

Sustainability Report

A meaningful contribution



Our Journey to Date

Progress on our Sustainability journey continued in 2019. In 2018 we began measuring our impact in, and setting targets for, our key Sustainability focus areas and we sustained this momentum in 2019.

Our focus remains on the 3 key areas identified previously, being:



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



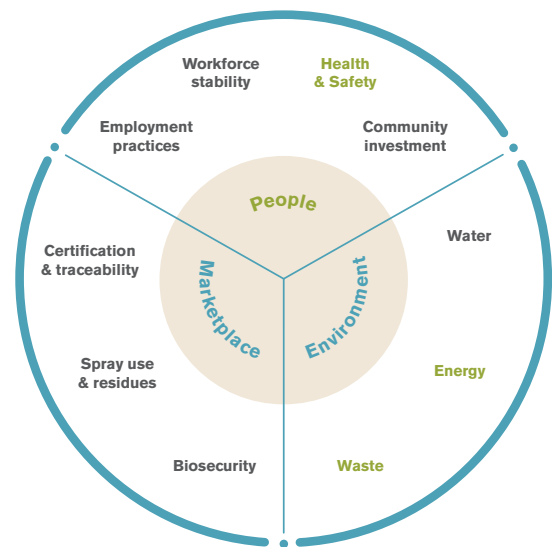
Energy – carbon footprint calculation and emission reduction initiatives.



Waste – in particular, reducing the amount of waste sent to landfill and increasing recycling or repurposing.

Due to its size, we continued our focus on the operations of the Horticulture division. However, several initiatives were undertaken throughout the whole Scales group and incremental progress was made in a wide range of areas.

Sustainability framework - areas of focus



It's All About Our People

500+ Permanent staff members

~30% Female senior management staff

35+ Operational sites

18 Different ethnicities recorded in our payroll system

43yrs Longest serving employee

30+ People involved in the Solo Parent and Seasonal Employer/Employee Development programmes

~25% Staff with more than 10 years of service

~25% Permanent female staff Scales wide

170+ People have undertaken NZQA Health and Safety Representative training

Our People

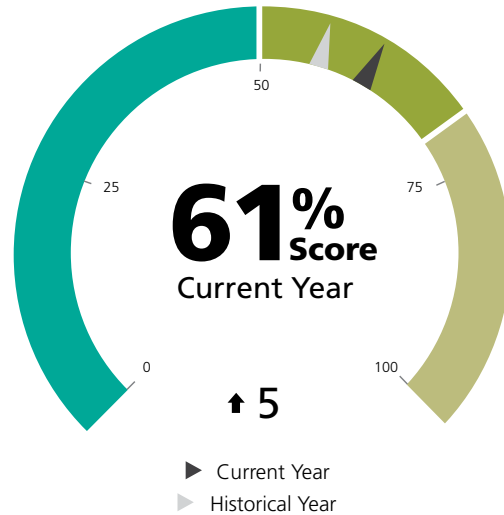
Staff Engagement Survey

Following our inaugural Group-wide staff engagement survey last year, we undertook a second engagement study this year in conjunction with Kincentric (formerly part of AON).

Our initial survey identified a few areas for improvement and during 2019 several initiatives were launched throughout Scales to achieve better engagement, understanding and communication with our teams. The most recent survey reflects the success achieved in a number of those areas, including our engagement score being above the New Zealand average of 59 per cent.

It is a privilege to receive such feedback from our staff and each business unit is committed to working with their teams to improve the areas identified as requiring improvement, such as a communicating our wins better and celebrating achievement.

KINCENTRIC
A Spencer Stuart Company



Health and Safety

Safety Vision and Culture

Scales now has 5 dedicated personnel focusing on the safety and wellbeing of our teams. Together they share resources, ideas and expertise. At Mr Apple and Balance Cargo, 3 year Strategic Safety Plans have been created, which will be implemented throughout 2020-2023. The main focus is on culture with our vision being:

"Health and safety are an important and integral part of our everyday practices – safety to the core."



Our health and safety culture underpins everything that we do. In 2019, the Mr Apple coolstore took on the challenge of significantly increasing their overall health and safety culture, setting ambitious goals. The results were impressive:

- An increase in reporting of 442 per cent.
- A reduction in *Infolink* impact reports (electronic forklift records) of 69 per cent.
- A 60 per cent decrease in damages.
- 8 per cent below the coolstore's operational cost budget by improving processes and streamlining movements.

Health and Safety Highlights

Whilst many changes and improvements were made, and a continuing growth in culture and engagement, there were a number of health and safety highlights that stood out for the Group:

- Achievement of 'Performing' in our first SafePlus assessment.
- 150 per cent increase in safety observations reported and an increase in near-miss reporting at Mr Apple and Balance Cargo.
- Technology improvements such as installation of light halos and additional sensors for forklifts.
- Standard Operating Procedure improvements, making them more relatable to the reader.
- Critical Risk training sessions completed throughout the Mr Apple and Balance Cargo permanent workforce.
- Sharing of resources throughout the group, including the roll out of the forklift competency framework throughout Meateor and Balance Cargo.
- Significant traffic management improvements at Mr Apple's Whakatu Packhouse and the Balance Cargo Magdala site.
- Over 50 people completing a bespoke Incident Cause Analysis Method (ICAM) investigation training day.

It should be noted that the physical nature of our businesses means that our employees can be susceptible to injuries. However, the majority of our injuries are of a relatively minor nature. Our Lost Time Injury (LTI) rate continues to be relatively static, with strains and sprains being our biggest contributor to days off work.



▲ Amalia Canterbury, Doug Chapman, Sage Strahl-Johnston (Coolstore Manager, Coolstore Planner, Team Leader, respectively).

An iMove (movement and mechanics) focus started in 2019 and will be expanded during 2020. This is an internal initiative, currently in operation at Mr Apple, to better understand how injuries occur and what simple body position adjustments can be done to prevent them.

SafePlus

SafePlus is a health and safety improvement toolkit for businesses and other organisations, launched in 2017. It was developed jointly by WorkSafe New Zealand, Accident Compensation Corporation and the Ministry of Business, Innovation and Employment to offer a Government-endorsed model of what 'good' health and safety practices and performance look like.

It is a framework of 10 performance requirements, organised under 3 key elements of Leadership, Worker Engagement and Risk Management. Each element has between 3 and 5 indicators and a 3 level maturity scale applied to it (being Developing, Performing and Leading). Continual improvement underpins all the elements and, rather than it being an audit, it is an assessment resulting in recommendations.

A SafePlus assessment was undertaken by an independent team between June and November at the Mr Apple and Balance Cargo sites, with a critical risk focus on:

- Long term health impairment through exposure to pesticides.
- Mobile plant related injuries.
- Fatigue.

Our overall result was that we are a Performing organisation. Recommendations were given, none of which were of critical concern, and these have been quickly and easily incorporated into Mr Apple's and Balance Cargo's 3 year Strategic Safety Plans.

The SafePlus report noted many positives, including how workers were impressed with how well the business looked after their welfare. It also highlighted some differences in health and safety maturity and operational culture within the Group, but that progress is being made towards a uniform standard of good practice.

One observation of note was that Scales has an appetite to improve and keep improving, and that is it willing to try new ideas, act on suggestions and seize opportunities.

We will continue to take part in SafePlus assessments and act upon any recommendations given.

Health and Safety Outlook

We are dedicated to continuous improvement in health and safety. As a result, a number of initiatives have been identified as a focus for 2020. These include:

- Introduction and roll out of the 3 year Strategic Safety Plans at Mr Apple and Balance Cargo.
- Implementation of recommendations from a formal guarding review at the 2 Meateor sites.
- Roll out of our iMove campaign to teach teams how to move and support their own bodies during movement, preventing pain and injury to reduce days off work.
- Cross-auditing by the collective safety teams during their 6 monthly meetings, to introduce a fresh perspective and continue to seek innovative ways to improve our processes and controls.



Recognition

To promote an enhanced culture of communicating our wins and celebrating achievement, we are proud to note the following achievements of our group companies and staff members.

Awards

The following businesses were finalists in recent business awards:

- Balance Cargo – finalist in the Christchurch Casino Champion Service Delivery for Medium/Large Enterprises category, Westpac Business Awards.
- Mr Apple – finalist in the Kensington Swan Best Initiative to Address a Work-Related Health Risk category, New Zealand Safeguard Awards, for their forklift competency framework and training scheme.

Fundraising

As well as being proud of our team members' culture within Scales, we are also proud of their culture outside of the work-place.



- Over \$19,000 was raised by Kurt Livingstone, a Fern Ridge team member, and his 3 friends, for the New Zealand Cancer Society by driving a Fern Ridge sponsored 1,000cc vehicle for 1,224 hours, 32 minutes and 10.2 seconds as part of the 2019 Mongol Rally. The route took him from the Czech Republic, through Eastern Europe, Iran, Turkmenistan and Uzbekistan, to Ulaanbaatar in Mongolia.
- Over \$3,000 was raised for the Westpac Rescue Helicopter by Steve McKain, a Mr Apple orchard manager, by swimming 20km from Auckland to Waiheke. In the month prior, Steve became the 48th person to complete the 40.2km Lake Taupo Marathon Swim, in a time of 13 hours and 53 seconds.

Governance

At the start of 2019 we were pleased to announce the appointment of Tomakin Lai and Nadine Tunley. Tomakin and Nadine have brought complementary skills and expertise to our Board and enhanced its diversity.

Jemma McCowan

In June 2019 we were pleased to appoint Jemma McCowan as our next Future Director, continuing our participation in the Institute of Directors' programme.



Jemma is General Manager Marketing at New Zealand King Salmon Limited, where she has overall responsibility for delivering the company's branding and sustainability programmes. Jemma has 20 years' experience in marketing management and international business.

This was Scales Corporation's fourth appointment under the Institute of Directors' Future Directors programme, and we are pleased to continue our participation. Scales benefits from the skills and fresh perspective provided by our appointees and we believe that they, in turn, gain valuable exposure to the governance of a listed entity, and to Scales' businesses.

Ethics

In August 2019, Scales launched a whistleblower hotline in partnership with *Report it Now™*, an independent organisation that equips businesses with the tools and capabilities to foster an open and honest work environment. Each staff member received information around warning signals and how to escalate any problems that they encounter or suspect. Complementary to this, an Ethics Committee was created to manage any calls received.



Towards the end of 2019, a group-wide policy review commenced in conjunction with anti-bribery and corruption training for the senior financial, operational and sales teams. A whistleblower policy (to accompany our hotline and reporting channels) was also implemented in 2019 and, in 2020, anti-bribery and corruption, and other, policies will be finalised.



▲ *Craig Brooker, Mr Apple Refrigeration Manager.*

Marketplace

Business Continuity

All of Scales' businesses continue to have an annually updated Business Continuity Plan, which is supported by the Scales group-wide Crisis Management Plan. A crisis simulation training day, our second such event, is scheduled for July 2020, with the entire senior Scales team to test a real scenario and our reaction to it.

Technology

Scales views technology as a key business enabler that underpins the efficient operation of our businesses. We consistently invest in technology (the application of hardware, software and data solutions) to drive productivity and sustainability improvements, to improve customer engagement and to enhance revenue opportunities. We have developed

strong relationships with local and international technology partners to provide best-of-breed solutions and help drive future product developments.

Mr Apple's Smarter Orchard strategic initiatives have resulted in mobilising key orchard data, automating on-orchard processes and providing real-time data across the business to improve knowledge-based decision making. We have granular datasets that go back many years and we are constantly adding additional information, such as environmental data. These datasets are fundamental to developing our Machine Learning and Artificial Intelligence initiatives. Mr Apple's data ensures that we have strong product traceability, and we are now providing access to this data direct to consumers to help with confirming product authenticity and their buying decisions.

Our Environment

Overview

Our ongoing focus in this area is to better utilise what we have, be smarter in what we do and to tread lightly with our existing footprint, ensuring the sustainability and success of our business into the next generation and beyond. Some highlights from our work in 2019 include:

- An EECA audit at 2 Mr Apple sites showed excellent energy management. Further savings are expected as a result of a large lighting replacement scheme underway at the Hastings coolstore site.
- Creation of the Mr Apple Sustainability Group and launch of the company-wide Environmental Plan and reduction projects.
- Purchase of 3 hydraulic balers and a strap-eater to maximise recycling in Mr Apple's post-harvest operations.
- Identification of multiple recycling opportunities previously unavailable for items such as certain types of plastic and Extenday cloth (reflective groundcover).
- In collaboration with other horticultural companies and the local Hawke's Bay councils, the sharing of information throughout the industry around waste stream solutions.
- Considerable reductions on our emissions targets, with Environmental Plan reductions on track.

Further detail on Mr Apple's Environmental Plan and carbon reduction programme are provided in the following sections.

Mr Apple Environmental Plan

Mr Apple has developed an Environmental Plan, which will record year-on-year project progress and emissions reductions. All areas of the business are undertaking projects to further reduce their carbon footprint.

A team of over 20 people meet quarterly to track progress and innovate, with an initial focus on the following 4 United Nations Sustainable Development Goals:



- Goal 6 - to fairly use what water is available to us and ensure that our practices improves its quality rather than degrades it, and to develop management techniques that minimises its use overall.
- Goal 7 - to focus on reducing our energy and fuel consumption, developing efficient management practices and working with our energy and fuel partners to secure a sustainable future source.
- Goal 8 - to be an employer that creates a place to work that is enjoyable, fair and inclusive.
- Goal 12 - to focus on minimising our footprint on our existing land space and develop best practice methods to maximise our output whilst reducing any wastage.

Outlined in this plan are 4 key goals for Mr Apple to achieve between 2019 and 2023:

- Reduce paper use by 10 per cent per annum.
- Reduce electricity consumption by 3 per cent by 2024.
- Reduce overall fuel use by 5 per cent by 2024.
- Reduce waste to landfill by up to 30 per cent by 2024.

To date, progress has been extremely positive, with reductions in 3 out of the 4 areas. Whilst overall fuel use has increased, some areas of the business have achieved reductions and we will take learnings from those areas to see how they may be applied elsewhere.

Toitū Envirocare carbonreduce Certification



Our carbon footprint, and how we can reduce this, continues to be a key focus.

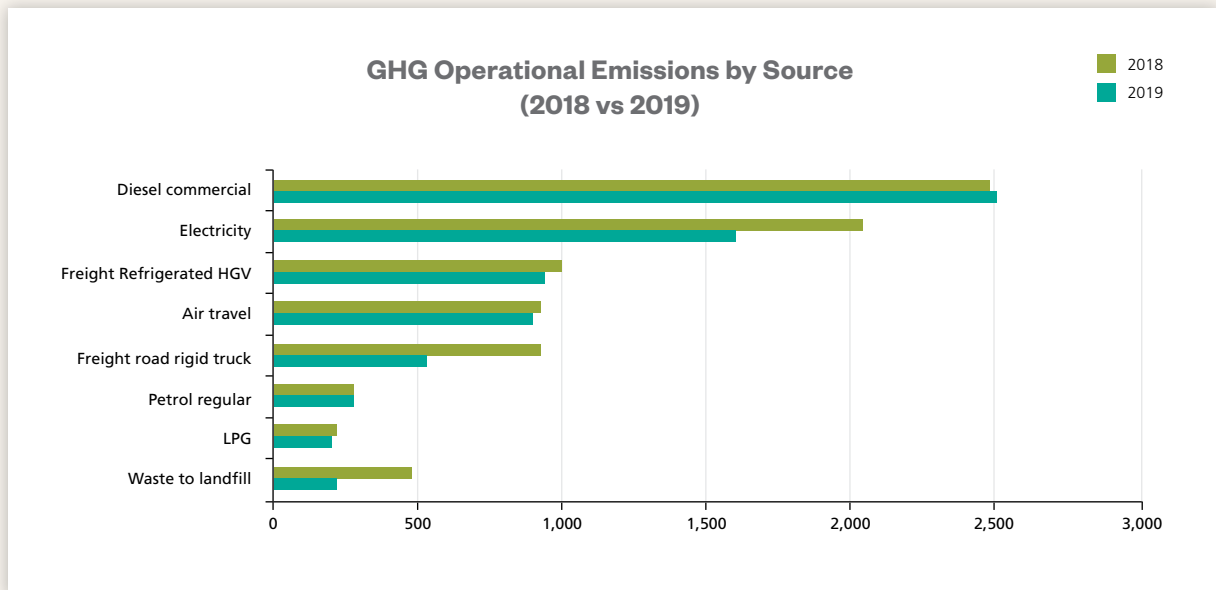
In February 2020, a second carbon footprint certification process was carried out at Mr Apple in respect of the 2019 year. This was previously the Enviro-Mark Solutions CEMARs® certification and has now been rebranded the Toitū Envirocare carbonreduce Certification.

Results from this were extremely positive:

- The overall carbon footprint for Mr Apple reduced by 4 per cent compared to the previous year¹, down to 21,848.04 tonnes of carbon dioxide equivalent (tCO₂e).
- Direct emissions from owned or controlled sources increased slightly by 2 per cent to 2,954.77.
- Indirect emissions from the generation of purchased energy decreased by 20 per cent to 1,681.77 tCO₂e.
- All other indirect emissions that occur in Mr Apple's value chain decreased by 4 per cent to 17,211.51 tCO₂e.

In particular, Mr Apple generated excellent reductions in waste to landfill and electricity use.

¹ Our 2018 footprint was recalculated by Toitū as it was noted that a few months of diesel and petrol figures from 2018 had previously been omitted in error. The results presented are reflective of this change.



Carbon Footprint

Our carbon footprint equates to total gross greenhouse gas (GHG) emissions per:

- All staff (at peak season) of 10.36 tCO₂e (2018: 10.39 tCO₂e)
- Bins tipped of 0.083 tCO₂e (2018: 0.085 tCO₂e)
- Cartons exported of 0.0043 tCO₂e (2018: 0.0046 tCO₂e)
- Hectares planted of 18.45 tCO₂e (2018: 19.75 tCO₂e)
- Permanent employees of 57.65 tCO₂e (2018: 60.14 tCO₂e)

Carbon sequestration

Carbon sequestration describes long-term storage of carbon dioxide or other forms of carbon to either mitigate or defer global warming and climate change. It has been calculated that an apple tree sequesters 70 tonnes of carbon over a lifespan of 25 years¹ so, with 1,184 hectares currently planted at Mr Apple, 82,880 tonnes of carbon would be sequestered into the soil.

With an overall carbon footprint of 21,848.04 tCO₂e, if we were able to utilise this sequestration, the world would benefit for only 3.8 years. It is therefore imperative we continue to reduce and/or offset our carbon usage in other areas.

Climate change

Climate change is a concern for Scales, as it is for all global businesses. During 2020, we will start to investigate this in more detail, consulting the science world for a factual baseline from which we can assess the potential implications to our business.

Outlook

Our focus for 2020 will be on 3 main areas:

- A continuation of the emission reduction projects and successes already achieved in those areas.
- Sharing of ideas and innovations throughout the wider Scales Group.
- A greater 'circular economy' approach to items such as disposable paper cups, in partnership with our suppliers.

¹ Carbon Sequestration by Fruit Trees - Chinese Apple Orchards as an Example - <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0038883>.