

A man in a blue shirt is shown in profile, looking down at a tablet computer he is holding with both hands. He is standing in an orchard, surrounded by green leaves and small green fruits. The tablet screen displays a data table with columns and rows of text. The man is wearing a gold watch on his left wrist and a black watch on his right wrist. The background is a dense field of green foliage.


Sustainability Report


Committed to sustainability


Our Sustainability Journey

Following our inaugural Sustainability Report in 2016 where we identified our materiality index, we progressed in 2017 to identifying our key Sustainability focus areas and, in 2018, we have begun measuring these areas and setting targets for reducing these impacts. Accurate measurement will enable us to determine our current position and will also enable us to assess our progress in achieving those reductions. We will revisit our materiality index later in 2019 to review its ongoing relevance.

In 2018 we focused on the following areas:

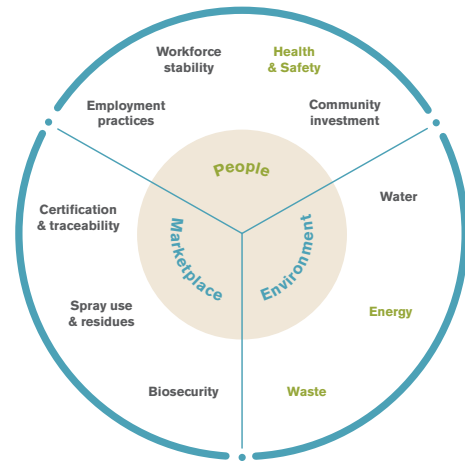
 **People** – in particular, staff engagement and health and safety.

 **Energy** – participation in CEMARS® (carbon footprint calculation) baseline.

 **Waste** - in particular the amount of waste sent to landfill.

Due to its size, our primary focus was around the operations of the Horticulture division but the staff engagement survey was launched throughout the whole Scales group.

Sustainability framework - areas of focus



A Snapshot of Scales Group

~715 Permanent staff members

~40% Female senior leadership staff

~1,150 Recognised Seasonal Employer (RSE) staff employed at the peak of the harvest season

~30% Permanent female staff Scales-wide

1,000+ Customers worldwide

50+ Sites in operation

Our People

Staff Engagement Survey

Our people remain the most important asset of our Group. For that reason, in August 2018, we partnered with AON to undertake our first Group-wide staff engagement survey (excluding Polarcold, which is subject to conditional sale). Undertaking such a survey is one of our steps to becoming an Employer of Choice and allowed us to understand what that means to our staff and where we are.

We were delighted to note that the survey highlighted many areas for celebration but, as expected from surveys of this type, also drew attention to a few areas of focus. In a number of cases, initiatives are already underway.



2018 employee engagement survey results

Areas of strength:

- Diversity and inclusion.
- Relationship with manager.
- Work tasks.
- Work / life balance.
- Customer focus.

Areas for focus:

- Talent and staffing.
- Rewards and recognition.
- Senior leadership (communication).
- Decision making.

56% Overall Scales engagement score¹⁴

¹⁴ This compares to the Australia / New Zealand (ANZ) average of 59%. ANZ top quartile - 68%.



85% response rate (405 people).

Even distribution between ages and male / female responses.

93% positive response to "In the past year I have always felt safe at work."

96% positive response to "I feel safety is an every day part of doing my job."

Highest engagement scores from the Mr Apple coolstore division and Scales Logistics.

Lowest engagement scores from Balance Cargo, the Mr Apple orchard division and at Meateor.

92% of staff positively answered that they get a sense of accomplishment from their work.

93% of staff positively stated that Scales is responsive to the changing needs of our external customers.



2018 employee engagement survey **insights**

Specific initiatives include:

Better structured communication plans for our in-house staff newsletters, focusing on the content quality and frequency of toolbox talks, introducing more formal CEO site-walks, undertaking leadership courses.

Introduction of a new bin card / orchard logistics package to dramatically reduce administration time, streamline harvesting operations and give better real-time information to our packhouses. This is part of the Smarter Orchard project launched in late 2017.

Team involvement at Balance Cargo in respect of a move of some of the operations, provision of more space and a better working environment.



Engaging with our staff is of the utmost importance and we highly value their feedback. As a result, we hope to increase engagement through a wide range of initiatives.

Repeat this exercise at least every two years, although ideally more often.

Continue to work on **culture** and what it means to be part of the Scales family.

Listen to our team members, ask for their feedback and implement their **ideas**.

To never underestimate the power of **feedback**.

To **focus** on the areas that we can change, regardless of our environment.

To **share** ideas and innovations across the group to increase the collaboration.

To make our leadership teams more **visible**.

Continue to remain agile and able to **adapt** to ever-changing customer, consumer and global needs.

Continue to **expand** on our areas of strength.

To **walk** the talk.

To be more **transparent** in our decision making.

To **celebrate** our successes more openly.

Health and Safety

Safety Innovations and Investments

The review and control of our critical risks has been a high priority for us this year. We have had a particular focus on forklifts, traffic management, ammonia and fatigue and a number of successful initiatives included:

- Painting of truck grids at Mr Apple post-harvest sites to reinforce the 4m rule.



- Utilisation of a forklift trainer across the group with area and task specific competency training and assessments being used at all Mr Apple sites and at Balance Cargo. This has seen a dramatic change in behaviours and culture across these sites and is contributing to a reducing trend in forklift incidents. 2019 will see this training rolled out across the Meateor sites.



Tony Hughes.

- Use of a wireless operator and fleet management programme across the majority of our forklift fleet, which has helped to identify issues in the use and suitability of equipment and has reduced damages and incidents.



- An alignment of ammonia management to the published WorkSafe standards.
- Full attendance of the Board and CEO's at safety governance and leadership training, along with additional time learning about corporate ethics.
- A fatigue toolkit which helps supervisors identify and manage fatigue should it occur.
- The roll-out of cab tractors at Mr Apple, nearly completing the 3-year focus on upgrading all tractors on site to cabs.
- Increasing frequency of audits, including the development of a more appropriate health and safety management tool.
- New safety positions created at Meateor and Balance Cargo.

Safety Statistics

KPIs are in place throughout all our businesses, focusing on managing critical risks, safety improvements in reducing injuries and improving reporting. During 2018:

- There were only 2 notifiable injuries (2017: 4).
- A 5% increase in hours worked.
- 2.4 times more safety observations reported and an increase in near-miss reporting.
- The Lost Time Injury Frequency Rate (most often attributable to low-level sprains and strains associated with the manual operations in our orchards) was in line with previous years.
- There was a continued decline in ladder incidents due to missing steps or slipping.

Governance

Shortly after the end of our financial year, we were pleased to announce the appointment of Nadine Tunley and Lai Po Sing, Tomakin to our Board. Together with the appointment of Teresa Steele-Rika in August 2018 as our current Future Director, these appointments added depth and industry experience to our governance team.



Nadine Tunley

Nadine was appointed as a Non-Executive Independent Director of Scales, effective from 26 February 2019. Nadine is currently CEO of Ngai Tahu owned, Oha Honey LP, which farms in excess of 35,000 bee hives nationwide. Nadine brings experience from a number of governance roles, including as the former Chair of NZ Apples & Pears.



Lai Po Sing, Tomakin

In January 2019 the Board welcomed Tomakin as a Director of the Company. Tomakin replaces Weiyong Wang as China Resources Ng Fung's representative on the Board. He is a Director of China Resources Ng Fung. Tomakin is also the Vice President, Chief Financial Officer and Company Secretary of China Resources Enterprise, Limited.



Teresa Steele-Rika

We were pleased to appoint Teresa as our next Future Director in 2018, continuing our participation in the Institute of Directors' programme. Teresa is Head of Corporate Communications & Brand at Datamars Limited where she is responsible for global brand, product and marketing strategies as well as leading internal and external communications and supporting M&A activity. This is Scales' third appointment under the Institute of Directors' Future Directors programme following the previous appointments of Liz Muller and Jen Bunbury in 2016 and 2017 respectively.

Marketplace

We continue to be cognisant of the needs and requests of our customers and other external stakeholders. As a result:

- Security training is undertaken online and nearly 300 people regularly complete this. Specific attention has been turned towards email and online security awareness training.
- 100% of companies have an updated Business Continuity Plan, which is supported by the Scales-wide Crisis Management Plan.
- 100% of CEOs attending a crisis simulation training day demonstrating the effectiveness of the Crisis Management Plan.

- Over 370 third-party audits were conducted throughout the Group to maintain our certifications.
- In partnership with Plant & Food Research, 900,000 sterile codling moths were released over the Mr Apple orchards in Central Hawke's Bay in order to decrease the wild moth population to almost zero.

Scales continues to constantly evolve and we understand the importance of continually evaluating and adapting our processes and structures to best meet these changes. As a result, we are working towards the creation of a compliance hot-line to ensure that all practices that we, and our partners, engage in are in line with Scales' values.

Our Environment

Waste

During the year, we focused on identifying how our waste is generated, with the completion of waste audits across Mr Apple and Balance Cargo. Going forward our focus will be on reducing waste to landfill by:

- Asking suppliers to reduce or remove unnecessary packaging.
- Identifying and utilising new avenues for recycling.
- Educating our staff on how to support us in achieving this goal.

Progress so far includes:

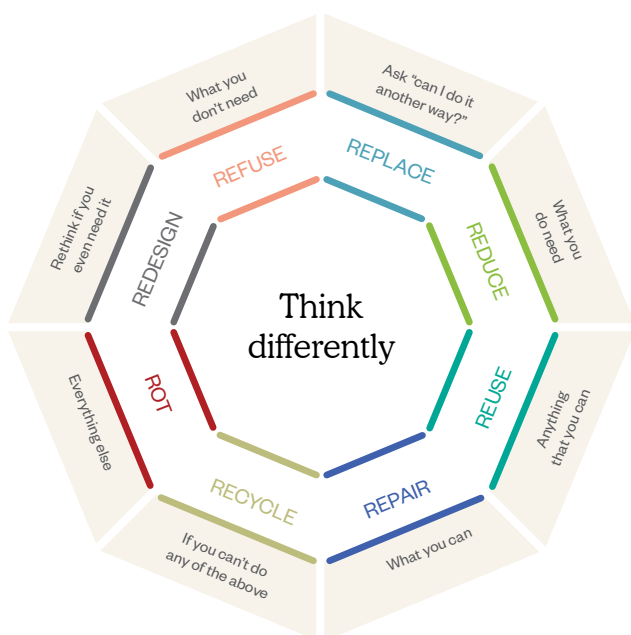
- Colour-coded “endless” bags introduced across the Mr Apple post-harvest sites.
- Saving over 400 reams (over 200,000 pieces) of paper at Mr Apple by reducing the number of reports and documents requiring printing in the packhouses.
- Saving 100,000 Styrofoam cups from landfill by changing to compostable cups within the Mr Apple staff areas.
- Reusing 32,250 kg of dairy slip sheets at Balance Cargo.

Other initiatives underway include:

- Printing double-sided.
- Returning or reusing pallets.
- Trialling liner-less labels.
- Composting food scraps.
- Researching compostable alternatives to hairnets and gloves.
- Increasing recycling facilities.
- Removing plastic knives and forks in canteens.
- Education via posters and TVs.

Contamination

The Canterbury Regional Council (the Council) has laid charges against Polarcold in relation to discharges from its former Belfast operation in early April 2018, discharges which the Council states were not authorised by the correct resource consents. The Council also alleges that the discharges were the cause of the death of fish in the Kaputone Creek. At all times Polarcold has fully cooperated with the Council in its investigation. Polarcold has also engaged the appropriate experts to investigate the circumstances surrounding this incident so as to establish if there was any fault on Polarcold’s part. These investigations are continuing and, in the meantime, Polarcold has initiated a full audit of all its operations to confirm that all appropriate authorisations and safeguards are in place.



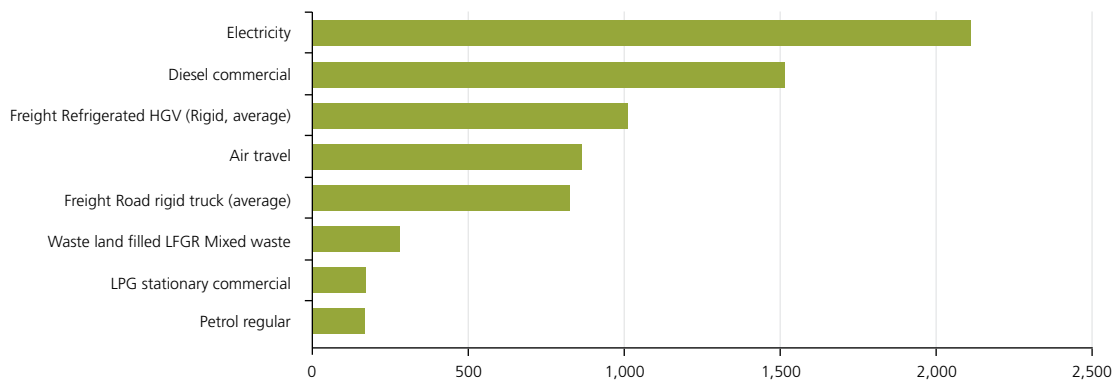
Carbon Footprint

2018 saw the completion of the very first CEMARS® calculation for Mr Apple, with verification granted in February 2019 for the 2018 financial year.

- The overall carbon footprint for Mr Apple is 21,824.21 Tonnes of carbon dioxide equivalent (tCO₂e).
- This equates to total gross greenhouse gas (GHG) emissions per:
 - All staff (at peak season) of 9.92 tCO₂e.
 - Bins tipped of 0.81 tCO₂e.
 - Cartons exported of 0.0044 tCO₂e.
 - Hectares planted of 18.86 tCO₂e.
 - Permanent employees of 57.43 tCO₂e.
 - Revenue (\$ millions) of 107.10 tCO₂e.



GHG Operational Emissions by Source



NB: The above graph shows areas over which we have direct control.

Our focus to reduce our emissions will be on those areas where we have direct control, as shown in the chart above. We have not shown the freight shipping element as it is currently not within our ability to change. Key projects for reduction were created in a company-wide workshop held in 2018 and these agreed projects will direct our way forward. Initiatives include:

- Establishing LED replacement timelines.
- Investigating alternatives to fossil fuel transport.
- Dramatically reducing the amount of paper we use.
- Dramatically reducing the waste to landfill by reducing the creation of the original waste and redirecting waste created via the correct recycling channels.
- Improved monitoring and managing of our electricity.
- Continuation of improved management of our refrigerants.