


# Delivering long-term value

Sustainability Report



Improvement of soil ecosystems, fertility and soil carbon plays a big part in sustainability at Scales.  
Lisa Edgerton, Assistant Manager, Kinross Orchard.



In 2021, Scales continued to navigate its way through the COVID-19 pandemic, responding to new challenges as they presented themselves. The resilience and personal commitment that was evidenced from the start of the pandemic continued in 2021 through all our businesses. Despite the ongoing disruption we pushed on with existing and new sustainability initiatives.

We noted, during the year, the findings of COP26 and continue to be informed and guided by the work on sustainability initiatives by various organisations and bodies, both domestically and around the world.

## Sustainability framework – materiality issues

The 2020 review, partnering with thinkstep-anz and involving updated stakeholder engagement, resulted in a refreshed list of materiality issues. These issues are the ones we are currently focussed on and they will continue to be the focus in future periods.



## Materiality Issues list

	2016	2021
<b>PEOPLE</b>	<ul style="list-style-type: none"> <li>Employment</li> <li>Health and Safety</li> <li>Workplace Stability</li> </ul>	<ul style="list-style-type: none"> <li>Employee Attraction, Development and Retention</li> <li>RSE Scheme</li> <li>Succession Planning</li> <li>Health and Safety</li> <li>Labour Practices</li> <li>Culture and Values</li> <li>Diversity and Inclusion</li> <li>Community</li> </ul>
<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>Water Use</li> <li>Carbon</li> <li>Water Quality</li> <li>Energy Use</li> <li>Weather and Climate</li> <li>Biodiversity</li> <li>Fruit Waste</li> <li>Refrigeration</li> <li>Soil Health</li> </ul>	<ul style="list-style-type: none"> <li>Water Management</li> <li>Carbon and Energy Use</li> <li>Weather and Climate</li> <li>Biodiversity</li> <li>Waste</li> <li>Ethical Supply Chain</li> </ul>
<b>MARKETPLACE</b>	<ul style="list-style-type: none"> <li>Supplier Requirements</li> <li>Spray Use and Residues</li> <li>Food Safety</li> <li>Consumer Preferences</li> </ul>	<ul style="list-style-type: none"> <li>Spray Use and Residues</li> <li>Food Quality and Safety</li> <li>Consumer Preferences</li> <li>Market Access and Risk</li> <li>Intellectual Property</li> <li>Innovation</li> <li>Legal Compliance</li> </ul>
<b>CORPORATE</b>		<ul style="list-style-type: none"> <li>Business Continuity</li> <li>Corporate Governance</li> <li>ESG Strategy and Communication</li> <li>Brand Awareness</li> </ul>

## Our Team

500+

Permanent staff members

45 years

Longest serving employee

~1,150

RSE workers

38%

Permanent female  
staff Scales wide

30%

Female senior leadership/  
management staff

## Our People

Scales' priority is to create and sustain long-term value through focusing on our people, culture and communities.

## Health and Safety

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



Health and safety remains a critical focus of the business. COVID-19 continues to test our policies and practices, with the teams' culture also continuing to respond in an impressive manner.

### Key initiatives in 2021 included:

- Targeted injury management focus with specific prevention initiatives developed across the businesses
- Leading engagement with forklift simulator programme, including upskilling and cross-site safety standard auditing
- Adaptable COVID-19 response planning put in place, embracing new contact tracing technology
- Partnership with Mentemia, to provide wellbeing tools and resources for our employees
- Continued growth of our wellbeing strategy

An analysis of injuries continued to show a decline in their severity due to a continued focus on injury prevention and management. Dedicated management of the business' critical risks has seen no notifiable injuries occur. Several injury prevention measures are in place, with dedicated manual handling training and Mr Apple's injury management specialist rolling out fun new initiatives and challenges to increase engagement in our people getting work fit.

The last 2 years have been difficult for many people and, as essential businesses, we understand that some of our team members may have experienced additional mental and emotional pressure. In order to help support our staff we are extremely pleased to have partnered with Mentemia, a mental health and wellbeing platform. Italian for 'my mind', Mentemia was established by Sir John Kirwan and technology entrepreneur Adam Clark to help people with their mental health by providing an evidence-based, self-care product for workplaces, including practical tips and tools to help users take control of their daily mental wellbeing.

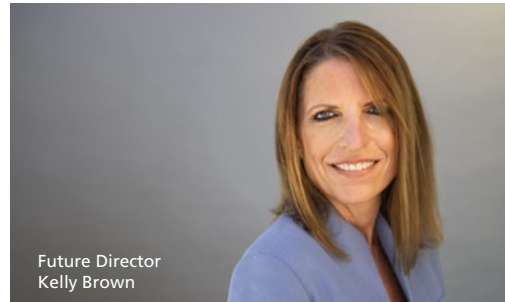
An initial launch session with our Mr Apple team was held over Zoom, with Sir John Kirwan sharing his mental health story and health psychology expert Dr Fiona Crichton giving insight into the neurological side of mental health. Tips and tools were shared to help combat stress and mental ill-health and the Mentemia app was introduced. Two follow-up sessions were also held with our people leaders to provide them with information around how to lead and manage teams in terms of wellbeing matters. We are eager to embed the importance of mental health and wellbeing into our teams' daily working lives.



## Governance and Ethics

The Board remains committed to governance best-practice, even with the ongoing COVID-19 disruption.

- Board and committee meetings via Zoom, where in-person meetings are not possible, has become standard practice
- In 2021 we held the Annual Shareholders' Meeting as a hybrid meeting. This involved shareholders attending either in-person in Christchurch, or virtually via Zoom link. All shareholders had the ability to vote on resolutions and to ask the Directors questions, which ensured the widest possible participation. It is the intention to continue to hold shareholder meetings in this manner
- During the year the Directors were pleased to be able to continue their support of the Institute of Directors Future Directors programme, and we welcomed Kelly Brown as our fifth Future Director. Kelly has an international marketing background and both the Board and Kelly have benefitted from her participation at meetings
- Also during the year we upgraded the Company's Ethical Reporting Hotline (Report It Now/EthicsPro)



## Marketplace

Our marketplaces continue to evolve, as a greater emphasis is placed on the sustainability of products and supply chains. We are continuing to invest across our businesses to make sure we are ahead of these changes, with a particular focus on compliance, traceability and input reduction. Initiatives and achievements during the year included the following.

### Certification and auditing

- Improved technology and systems to allow remote auditing by customers, certification bodies and government agencies as part of our regulatory and certification processes
- 2021 saw Mr Apple, as one of three organisations representing the apple industry, take part in an audit of our facilities with China's government. The audit was very successful with no further improvements required

### Spray use and residue

In partnership with Plant & Food Research and other industry bodies, considerable focus was put on orchard management practices, spray timing and other control measures. This focus resulted in a substantial decrease in interceptions and will continue to play a big part in maintaining and improving our market access.



### Technology

A key goal of Mr Apple is to increase the amount and quality of information exchanged digitally across our supply chain, with the aim to improve decision making and traceability. There have been several areas of improvement:

- Advances in orchard technology have meant that we are now able to generate unique electronic bin cards and consignments on-orchard. The electronic data is transferred direct from the orchards to receival sites enabling planning and critical decisions to be made prior to the fruit arriving at our packhouse facilities
- The fruit is now scanned in the bins on-orchard, adding to the information accompanying the consignment, enabling the right fruit to be targeted for the right markets, and provide product traceability back to the orchard
- Relocating product between sites is now completed electronically through data transferral and has resulted in increased efficiencies and a large decrease in paper use

## Our Environment

We are guardians and custodians of the environment we use and impact. Our actions are designed to ensure sustainability of the environment, and our businesses, for future generations.

Through 2021 we continued to improve our data capture relating to our environmental footprint, which streamlined our reporting and created measurement improvements. We also initiated and completed several successful projects listed below.

### Highlights from 2021:

- Minimising freight movements was aided by the commissioning of the new Whakatu coolstore, reducing distance travelled between coolstores and the Whakatu packhouse
- The creation of sustainability champions at packhouses to increase communication and feedback between sites and Mr Apple's head office
- A trial LED replacement project was undertaken at one of our accommodation sites on-orchard, with the actual reduction in electricity use to be measured over the coming months
- A project to monitor and improve soil health was set up on one of our Mr Apple orchards, helping to deepen our understanding of our impact on ecosystems
- An initial in-house carbon footprint assessment conducted for Meateor NZ has started the process of understanding its footprint and is the first step on the journey of reducing this
- We participated in the *Sustainable is Attainable* initiative run by the Hawke's Bay Business Hub that aims to find the most cost effective or valuable disposal method for waste streams. Initial results are to be announced in early 2022
- The installation of liner-less labellers for carton end labels at Whakatu packhouse for the 2022 season, with a projected waste reduction of 3-4 tonnes of label backing tape per annum
- An initial report on potential carbon sequestration of apple trees was received from AUT with next steps to be discussed in the coming year

### Mr Apple Environmental Plan

We remain aligned to our chosen United Nations Sustainable Development Goals and, this year, have included climate action as our fifth goal.



We continued to experience ongoing disruption due to the effects of COVID-19 during 2021. Whilst this has had an effect on our performance against our goals, we note that we have already exceeded some targets. We remain committed to continuing improvements, while addressing areas of underperformance.

Goal	Initiatives	Change 2018 to 2021
Carbon intensity goal of 1 per cent reduction in GHG emissions per million dollars gross turnover from 2018-2024	See page 21	9 per cent reduction
Reduce paper use by 10 per cent per annum	Further conversion from paper to digital processes Education and communication across teams Moving to a lighter weight paper	69 per cent reduction
Reduce waste to landfill by 30 per cent by 2024	Hand dryers instead of paper towels implemented at Whakatu packhouse Implementation of liner-less labellers A move to compostable cups in the packhouse Education and engagement with sites	64 per cent reduction
Reduce electricity consumption by 3 per cent by 2024	LED replacements across accommodation facilities Using Demand Flex where possible <sup>1</sup> Continued following of EECA report advice where applicable	2 per cent increase
Reduce overall fuel use by 5 per cent by 2024	Continued monitoring using EROAD Continued proactive maintenance Replacing petrol orchard equipment with electric where applicable Continued focus on replacing old machinery with more efficient, new machinery Reduced trucking movements	1 per cent reduction

<sup>1</sup> Demand Flex moves electricity consumption from times when it is typically more expensive and carbon-intensive to times when it is cheaper and when there is more renewable energy in the system.

In 2022 the focus will be to broaden the scope of internal reporting and setting targets across water use and biodiversity. Opportunities to engage with suppliers (such as electricity and packaging suppliers as well as freight and shipping companies) to look for opportunities and synergies will also be a key focus.

### Toitū Envirocare carbonreduce Certification

Mr Apple completed its fourth year of carbon footprint initiatives as part of the Toitū carbon reduce program.

Our energy consumption increased due to an extended packing season and coolstorage requirements (due to labour shortages and shipping disruptions respectively), which contributed to increased emissions from energy in 2021 compared to 2020.

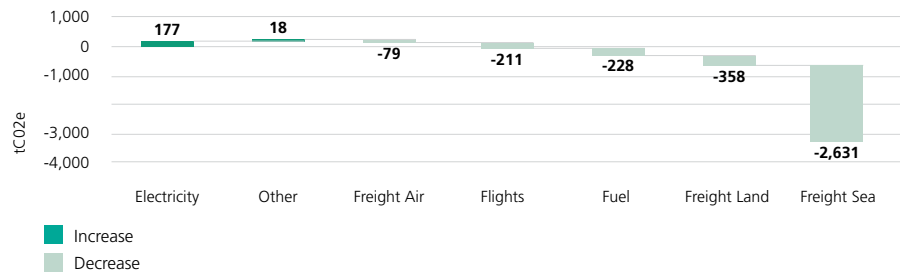
However, due to less fruit being harvested, reduced shifts at the Waipawa packhouse and the commissioning of our new Whakatu coolstore (providing greater centralisation of operations) there was a reduction of almost 220 tonnes of CO2 equivalent (tCO2e) compared to 2020 from external freight providers. This is a 35 per cent reduction of total (non-refrigerated) freight. In addition, due to a lower volume of fruit being exported, our shipping related carbon emissions fell by more than 2,600 tCO2e, or just over 11 per cent compared to 2020.

In summary:

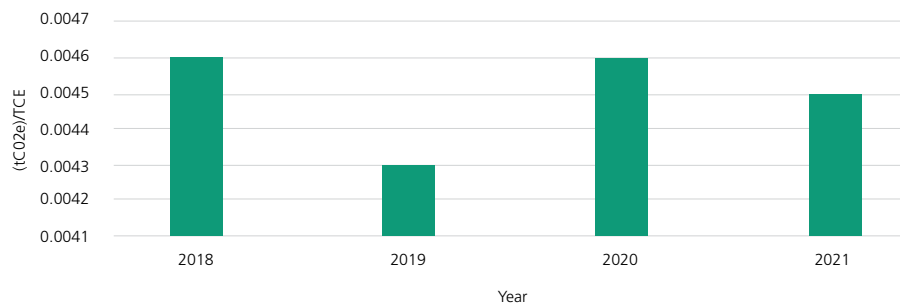
- Compared to 2020, carbon emissions have reduced by 14 per cent on an absolute level from 23,535 to 20,222 tCO2e and 2 per cent on a per TCE basis (see below)
- Direct emissions from owned or controlled sources have decreased by 8 per cent to 2,967 tCO2e
- Indirect emissions from the generation of purchased energy have increased by 8 per cent to 2,015 tCO2e. All other indirect emissions that occur in Mr Apple's value chain have decreased by 17 per cent to 15,236 tCO2e



### Mr Apple Carbon Emissions Change - 2020 to 2021



### Mr Apple Carbon Emissions per TCE



## Our TCFD Report

### THEME 1

## Governance

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

Climate change impacts are a key consideration for our management teams when reviewing long term strategy, assessing enterprise risk and when evaluating annual performance against plans for their respective businesses. These are also included as a key output in any due diligence when looking at new acquisitions.

Sources of information for strategy, Enterprise Risk Management (ERM) and Key Performance Indicator (KPI) setting comes from scenario modelling, materiality assessments, baseline analysis and industry consultation. The performance against KPI is measured via internal reporting and third-party assurance or certification programmes where applicable (e.g. Toitū).

These documents are escalated and reviewed by Scales' management, Health & Safety and Sustainability Committee, Audit and Risk Management Committee and presented to the Board where appropriate, with a specific focus on the key opportunities and material risks across our business units.

### 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

Scales' risks and opportunities have been prioritised based on:

- short, medium and long-term timelines and
- the impact on our businesses, environment, people and communities (low, medium and high)

Risk strategies range from contingency plans (risk acceptance), elimination, risk transfer and/or mitigation, while we look to leverage our competitive advantages to capitalise on climate change opportunities.

Most of the strategies outlined below focus on the elimination or mitigation of the physical impacts caused by climate change (under 2 degrees scenario<sup>1</sup>) and are viewed as medium or high risk. As in 2020, water availability and accessibility has been identified as a priority in the long term and, while we have good supply across our orchards, we are actively looking at initiatives to improve our water use efficiency and security.

In 2022 we intend to engage external consultants to deliver more granular spatial information over a range of climate change scenarios. This will then feed into our re-assessment of opportunities and risks across our businesses.

At this stage our focus remains on water security, energy management, increased use of technology and digitisation to improve efficiencies and traceability, selection of growing areas, soil management and improving our partnerships across the value chain. We will also undertake more analysis to better understand some of the transitional risks our businesses may face in the future, including increased regulation, policy changes and consumer preferences because of climate change.

<sup>1</sup> As outlined by NIWA at <https://niwa.co.nz/our-science/climate/information-and-resources/clivar/scenarios#regional>

## THEME 3

## Risk Management

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

Identification of risks is completed via internal stakeholder input (staff and management), industry consultation and third-party analysis. These are imbedded within our existing ERM framework, which assesses risk at an operational and critical level.

The assessment looks at the effectiveness and strength of underlying controls and mitigations against the impact and likelihood of occurrence. The evaluation allows key risks to be prioritised through the ERM process, which allocates resources to deliver appropriate risk strategies and treatments.

Monitoring and reporting is done monthly via the ERM framework. However, the progress and outcomes of specific sustainability projects are reported to both the Health & Safety and Sustainability Committee and the Board.

## 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 exporting environment. Our focus in the future will be extended to the remaining Scales businesses. We now have baseline carbon emissions for Meateor NZ and this will allow us to set appropriate targets and metrics for this business in 2022.

The key metrics and timelines for Mr Apple across carbon emissions, waste, energy and fuel usage are outlined above.

Our key risks, opportunities and anticipated impacts can be summarised as follows.

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