



**SILVER
FERN[®]
FARMS**

100% MADE OF NEW ZEALAND



**MEASURING
OUR PROGRESS**
—
**SUSTAINABILITY
REPORT 2019**

Our Sustainable Chain of Care

Our Sustainable Chain of Care is fundamental to achieving our vision and we have expressed this through our progress across eight material sustainability issues.

These were identified in 2016 by internal and external stakeholders and we developed a group of goals and targets around these, to drive sustainability decision-making deeper into everything we do.

Our reporting on our material issues helps to demonstrate our progress. It also assists us as we evolve our goals and targets over time to adapt and respond to changing stakeholder expectations.

Silver Fern Farms uses this process to demonstrate how we navigate and overcome complex sustainability challenges responsibly. It helps us protect and build our natural, people, social and economic capitals, and share this progress through greater transparency to help grow trust in the way we produce natural, 100% Made of New Zealand grass fed red meat.

You can read more about our approach to sustainability at:
**[silverfernfarms.com/our-company/
our-sustainable-chain-of-care/](https://silverfernfarms.com/our-company/our-sustainable-chain-of-care/)**



Our Journey

2015

8

AUG 2016
Material sustainability issues process completed – refined to 8 issues



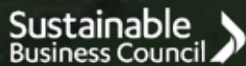
SEP 2017
Sustainability Goals, Targets and Initiatives agreed, Sustainability Policy adopted



SEP 2018
Sustainable Chain of Care first report launched



APR 2017
Sustainability Leaders Group formed



DEC 2015
Joined Sustainable Business Council



CLIMATE LEADERS COALITION

JULY 2018
Joined climate leaders coalition

OCT 2018
Carbon reporting process developed and plan to reduce carbon footprint developed



The Aotearoa Circle

OCT 2018

Joined Aotearoa Circle as a founding member

TOITŪ



SEPT 2019

Toitu carbon reduce certified carbon footprint achieved - New Zealand industry first



NOV 2019

2018 Sustainability Report Card Published

2020

BEES

FEB 2019

Began supporting Trees for Bees



NOV 2019

Became a member of the Global Round Table for Sustainable Beef



APR 2020

Sustainability reporting incorporated into Co-operative Annual Report



Demonstrating our path to sustainable value creation through integrated reporting

The range of food options available to consumers around the world continues to grow. Every food show around the world is promoting new products, or old products marketed in ever more sophisticated ways to highlight their attributes to consumers. The expectations of discerning consumers remain high. They want to feel good about their food choices. Our plate to pasture, market-focused strategy is well placed to meet their expectations, but we will have to work for it.

Part of that work is in how we show our progress to our people, our customers, our farmer suppliers and our wider community. You'll notice some changes in this report and over the next two years as we change the way we report.

Integrated reporting helps to move beyond reporting our financial results to openly sharing progress across a much broader range of measures. This approach also helps demonstrate how we are making progress across our sustainability goals. Integrated reporting, however is only a natural reflection of a much wider and deeper, transparent business approach to sustainability that discusses the key risks and opportunities associated with each of our material issues, how we are responding to those and how we are using those actions to create real value for our people, for shareholders, for the environment and communities in which we operate and for our customers and consumers all over the world.

In our Co-operative report we talked about how we have reframed our reporting in line with best practice including framing our reporting under Planet, People and Prosperity. For Silver Fern Farms Limited, we want to report in a way that more clearly links our commitment to sustainability and how this drives value to us as a business, to our suppliers, the environment and communities in which we operate and how it is expressed in the attributes and value of our product. Not only is this moving us to best practice business reporting but it helps us to be able to demonstrate how we are considering climate change amid other strategic risks and opportunities within our sustainable chain of care. This approach brings together the elements of our first sustainability report in 2017 and our updated 2018 report card, where we discuss our progress against our targets and goals for each of our material issues.

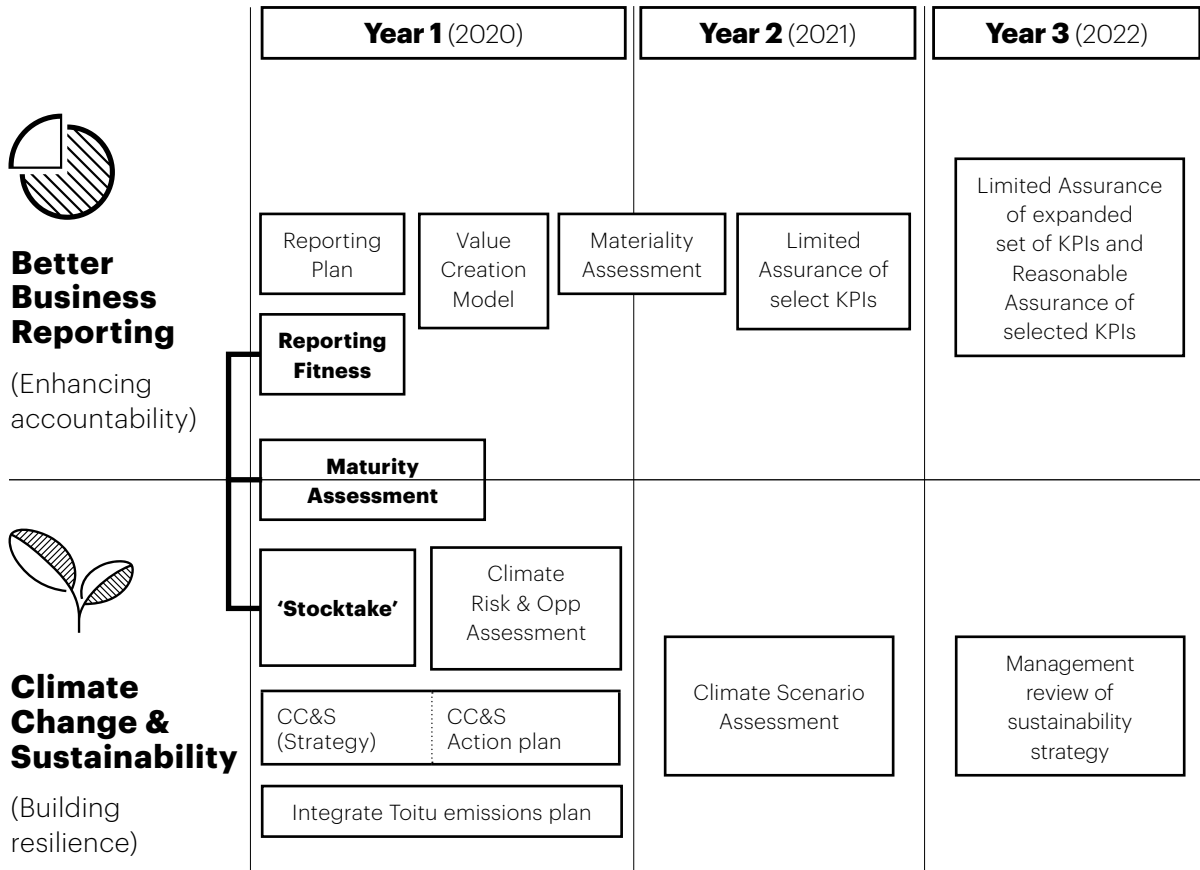
In accordance with this approach we have developed a roadmap to deepen our integrated approach to sustainable value.

In 2020 and into 2021 we will be continuing to mature our approach to integrated reporting. A first step is assessing our current approach against best practice for integrated reporting. From this review we will be able to enhance our reporting on our progress towards our 2020 sustainability targets. In addition, our modelling of climate change risk on our supply and operations will continue, supporting our decisions on energy use and how we work with our suppliers to support our transition to a low carbon operating environment. We will be setting new targets and reassessing our priorities by undertaking a comprehensive review of our material issues, integrating those with our business planning and develop an enhanced and independently verified methodology of measuring and reporting our commitment to sustainability and climate change.

Our Proposed Sustainable Value Roadmap

WORK PROGRAMME*

Objective of the work programme is to support Silver Fern Farms Limited in developing an effective and efficient climate change and sustainability (CC&S) strategy that meets the moral and fiduciary duties shareholders, farmers, customers and other key stakeholders, through two complementary pathways.



*Proposed work programme and activities to be revisited as part of Silver Fern Farms Sustainability Strategy refresh (end 2020)



Case study

Low carbon future crucial pillar of sustainable chain of care


One of the topics which has been top of mind both domestically and internationally is the global response to climate change. In New Zealand we are all seeing the rise of concern around our world's climate and our Government's response to this through the introduction of the Zero Carbon Act. The combination of this international and domestic concern is the increasing pressure, and risk on our sustainable livestock supply. It is materialising through changing land use on food-producing hill country farms to plantation forestry, and has significant ramifications on the mosaic of our regional communities.

There is no doubt in our mind that we need to lead on carbon. Tackling this issue is becoming an important part of how we create value in the market for our Silver Fern Farms product – by demonstrating to consumers and customers that we are doing the right thing. The pathway for New Zealand to achieve a carbon zero goal is critical to ensure the sustainability of regional New Zealand.

On our 2019 supplier roadshow, through our farmer and customer surveys, and our workshop sessions at the 2019 farmer conference we have heard significant evidence supporting our leadership position on carbon.

These interactions also reinforced that there is a high level of concern that speculation around future carbon policy is driving productive food-producing land into plantation forestry. We are concerned about hollowing out of rural communities through large-scale, monoculture pine plantations on productive livestock finishing country.

While it is ultimately a landowner's choice as to how they make the best use of their land, we believe there is an opportunity for the right trees in the right places on farms. When done well, it enhances the natural, biodiverse, farming environments we have in New Zealand and supports the value we can create in market for our sustainable, natural red meat.



We also consider that there is value in the carbon claims we can make and the work we can do with shareholders to manage carbon on their farms. We will continue to work proactively with our suppliers to ensure that there is a sustainable future in red meat produced in low carbon systems.

We worked with both Beef + Lamb New Zealand and the Meat Industry Association to ensure that we aligned our position to Government through submissions on the Zero Carbon Bill. We were also able to demonstrate significant industry leadership in respect to carbon both as a processor and with our suppliers.

Whilst Government has agreed to an industry-led solution to managing carbon reductions in our sector, what shape that will take is currently being refined. What is clear is that domestic pressure will continue to build for farmers and our industry to act.

We believe farmers and processors will be required to report their emissions and take steps to reduce them over time, and that customer and consumer interest in the actions we are taking to manage carbon will continue to build. We are stepping up to that expectation because we believe it is the right thing to do.

In conjunction with our partner Toitū Envirocare, and in-line with our commitment to the Sustainable Business Council and Climate Leaders Coalition, 2019 saw Silver Fern Farms become the first red meat processing and marketing company in New Zealand to publicly verify and report our emissions. We are proud to have gained CarbonReduce certification which meets the globally recognised ISO 14064-1 standard. It helps us to show we are committed to measuring, reporting and reducing our emissions.

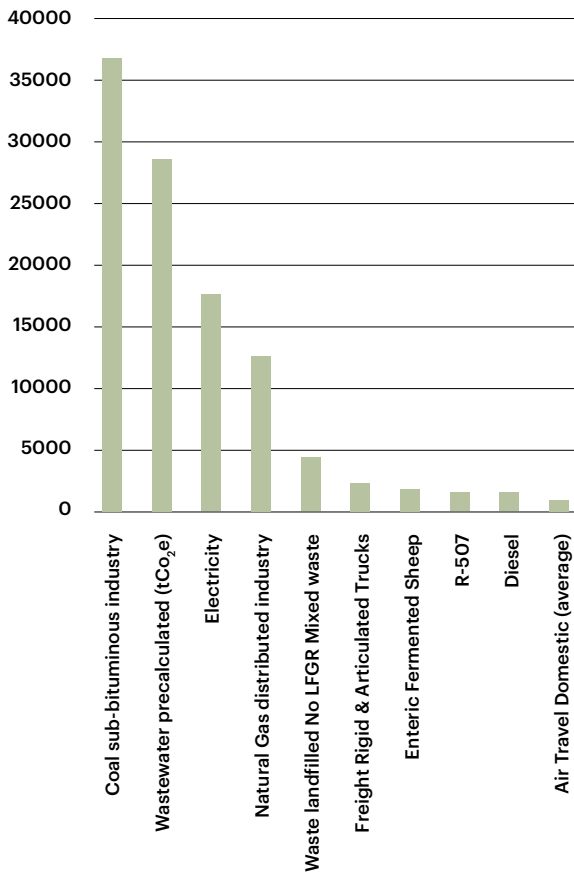


Reducing our emissions

A critical component of gaining the Toitū Envirocare certification process is the development of an emissions reduction plan. We have commenced work on a combination of process changes and capital expenditure to drive emissions reductions. This commenced at a low level in the 2019 year and will continue over the next three years. We have made good progress on reducing our fossil fuel use with an 8% reduction on 2018 levels in 2019.

Our next and largest step will be developing and implementing a reduction plan that adheres to science-based targets. This is where we need to demonstrate our commitment to remaining within a band of warming. The only way we will be able to do this is to transition our plants that rely on coal to alternative energy sources. Developing this plan and aligning it to our future infrastructure and capital investment will be a key project in 2020.

GHG Operational emissions by source – Top 10



Our emissions profile

CO₂ EQUIVALENT
EMISSIONS FOR
2018

113,475T

GHG EMISSIONS
REDUCED BY

2030

1st

Red meat processing and marketing company in New Zealand to publicly verify and report our emissions

↓ 7.7%

Reduction in energy use per kg produced

You can read more about our emissions and our CarbonReduce certification on our website at:
www.silverfern farms.com



Supporting Our Farmer Partners

To support our suppliers, we have established a pilot group of farms and technical expertise to understand and support low carbon farming, linking it to our food, and its place in the market. To Silver Fern Farms this is a critical link we need to make. While domestic climate policy is placing increasing cost and complexity for farmers, the only way we see to counter this is through reducing those costs, and/or creating additional value for on-farm carbon sequestration, or for low carbon red meat products in the market. In addition to developing our emissions reduction plan as a processor this will be a key focus of our sustainability work in 2020.

Partnerships key to success

In addition to our long-term memberships and participation in industry groups such as the Meat Industry Association, Agricultural Health and Safety Action group, and food safety and animal welfare groups, we continue to expand and deepen our network of partnerships across our material sustainability issues. These are important for a number of reasons. It enables us to use these partnerships to champion a primary industry position, demonstrate leadership across our industry and across business in New Zealand, learn from others, gain access to funding for innovation and support our extended New Zealand and international networks. Our ongoing membership of the sustainable business council, the climate leaders' coalition and the Aotearoa circle have not only supported a primary sector focus to their wider work but have also provided external peer review and assessment of our progress that supports our interaction with Government and customers.

These partnerships also enable us to support others where their goals align with our strategy and vision. A great example of this includes our support for the Trees for Bees programme to support and encourage landowners to protect and plant vegetation that enhances and supports year-round food sources for bee colonies as a critically important provider of pollination and honey. We are actively seeking additional partnerships to enhance our progress towards our vision.



Advancing our commitment to the Farm Assurance Programme

The benefits of an industry wide Farm Assurance Programme continue to grow, especially with our conversations with customers. Red meat produced under the NZ Farm Assurance Programme comes with the assurances of integrity, origin, traceability, biosecurity, environmental sustainability and animal health and welfare. Silver Fern Farms works in partnership with our livestock suppliers to operate the New Zealand Farm Assurance Programme. Participation in this programme assures our customers that our products come from animals that have been raised in compliance with New Zealand's animal welfare codes of practice, and that potential food safety risks have been controlled. The New Zealand Farm Assurance Programme is consistent with Silver Fern Farms' Quality Management System, and supports the objectives of our Environmental and Animal Welfare Policies. It is accredited to ISO/IEC 17065 and meets legislative and customer requirements. 2019 saw our suppliers' commitment to that programme continue to grow. In addition to growing the number of suppliers who reached full compliance with the standard, Silver Fern Farms is contributing to leading the development of an advanced standard under the programme that will continue to drive continuous improvement in all areas of sustainability on farm. Continuing to enhance the programme is key to retaining our trust domestically and providing leadership internationally to support our leading market position.

Community

We continued to up our investment in community events in 2019 where we spent \$573,840 in regional sponsorship. We supported over 300 events and organisations over the course of the year. A critical part of that process is continuing to earn our place in the community by making strong connections with our people who work at our sites and the events that they support and participate in throughout their communities. We also continue to grow the connection between farmers and our sites and their staff. Events such as our best boning competition, whanau days, 'passion on a plate' competition and our support for sports clubs, farming events, schools, catchment groups, rescue helicopters, farm discussion groups and award programmes all help to support and grow our place in the community.

Graduate programme

A critical part of a sustainable future for the red meat sector is investing in our young people. The scale, breadth and complexity of Silver Fern Farms creates numerous opportunities for a rewarding and challenging careers. As part of our People Strategy, our Graduate Programme seeks-out two recent graduates per year who are keen to join our business and get a first-hand view of the industry. Our graduates work in real jobs with real responsibilities. The programme exposes them to different parts of the business and supports building our links into a new generation of primary industry leaders.



Health and Safety

Protecting our people at work is an absolute given. We must, and will, continue to invest in the health and safety of our people. Based on our core Ora programme we have a number of initiatives aimed at improving the health and safety of our people. We have a cross-business health and safety leadership group called the Runanga. The focus of the Runanga is also shifting to help us achieve a wider reaching worker engagement process. This will allow us to better factor in their input into our strategic health and safety improvements.

We have trained facilitators and rolled out Good Yarn mental health sessions at all of our sites. We are now rolling out these workshops over the next 2 years to involve the majority of our people directly in a mental health initiative.

2019 involved an extensive review of our reporting systems to improve the reliability of the reporting. This included cross-referencing everything in our own system with available data from ACC. This review of how we report has resulted in the reported injury frequency increasing at year end but despite that resulting in a higher number of actual injuries reported we are confident that this approach provides a more reliable foundation for which to measure improvements against.

Guardian Bandsaws

2018 saw the beginning of the implementation of a project to lift the safety of our people and this continued with greater pace in 2019. Swapping traditional bandsaws for the 'Guardian Bandsaw' brings a combination of the latest digital and intelligent engineering technology to protect people using bandsaws. The Guardian saw shuts off in milliseconds to avoid the chance of cutting the operator.

A full roll out of over 50 saws, costing over \$6 million across all our sites will be completed in 2021. This is an important safety initiative, it's part of our 'Ora H&S programme', our real and sustained commitment to health and safety.

Changing for good – reducing our plastic use

Our sustainable chain of care is important to us and we are working hard to embed all aspects of sustainability into our business decision making. One of the important ways of doing that is listening to our customers and deeply understanding consumer trends. There is a domestic and international focus on reducing plastic use and more importantly the amount of plastic entering our natural environment. The starting point for Silver Fern Farms is reducing the amount of plastic we need to use, rather than focusing on the type of plastic we use. In 2019 we developed a cardboard sleeve, which replaces the outer plastic packaging on our New Zealand retail packs. The move to our new packaging shows that we are actively listening and responding to our consumers; the outer cardboard sleeve is sourced from sustainably managed forests and is kerbside recyclable. This is one of a number of steps toward reducing the amount of plastic we need to use.

It builds on the good work we have already done to reduce plastic use across the business, including our long term partnership with our packaging partner sealed air and our 50% reduction in stretch wrap used for export pallets, which has collectively reduced our plastic use by 80 Tonnes annually across our supply chain.



Our Sustainable Chain of Care Highlights

PEOPLE STRATEGY

Silver Fern Farms Graduate Programme seeks out two graduates a year.

Good Yarn mental health session started.

\$6M

Investment in Guardian Bandsaws for greater safety.

574k

Community sponsorship

80TN













reduction in plastic use across our supply chain since 2018.

↓ 50%

Reduction in stretch wrap used for export pallets.















Our 2019 Sustainability report card

2020 TARGET	2019 PROGRESS	PROGRESS	NEXT STEPS	UN SDG
ENGAGED PEOPLE SUSTAINING COMMUNITIES				
Trending improvement in engagement Annual reduction in injury rates Targeted regional sponsorship	0.8% reduction in ACC claims 9.5 TRIFR \$573,840 in regional community sponsorship	Guardian bandsaws installed Digital staff communication platform launched – over 2000 users	Frontline leadership programme GoodYarn workshops Continue to build community engagement and strategic sponsorship Support initiative that makes meat affordable to high need communities and families	  
SUSTAINABLE FUTURE FOR FARMERS				
Increase supplier loyalty through a competitive and valued service offering Measured by an increase in suppliers involved in programmes Advocate and provide leadership	28.5% increase since 2016 Over \$4.2M paid in programme premiums	Increasing volume into supply programmes Industry leadership on sustainability issues New Co-operative strategy Colmar Brunton Top 20 Companies	Build new supply programmes and grow market share for programme stock	  
FOOD SAFETY AND QUALITY				
Maintain our 100% record for food safety	100% record for food safety since 2016 with zero recalls	Food safety training Company quality reset programme	Further quality initiatives embedding reset programme, quality training and food safety culture into business	 
ANIMAL WELFARE				
100% of livestock in market-linked programmes accredited to the National Farm Assurance Standards	100% farmers supplying programmes are Farm Assured	Finalise new Farm Assurance Programme embedding strict animal welfare requirements into supply and improving environmental planning, actions and reporting	Build Farm Assurance programme participation throughout supply Improved transport logistics reduce animal wait times	 
MARKET ACCESS				
To be viewed as a trusted partner by Government and industry bodies through involvement in brokering trade agreements and involvement in trade visits	Progress to be evaluated	Market access plan developed	Survey stakeholders end 2020	 

KEY: On track Requires additional focus

Our 2019 Sustainability report card

2020 TARGET		2019 PROGRESS	PROGRESS	NEXT STEPS	UN SDG
OPERATIONAL EFFICIENCY					
Water	10% reduction in water use per kg of product produced	-8.9%	Sensors installed in washdown areas to reduce water use Sites adopted water reduction targets into operational plans	Further capital expenditure on water saving measures such as sensors and infrastructure repair	 
Waste	10% reduction in waste to land fill per kg of product produced	80.8 Tonne plastic has been permanently removed from supply chain	Project with waste services partners established to measure waste	Waste audit Identify key waste sources and plan for removal replacement or reduction Further waste to energy and compost options investigated	 
Energy	10% reduction in energy use per kg product produced	-7.7%	Silver Fern Farms largest participant in Energy Transition Accelerator	Implement EECA energy reduction actions	 
Carbon	By 2030 we will reduce the GHG emissions intensity of our operations by tonne of product on 2005 levels by 30%	Toitu Carbon reduce verified 2018 footprint 113K Tonnes of CO ₂ equivalent	Publicly reporting emissions On farm pilot commenced Fossil fuel use trending down	Develop science-based target Align energy use reduction with new carbon targets Develop transition plan Work with farmers to integrate low carbon supply chain	
Wastewater	10% reduction in wastewater per kg of product produced	2.0% decrease	Wastewater improvement plan at Pareora Screen installation at Waitane decreases nutrient loading Te Aroha site improves solids management Dargaville site improves wastewater treatment Belfast site reduces paunch volume by 30%	Develop and implement Environmental Management System (EMS) – Continuous improvement adopted Site Risk Assessments completed Refine targets to more closely reflect environmental risk	   
FINANCIAL PERFORMANCE					
Four years of profits and dividends	2019 Silver Fern Farms Limited financial result: • NPAT: \$70.7M • EBITDA ¹ : \$124.3M • Total revenue: \$2.6B	Sustained profit Positioned well to respond to significant market disruption Strong relationship with shareholders allows flexibility in dividend payment	Optimise opportunities in disrupted market Progress profitability towards 2020 targets		

KEY: On track Requires additional focus

1. EBITDA is defined on page 2





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