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**OUR SUSTAINABLE CHAIN OF CARE**  
REPORT CARD 2018

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**OUR VISION**

To become the world's most successful and sustainable  
grass-fed red meat company.

## 2018 SUSTAINABILITY REPORT CARD



This sustainability report card provides a brief progress update on the 2018 year. It builds on our first full sustainability report in August 2018.

In a first for New Zealand's red-meat processing and marketing sector, this report also includes information on our verified 2018 carbon footprint, carried out by Toitū Envirocare. Commencing in 2018 this was a major programme of work and crucially allowed us to focus on developing an emissions reduction plan that aligns to our corporate vision and sustainability goals.

*“Across our goals we made steady progress.”*

In 2018 we came up short on some of our targets. In particular: waste, water and wastewater and delivering on our market access goal.

Our progress reporting on and more importantly reducing waste volumes has been hampered by a lack of baseline data. We are working to get a good measure on our waste to landfill and working with our waste suppliers to improve our options for how we deal with waste, including recycling and biofuel. We have made good progress on using less resources through sustainable procurement. This remains our key focus, to remove and reduce the materials we use before they become waste to manage.

Our current wastewater measure reflects but does not mirror our total water use. Reporting on volume alone doesn't really help us to share our progress or improvement in environmental outcomes. We made a number of improvements to our wastewater treatments in 2018 to comply with our operating consents. We are working on an environmental management system and a more meaningful way of communicating this progress beyond 2020.

We are making progress in reducing our total energy use, in particular our fossil fuel use. We are on track to meet our 2020 goals. On the back of our work with EECA and Toitū Envirocare, we have some ambitious goals to reduce our energy and carbon footprints, both requiring a large capital expenditure programme to 2030.

When it comes to market access, we are actively involved in trade delegations and supporting government and industry efforts to broaden trade access into our key markets. In line with our targets we are yet to measure views of our stakeholders to help benchmark our progress. We intend to do this in 2020.

We are working hard to reduce our total water use through a number of capital improvements and introducing water saving measures such as installing water sensors on machines and washdown areas at our plants.

Our food safety and quality record remain excellent, with zero food recalls in 2018. We have lifted our focus on this area, particularly with staff engagement and training to ensure we maintain our chain of care.

Our focus on people, communities and a sustainable future for farmers is a strength. Our supply programmes continue to grow. Underpinning progress in Our Sustainable Chain of Care is our financial performance. In 2018, Silver Fern Farms Limited reported sustained profitability with a profit and dividend distributed to shareholders.

We trust this 2018 report card gives confidence that we remain committed to our vision “To become the world's most successful and sustainable grass-fed red meat company.” We will cover our 2019 progress in full detail in our next Our Sustainable Chain of Care report in 2020.

## SUPPORTING OUR PEOPLE AND THEIR COMMUNITIES IN 2018



### NATIONALLY RELEVANT

#### *300+ causes supported*

In line with United Nations Sustainable Development Goals (SDG17), specifically, partnerships for the goals, we are actively supporting partners and are members of a number of initiatives that empower our approach to sustainability.

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Silver Fern Farms Youth Scholarships

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Plate to Pasture awards

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Trees for Bees

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Climate Leaders Coalition

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Deer Industry NZ

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Aotearoa Circle

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Sustainable Business Council of NZ

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Graduate programme

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Red Meat Profit Partnership

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Meat Industry Association

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Agricultural Leaders Health and Safety Action Group

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New Zealand Food Safety Science and Research Centre

#### **At a regional level:**

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Ballance Farm Environment Awards

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Dairy Industry Awards

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### LOCALLY CONNECTED

#### *\$388k in regional sponsorship*

At each of our sites and throughout New Zealand maintaining our active and trusted place in our community is important to us and our people – we can't operate without their support. Supporting them is an important pillar in our sustainable chain of care.

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Embedding Iwi and whanau support and engagement

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30 Schools and education initiatives

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Looking after community assets – halls and pools

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43 Sporting clubs and events

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Supporting rescue helicopters and local fire brigades

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Treasuring our clubs and societies

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Acknowledging achievement through 10 awards programmes

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Empowering farm discussion groups

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Getting behind drought flood and disaster relief

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33 Dog trials

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Improving health outcomes by supporting charities & events

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Valuing staff through family and whanau events

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12 Bull sales

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## CHANGING FOR GOOD



### PROTECTING OUR PEOPLE WITH INTELLIGENT SAWS

*Recordable injury frequency down 25% in 2018*

2018 saw the beginning of the implementation of a project to lift the safety of our people. 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.

### EECA EMISSIONS TRANSITION ACCELERATOR (ETA)

In 2018 we engaged specific external expertise through the Energy Efficiency and Conservation Authority (EECA) and Waikato University to help us develop a path to lower energy and carbon emissions reduction. Their report and extensive recommendations have informed the development of our emissions reduction plan and supported Silver Fern Farms' increased expenditure on energy reductions projects.

*Total energy use/kg product 3.2% down*

### SUSTAINABILITY STRETCHING DEEPER INTO BUSINESS

*32.8T of plastic removed in 2018*

Stretch wrap plastic stops our food products falling off 107,000 pallets we export around the world each year. Safe containment is important for the health and safety of our people and keeping our food in top condition all the way to the consumer.

An audit showed Silver Fern Farms used about 111 tonnes of plastic film each year. We leased or owned a mix of 12 different pieces of equipment, processes were inconsistent, with manual wrapping common, and there was an opportunity to reduce total plastic use.

Our procurement process takes a real sustainability lens to contract management. We chose a provider of stretch-wrap which has transformed our processing sites' wrapping processes to a 'best in class', controlled, compliant process. It has also resulted in a staggering reduction in plastic wrap of 32,821 kg while retaining product integrity and quality and improving the safety outcomes for our people.

This process of responsible procurement and contract management demonstrates how we are embedding our Sustainable Chain of Care into everything we do.

# ACTING ON CLIMATE CHANGE

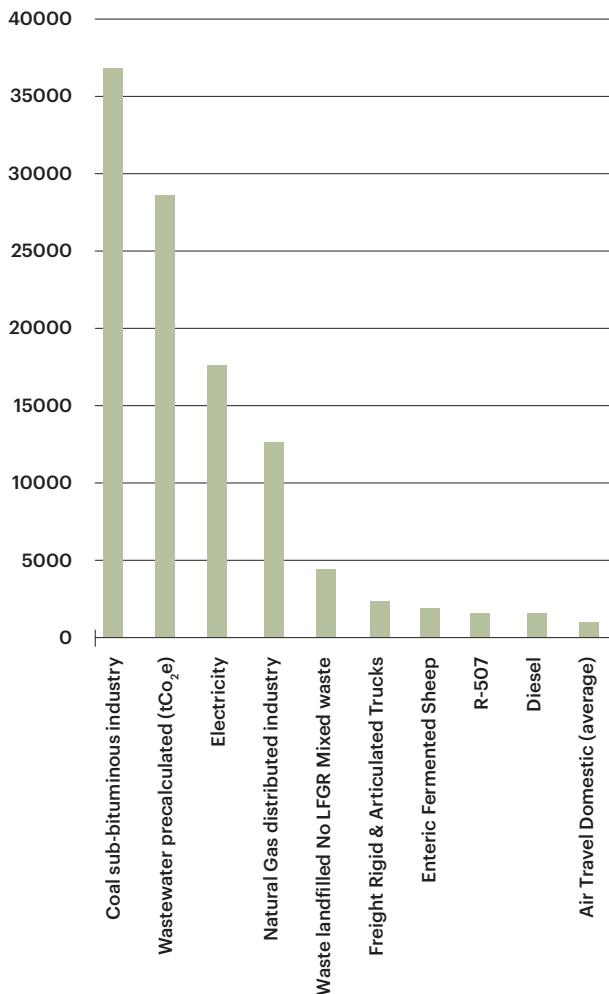


**There is no question that we need to act now to reduce our greenhouse gas emissions.**

In conjunction with our partner Toitū Envirocare and in-line with our commitment to the Climate Leaders Coalition, Silver Fern Farms is 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 ISO 14064-1 standard. It helps us to show we are committed to measuring, reporting and reducing our emissions.

## OUR EMISSIONS PROFILE

*113,475 Tonnes of CO<sub>2</sub> equivalent emissions*



## PARTNERSHIPS SUPPORTING OUR CARBON JOURNEY

The Climate Leaders Coalition launched in 2018 to promote business leadership and collective action on the issue of climate change in New Zealand. Silver Fern Farms was a founding signatory. This committed us to measuring and publicly reporting our emissions, setting reduction targets and working with our suppliers to reduce their GHG 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 emissions reduction plan is supported by an infrastructure strategy which is being developed to ensure we have operations which are best in class.

## SUPPORTING OUR FARMER PARTNERS

In 2018 we asked our farmer suppliers for their views on climate change. Farmers indicated increasing concern about managing the regulatory complexity of climate change policy and difficulty in understanding practical options to reduce emissions from agriculture in a sustainable way. 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.

You can read more about our emissions and our CarbonReduce certification on our website at: [silverfernfarms.com](http://silverfernfarms.com)

# OUR 2018 SUSTAINABILITY REPORT CARD

2020 TARGET	THE STATS - 2018	PROGRESS	NEXT STEPS	UN SDG	
<b>ENGAGED PEOPLE SUSTAINING COMMUNITIES</b>					
Trending improvement in engagement Annual reduction in injury rates Targeted regional sponsorship	We invested \$387922.57 in regional sponsorship in 2018  Reported injuries trending down – TRIF down by 25% in 2018	Guardian bandsaws installed  Digital staff communication platform launched – over 2000 users	Frontline leadership programme  GoodYarn workshops  Build community engagement and strategic sponsorship	  	
<b>SUSTAINABLE FUTURE FOR FARMERS</b>					
Increase supplier loyalty through a competitive and valued service offering Measured by an increase in suppliers involved in programmes Advocate and provide leadership	39% increase in stock units on supply programmes since 2016  Over \$6M paid in programme premiums	Increasing volume into supply programmes  Industry leadership on sustainability issues  Colmar Brunton Top 20 Companies	New supply programmes	  	
<b>FOOD SAFETY AND QUALITY</b>					
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	 	
<b>OPERATIONAL EFFICIENCY</b>					
Water	10% reduction in water use per kg of product produced	0% decrease in total water use/kg product since 2016	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 or replacement  Further waste to energy and compost options investigated	 
Energy	10% reduction in energy use per kg product produced	3.2% reduction in total energy use/kg product since 2016  Fossil fuel based energy down by 12%	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%	Carbon footprint 113,475 Tonnes CO <sub>2</sub> equivalent in 2018	Publicly reporting emissions	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	3.6% increase in wastewater volume per kg product since 2016	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	   
<b>ANIMAL WELFARE</b>					
100% of livestock in market-linked programmes accredited to the National Farm Assurance Standards	100% farmers supplying programmes are Farm Assured	Finalised new Farm Assurance Programme embedding strict animal welfare requirements into supply	Build Farm Assurance programme participation throughout supply  Improved transport logistics reduce animal wait times	 	
<b>MARKET ACCESS</b>					
To be viewed as a trusted partner by Government and industry bodies through involvement in brokering trade agreements and involvement in trade visits	Progress not yet measured	Market access plan developed	Survey stakeholders	 	
<b>FINANCIAL PERFORMANCE</b>					
Four years of profits and dividends	2018 Silver Fern Farms Limited financial result: • NPAT: \$5.8m • EBIT: \$55m • Dividend: \$1.7m • Total revenue: \$2.4B	Profit and dividend in 2018 – second year running			

**KEY:**  On track  Requires additional focus