



“Scales operates all its businesses like we are just starting out. We need to leave our businesses better for the next generation of managers and owners.”

Andy Borland, Managing Director and CEO

## SUSTAINABILITY REPORT

# Moving forward sustainably.



## Our Sustainability Journey

Following our inaugural sustainability report last year, we have continued to make strides in monitoring and reporting our sustainability journey. We are continuing on our long-term objective of aligning ourselves with the internationally-recognised sustainability reporting standard Global Reporting Initiative (GRI) framework as recommended in the NZX's Corporate Governance Code.

This year, we validated our materiality index (undertaken last year) with all business units. Each CEO and key operational manager took part in interviews to review the continuing relevance of each area and it was agreed that all materiality areas remain relevant to Scales and will form the foundation of how we will move forward.

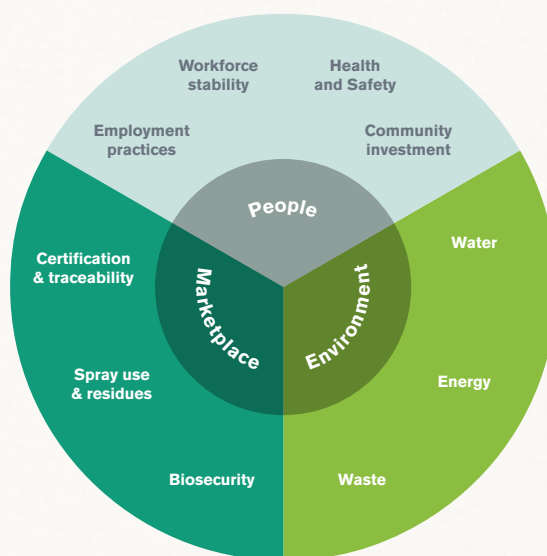
Within the categories of People, Environment and Marketplace are three areas of the business that have historically been of importance to Scales and are now becoming a focal point for future-proofing our business:

- Water (preservation and conservation).
- Energy (intensity savings and shared learning throughout the businesses).
- Being an Employer of Choice.

The entire Scales group is undertaking a review of its information technology, security and accounting systems to improve integrity, traceability and accountability throughout all businesses – the ultimate sustainability in identifying costs, drivers, and process improvements. We have also been delighted to appoint a Chief Information Officer, Group Sustainability and Health & Safety Manager and an Internal Auditor.

Whilst our sustainability journey continues to be in its infancy, many of the Scales businesses are the very essence of sustainability – taking a formerly discarded item and transforming it into a saleable and useable product (for example, in Liqueo and Meateor) and creating more from an existing footprint (as with increasing quality and yields at Mr Apple). The nimble nature of our diverse businesses leads us to be lean and dynamic in rapidly changing times and without our fantastic staff we would not be able to achieve any of this, nor innovate like we do. We will be including them at the forefront of our increased focus on the sustainability of Scales.

**Scales' sustainability framework**



## Sustainability by Statistics


2017 has been about evaluating our current position, gathering data and analysing it with a view to developing the correct Key Performance Indicators (KPIs) for the future. So, what does the Scales Group look like right now?

 **700+** PERMANENT STAFF MEMBERS  
increasing to almost 2,500 total staff at the height of the apple harvest season

 **~25%** OVER 50 YEARS OF AGE<sup>15</sup>

 **~1,100** OVERSEAS WORKERS  
at the peak of the harvest season<sup>16</sup>

 **800+** CUSTOMERS

 **~50** SITES

 **~40%** FEMALE<sup>17</sup>

Going forward, it is our intent to extend, and capitalise on, this data as it will provide the base for our sustainability reporting requirements.

<sup>15</sup> As at 31 December 2017, includes permanent and casual staff.

<sup>16</sup> Part of the Recognised Seasonal Employer (RSE) scheme.

<sup>17</sup> Permanent staff.



# Our People

## Health and Safety

### The Scales Team

We are fortunate to continue to have an amazing group of people working for us and without their input, passion and dedication Scales would not be where it is today. One of our long-term goals is to be recognised as an Employer of Choice, but first we must establish where we are at and where we want to be, whilst developing a pathway of how to get there.

The safety of our staff remains a key priority for all of us and innovations throughout the business have seen many improvements in these areas. Safety remains at the forefront of every discussion within all of our businesses and we continue to see a growth in our reporting culture with innovations being developed from staff throughout the business units.

During 2017:

- We had an increased focus on injury prevention and careful management.
- There were 4 notifiable injuries, thankfully all of a relatively minor nature.
- There was increased reporting of near misses and other incidents.

- We had 92 staff members with a formal Health and Safety Representative (HSR) qualification.
- 80 per cent of all staff members had completed formal security training on-line.
- Over 3,000 individual training courses were undertaken.
- We ensured that 100 per cent of the van fleet at Mr Apple is fitted with compliance technology to monitor and improve driver behaviour.
- 100 per cent of Mr Apple orchards became GRASP<sup>18</sup> (GlobalGap Risk Assessment on Social Practice) certified.

In addition, over the past 3 years, Mr Apple has seen 48 people succeed in a numeracy and literacy programme.

Health and Safety will always be a strong focus for us and 2018 will see a more structured governance approach, with a specific Board committee established, and a road map created for the short to medium term. A benchmark staff engagement survey will also commence in 2018.

<sup>18</sup> GRASP is a voluntary module developed to assess social practices on-orchard (and farms worldwide), addressing specific aspects of workers' health, safety and welfare.





## Safety Innovations and Investments

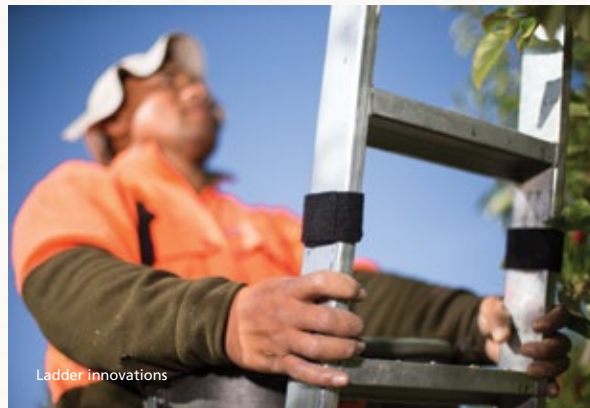
A small example of some of the safety innovations and investments that we have made during 2017 include:

- Racking - installations at Polarcold's Whakatu coldstore and Balance Cargo are improving safety and production flow.
- Liqueo remote monitoring improvements - Liqueo tanks are now remotely monitored for temperature and content level, thus removing the need for our teams to work at heights and speeding up the reaction time if issues occur.
- Manual handling initiatives - Mr Apple saw a 55 per cent drop in post-harvest Lost Time Injuries<sup>19</sup> (LTIs) between 2016 and 2017, and an extraordinary decrease of 80 per cent in the number of days being taken off, due to a change in our injury management process. These improved injury management techniques have been rolled out throughout the group, focussing on prevention first followed by effective management of any injuries. Prevention techniques have included regular stretches and also rotation of roles.
- Ladder innovations - in 2016 we spot welded ladders to help prevent slips or falls. In 2017 we started to introduce Velcro® strips, placed by the ladder user at a position that will remind them by touch that they are on the bottom step. We have seen a considerable drop in LTIs resulting from ladder incidents. Of the falls that have occurred an increased percentage required no treatment.
- Meateor stability improvements - Meateor has worked hard to better stabilise pallets of frozen goods giving them both additional operational and export space, and safety gains.

Going forward, an initial focus will be on continuing to improve engagement and to include our teams in all relevant aspects of our businesses from safety through to process innovations. It is our intention to streamline some of these processes through 2018.



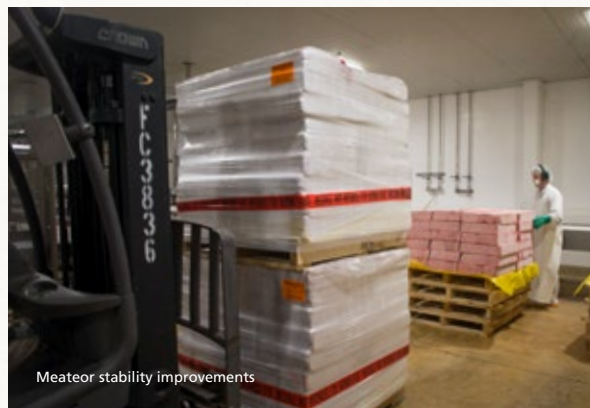
Racking installations at Polarcold's Whakatu coldstore



Ladder innovations



Liqueo remote monitoring improvements



Meateor stability improvements

<sup>19</sup> LTI is an industry-wide standard term, defined by Worksafe New Zealand as "An event that causes an injury or illness of such a nature that, following basic first aid treatment, it prevents the sufferer from returning to their normal work."

**Severity of Ladder Incidents 2016 vs 2017**





## Training

Training and support of our staff remains a key focus and we have identified several star players throughout the group who are being mentored into future roles.



**Jen Bunbury** - We continue to participate in the Institute of Directors' Future Directors programme with Jen replacing Liz Muller as an attendee at Scales' Board Meetings. Jen is a Director in the Deutsche Craigs Investment Banking Team, with over 15 years Capital Markets experience in Auckland and London. The Future Directors programme is designed to help develop the next generation of Directors by providing experience at the boardroom table and it is a pleasure to provide these opportunities to aspiring Directors.



**Kate Stokes** - After leaving school, Kate joined Scales on a short-term contract, which quickly grew to a permanent role in the accounting team. With support from management, Kate is studying part-time towards her accounting degree and her aptitude and enthusiasm now sees her with responsibilities in accounts payable and receivable and looking after a large payroll system, all the while receiving invaluable mentoring from the senior Scales team. Beyond this Kate is keen to gain her Chartered Accountancy qualification and grow further within the Scales finance team.



**Naomi Mannering** - Naomi grew up on her family orchard (one of Mr Apple's biggest suppliers) and, after competing around the world in yachting and studying International Business and Marketing at university, she started at Fern Ridge in a senior role of export sales. With keen mentoring, Naomi is looking forward to gaining as much experience and knowledge as she can to allow her to enjoy a long career in the apple industry.



**Job Share Solo Parent Programme** - What started out at just one of Mr Apple's packhouses, the Job Share Solo Parent Programme is now being rolled out to another packhouse and is in its 4th year of operation. The programme, run in conjunction with the Ministry of Social Development, sees 10 staff share 5 positions on day shift. The staff take part in a pre-employment training programme covering a wide range of areas such as fitness, diet and hydration, budgeting, smoking/drug/alcohol awareness, wellness and setting up effective childcare. Coupled with ongoing support from an external provider, the team is monitored by our staffing team leaders and offers excellent employment opportunities for the future. The 2018 season sees 4 successful returnees working alongside 20 new recruits. Pictured above is **Robynne Edmonds**, one of our 2018 recruits.

### Hawke's Bay Young Fruit Grower of the Year winners

- Tom Dalziel, Jordan James and Anthony Taueki, all in key Mr Apple orchard positions, competed and secured 1st, 2nd and 3rd places at the Hawke's Bay Young Fruitgrower of the Year for 2017. Eight rigorous practical sessions were held to test the competitors, covering knowledge on pest and disease through to spray application and tractor safety and maintenance. The competition ended with a three-minute speech to an audience of 220 people. It is an excellent testament, not only to the competitors themselves, but also the teams and management around them. Mr Apple continues to enter candidates every year and supports them through their learning and preparation.



## Marketplace

### Certification and Auditing

Over the past few years there has been a move towards customers requiring more transparency and accountability of the supply chain. Accordingly, we have implemented a wide range of improvements and innovations in areas of health and safety and sustainability alongside streamlining processes and maximising our return on investment.

To summarise this investment in numbers:

- Over 52 third-party accreditations are required to keep our business operational.
- Over 400 third-party/independent audits are undertaken to achieve these accreditations.
- 100 per cent of directly owned Scales businesses operate under a business continuity plan as well as an overarching Scales crisis management plan.
- 795,200 sterile moths were released across the Central Hawke's Bay Mr Apple orchards in 2017. Working with Plant & Food Research in a 3-year partnership has seen a significant reduction in the fertile codling moth population (a major pest) with the eventual goal to be eradication.

- 26 of our sites are approved Ministry of Primary Industries facilities and we operate 14 transitional facility sites with strict biosecurity requirements.

Our plan for 2018 is to review and update our business continuity and crisis management plans, with a specific focus on ensuring that the right people know how to react at the right time, with a keen focus on maintaining the integrity of our supply chain.

### Spray Use and Residue

Mr Apple residue tests nearly 300 apple samples each year to ensure that fruit safety is maintained for each of the different customer and market requirements. Extensive residue research, built up over the past eight years, means that we have sufficient confidence in our spray applications and resulting residues to enable us to safely eat the fruit straight from the tree at harvest time.

100 per cent of residues on fruit at Mr Apple are significantly below the EU Maximum Residue Limit (MRL).



# Our Environment

## Fundamentally Sustainable

Scales businesses are fundamentally sustainable at their core - from mulching apple tree prunings and giving nutrition back to the soil, to handling ingredients for soap manufacture from waste tallows, to creating pet food ingredients from meat by-products. In short, many of our businesses have their own sustainable circle that gives back.

Our focus on the environment, and the impact that we have on it, is about protecting what we have got and creating more benefit from the same or a lesser footprint and inputs. A few examples of current initiatives include:

- 100 per cent of fibre trays used at Mr Apple are recycled.
- 95 per cent of Mr Apple on-orchard plastics are recycled.
- Mr Apple generated a 10 per cent reduction in paper use due to the implementation of a paperless accounting system.
- 21,000 plastic dairy slip sheets are recycled per year at Balance Cargo.
- Polarcold's North Island sites (through their site by site energy monitoring) saw a 5.7 per cent energy intensity reduction, resulting in a refund of over \$30,000 on energy costings.

We believe that we recycle a large percentage of waste products and reuse those items that we can. However, we will be undertaking a waste audit across our businesses in 2018 to identify areas where we can more effectively reduce, reuse and recycle. In conjunction with new software and lean manufacturing principles we will also look to streamline process and eliminate as much waste or repetition as we can.

The energy management system at Polarcold will be rolled out across the South Island sites in 2018 and other parts of the business will be tasked with reviewing their energy sources and usage and look at ways in which to improve going forward.

## Water

Water is a significant area of focus within Horticulture, in particular the preservation of our access to, and the quality and quantity of, water we use. We operate within 83 water permits throughout our businesses (93 per cent within Mr Apple) therefore the Mr Apple management team takes a proactive role, working with local groups, to best fit allocation requirements to needs.

Through the use of precision agricultural techniques (cab tractors, computerised application systems and sophisticated sprayer set ups), water usage is kept to a minimum and all water sources are tested on a regular basis for potability to ensure safe use on our product.

**Case study** - Hawke's Bay Regional Council is working with landowners and communities living in the Tukituki River catchment in Central Hawke's Bay, to manage specific water quality issues. Tukituki River Catchment Plan Change 6 (Plan Change 6) seeks to address specific water allocation and water quality issues in the catchment. As a result, eight Mr Apple orchards have completed a nutrient management plan and independent calculations have verified that nitrogen leaching from our orchards is lower than one third of the allowable limit and that no risks were identified throughout the audit process.

## Smarter Orchards

Mr Apple, together with its software partners, is embarking on a "Smarter Orchard" journey and has planned how the business can better monitor and measure its inputs and outputs in the medium term. The guiding principles of the Smarter Orchard project are to:

1. Improve marketable products.
2. Be an employer of choice.
3. Optimise quality and yield.

With exceptional improvements on yield over recent years (in part thanks to our proprietary software app "Billy"), Smarter Orchard will focus on areas that can help make better informed decisions, including in areas such as data mapping and hot-mapping with sensor technology (including the weather, trending, soil temperature and moisture levels and microclimates). It is our continued intent to drive increased performance in our orchards on our existing footprint with the same inputs or less.

The Board will continually review the issue of climate change and what it means for each of our businesses, both from the point of view of our inputs and what we can do to make a difference. We will assess how outcomes that impact our sites can be prepared for within our business continuity and crisis management plans.



Precision agricultural techniques



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