markets in the years ahead. Further to the removal of quotas in April 2015 the Group's Irish based dairy and nutrition business has managed the transition to increased capacity and growth output well.

Brexit and the uncertainty it creates may yet present certain challenges for the Dairy division in the period ahead such as potential currency fluctuations and / or the possibility of the imposition of trade barriers in any transition and/or post Brexit period. As outlined in the Chairman's and CEO's reports the Group's dairy and nutritional business is well advanced in the construction phase of a significant investment project which will be completed in 2020 and which



will see the business broaden its cheese product portfolio as well as diversify into new markets. As well as providing the business with necessary further capacity the investment will help insulate the business from any negative effects consequential to the decision of the UK to leave the European Union.

In the interim the Board continues to actively assess and evaluate any potential impact of Brexit on the business and will be endeavouring to take all necessary measures to minimise the impact on our suppliers and shareholders. The Group is confident that its Taste business, Synergy, will continue to build on its increasing international presence and benefit from continuing strong growth rates in the years ahead. In addition to driving further organic growth within the existing business Synergy will also continue its acquisitive growth strategy seeking further suitable acquisitions in its pursuit of growing market share internationally.

As an international food and food ingredients business, the Group will continue to focus and invest in its success enabling platforms of technology, innovation, research and development and people talent to ensure it is well positioned to outperform market growth rates.

### Committee and secretary's interests

The committee members are as listed on page 64.

Except for an indirect interest held by certain committee members in the four co-op 'A' shareholders and an interest in the 'B' ordinary shares received under the Patronage Loyalty Scheme and purchased under the Milk Supply Share Scheme, the committee members and the secretary had no interest in the shares of Carbery Creameries Limited or any of its trading subsidiaries at any time during the year.

### RESEARCH AND DEVELOPMENT:

Research and development plays a critical role in the success of the Group's activities. The Group continues to develop existing and

new technologies and processes, establish centres of excellence in its critical markets and invest in procuring the best people to meet the ever changing needs of its global customer base.

### Corporate responsibility

#### EMPLOYEES:

Carbery Group's success is dependent on the commitment, skills and creativity of its employees. Retaining employees and developing their skills is therefore central to the execution of the Group's strategy in the years ahead.

The Group will continue to pursue and ensure excellence in management and staff practices through the continued development and implementation of training and development programmes.

The Group is committed to the principle of equality and diversity and complies with all relevant equality and anti-discrimination legislation.

#### ENVIRONMENT:

The Group is committed to all social and legal responsibilities in regard to the environment at large and is committed to growing its business in an environmentally responsible and sustainable manner.

This is borne out by the Group's continued programme of investment in facilities, processes and systems that monitor and manage waste emission, energy consumption, materials and packaging conservation. Our CSR report provides further details and information on this.

#### MARKETPLACE:

Food quality and safety is of paramount importance to Carbery. The Group continues to invest in people, technologies, processes and facilities to ensure that the highest standards are maintained.

#### COMMUNITIES:

Carbery is committed to the local communities in which its facilities operate and encourages its businesses and people to support

and participate in community based initiatives and projects.

### Principal risks and uncertainties

As a significant manufacturer of cheese and to a lesser extent cream and milk powder, a significant proportion of the Group's revenues are dependent on international dairy markets. Experiences of recent years clearly illustrate the susceptibility of global dairy markets to periods of volatility. Notwithstanding the generally positive broader outlook for global food demand and consumption in the long term, there remains much uncertainty regarding dairy market returns in the medium and long term due to the ever present susceptibility to market volatility.

As outlined earlier, Brexit and the uncertainty it creates may present certain challenges for the Dairy division in the period ahead such as continuing currency fluctuations and the possibility of the imposition of trade barriers in any transition and/or post Brexit period. The Board will continue to actively evaluate the potential impact on the business and will be endeavouring to take all necessary measures to minimise the impact on our suppliers and shareholders.

Global economic and geo-political factors continue to influence the dynamics of international markets. The impacts of such factors are varied but can have a consequence in terms of market demand, market access or market returns which in turn has the potential to impact Carbery's business. Carbery continues to broaden its product portfolio as well as endeavouring to develop new markets thereby reducing both product and market specific risk. The Group takes an active role in ensuring its and its shareholders' interests are advocated within appropriate industry and governmental forums.

The Group is a major user of energy in the form of steam and electricity. Against an increasingly uncertain global energy environment, energy price movements will continue

to have a material impact on the business' cost base. Where appropriate the Group has forward hedges in place in respect of energy purchases from time to time.

Certain of the Group's activities have trade related foreign currency exposure most notably in Sterling and US Dollar. Where possible the Group manages these exposures by way of forward hedges. Further and sustained weakening in these currencies would lead to a deterioration in market returns and a possible decline in margins for elements of the Group's dairy and dairy ingredients businesses.

Cyber risk poses an increasingly significant challenge to international business organisations such as Carbery. The risk of malicious acts that seek to damage data, steal data, or disrupt business operations in general are increasingly predominant in today's business environment. Carbery, like many businesses, is endeavouring to ensure it is well positioned to defend its business interests from cyber threats by investing in the requisite resources and technologies to mitigate such risk.

At this juncture it's not possible to determine the eventual impact of the COVID-19 outbreak on global markets and supply chains. It has the potential to be significant if the associated disruption to market activities and supply chains prevails for an extended period of time. Like all international businesses Carbery will endeavour to manage supply chain constraints and customer needs with minimised disruption and to the best of our ability as we navigate the months ahead. Above all we will take all necessary steps and precautions to protect the health and wellbeing of our global workforce.

The Group has procedures in place to enable management and directors to continually monitor the performance of all areas of the business. These include the preparation of a detailed annual budget which is used for comparison with monthly management accounts throughout

the year. In addition, such procedures include the reporting of key performance indicators such as EBITDA, gross margins, operating margins, free cash flow and return on capital employed (ROCE).

### Financial instruments

The Group has an active approach to treasury and financial risk management operating a centralised treasury function to manage the financial risks of the Group.

Key executives monitor the Group's foreign exchange rate and interest rate risks and ensure that the Group has sufficient credit facilities available. Financial exposures are managed by using appropriate and approved financial instruments. Principal foreign currency exposures arise on Sterling and US Dollar purchases and receivables. Transaction exposure is managed by netting receivables and payables and then by hedging net flows. Translation exposure is not hedged. The Group minimises statement of financial position translation exposure by matching foreign currency investments with foreign currency borrowings.

The Group's exposure to interest rate risk is typically managed by optimising the mix of fixed and floating rate borrowings.

Group liquidity is presently funded from operating cash generation and term debt that is maturing between one and twelve years. The Group is considered a prime borrower and maintains strong relationships with key debt providers. The Group has performed strongly over recent years on key funding measurements of debt to EBITDA and EBITDA to interest. The Group completed a refinancing of its primary bank facilities with Allied Irish Banks, Bank of Ireland and Rabobank comprising term debt, revolving credit facilities (RCF's) and ancillary lines of credit in 2016. The Group put additional funding in place during the year with the European Investment Bank to part fund the ongoing capital investment in our Irish operations.

### Political contributions

The Group made no political donations or incurred any political expenditure during the year.

### Accounting records

The Committee is responsible for ensuring that proper books and accounting records are kept by the Group. To achieve this, the Committee has appointed appropriate personnel to ensure that those requirements are complied with. These books and accounting records are maintained at Dromidiclough, Ballineen, Co. Cork.

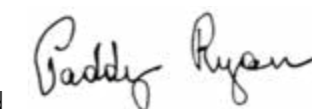
### Relevant audit information

The committee believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Groups auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware.

On behalf of the Committee:



T J SULLIVAN (Chairman)  
18<sup>th</sup> March 2020



PADDY RYAN (Vice Chairman)  
18<sup>th</sup> March 2020

# Society Information



L-R: Jerome O'Mahony, TJ Sullivan (Chairman), Joe O'Sullivan, Dermot O'Leary, Peadar Murphy, Jason Hawkins (CEO), Gerard Brickley, Colm Leen (CFO), Peter Fleming, Paddy Ryan (Vice Chairman), Pat Moriarty.

## COMMITTEE

TJ Sullivan<sup>2</sup> (Chairman)  
 Paddy Ryan<sup>1&2</sup> (Vice Chairman)  
 Gerard Brickley  
 Peter Fleming<sup>2</sup>  
 Pat Moriarty  
 Peadar Murphy<sup>1</sup>  
 Dermot O'Leary<sup>1&2</sup>  
 Jerome O'Mahony<sup>2</sup>  
 Joe O'Sullivan<sup>1</sup>

## SECRETARY

Colm Leen

## REGISTERED OFFICE

Dromidiclough  
 Ballineen, Co. Cork

## BANKERS

Allied Irish Banks plc  
 Bank of Ireland plc  
 Rabobank Ireland plc  
 European Investment Bank

## SOLICITOR

Ronan Daly Jermyn  
 2 Park Place  
 City Gate Park  
 Mahon Point, Cork

## AUDITOR

KPMG,  
 85 South Mall,  
 Cork.

<sup>1</sup> Audit Committee Member

<sup>2</sup> Remuneration Committee Member

## CONSOLIDATED INCOME STATEMENT

for the year ended 31<sup>st</sup> December 2019

	Note	2019 (€'000)	2018 (€'000)
Turnover	2	434,115	423,471
Cost of sales		(301,504)	(294,319)
<b>Gross profit</b>		132,611	129,152
Administrative expenses:		(108,283)	(102,596)
<b>Operating profit</b>	3	24,328	26,556
Share of profit in joint ventures	9	106	146
Other interest receivable and similar income	5	205	108
Interest payable and similar charges	5	(1,672)	(1,683)
Other finance costs - retirement benefit and other	5	20	6
<b>Profit before taxation</b>		22,987	25,133
Taxation on profit	6	(5,572)	(5,499)
<b>Profit for the financial year:</b>		17,415	19,634
<b>Profit for the financial year attributable to:</b>			
<b>Non-controlling interests</b>		531	585
<b>Owners of the parent company</b>		16,884	19,049
<b>Profit for the financial year</b>		17,415	19,634

On behalf of the Committee:

T J SULLIVAN (Chairman)  
 18<sup>th</sup> March 2020

PADDY RYAN (Vice Chairman)  
 18<sup>th</sup> March 2020

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31<sup>st</sup> December 2019

	Note	2019 (€'000)	2018 (€'000)
<b>Fixed assets</b>			
Intangible assets	7	34,486	40,389
Tangible assets	8	164,236	116,639
Financial assets	9	1,625	1,467
		200,347	158,495
<b>Current assets</b>			
Stocks	10	67,547	67,618
Debtors	11	137,406	134,146
Cash at bank and in hand		13,167	11,133
		218,120	212,897
<b>Creditors: falling due within one year</b>	12	(86,434)	(76,042)
<b>Net current assets</b>		131,686	136,855
<b>Total assets less current liabilities</b>		332,033	295,350
<b>Creditors: falling due after more than one year</b>	13	(58,043)	(31,499)
<b>Provisions for liabilities</b>			
Deferred taxation	15	(6,691)	(6,401)
Other provisions	15	(8,961)	(11,731)
		258,338	245,719
<b>Government grants</b>	18	(1,573)	(1,839)
<b>Net assets</b>		256,765	243,880
<b>Capital and reserves</b>			
Called up share capital	19	86,325	86,210
Share reserve fund		2,078	1,817
Retained earnings		141,308	124,348
Other reserves	20	7,223	3,940
Shareholders' and milk suppliers' loans	23	17,831	18,565
Equity attributable to owners of the parent company		254,765	234,880
Non-controlling interests	24	2,000	9,000
		256,765	243,880

On behalf of the Committee:



T J SULLIVAN (Chairman)  
18<sup>th</sup> March 2020

PADDY RYAN (Vice Chairman)  
18<sup>th</sup> March 2020

## NOTES





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