

Championing a sustainable culture

Sustainability Report



Mr Apple staff taking part in iMove stretching.

In 2020, Scales navigated its way through its second pandemic - the first being the influenza pandemic in 1918. COVID-19's unpredictable nature initially brought about feelings of anxiety and disbelief but very quickly it became evident that our ability to be agile and dynamic allowed each of our essential businesses to make our workplaces and team members safe and secure. All of this happened at the very height of our busy season, with nearly 2,500 people employed.

The 2020 pandemic proved that, even in the face of extreme uncertainty and disruption, Scales management and staff could pull together, determined to weather the storm. We will continue that resilience and personal commitment into 2021 as a strong and united team.

Materiality Review

In our inaugural Sustainability Report in 2016, we identified a materiality index that was relevant to the Group at that time. In 2020, we identified the need to undertake updated stakeholder engagement and materiality exercises to ensure that our focus remained current.



thinkstep
anz

Partnering with thinkstep-anz this involved:

- 6 internal and 9 external stakeholders' interviews to identify the material issues facing Scales.
- 41 stakeholders completing an online ranking survey.
- 11 internal stakeholders participating in a business impact ranking workshop.
- 13 participants in a 3-horizons future-focused risk review.

The outcome of this review was as shown on the right, and this will provide our focus for future periods.

Materiality Issues list

	2016	2020
PEOPLE	Employment Health and Safety Workplace Stability	Employee Attraction, Development and Retention RSE Scheme Succession Planning Health and Safety Labour Practices Culture and Values Diversity and Inclusion Community
ENVIRONMENT	Water Use Carbon Water Quality Energy Use Weather and Climate Biodiversity Fruit Waste Refrigeration Soil Health	Water Management Carbon and Energy Use Weather and Climate Biodiversity Waste Ethical Supply Chain
MARKETPLACE	Supplier Requirements Spray Use and Residues Food Safety Consumer Preferences	Spray Use and Residues Food Quality and Safety Consumer Preferences Market Access and Risk Intellectual Property Innovation Legal Compliance
CORPORATE		Business Continuity Corporate Governance ESG Strategy and Communication Brand Awareness

People are at the heart of what we do

500+ Permanent staff members

~1,300 RSE workers

35 Operational sites

34% Permanent female staff Scales wide

~80% Of training incorporates a health and safety element

30% Female senior management staff

Pay Equality Review

During 2020 we undertook our first pay equality review with pleasing results.

It was found that Scales offers pay equity and, when comparing like-with-like, minimal further investigation was

required. The CEOs of each business unit were keen to ensure that pay rates are reflective of role, experience, responsibility and tenure, not gender.

We will continue to monitor these on a regular basis.

Health and Safety

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



Health and safety culture continues to be a significant focus of the business, and our processes were tested during our COVID-19 response. Pleasingly, COVID-19 also highlighted connectivity between our businesses, with each business exhibiting a strong team culture. We believe this is reflective of the ingrained Scales philosophy.

Initiatives

A number of initiatives were undertaken or developed through the year. These included:

- A full cross-team critical risk review.
- Further development of the company-wide forklift training framework.
- Overall health and safety strategy.
- Guarding of risk areas and traffic management.
- Cross-company training, learning and auditing.
- Continued implementation of suggestions from the 2019 SafePlus assessment.
- Roll out of employee assistance programmes, in conjunction with Vitae, a workplace wellbeing and employee assistance provider.

The critical risk review identified new hazards, and sought solutions, with a team approach. This resulted in the identification of critical controls and non-negotiables, and the development of a risk scoring matrix to better understand the range of risks across a variety of scenarios.

An analysis of injuries continued to show a decline in the number and severity of injuries, due to a continued focus on injury prevention and management. Our Lost Time Injury rate remains static, with sprains continuing to contribute towards the most days off work. Several injury prevention measures are in place with our iMove (movement and mechanics) awareness training being undertaken throughout each business.

WorkSafe New Zealand interactions continued in 2020 with onsite inspections at Scales Logistics. Mr Apple also took part in an industry / WorkSafe harm-reduction pilot, and results of this are due in 2021.

Recognition

We are immensely proud to note that our Managing Director, Andy Borland, was the winner of the Leadership Award at the INFINZ Awards Dinner in October 2020. This award, assessed by an expert judging panel, focuses on key measures of financial performance as well as critical elements that deliver sustained performance over time, including leadership, building a strong and positive company culture and strong engagement with employees, customers and the community.

The award provides external recognition of the leadership skills and vision that Andy brings to the Group, verifying our own internal perception of his remarkable abilities.



CORPORATE

Governance and Ethics

It was important to the Board that, notwithstanding the logistical challenges presented by COVID-19, good governance practices should prevail throughout the year. As a result, we held a virtual Annual Shareholders' Meeting (ASM) in June 2020 – the first virtual ASM in over 100 years of trading. As was the case for many businesses, Zoom meetings became the norm, with Board meetings undertaken on this platform as and when needed.

Excellent leadership and teamwork was exhibited by all staff, with the entire Scales team rising to all challenges presented throughout the year.

We refreshed a number of our ethics policies during the year including:

- Anti-fraud, bribery and corruption.
- Travel and related expenses.
- Gifts and hospitality.

In addition, we launched a new policy on Sensitive Information (Private, Commercially Sensitive and Confidential). Training will be instigated throughout the Group during 2021.

MARKETPLACE

Marketplace

Technology

Our digital transformation strategy continued to be a focus, allowing us to incorporate cost savings and efficiencies within the business. Examples of these in 2020 included:

- A reduction in paper use and printing costs resulting in an almost 50 per cent reduction in the number of printers being required throughout the businesses.
- Production efficiencies and reduced forklift movements through more precise inventory control.

Certifications and Audits

We are aware of our impact on the marketplace and continue to also be aware of the needs and requests of our external stakeholders. Accordingly:

- We realigned our Good Agricultural Produce (GAP) certifications within Mr Apple.
- We undertook a GLOBAL GAP Risk Assessment on Social Practice (GRASP) audit of our supply chain for worker welfare practices.
- We have an ongoing focus on traceability within the business including a move, where possible, to digital options to streamline and fast track approvals.

Our Environment

Highlights

We are acutely aware of the impact of our business operations on the world and its environment – our actions now will have a long-lasting effect. As a result, we want to ensure that we manage our environmental footprint and be proud of the legacy that we leave.

Highlights from our work in 2020 included:

- A submission placed by Mr Apple as part of the Tūtaekuri, Ahuriri, Ngaruroro and Karamū (TANK) catchments process to secure water quality and quantity for the future within Hawke’s Bay.
- Participation in an industry pilot for farm Environmental Plans as part of the TANK review.
- Continued hosting of a horticulture waste minimisation group (with local councils) identifying avenues for waste that would otherwise be destined for landfill.
- Ongoing work on carbon sequestration in respect of apple tree plantings, in partnership with Auckland University of Technology.
- An in-house climate change workshop to better understand future risks and opportunities.

In 2021, we will employ a sustainability advisor to assist us with our Environmental Plans. We believe that this will allow us to source alternative waste streams and ensure that each part of the business optimises its ability to reduce, reuse and recycle.



Polythene wrap being baled for collection by a recycling company.

Mr Apple Environmental Plan

We continued to align our business practices to our chosen United Nations Sustainable Development Goals.



Notwithstanding the disruption caused by the effects of COVID-19, we are thrilled with the progress we have made against our goals. Whilst we encountered an increase in fuel use, this increase was due to a variety of specific factors and was partially offset by the initiatives noted. We remain committed to continuing our improvement journey and addressing areas of relative underperformance:

Goal	Initiatives	Change 2018 to 2020
Reduce paper use by 10 per cent per annum	Software improvements to eliminate paper use. Digital transformation strategy. Zoom capability in meeting rooms, allowing screen sharing rather than document printing.	60 per cent reduction
Reduce electricity consumption by 3 per cent by 2024	EECA audit recommendations. LED replacement strategy. Shut-down periods. Evaporator fan timers. Power factoring considerations.	11 per cent reduction
Reduce overall fuel use by 5 per cent by 2024	Reduced trucking movements. New trucking/tractor/vehicle fleet. EROAD monitoring. Change of petrol equipment to electric. Proactive maintenance.	11 per cent increase
Reduce waste to landfill by up to 30 per cent by 2024	Collaboration within industry and local businesses to achieve other avenues for waste. Installation of balers. Improved recycling facilities. Education campaigns. Removal of items where compostable or recyclable options are available.	48 per cent reduction

Toitū Envirocare carbonreduce Certification

Toitū carbonreduce programme and emission reduction initiatives are now into their third year, with an ongoing reduction in emission intensity.



Compared to our initial footprint in 2018:

- The overall carbon footprint for Mr Apple has increased by 3 per cent to 23,535 tonnes of carbon dioxide equivalent (tCO₂e).
- Direct emissions from owned or controlled sources has increased by 11 per cent to 3,224 tCO₂e. This was due to a variety of factors including increased fuel use for irrigation, a longer packing season and extended occupancy of the RSE accommodation.
- Indirect emissions from the generation of purchased energy has decreased by 11 per cent to 1,870 tCO₂e.
- All other indirect emissions that occur in Mr Apple's value chain have increased by 4 per cent to 18,437 tCO₂e.

Putting this in context, whilst our emissions have increased by 3 per cent, our production, number of TCEs exported and number of hectares planted have also increased. As a result, our emissions intensity has reduced, meaning we are more efficient in what we do vis-a-vis plantings and permanent staff:

- ~ 1 per cent efficiency gain (emission intensity reduction) per hectares planted.
- ~ 5.7 per cent efficiency gain (emission intensity reduction) per permanent employee.



Carbon Footprint

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

- All staff (at peak season) of 10.63 tCO₂e (2018: 10.39 tCO₂e).
- Bins tipped of 0.086 tCO₂e (2018: 0.085 tCO₂e).
- Cartons exported of 0.0046 tCO₂e (2018: 0.0046 tCO₂e).
- Hectares planted of 19.60 tCO₂e (2018: 19.75 tCO₂e).
- Permanent employees of 56.71 tCO₂e (2018: 60.14 tCO₂e).



Packaging strapping is now chipped and collected for repurposing.

Our TCFD Report

In this inaugural climate change report, we set out the 4 areas of the TCFD framework (which includes 11 disclosure recommendations) to explore what impacts climate change will have upon our business (risks and opportunities) and the direction in which we are going to address or adapt to them.

Over time our reporting will evolve to include scenario modelling, the strategies that we will wrap around those predictions and our increasing knowledge about our best future path.

THEME 1

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

Our Board receives information on risks and opportunities via our Health & Safety and Sustainability Committee, through Board reports and via general updates. These are discussed at a Board level and also within the Audit and Risk Management Committee.

Climate change considerations are made at the risk-assessment level when evaluating strategy, budgets, KPI's, business plans, and mergers and acquisitions.

The Board also receives a copy of Toitū carbonreduce reports and the ongoing Environmental Plan in order to evaluate progress towards goals.

THEME 2

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

We focused primarily on Mr Apple in 2020 due to our direct control over the supply chain and operations of the business. In future, we will more closely analyse the potential third-party effects of climate change upon the supply chains of our other businesses.

The initial scenario contemplated an increase in world temperatures of 2 degrees centigrade. In future years we will extend that to a more extreme change and test our strategy against those risks and opportunities.

Work has been undertaken to categorise risks and opportunities:

- Defined as short (less than 2 years), medium (2 to 10 years) or long term (over 10 years).
- Categorised as low, medium or high risk.
- Potential impacts have been identified.
- Potential opportunities have been identified.

From this assessment, water availability and accessibility has been identified as the primary climate change risk to the business. However, this is seen as a medium to long-term risk as New Zealand (and, in particular, Hawke's Bay) currently presents favourable growing conditions with a good supply of water. Accordingly, current conditions do not present any material issues, but this will be closely monitored for all risks and opportunities.

Our evolving climate change awareness and understanding will be factored into our annual internal audit programme to ensure that strategies remain relevant and timely.

THEME 3

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Mr Apple conducted an in-house climate-related risk workshop, working through NIWA predictions for low to high climatic changes that had the potential to affect supply both within horticulture and agriculture. The workshop outcomes were based on assumptions with institutional knowledge and experience, and did not produce a forecast or prediction model.

Although the management of climate-related risks are factored into well established and embedded strategies such as irrigation management and redevelopment opportunities, the materiality matrix refresh undertaken with thinkstep-anz also highlighted further areas of focus within water management and climate change in general.

Goals, as detailed in the Toitū carbonreduce scheme and Environmental Plan process, are monitored and reported upon to minimise our effect upon climate change and its effect upon us.

THEME 4

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

As previously mentioned, our primary focus has been on Mr Apple and the organisational control we have over the growing, packing and storage environment. Going forward, our focus will be extended to the remaining Scales businesses.

Measurements within the business are validated by being part of the Toitū carbonreduce programme, for which we are independently audited annually against ISO 14064 (Greenhouse Gases)¹. Through this, our Scope 1, 2 and 3 emissions are reported upon, together with targets for reduction, our progress in achieving those targets and acknowledgement of those that remain out of our control.

The following main risks, opportunities and anticipated impacts were identified at our in-house climate-related workshop.

	Risks	Current Strategies	Future Strategies	Opportunities
Water	Reduced access to sufficient, quality, water.	<ul style="list-style-type: none"> Continued focus on water management, including maintenance of existing water rights. Continued focus on our effect on water sources. Active participation in water right negotiations and farm environmental plan development. 	<ul style="list-style-type: none"> Investigation of water storage possibilities. Continued investment into more Sensortech and improved irrigation systems. 	
Increased frequency and severity of weather events	Damage to crop and/or trees. Disruption to logistics chain.	<ul style="list-style-type: none"> Geographical spread of orchards. Investment in frost protection machines and optical grading technology. Crop insurance providing cover for severe crop losses. Use of canopy cover and planted shelter belts. 	<ul style="list-style-type: none"> Analysis of canopy covers. Increased wind protection. Canopy structure review. 	
Rising average temperatures	Change in growing/ripening profile and orchard yields. Reduced crop quality due to sunburn and tree stress. Potential pest and disease profile change. Increased management costs e.g., additional sprays.	<ul style="list-style-type: none"> Continued management focus on minimising sunburn and tree stress. Continued targeted programme for pests and diseases. Active membership on industry bodies. 	<ul style="list-style-type: none"> To understand extent of temperature change. Review new growing regions for ideal climatic conditions. 	<ul style="list-style-type: none"> Reduced frosts. Increased dry days improving pollination and potentially reducing pest and disease risk.
Reduced minimum / maximum temperature differences	Availability of overseas workers if climate-changes in their homelands impact their ability to travel. Less fruit colour if nights are warmer.	<ul style="list-style-type: none"> Continued engagement with the Government regarding the RSE scheme, and other work schemes. Use of reflective cloth to increase fruit colour. 	<ul style="list-style-type: none"> To understand the extent of temperature differences and the impact on the crop. 	

¹ <https://www.iso.org/standard/66453.html>