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Chief Executive’s Statement

Kia ora e te whānau,

We are pleased to release our first public facing ESG Report alongside our Annual Report for FY2022. ‘Environmental, Social & Governance’ (ESG), is an important business lens for measuring progress in sustainable development. Since the inception of our business 25 years ago, sustainability has been central to our business strategy and our core differentiation in the market. In this report we describe how ESG is integral to how we conduct our business. As a purpose-driven business, we are proud to be formalising this work even further through deeper stakeholder engagement and reporting in this financial year.

We are currently developing and formalising our ESG strategy. As a vital first step, we completed an ESG materiality assessment to help us to identify the most important business, environmental, social and governance topics for our company, and to ensure that we are undertaking initiatives that are important to our stakeholders and to our continuing business success. The results of this assessment, shared in this report, are based on conducting 131 surveys and 47 interviews with our growers, brand partners, and supply chain partners, as well as our board, executive team, shareholders, and employees. We also conducted a benchmarking assessment that helped us understand the current and emerging global ESG trends in the agricultural sector and how we are positioned to meet these.

As we look at the current ESG landscape, we know that climate action is paramount: decarbonisation remains a key focus for our business, particularly in our efforts to support our growers. We have measured our own carbon footprint this year and are designing projects to reduce our emissions to contribute to a low carbon, prosperous

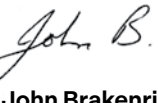
future. Enhancing biodiversity is equally an immediate priority as we recognise its potential for cascading benefits across other environmental spheres. The ZQRX Regenerative Index creates a way of measuring progress over time across these and other sustainability indicators as NZM growers strive for better outcomes on-farm.

The proliferation of ESG-related standards in agriculture, health, finance, etc., means increasing scrutiny of these ESG-related standards and claims. Moreover, consumers want to know that they can trust the products they buy. Our ZQ programme continues to lead the industry in the ethical wool space and ZQRX positions us well to lead the industry in regeneration. We are committed to ensuring our growers and our brand partners continue to lead the way.

Our immediate next steps are to formalise our ESG strategy and to set goals, targets, actions, and accountabilities. We will report on our updated ESG strategy, and our progress working towards these goals in the next iteration of our ESG report. We look forward to continually reporting on our ESG journey on an annual basis.

We know our team is deeply committed to driving sustainability outcomes for our growers, our brands and our business. We are committed to using this framework and the critical insights gained through the materiality process to drive improvements across our business.

Ngā mihi nui,


John Brakenridge
Chief Executive

About This Report

This report reflects the material issues raised by our stakeholders in the context of current and emerging ESG trends globally and within the primary sector as well as the wider textile sector. It is based on information representative of the reporting period 01/07/21 to 30/06/22 and addresses the GRI reporting principles of stakeholder inclusiveness, sustainability context, materiality, and completeness.

The scope of this report includes The New Zealand Merino Company Limited (NZM), and its associated operations. At the end of the 2021/22 reporting period NZM established a new business, Made For Good RX Limited. Given that this occurred at the end of the reporting period, Made For Good RX Limited as a discrete entity is not included in this report, but will be included next year.

GRI Standards

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards “Core”. To enhance our transparency, we have elected to report on additional disclosures which are not required for the Core option.

Data Quality Assessment

NZM has elected to have some metrics validated by a third party to ensure robust data quality, completeness, and accuracy. This report specifies where, and which external parties have validated metrics. We will continue to review our approach to data quality in future reports.

United Nations Sustainable Development Goals

Our approach to sustainability is informed by the United Nations Sustainable Development Goals (SDGs). The ZQ and ZQRX Index system/programmes align with 16 out of the 17 SDGs, demonstrating our whole-encompassing approach. The only goal with which NZM does not directly meet is related to affordable, clean energy (SDG 7).



About our Company

NZM is a global leader in the sourcing, transacting, and the marketing of ethical wool. We connect the world’s most progressive growers to the world’s most committed brands.

Our growers believe in our model of building long-term relationships and continually enhancing environmental integrity, social responsibility, and animal welfare. We monitor and assess our growers’ performance through our ZQ and ZQRX programmes. Only growers who meet strict standards of animal welfare, environmental sustainability, fibre quality and social responsibility are awarded the ZQ certification. In 2021 we launched ZQRX, focusing on regenerative principles and acknowledging growers for their progressive approach to continual improvement.

The establishment of long-term supply contracts with our global brands allows our growers to know where their wool is going and provides them with trusted relationships from farm to retail. Through our contracting approach, we protect growers, supply chains and brand partners from a traditionally volatile commodity market. Pricing and contracts are designed to incentivise and reward growers for their commitment and alignment to ZQ and ZQRX.

“With their income locked in, growers have the certainty they need to make investment decisions on-farm,” says Peter Floris, NZM Chief Operating Officer. “For brands, the contracts ensure a consistent supply of high-quality, traceable fibre. Our contract model provides the certainty that both growers and brands need to keep innovating.”

NZM is focused on supporting the sales, margin and reputation of our brand partners. By focusing on strong, long-term relationships we’ve been able to build beneficial partnerships between growers

and brands. “For many of these brands, the growers’ stories have become interwoven into the brand narrative and become an important part of their positioning,” says Peter.

NZM Goes Beyond Certification

The services NZM wraps around our growers and brand partners extend well beyond certification.

Innovation, Marketing, and Validation	<div>We support our brand partners through innovation projects and technical validation, converting this into marketable stories.</div> <ul style="list-style-type: none">ESG credentials and validationTextile expertise and supportConvert science to storyCreative/marketing/communicationsIndustry leadership on ESGMarket development
On-farm Support	<div>Our ZQ on-farm team support our growers through multiple aspects of our programmes on-farm.</div> <ul style="list-style-type: none">ZQ & RWS audit supportEnsuring fibre qualityWool allocation & transacting
Production Science	<div>NZM delivers initiatives for our growers to improve animal welfare outcomes through Production Science projects.</div> <ul style="list-style-type: none">Grower educationScienceResearch
Capacity Building	<div>NZM delivers capacity building initiatives for our growers.</div> <ul style="list-style-type: none">Grower training and upskilling opportunitiesGrower programmes, tools and resourcesIndustry support and engagement support

Managing with Integrity

Getting the Job Done

NZM is committed to maintaining the highest ethical standards and adhering to best practice governance principles. This year we established a formal governance structure for managing our ESG strategy, targets, and goals. We formally elevated ESG as a risk to the remit of the Audit and Risk committee.

The Board retains oversight for ESG related disclosures matters, primarily being updated through the CEO, COO, and through our Audit & Risk committee and Tiaki Tangata, our HR committee. The board is briefed quarterly on our ESG progress and any ESG related legislative or market updates, research and reports, statements, strategies, policies, and goals which may impact our business.

Policies relating to our material ESG topics are developed and updated by our Senior Management team and are approved by the Audit & Risk committee. Significant policies are also reviewed and approved by the Board.

ESG goals and actions on material topics are managed through the relevant committees, with the NZM Senior Management team holding ultimate responsibility for these topics at a business unit level, and through to teams. The Board reviews and approves the ESG Impact Report to ensure all material topics have been addressed.

Board ESG Responsibilites

- Reviewing and approving ESG Strategy, ESG targets and ESG Impact Report.
- Reviewing and approving other ESG related disclosures.
- Engaging with stakeholders on ESG topics.
- Approval of organisation’s purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.
- Reviewing the effectiveness of the organisation’s risk management processes for economic, environmental, and social topics.
- Evaluating economic, environmental, and social performance; remuneration and incentives.

Investigating What Matters

- Materiality Process

Meeting and engaging with stakeholders is integral to how we do business at NZM, but this year we decided to take a more formal approach to understanding the ESG landscape and our stakeholders needs and expectations.

“The materiality assessment is a way of identifying the most important business, environmental, social and governance topics (ESG) for our company to make sure that we are undertaking initiatives that are important - to our people, our growers, our brands, our supply chain partners, shareholders, and other external organisations. This process takes the guesswork away and ensures that we stay focused on what matters most” says Tara Strangwick, NZM Head of CSR and Ethical Sourcing.

As part of the materiality project, we reviewed the ESG landscape, benchmarked our business in relation to other businesses and conducted a number of in-depth surveys and interviews with our growers, brand partners and supply chain partners as well as our Board, executive team, shareholders, and employees.

These stakeholders were identified by NZM as being critical to our business.

This assessment provided a picture of where we fit in the context of current and emerging ESG trends globally and within the primary sector. It helped us identify and prioritise the ESG issues that matter most to our business and to our stakeholders across our value chain.

Benchmarking

We conducted a benchmarking study that compared NZM's ESG practices with 17 relevant organisations across five sectors. The comparison included global ESG leaders and other companies in agriculture-based and textile industries in New Zealand and around the world. The study also compared NZM with other organisations offering wool standards and schemes. This study found areas where NZM's ESG practices are currently well-established and strong, and areas where we can improve as we aim to achieve the best ESG practice in our industry.



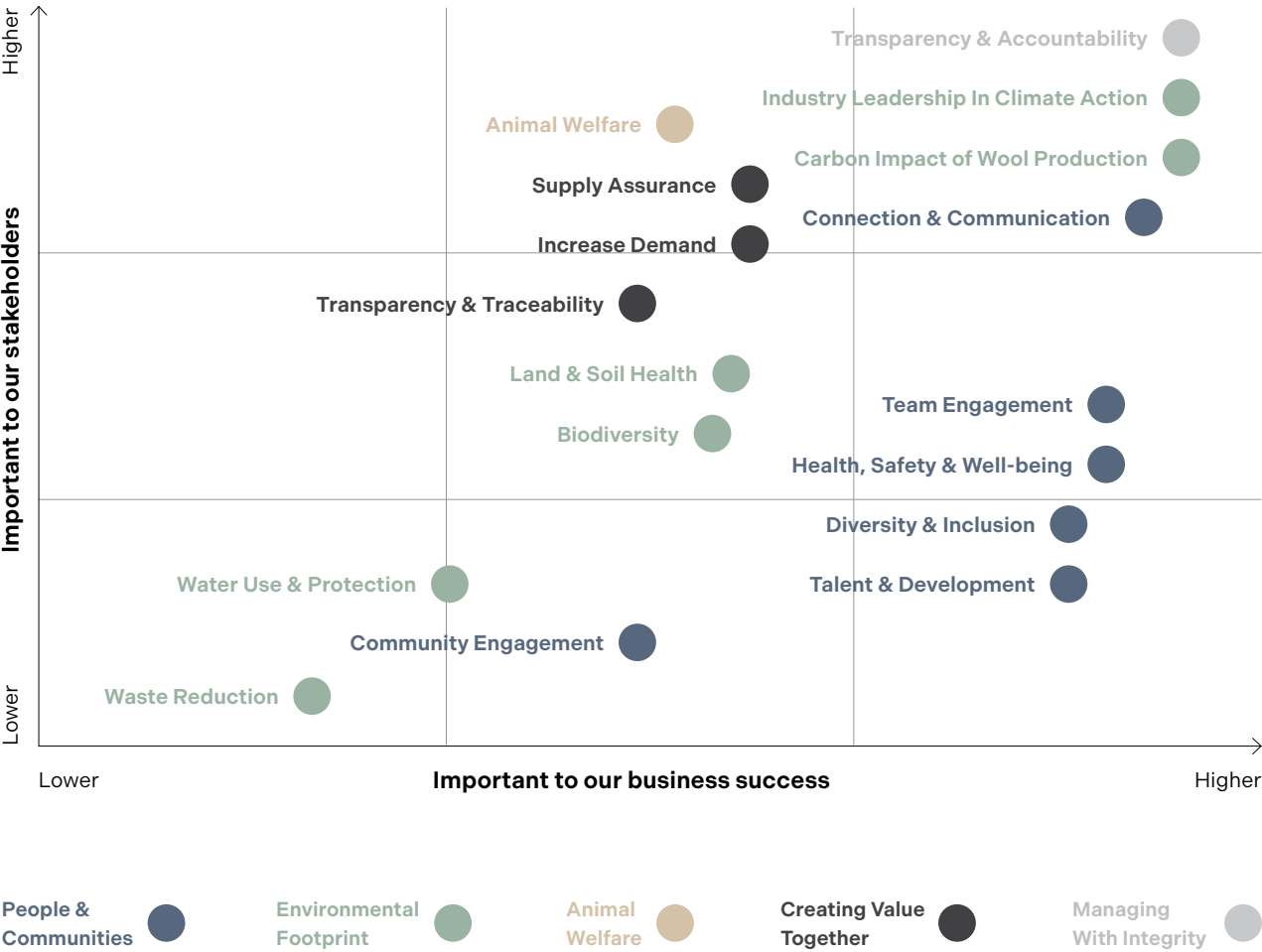
Identifying the Issues

The process began with identifying issues and topics that were already a strategic priority for the business. We also researched upcoming regulatory requirements, emerging ESG trends, brand targets, competitor sustainability priorities, global reporting standards and other macro forces. We then needed to test the importance of these topics and issues with our stakeholders and give them the opportunity to add other issues and topics to the list.

A total of 131 surveys and 47 interviews with individuals/focus groups were completed. All surveys interviews and focus groups were conducted by an external third party to ensure confidentiality.

We created a matrix to help us to visualise the findings. Issues were ranked by the level of importance to our stakeholders and importance to NZM's business success.

Materiality Matrix



Creating Value Together




	Our Wool
	Our Growers
	Our Brand Partners
	Our Supply Chain Partners
	Traceability
	Our Industry Partners





“We don’t believe in a one-size-fits-all approach to supporting growers to deliver meaningful positive impacts for their animals, environment, and people,” says John Brakenridge, NZM CEO. “In a world of ever-increasing consumer expectations, regulatory requirements, and climate related risks, it’s difficult to drive positive outcomes through standard setting

and audits alone. A balance is needed to manage stakeholders’ needs and expectations. We firmly believe that qualitative, quantitative, and holistic approaches are required along with wrap-around, capacity-building initiatives. These initiatives are essential to the success of both the ZQ and ZQRX programmes.”

 World first regenerative platform driving environmental, social, and animal welfare outcomes	 World first ethical wool standard created in 2006 to drive animal welfare and price stability for brands and growers	 Launched in 2016, RWS was created collaboratively by the Textile Exchange to establish a global standard for the broader wool industry
<ul style="list-style-type: none">Voluntary for NZM growers	<ul style="list-style-type: none">Mandatory for all NZM branded contracts	<ul style="list-style-type: none">Both ZQ and RWS requirements simultaneously assessed through combined audit process
<ul style="list-style-type: none">Initial assessment completed by NZM TeamQuantitative indicators will be calculated and substantiated by 3rd party verification	<ul style="list-style-type: none">3rd party verification every 3 years	<ul style="list-style-type: none">3rd party verification every 3 years
<ul style="list-style-type: none">Incentivised through brand partner contracting model to move towards practice change and brand investment into aspects of the ZQRX Index	<ul style="list-style-type: none">Incentivised through brand partner contracting model, producing premiums and price stability	<ul style="list-style-type: none">Incentivised through potential market premiums
<ul style="list-style-type: none">“Framework” focus on regenerative mindset, continuous improvement, and net positive outcomes	<ul style="list-style-type: none">“Certification” focus on process, requirements, and complianceContinual improvement achieved through regular standard updates	<ul style="list-style-type: none">“Certification” focus on process, requirements, and compliance
<ul style="list-style-type: none">ZQRX is only available via contracts to ensure quality, consistency and price stability for brands and growers	<ul style="list-style-type: none">ZQ is only available through contracting to ensure quality, consistency and price stability for brands and growers	<ul style="list-style-type: none">Available on open auction market or through negotiated NZM contract

About the ZQ Programme

Established in 2006, the ZQ programme sets our minimum standards for our growers, and the programme is continually evolving. As stakeholder expectations change, we work with our growers to support them to meet the needs of the market. The ZQ standard is developed with input from NGOs, science providers, and growers. We consult with academic institutions and ensure that our grower governance group is periodically informed about any planned changes to requirements. We review programme governance as part of our continuous improvement initiatives.

We launched version 5 of our ZQ standard last year to bring in a number of new requirements for growers across animal welfare, social responsibility, and the environment. We’ve been monitoring our audit trends to assess the impacts of these changes and to see where we need to better support our growers to be ready for ZQ audit. 226 new ZQ growers were audited across Australia and New Zealand this year*, 36 growers were removed or left the programme and 5 growers were suspended. Additionally, 89% of corrective actions were closed by growers in New Zealand at 30/06/22 and 82% of corrective actions were closed in Australia.

We ensure that all ZQ requirements are strictly adhered to through our audit programme, but we also welcome stakeholder feedback if any practices are observed on-farm that fail to meet the ZQ programme or legislative requirements.

Our ZQ grower standards and associated documents for New Zealand and Australia are available to the public for download at discoverzq.com/on-farm.

About the ZQRX Programme

NZM is acutely aware of increasing consumer demand for not only ethical wool but for wool which betters the environment and improves individual and community well-being. Consumers are becoming more aware of global issues and are actively choosing products which do less harm.

NZM has developed ZQRX, where RX is shorthand

for Regenerative Index. ZQRX looks at the qualities of a ZQ-certified property and highlights practices that go above and beyond the ZQ audit system. The Regenerative Index also creates a way of measuring progress over time as NZM growers strive for better outcomes on-farm. ZQRX takes a holistic approach to regenerative agriculture and encompasses 15 key performance indicators across environment, animals and people. Ultimately, ZQRX is driving net-positive ecosystem impact across all aspects of the ZQRX Index. This year, our strategic focus areas are climate, land and biodiversity. These are most aligned with the global narrative around regeneration and aligned to stakeholder priorities.

“Immediate action is required to deal with the big challenges we are facing around climate change, loss of biodiversity and inequality,” says Dave Maslen, NZM GM Markets and Sustainability. “We must improve the health of our planet if we are to ensure the long-term survival of our species.”

About the Responsible Wool Standard

As global leaders in ethical wool production, the team at NZM was proud to participate in the development of Textile Exchange’s Responsible Wool Standard (RWS). We share common goals with respect to transparency and animal welfare. The RWS was developed through an open and transparent process led by Textile Exchange and a multi-stakeholder group which included representatives from across the industry as well as other different sectors. The group included animal welfare groups, industry organisations, supply chain members, brands, and area experts.

Textile Exchange and NZM have worked together to create a robust, combined audit process and checklist that simultaneously addresses RWS and ZQ requirements. This means that farms audited and compliant to ZQ, will also align with RWS. NZM holds valid RWS Scopes for our Farm Groups in Australia and New Zealand.

We additionally procure RWS wool for our brand partners from certified RWS growers globally through our valid RWS Trader Scope.

* Baseline year for ZQ 5 metrics



Our Growers



Understanding our Growers’ Challenges

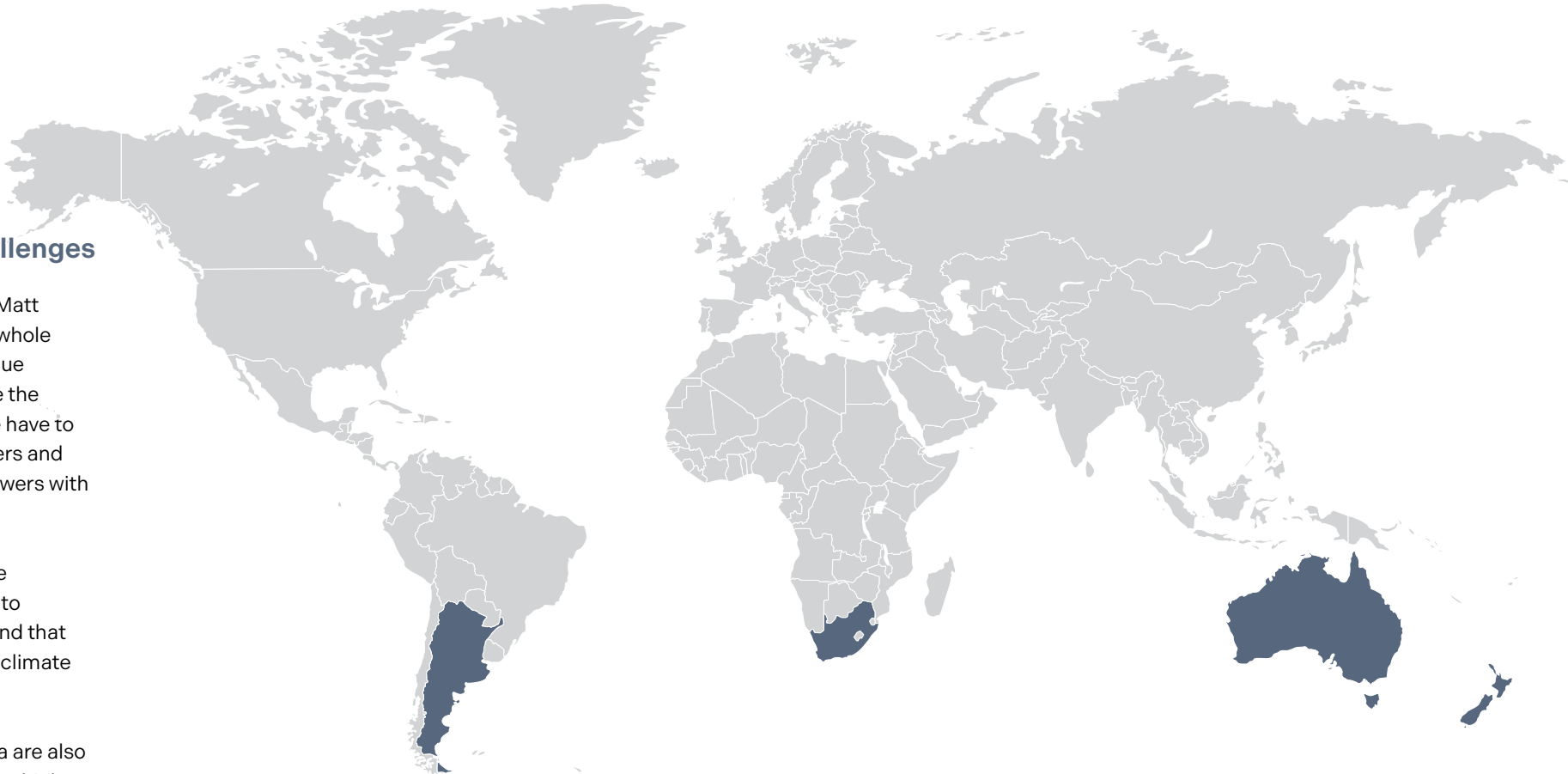
“The growers are central to what we do,” says Matt Hand, NZM GM of Global Supply. “They’re the whole purpose of why we are here, which is to add value to wool growing. To do that, we must recognise the challenges that our growers are facing, and we have to know what the expectations are from consumers and from legislators so that we can provide our growers with the right tools to meet those challenges.”

Matt says there’s no doubt that our growers are committed to protecting the environment and to ensuring that their animals are well cared for and that they share the same concerns as us regarding climate change and its impacts on the environment.

Our growers in both New Zealand and Australia are also facing challenges, including inflation being at its highest rate in almost 40 years. These costs are expected to increase, compounded by a tight labour market and increased shipping costs. Growers have also seen increased cost for contractors, tradespeople, machinery as well as fuel and fertiliser price increases.

Growers across the ZQ network are subject to increasing environmental regulation imposed by national and local government. Water quality and protection of natural wetlands has been the subject of intense regulatory change, many growers have had to invest heavily in stock exclusion measures, riparian planting and creating buffer zones. Whilst the desired outcome of this regulation resonates with ZQ growers, there are systems change and investment requirements.

“Our role at NZM is to help reduce the impact of these challenges by directly supporting innovation on-farm and continually ensuring our growers are rewarded with marketplace premiums.” says Matt.



731 Certified ZQ Growers
(New Zealand /Australia)

499 Growers Voluntarily signed up to
ZQRX (New Zealand /Australia)

15,643 ^{+24% YOY} Tonnes
Certified ZQ Greasy Wool¹

5,277 ^{+131% YOY} Tonnes
Certified RWS Greasy Wool²

Sourcing Countries
New Zealand, Australia,
South Africa, Argentina

¹ Procured from NZM New Zealand/Australia farm groups
² RWS wool procured from other territories

Balancing Supply & Demand

We source wool directly from our farm groups in New Zealand and Australia. We also procure RWS wool for our brand partners through our valid RWS Trader Scope. We are constantly recruiting new growers to meet demand. We’ve seen a strong increase in demand this year for ethical wool and regenerative wool. Balancing demand and supply are essential. We continually work with brand and supply chain partners to forecast demand and match that with grower recruitment.

Building our Australian team

To help increase our grower base, we’ve hired a team in Australia. The new team will be focused on on-the-ground support for our growers, including training and audit support as well as completing ZQRX initial assessments.

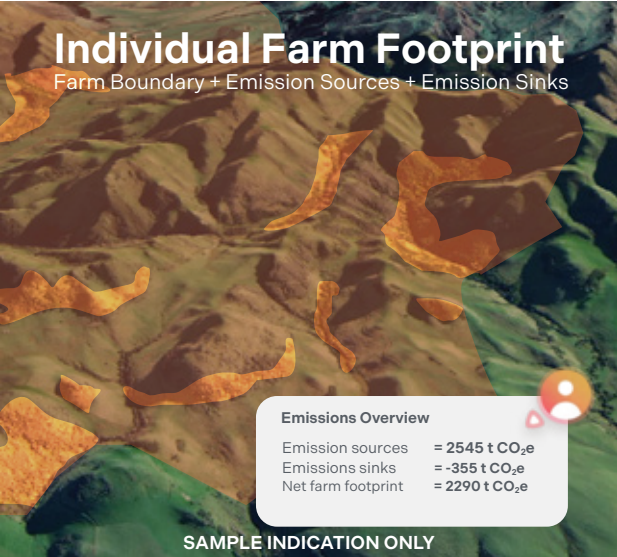
“The reception of ZQ in the Australian grower community has been spectacular. Growers see a big opportunity in strong, long-term contracts with direct relationships to brands.” says Emma Subtil, NZM ZQ and ZQRX Relationship Manager.

The Australian office is in addition to the existing support provided by our current Australia broker partners.

Local Touch, Global Approach

To bring the right growers onboard, we know that we need to be transparent about what we require.

That’s why our growers are selected on the basis of shared values and their ability to supply the wool type and quality that our brand partners specify. During the onboarding process, growers receive a pre-audit visit to assess their readiness to enter the ZQ/ZQRX/RWS programmes. Growers adopt our terms and conditions and receive information to support them through their audit, including access to our Grower Gateway - a resource centre with additional tools and materials to help growers on their path to ZQ certification.



Grower Tools & Resources

This year, the focus of ZQRX has been developing an end-to-end carbon model to calculate the net emissions on-farm. The aggregation of various national and regional data streams with daily on-farm inputs will provide clear recommendations for on-farm emissions mitigation. The carbon model remains in a prototype phase and will be made available to growers and brands in FY2023.

We are actively working on digitising the other ZQRX science-based initiatives. We have also commissioned a digital grower portal which will supersede the existing Grower Gateway. The first iteration of the new grower portal will be made available to growers in FY2023.



Our Brand Partners



The NZM business model has been built on deep, long-term relationships with premium brands, who are committed to sourcing the very best wool. These strong connections with our brand partners provide integrity and commitment to the relationships with the grower community. It is vital that our brands understand the on-farm opportunities and challenges facing our growers and feel a vested interest in collaborating for continuous improvement of practices.

Manaakitanga is an underpinning philosophy of our work with brand partners. This is about respecting the brand/ grower relationships and cultivating these relationships in an intentional manner. We aim to provide bespoke, customised solutions for our brands to ensure they are growing their sales, margin, and reputation as a result of their commitment to our relationship.

Our commitment to these relationships is generally represented by extensive international travel to nurture the in-person connections. Moreover, we continually host brand partners from around the world on-farm in New Zealand and Australia. Considering the global travel restrictions of the last two years, we have also created innovative ways to maintain these connections through online webinars and regular online meetings. We have also invested significantly into content development and content portals for our brands to access.

“Our core brand partnerships, particularly those 25 brands committed to ZQRX, have only strengthened in the last two years” says Tim Loftus, NZM GM Sales & Marketing. “The belief in and commitment to regeneration from our brand partners helps us drive innovation across the industry. We are proud to work with our progressive brand partners and we are committed to continuously adding value to their businesses.”



Our Supply Chain Partners



NZM has established strong long-term relationships with our wool industry partners in the supply chain to provide integrity to the ZQ and ZQRX programmes. Brand and supply chain partners must share our core values and include an ethical approach to doing business, transparency, and a commitment to sustainability of the wool industry and social, environmental, and economic sustainability in general.

Robust supply chain partner agreements are paramount, and it is a requirement of our process to have signed commercial contracts in place with all our brands or their supply chain partners, outlining the terms of the contract, volume, delivery, specification etc. The process requires supply chain partners to sign back-to-back contracts all the way through to the brand partner who signs a contract with the garment/fabric maker. We offer stock services of ZQ yarn to our smaller brands through our supply chain partners. In this instance, the supply chain partner is required to sign the purchase agreement, the brands then purchase ZQ yarn from the stock programme.

We will be reviewing and enhancing our supply chain partner agreements to ensure that our code of conduct reflects our ESG commitments, the ZQ Wool remains traceable, and brand integrity is maintained.



Traceability

Traditionally, farmers sold their wool at auction with no knowledge of where it went or how it was used. Through our ZQ and ZQRX programmes, our growers are connected to the brands that buy their fibre, and vice versa. Growers know who is buying their wool, and the products that it is being made into. This helps them to fine tune their farm’s systems specific to their market. Equally, brands have visibility back to the individual growers, providing confidence of on-farm practice, fibre origin, quality, and values alignment.

All ZQ/ZQRX bales are selected to meet brand specifications. Bales are sent to a central wool store where they are logged, tested, and sampled to ensure quality standards are met. This information is entered into the Talman wool trade system, a system used by wool brokers worldwide. Every invoice that is generated by NZM is checked to ensure that the certification is correct, whether it be ZQ, RWS or ZQRX or a combination of all three, before being sent on to the next stage of the supply chain.

Traceability is made possible through the ZQ/ZQRX forward contract model, providing a clear chain of custody. NZM is also able to facilitate mass balance assessments of wool batches and have third party partners to provide further traceability tools and automation where required.

We issue Certificates of Authenticity for our ZQ/ZQRX

programmes to our brand and supply chain partners. We also issue transaction certificates for RWS wool through our third-party certification bodies.

“Traceability is a complex issue that requires the whole supply chain to be involved to ensure the success of end-to-end transparency. The contracts that NZM holds with brands provide a way for traceability to be executed both efficiently and with accuracy,” says Erica Horrobin, NZM Traceability Analyst.

As brand partners strive to achieve full traceability from raw material to retail, we are focusing on improving efficiencies and digitising this currently manual process. We will partner with our brands to support this journey.

“Traceability is important as it creates a way to verify and validate a product is what it claims it is. It helps customers be confident that their purchase aligns with their values”, says Jennifer Dowhaniuk, NZM Traceability Administrator. “Knowing that NZM is creating processes in traceability that have a positive effect on social, environment and commercial outcomes for the world is very rewarding.”

We plan to implement a pilot programme to enhance and automate end-to-end traceability throughout the supply chain with an IT partner. This will allow us to trace both ZQ and ZQRX product more easily and efficiently.





Our Industry Partners



Textile Exchange

Our membership with the Textile Exchange provides a platform for us to collaborate with global brand and value chain partners. We actively participate through industry working groups, industry research initiatives, and involvement in digital textile forums. We are one of the largest traders of RWS wool globally.

textileexchange.org



Actual

Our partnership with Actual provides state-of-the-art modelling software and innovative ESG strategies to support both growers and brand partners.

actualhq.com



Savory Institute

Savory Institute is a global NGO with a focus on regenerative grasslands. We partner with the Savory Institute through a formal relationship with their Land to Market programme. Our partnership allows us access to their Ecological Outcome Verification (EOV) – a scientific measurement of land health.

savory.global



Land to Market

Savory Institute’s Land to Market programme is an outcomes-based verified regenerative sourcing solution. Grower properties that have shown to be positively trending over multiple EOv assessments are able to use this stamp on product.

landtomarket.com



Soil Matters

Soil Matters is a soil consultancy business who provide independent soil health advice and analysis. Through our partnership, Soil Matters has been trained to deliver the Savory Institute’s EOv assessments.

soilmatters.co.nz



Asure Quality

AsureQuality is an independent third-party audit provider and delivers all of the ZQ audits in New Zealand.

asurequality.com



Control Union

Control Union is an independent third-party audit provider and delivers all of the ZQ audits in Australia.

petersoncontrolunion.com



Te Hono

Te Hono is a partnership between the leaders of New Zealand’s food and fibre sector companies, iwi, and government agencies. We have worked closely with Te Hono since its inception, and the Te Hono team operate out of the NZM office.

tehono.co.nz



Toitū Envirocare

Toitū Envirocare membership helps us to measure and manage our carbon footprint through our annual carbonreduce certification. Toitū Envirocare is also reviewing our on-farm carbon calculator.

toitu.co.nz

Animal Welfare



Why Animal Welfare Matters



Underlying Principles



Production Science



ZQ & ZQRX Animal Welfare





Why Animal Welfare Matters



Animal welfare was identified through our materiality process as a key material topic by our stakeholders. Animal welfare has always been central to our way of doing business and, as such, is managed extensively by our growers through various mechanisms within the organisation, specifically through:

- ZQ and ZQRX programmes, including auditing and certification.
- Production science, research initiatives and the development of associated grower extension (workshops, field days, factsheets, and best practice guides).
- Grower training and capacity-building initiatives.
- Alignment with government and non-government animal welfare initiatives.

We consult regularly with key stakeholders including, growers, brands, NGO's, animal welfare groups and academic institutions to ensure our approach to animal welfare is fit for purpose, and is leading best practice.

ZQ is designed on a continuous improvement basis, accordingly we continue to evolve our management approach to ensure that we meet and exceed stakeholder expectations.



Underlying Principles



Our Approach to Animal Welfare

The Five Freedoms; freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury or disease; freedom to express normal behaviour; freedom from fear and distress - have formed the basis of, and guided animal welfare standards, including ZQ, for years. However, the way we approach animal welfare has evolved.

The *Five Domains - Nutrition, Environment, Health, Behaviour, Mental State - recognise that animal welfare must go beyond meeting the basic needs of animals to ensuring that an animal's emotional or mental state is also considered.

The development of ZQRX, NZM's regenerative programme, builds upon the foundation of ZQ and assesses animal welfare on the basis of the Five Domains. ZQRX is outcome orientated. It sets aspirational targets and inspires commitment to a regenerative future for the production of fibre: giving back more than we take.

In the Textile Exchange's Regenerative Agriculture Landscape Analysis, ZQRX was identified as one of the few 'outcomes-based standards' available globally.

*Mellor, D.J., Beausoleil, N.J., Littlewood, K.E., McLean, A.N., McGreevy, P.D., Jones, B., Wilkins, C. 2020. The 2020 Five Domains Model: Including human-animal interactions in assessments of animal welfare. Animals 10, no.10 : 1870.



Production Science



Breeding Better

This year, NZM has reached the ninth year of a research programme aimed at enabling the fine wool industry to select genetically more healthy, productive, and profitable animals. This work has changed the game for ram sales - with 90% now being sold with estimated breeding values (EBVs)- up from 9% before the programme began. EBVs provide

scientifically derived, quantifiable information about an animal’s genetic potential across key production and performance traits. This enables growers to make more informed decisions regarding the genetic makeup of their flocks, to ensure they are ideally suited to the climate, landscape, and farm system.

“Grower feedback is that we’ve unlocked a whole new level of data and information and people are using this to accelerate progress in their studs,” says Emma Wilding, NZM Farm Innovation Project Manager.

A core focus of the programme was developing a tool to enable growers to breed for disease resistance. A research team supported the collection and analysis of production data which is entered into the Sheep Genetics database. “We’re using technology to identify genetics with disease resistance and that supports improved animal health and welfare outcomes. This genetic advancement has allowed fine wool sheep to expand into farming systems they traditionally wouldn’t have been farmed in,” says Emma. “These are more resilient animals that can be kept on a larger range of landscapes and climates.”

Work will continue with the industry to capture the data.

NZM runs annual genetics workshops aimed at upskilling stud and commercial growers to drive genetic progress in their flocks.

“This is an ongoing extension programme aimed at providing growers opportunities to upskill and enabling collaboration between growers and new generations of farmers looking to learn from their peers,” says Emma.



ZQ & ZQRX Animal Welfare



ZQ and Animal Welfare

Our ZQ programme outlines our management approach to animal welfare through objectives, requirements, and recommendations.

The ZQ programme specifically covers the following areas of animal welfare:

- 1 ANIMAL WELFARE, HEALTH AND MANAGEMENT
- 2 ANIMAL HEALTH TREATMENT RECORDS
- 3 STOCK MANAGEMENT
- 4 ANIMAL HUSBANDRY
- 5 ANIMAL HUSBANDRY PROCEDURES (TAIL DOCKING, CASTRATION, DISBUDDING/ DEHORNING AND SHEEP MARKING)
- 6 NUTRITION AND WATER
- 7 BREEDING
- 8 ON-FARM SLAUGHTER AND EUTHANASIA BEST PRACTICE
- 9 PROHIBITED PROCEDURES
- 10 SHEARING BEST PRACTICE
- 11 SHEARING SHEDS & FACILITIES
- 12 PREDATION

Mitigating Risks Outside of Audits

We have a team of Area Managers who are regularly on-farm, supporting growers and monitoring progress outside of the audit.

Additionally, as part of the ZQ programme, our independent third-party audit providers complete annual semi-announced audits with 72 hours’ notice on at least 5% of our grower base. These happen at times of heightened animal welfare risk and audit to specific ZQ animal welfare requirements only. This year, 31 semi-announced audits were completed in New Zealand with two corrective action requests issued as a result. All non-conformances were closed out.

Complaints and Concerns About Animal Welfare

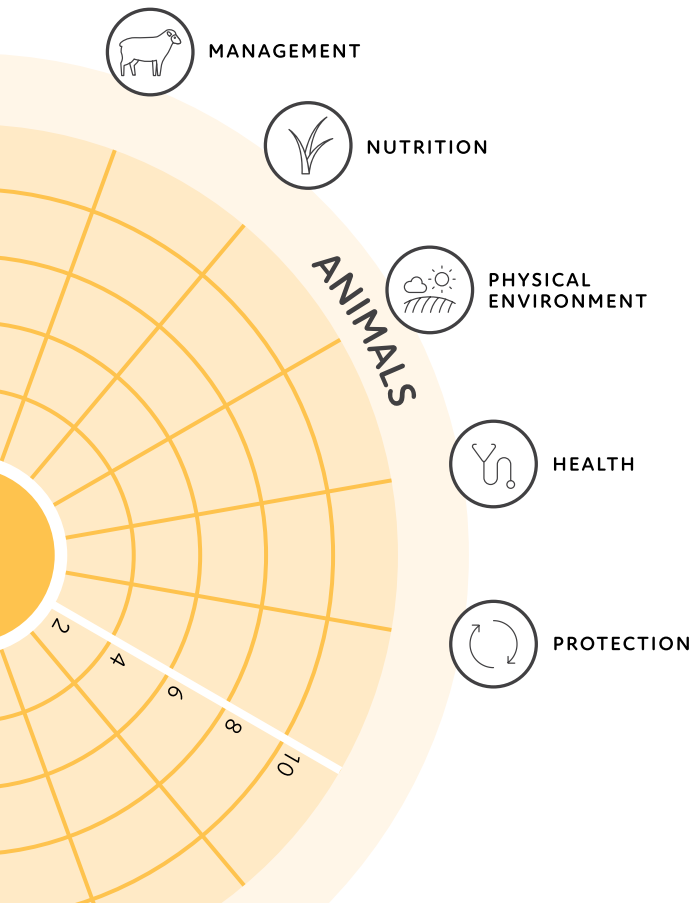
Animal welfare concerns are channelled through various mechanisms within the business and follow our complaints process.

We received one complaint this year regarding animal welfare. As a result, a semi-announced audit was conducted at the property by our third-party provider and no evidence of any animal welfare concerns were found.

ZQRX and Animal Welfare

While ZQ remains a strong foundation, ZQRX goes beyond sustainability and focuses on regeneration, thereby providing consumers, growers, and brands with the ability to actively contribute to improving the environment as well as animal welfare and society. At the heart of ZQRX is the ZQRX Regenerative Index that enables an assessment to be made regarding a grower’s performance against KPIs for environmental management, social responsibility, and animal welfare.

ZQRX Index



ZQRX Animal Welfare Model

The five KPIs of animal welfare were defined using a combination of the five domains of animal welfare, the five animal freedoms, and the Global Animal Partnerships (GAP) sheep standard, which assesses animal welfare on-farm, during transport and at slaughter.

NZM used these models as a reference and then adjusted the KPIs for sheep farming operations. Additionally, the ADKAR (Awareness, Desire, Knowledge, Ability, Reinforce) framework was applied to help quantify the level of grower engagement and action around animal welfare issues. To increase their scores, growers must be actively managing animal health and welfare issues based on data gathered on-farm.

MANAGEMENT

Our management approach is assessed by considering systems to track stock numbers, stock movements, and stock performance. These enable growers to better monitor their sheep over time. With more data, management decisions can be made to improve the production and performance of the sheep flock, including informed decisions on selecting animals for breeding.

NUTRITION

Adequate nutrition throughout the year is critical for animal welfare and for ensuring sheep reach their full potential - especially for ewes who have varying energy requirements during pregnancy and lactation. Wool production is also directly impacted by feed availability and feed type. Any sudden changes will show up as a fault in the wool. Considered feed management is crucial to balance energy requirements and availability. Body condition scoring is a proven tool to monitor individuals and to ensure each sheep is getting its feed requirements met.

PHYSICAL ENVIRONMENT

The physical environment in which sheep live will have a large impact on their wellbeing and ultimately their production and performance. The availability of shelter is important during key times, such as post-shearing and lambing and during hotter summer months. The design of facilities on-farm, including yards, woolshed, and laneways, can be done in a way that encourages stock flow and minimises human involvement.

HEALTH

As caretakers of sheep, it is important to ensure they live a life free of pain, injury, and disease. This relies on having proactive animal health management and strategies to deal with common sheep diseases. The overarching goal is to have a reduced reliance on chemical treatments without compromising on animal health. This includes monitoring and only using targeted treatments - or utilising genetics as a tool to breed resilience against specific diseases.

PROTECTION

Growers must ensure that sheep are safe from predation and other threats. During times of human interaction - such as when sheep are mustered, handled, and transported - this can be done in a way that minimises stress and allows sheep to exhibit their natural behaviours. In situations where sheep must be euthanised, doing so with an instantaneous method to result in a painless death.

The actions required to achieve good animal welfare outcomes will vary on individual farms. NZM and the ZQRX I Regenerative Index aim to be outcome-focused, rather than prescriptive in nature, and provide growers with a range of tools to implement the changes required.

Environmental Footprint



Climate & Carbon



Land & Soil Health



Biodiversity



Water & Waste





Climate & Carbon



Climate affects nearly every aspect of our lives and tackling climate change is the defining issue of our time. Climate change is already affecting our world today with extreme weather phenomena increasing in both intensity and frequency. These changes are primarily a result of human activities. With the global need for climate action, there is an opportunity through regenerative agriculture for farming to be a solution to climate change, not the problem.

Demonstrating leadership in environmental

measurement and action is key to the work that we do with our growers. This work is supported through both our ZQ and ZQRX programmes. 100% of our ZQ certified growers must complete the environmental section of our audit programme. These requirements form the foundation for our work with our growers on environmental impact. There were no instances of breaches for legislative requirements through the ZQ programme in New Zealand and Australia for environmental compliance this year.

Why Carbon Matters

Although greenhouse gas emissions are not the only environmental issue of importance, it is an area where immediate action is required to slow the rate of, and potentially stop, climate change. The increasing frequency of extreme weather events and drought brought on by climate change are already impacting our grower supply base, as well as other value chain partners. We are also seeing an increase in the societal expectations on companies and subsequent corporate commitments to reducing emissions and removing CO₂ from the atmosphere, particularly within the value chain. This presents the opportunity for us to contribute to slowing climate change through collaboration within the value chain and providing tools and analysis to support positive action on-farm which is likely to have other co-benefits such as increased climate resilience and biodiversity.

Our Growers’ Carbon Footprint

Action needs to be informed. A focus of our ZQRX programme is to support growers to understand their emissions profile, as well as the mitigation options that best suit their property. This way, we aim to inform and equip our growers to make good decisions and track their progress over time.

Science and R&D

Our approach to carbon is science-based. We have taken a stepped approach, ensuring that we are establishing the right partnerships, projects and processes to deliver net positive ecosystem impact on-farm

Step 1: Lower carbon: NZM’s first net emissions Life Cycle Assessment

Traditional Life Cycle Assessments, also known as carbon footprints, have only focused on measuring gross emissions on-farm and do not typically include the associated emissions removals that also occur on these properties. In partnership with Quantis International, NZM has undertaken a net emissions life cycle assessment which includes both the emission sources and sinks (such as CO₂ removals from permanent vegetation) on the farm. The assessment uses New Zealand sequestration estimates specific to vegetation types on the farm. It resulted in net farm footprint roughly 40% lower than if the carbon removals from farm vegetation were not included. The wool from this farm was subsequently

used to create a run of products which were marketed as “low carbon.”

Step 2: Carbon zero: NZM’s first ZQRX farm to achieve carbon zero certification

Through partnership with growers and Toitū Envirocare, New Zealand’s most prominent carbon footprint certification body, NZM has supported two farms to achieve carbon zero certification. See: [The First Carbon-Zero Farm in New Zealand | Toitū Envirocare \(toitu.co.nz\)](#). Once again, the work to quantify CO₂ removals from areas of natural and planted permanent vegetation on-farm was undertaken in conjunction with local experts and confirmed that these farms were removing more emissions from the atmosphere than they were emitting.

“These early proof points validate that achieving net positive ecosystem impact is possible on-farm. ZQRX exists to be able to scale this positive impact across our growing ZQRX supply group, at a landscape scale. This is what we are doing with our technology partners, Actual.” says Donna Chan, NZM Regenerative Transformation Manager.





Step 3: Scale: NZM’s partnership with Silicon Valley-based technology company Actual

NZM’s ZQRX platform and Silicon Valley technology platform, Actual, celebrated the signing of their official, impact-driven partnership, ‘Made for Good RX’, with a ceremony attended by New Zealand Prime Minister Jacinda Ardern and California Governor Gavin Newsom in San Francisco on 27 May 2022.

The signing marked a milestone with technology and regenerative practices converging to reshape agriculture across the globe.

“Our partnership with Actual is the culmination of a decade-long journey. Market impact has been at the heart of our efforts to reimagine the future of conscious consumerism and create products that are ‘made for good’. This partnership marks a new beginning that will transform agricultural practices across the globe. We’re proud to celebrate this moment with Actual and especially honoured that the Prime Minister of New Zealand could be here,” said John Brakenridge, NZM CEO.

“Today Governor Newsom and I have announced a partnership between the state of California and New Zealand, as we collaborate to tackle climate change,” said Prime Minister Jacinda Ardern. “A key part of that work is not just what Government can do, but what business can do also. The signing of this agreement between ZQRX and Actual is exactly the type of innovation we hope to see from the Memorandum of Cooperation, with two organisations from each respective nation, paving the way as change makers and innovators within the sustainability space.”

The partnership between ZQRX and Actual is rooted in measurable impact - equipping ZQRX’s network of growers with tools to take positive environmental action. Beyond growers, the joint venture will accelerate action plans and goals among ZQRX’s foundational brand partners. By integrating Actual’s technology into the ZQRX platform, NZM continues to lead sustainable outcomes for the wool industry. The partnership also empowers consumer brands to meet growing demand for ESG, and ultimately, shift agricultural practices across the world to support healthier people and a safer planet.

Accurate Accounting of GHG Profile of Wool

Ironically, natural fibres such as wool fare poorly in some material indices, such as the Higg index, compared to synthetic fibres. The Higg Index is an apparel and footwear industry self-assessment standard to rate environmental and social sustainability throughout the supply chain. The GHG profile for wool in these databases only allows for reporting on gross emissions, and not CO₂ removals that happen on-farm. The scores on The Higg Index are generic - they don’t reflect specific supply bases, countries, or farming practices. Because of this, NZM is working with the SAC (Sustainable Apparel Coalition) to provide data from life cycle assessments, and from our ZQRX platform, as evidence to show the positive farm action undertaken by our growers.

NZM Carbon Footprint

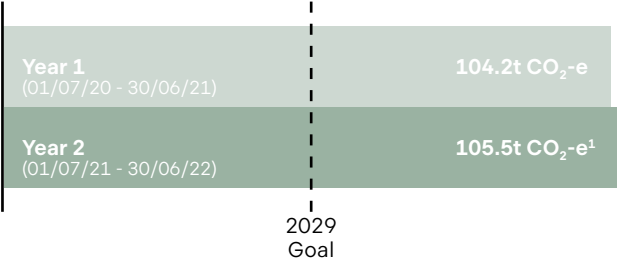
We are intimately aware of the stress that climate change puts on the food and fibre sector. We also understand the shift toward lower-impact and climate-positive products and services. Measuring our carbon footprint and designing projects to reduce our emissions is one action among many intended to contribute to a low carbon, prosperous future.

Our base-year and second year footprints are much lower than a “normal” year due to Covid-19 travel restrictions. As a result, our primary target is to reduce our scope 1 and 2 emissions by 50% by 2029 based on a three-year rolling average, to account for the inherent variability in current business activity. Over the coming year we will determine a long-term scope 1 and 2 emission reduction goal based on 1.5-degree warming pathways stipulated by the science. As we gain an understanding of what our scope 3 emissions would be in a normal year, we will set a combination of engagement and reduction targets for these emissions, with a key focus of getting our team involved as part of the process, again, using 1.5 warming pathways as a basis. “Reducing greenhouse gas emissions is an essential responsibility of business to ensure a future where humanity can thrive”, says Alex Duncan, ZQRX Technical Projects Manager, “To be part of the process not only of understanding NZM’s emissions profile, but to also help determine how we can move as a business to a low carbon future, is immensely satisfying.”

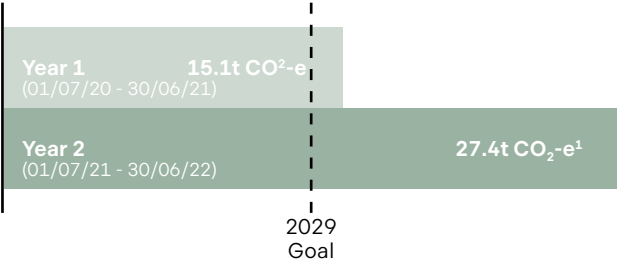
“Total base year emissions came to 166 tCO₂-e, while year two emissions came to 370 tCO₂-e. Over this time, fuel emissions have remained stable, even as we expanded our fleet to include staff in Australia at the beginning of 2022. Electricity emissions increased significantly as the base year included the first Covid-19 lockdown, when all staff were working from home and emissions from flights increased as borders

began to open and international travel resumed at the beginning of 2022, which was not possible in the base year due to Covid-19 travel restrictions.”

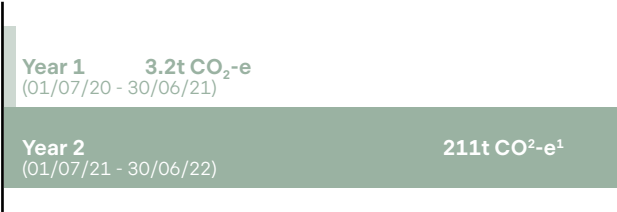
Fuel Emissions (Scope 1)



Electricity Emissions (Scope 2)



Flight Emissions



¹ Pre verification data, these may change slightly after the certification process. Where this is the case updated figures will be used in subsequent reports.



Land & Soil Health



Why Land Matters

Ultimately, everything that we use can be traced back to the land. Most notably, land underpins our food and fibre production. Soil is also an essential component of land, supplying the nutrients, water and oxygen to support plant and animal communities to grow and flourish. However, our landscapes have been subject to change and our land resources are under stress. Humankind must now embrace our role as stewards responsible for safeguarding our land for future generations.

100% of certified ZQ growers must successfully complete all requirements under the land and soil health section of the programme. This is the foundation for the work we do on land and soil health with our growers. The requirements ask growers to ensure that all regulatory requirements are met; provide a written farm environment plan to include actions to mitigate risks to soil and land health including the ability of soils to sustain plant growth; and ensure the reversal of soil erosion and on-going protection of topsoil. Growers must also take steps to monitor, measure and prevent soil erosion, compaction, loss of organic matter and to restore damage to affected areas. Key indicators of land health must be monitored as part of their farm environment plan through photography and soil testing.



Industry Collaboration to Drive Land Health – NZM’s Strategic Partnership with Savory Institute’s Land to Market Programme

This year, our regenerative wool platform, ZQRX, launched a strategic partnership with Savory Institute’s Land to Market programme to support the ZQRX network of growers.

By supporting these growers to establish regenerative agriculture and monitor the ecological outcomes, we collaboratively strive for a more sustainable future. This partnership will drive measurable impact in the land indicator of the ZQRX platform. It incorporates Savory Institute’s Ecological Outcome Verification (EOV) protocol, which is designed to support and train growers throughout their regenerative journey. As a foundational brand partner of ZQRX, VF Corporation is providing significant investment towards ZQRX’s land indicator.

“Important collaborations like this one allow us to bring science-backed and outcome-based solutions to more farmers while offering at-scale regenerative material options to brands,” says Chris Kerston, Chief Commercial Officer of the Savory Institute. “Our partnership will grow supply by providing training and resources to wool growers. This empowers them with the tools they need to manage their land and become more resilient to extreme weather events, to increase biodiversity and to ensure profitability.”

John Brakenridge, NZM CEO, says, “At ZQRX, our regenerative efforts are centered around constant improvement. This belief is at the core of our exciting new partnership with the Savory Institute’s Land to Market Programme. We’re accelerating our progress - ultimately driving more impactful ecological outcomes.”



Science and R&D – Pilot study utilising Savory Ecological Outcome Verification (EOV) showed six NZM properties to have improving land health.

In partnership with Ata (the New Zealand Savory Institute’s Hub), NZM applied the Savory Institute’s EOV methodology across six properties. The work started in January 2020 to establish a baseline Ecological Health Index (EHI). Short-term and long-term monitoring sites were established. The short-term sites showed all six properties have a positively trending EHI. This gives these growers the confidence that their management is having positive outcomes. The long-term sites will be monitored again in 2025.

Going forward, we have developed a programme to enable a broader group of growers to regenerate their land base and be assessed by the Savory EOV methodology. This capability has been built into the Soil Matters team. As part of the grower package, there will be holistic management workshops to introduce the key principles of regenerative land management. The land base will be independently assessed by Soil Matters, giving growers and brands confidence in the outcomes. There will be 30 growers involved in the programme this year.



Biodiversity



Why Biodiversity Matters

Biodiversity is fundamental to the survival of all life. It provides the life supporting systems for all living organisms, including humans.

Biodiversity is critical to growing food and fibre, to pest and disease regulation and to habitat creation. It also contributes to culture and recreation.

In the ZQ programme, 100% of certified growers

must meet the programme’s biodiversity requirements. These include meeting regulatory requirements as well as producing a written farm environment plan. The plan must show growers have knowledge of local flora and fauna and that they have taken steps to protect them along with other natural landscape and habitat features. There must be ongoing control of introduced weeds and pest animals along with management of indigenous rangeland pastures. Stocking rates and grazing management must encourage biodiversity and avoid overgrazing, compaction or erosion. The conversion of natural ecosystems to agricultural land is prohibited and pest management must consider prevention, observation, monitoring, and intervention.

To support our ZQRX biodiversity initiatives, we have created education resources and tools that help growers monitor changes in biodiversity and ecosystem health. Growers monitor stream health, native vegetation, and bird life, allowing growers to assess if biodiversity is improving, declining, or staying consistent.

Our brand partners invest directly into biodiversity initiatives. For example, Sheep Inc is investing 3% of revenue back into biodiversity projects on-farm. Currently, there are three properties receiving funding and this is set to expand in 2023.

Going forward, we are partnering with the Eco-Index that uses publicly available data sets and remote sensing technology to determine the current state of biodiversity across the ZQRX platform. Based on this data, Eco-Index will develop a dashboard showing the level of investment required to improve biodiversity on farm. This will create a pathway for growers, brand partners and other stakeholders to invest in projects to tackle biodiversity decline.



Water & Waste



Why Water Matters

Without water, humans and the earth cannot survive. It is important that we are conscious of our water usage so that there are sufficient water resources to meet the demands and values of our local communities. Water is essential to maintaining a healthy, productive, and resilient ecosystem for the benefit of plants, animals, and people.

100% of ZQ certified growers must have an understanding of the potential impacts of biodiversity on their land and have strategies in place to minimise damage to aquatic ecosystems and waters, actively

encouraging conservation. Waterway health indicators include the ability of humans and stock to drink from waterways, abilities of humans to swim and enjoy waterways, ability of waterways to sustain a healthy ecosystem and minimisation of nutrient run off. 100% of all certified ZQ Growers must meet these requirements to become certified.

As a business, we will look to further outline our management approach to water, ensuring that both water usage and quality are managed effectively.

Why Waste Matters

Humans generate more waste than we can deal with, and it is filling up our oceans and landfills. This is a consequence of the linear ‘take-make-dispose’ model of production. We need to shift toward a more circular model, one that mimics nature. In nature, nothing is wasted, and all resources have their part to play. Making small changes in our everyday lives can make a powerful difference to preventing waste pollution.

Certified ZQ growers must meet all requirements for responsible management of hazardous substances and waste. They must understand and comply with all environmental regulatory requirements for waste. They must store hazardous substances safely and follow targeted use and safe application guidelines. Hazardous substances must be disposed of responsibly and farm waste (including offal pits) must be stored and disposed of responsibly to meet regulations that farm waste is minimised and managed carefully.

We know waste is a key issue on-farm. As part of ZQRX, we record where growers are engaging with waste recovery providers, including schemes such as AgRecovery and Plasback.

People & Communities

-  **Our People & Culture**
-  **Health, Safety & Wellbeing**
-  **Talent & Development**
-  **Diversity & Inclusion**
-  **Connecting the Value Chain**
-  **Connecting our Brands & Growers**





Our People & Culture



Team Engagement

Core to the success of NZM has been the development of a unique, purpose-driven culture. This enables us to attract and retain a team of high-performing, passionate individuals and cultivate strong relationships with our growers and brand partners in New Zealand and across the globe.

Our culture has been built on the cornerstone of kindness. This value is influenced by the philosophy of Owen Eastwood’s book, *Belonging*. Owen did a workshop with the team in 2021 that helped us refine this value as we faced the dual challenges of Covid-19 and ongoing growth and expansion.

We are proud of the high level of engagement amongst our team. For the last three years, our annual engagement survey has seen more than 95% participation rate. The culture, organisational learning and leadership categories consistently receive scores over 80%, which is well above the industry benchmark obtained by AskYourTeam.

The 2022 engagement survey saw particularly impressive results - with the six categories of organisation learning, culture, diversity and inclusion, health, safety and wellbeing, leadership and strategy all scoring over 80%. Seeing health, safety and wellbeing and culture both score 81% was a particular highlight in what has been a challenging year with the ongoing effects of the pandemic.

At NZM, we are always on the lookout for ways to continuously improve. Each year, human resources runs focus sessions with each team to discuss the results of the annual survey, celebrate the strengths of the team and create an action plan for areas each team could grow in. Human resources meets throughout the year to help guide the team with their actions.



Health, Safety & Wellbeing



We are committed to providing a workplace that protects and promotes physical and mental wellbeing. Our dedicated health, safety and wellbeing team meets every quarter to share information and ideas, discuss processes and identify opportunities for enhancement, and note any incidents, accidents, hazards or other concerns. The Audit and Risk committee also oversees all significant matters in this area.

Over the last three years, Covid-19 has been the key challenge. To keep our people safe and our business operating, NZM has developed a robust policy that is regularly reviewed by the health, safety and wellbeing team. Our Covid-19 decision-making has been aligned with our values and the effect of Covid-19 on both the physical and mental health of our people.

While Covid-19 has dominated the conversation, another key focus of 2022 has been the mental wellbeing of our team. We have engaged with EAP (Employee Assistance Programme), to provide personal and professional support for our team. This year, we adopted My Everyday Wellbeing, a digital platform designed to provide advice and support for people to develop healthy habits that promote wellness. To build upon the advice provided in this platform, Tim Mertens from My Everyday Wellbeing spoke to the team earlier this year on fostering strong mental health and resilience.

Courses including First Aid, defensive driving, and defibrillator training are offered to the team on an annual basis, and resources are provided to staff including online training seminars, informative articles, and in-person workshops. Regular engagement with public initiatives such as Mental Health Awareness Week, Pink Shirt anti-bullying day, and Matariki enhance our connectivity and reinforce our values.

To support the safety of our remote team, we regularly review company vehicle models and safety ratings to ensure their means of transport are appropriate to the driving conditions. Navman satellite navigation systems are installed in all company issued vehicles to capture location, behaviour and diagnostic data in real-time, while providing the driver with safe driving tools and resources. Additionally, portable GPS locator systems are offered for remote trips when the vehicle is not equipped with Navman.

Covid-19 has restricted some of the usual social activities, but we have adapted to make sure we maintain the open, accepting and kind culture that is the cornerstone of our success. Comprehensive inductions and welcome packs for new team members have continued - as have morning teas, cards, and gifts to celebrate the individual and collective milestones and successes of our team.



Talent & Development




Our team at NZM is currently made up of 64 talented people across New Zealand, Australia, the UK, and USA.

2022 has been another year of growth for NZM, with 22 new people joining the team. Much of this growth has occurred within the ZQRX team as it continues to play a leading role in driving our industry toward a regenerative future. Another core focus in 2022 has been the expansion of NZM’s global presence, with two employees now based in Australia. For the first time, we have a representative based in the UK and one in the USA.

We are committed to investing in our people to help them grow personally and professionally. To foster this growth, teams regularly meet to plan a roadmap for how each team member will develop the capabilities they need to meet their personal and professional goals.

Another highlight of 2022 was our Leadership Development Programme. Eleven team members were identified as next-tier leaders and were enrolled in a bespoke six-month programme to equip them with the insights, skills and confidence needed to become the next generation of leaders at NZM.

We are proud to see our investment in our people lead to internal advancements across our team.



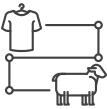
Diversity & Inclusion



At NZM, we strive to celebrate diversity within our company and create an inclusive and balanced workplace culture, which leverages our team members’ individual backgrounds, qualities, and contributions to deliver value to our equally diverse stakeholders. Our ability to innovate and grow is rooted in the diversity of thought and creativity of our people.

In the male-dominated primary industry, we are proud to have a team that is 64% female. Women make up 48% of management (management is defined as having one or more direct reports within the organisation). We are proud to have an age diverse team - ranging from 23 to 65.

An ongoing target of NZM is to have more gender diversity within our senior management team. We have committed to 40% female and 40% male team members in our next tier leadership programme. The remaining 20% gives us flexibility based on business need.



Connecting the Value Chain



Connecting with our Grower Communities

Connecting and communicating with our local communities is essential to keep us informed regarding the issues facing our growers. We support social and environmental programmes in grower communities through corporate giving and strategic partnerships. Volunteerism was ranked as the

number one stakeholder priority by our leaders, directors, and brand partners. Our community and grower engagement programmes create opportunities to support, educate, and connect key stakeholder groups. These programmes celebrate our communities and enable them to thrive and support each other in our rapidly changing world. Our fortnightly community newsletter goes to more than 850 New Zealand and 185 Australian recipients with updates on NZM, our team, opportunities, brand partners, the grower community, the market, and anything related to their supply. Events throughout the year connect growers and brand partners to advance the appeal of ethical and regenerative wool.

This year we held roadshows and events across New Zealand and Australia to update our growers on the advances we have made with our ZQ and ZQRX programmes. This was a chance for growers to connect, share their challenges and work collaboratively towards solutions. We attended field days and agricultural shows and sponsored dog trials and other community initiatives.

Anna Johnstone, NZM Strategic Engagement Manager says, “We have many initiatives that support our growers with education around environmental concerns, but it’s also important that we support the health and wellbeing of our growers, their families and communities.”

This year at our Heroes’ Journey Conference, we raised \$31,000 for Farmstrong, an initiative to help growers and their families build resilience and ‘live well to farm well’. Many of our brand partners generously donated products to the fundraising auction. We also completed a trial this year with Mission Nutrition, to help growers be more mindful, use planning tools to reduce stress and practice self-compassion.



Connecting our Brands & Growers



Heroes’ Journey Conference – Celebrating our Growers

In July 2021, we held our Heroes’ Journey Conference with more than 600 growers, brand partners and supply chain partners and affiliates from New Zealand and Australia. The event brought stakeholders together to discuss the most important issues facing us as a group. Brand and supply chain partners had the opportunity to connect with our grower community and cement partnerships across our value chain.

The event included, digital and in-person speakers across our brand partners, growers, the NZM team as well as global innovation and thought leaders. Topics covered included: our whakapapa stories, our purpose and partnerships, ecosystem impact, global markets update, strong wool initiatives, brand partner perspectives, and other topical challenges and opportunities facing our community.

Kelly and Grant Allen of Corleggy Station commented, “From the icebreaker growers club evening to the conference and Saturday night events, we were immersed in the most powerful, positive experience we have had in many years.”

“It’s not very often competing brands are in the same room, all sharing a common goal. The event was first class,” said Swannndri CEO Mark Nevin.



VF Team Visit our Growers

Our brand partners have always been passionate supporters of our growers. This year, we were fortunate to host a group from VF Corporation (VF) at Mt Hesse Station in Australia that included icebreaker President Jan Van Mossevelde, Smartwool President Jennifer McLaren, and VF Senior Director Global Materials Supply, Jon Hopper, among other team members from across VF supply chain, global planning, wholesale and account management. The purpose of the event was for growers and VF to connect in-person on the supply and demand landscape of ethical regenerative wool, and subsequently give growers the confidence that their efforts are valued. The event attracted more than 100 Australian existing and potential NZM growers.

Most of the VF team then travelled to New Zealand to meet with the icebreaker long-term supply contract club, an event icebreaker has held annually over the course of many years.

“We appreciated the open discussion, for us and our brands to sit in a room full of incredible wool growers and hear their feedback. This enables us to build a more sustainable and valuable future together,” says Dave Maslen, NZM GM Markets and Sustainability.



VF Cadetship

VF approached us in 2020 to ask how they could contribute to our industry, particularly in the area of training. As a result, we developed the cadet programme to give shearers and wool handlers the opportunity to upskill from the grassroots and attract new talent to the industry. For many of the cadets, this is training that would normally be unaffordable. The initiative aims to help candidates improve not only as shearers, wool handlers, and employees but also to grow them as individuals and produce leaders and mentors for the industry.

“There is a real buzz from previous cadets who are now championing the programme for VF based on their experience,” says Blair Davies, NZM Assistant Commercial Manager and Area Manager.

Shearing contractors support the programme because it gives them a vastly more experienced and knowledgeable employee who can become a leading hand.

“To see the look on their faces when they are accepted and the continuous gratitude we receive tells me we are on the right track,” says Blair.

This year marks 21 successful candidates through the programme with another 10 already recruited for next year’s intake.



Appendix

Information on Employees and Other Workers

Contract Type By Gender	Male	Female
Permanent	23	38
Fixed-term Full-Time	-	3

Employment Type By Gender	Male	Female
Full-Time	22	37
Part-Time	1	4

Percentage of Employees By Gender	Male	Female
	36%	64%

Percentage of Managers By Gender	Male	Female
	52%	48%

Contract Type By Region	Permanent	Fixed-term Full-Time
New Zealand	57	3
Australia	2	-
UK	1	-
USA	1	-

Percentage of Employees By Age Group	<30	30-50	50+
	27%	50%	23%

Collective Bargaining Agreements	Total
Percentage of total employees covered by collective bargaining agreements	0%

NZM 2022 Engagement Survey Average Score For Key Categories	Total
Organisation Learning	84%
Culture	81%
Diversity and Inclusion	81%
Health, Safety and Wellbeing	81%
Leadership	80%
Strategy	80%

GRI Content Index
GRI General Disclosures

Disclosure		Reference	Page #	Notes
1 Organisational Profile				
GRI 102 - 1	Name of the organisation	Cover page About this report	4	The New Zealand Merino Company Limited
GRI 102 - 2	Activities, brands, products, and services	About our company Our wool This appendix	5, 11, 51	NZM sells ethical and regenerative wool to our brand and supply chain partners globally in the apparel, footwear and interior textiles sectors.
GRI 102 - 3	Location of headquarters	This appendix	51	Level 2, 123 Victoria Street, Christchurch Central, Christchurch 8013, New Zealand
GRI 102 - 4	Location of operations	Our growers Talent and development This appendix	13, 14, 43, 50	-
GRI 102 - 5	Ownership and legal form	This appendix	51	NZM is a limited liability company
GRI 102 - 6	Markets served	Brand partners Supply chain This appendix	16, 17, 51	-
GRI 102 - 7	Scale of the organisation	Our growers Talent and development This appendix Our annual report	14, 43, 51	Full financial disclosures can be found in our annual report page.
GRI 102 - 8	Information on employees and other workers	Talent and development This appendix	43, 50	-
GRI 102 - 9	Supply chain	Our growers Supply chain	14, 15	-
GRI 102 - 10	Significant changes to the organisation and its supply chain	About the ZQ programme Local touch, global approach Building our Australia Team Annual report	12, 15 Annual Report 51	-

Disclosure		Reference	Page #	Notes
GRI 102 - 11	Precautionary Principle or approach	This appendix	52	We use the precautionary approach across the business to ensure that we do not harm the environment, people and animals. Although we partner with organisations to increase our understanding of the impact our business has on others, we do not use lack of full scientific certainty as a reason for postponing cost-effective measures to prevent environmental degradation.
GRI 102 - 12	External initiatives	Our partners This report	19, 20	Connection and communication are key to the success of our ESG strategy. We collaborate with multiple specialist organisations to support our approach.
GRI 102 - 13	Membership of associations	Our partners This report	19, 20	Connection and communication are key to the success of our ESG strategy. We collaborate with multiple specialist organisations to support our approach.
2 Strategy				
GRI 102 - 14	Strategy	Chief Executive statement	3	-
GRI 102 - 15	Key impacts, risks, and opportunities	Chief Executive statement Investigating what matters This appendix Annual Report	3, 7, 8, 60, 61, 62, 63, 64	-
3 Ethics and Integrity				
GRI 102 - 16	Values, principles, standards, and norms of behavior	Supply chain Our people and culture This appendix	17, 41, 52	Code of Conduct - nzmerino.co.nz/ files/ugd/fdb7ce_4dc6f2f12ec14314b415fd408dda8b2f.pdf
GRI 102 - 17	Mechanisms for advice and concerns about ethics	This appendix	52	Code of Conduct - nzmerino.co.nz/ files/ugd/fdb7ce_4dc6f2f12ec14314b415fd408dda8b2f.pdf
4 Governance				
GRI 102 -18	Governance structure	Managing with integrity	6	The Board guides the overall governance of our business.
GRI 102 - 19	Delegating authority	Managing with integrity	6	-
5 Stakeholder Engagement				
GRI 102 - 40	List of stakeholder groups	Investigating what matters This appendix	7, 8, 60, 61, 62, 65	-
GRI 102 - 41	Collective bargaining agreements	This appendix	52, 54	Percentage of total NZM employees covered by collective bargaining agreements - 0%. Whilst no current NZM employees have entered into or expressed an interest in collective bargaining, NZM supports the right of its employees both in New Zealand and around the globe to exercise their right to freedom of association and collective bargaining. The ZQ programme seeks to uphold the freedom of association and the effective recognition of the right to collective bargaining. No instances found of failure to meet this requirement for ZQ certified growers at 30/06/22.

	Disclosure	Reference	Page #	Notes
GRI 102 - 42	Identifying and selecting stakeholders	Investigating what matters This appendix	7, 8, 65	We engage with a broad selection of internal and external stakeholders. The selection of stakeholders is based on their importance to and the influence they have on our business. Keeping our Stakeholders Updated - Appendix Table 3
GRI 102 - 43	Approach to stakeholder engagement	Investigating what matters This appendix	7, 8, 65	Keeping our Stakeholders Updated - Appendix Table 3
GRI 102 - 44	Key topics and concerns raised	Investigating what matters This appendix This report	7, 8, 60, 61, 62	Materiality Matrix - Appendix Table 1 Our Impacts and Where They Occur - Appendix Table 2
6 Reporting Practice				
GRI 102 - 45	Entities included in the consolidated financial statements	About this report Annual Report	4 Annual Report 29	-
GRI 102 - 46	Defining report content and topic Boundaries	About this report This appendix	4, 60, 61, 62, 63, 64	Materiality Matrix - Appendix Table 1 Our Impacts and Where They Occur - Appendix Table 2
GRI 102 - 47	List of material topics	Investigating what matters This appendix	7, 8, 60, 61, 62, 63, 64	Materiality Matrix - Appendix Table 1 Our Impacts and Where They Occur - Appendix Table 2
GRI 102 - 48	Restatements of information	This appendix	53	This is our First ESG Impact Report
GRI 102 - 49	Changes in reporting	This appendix	53	This is our First ESG Impact Report
GRI 102 - 50	Reporting period	About this report This appendix	4, 53	We will issue our ESG Impact Report annually covering our fiscal year that begins each year on 1 July and ends on 30 June.
GRI 102 - 51	Date of most recent report	About this report This appendix	4, 53	This is our First ESG Impact Report
GRI 102 - 52	Reporting cycle	About this report This appendix	4, 53	Annual - 01/07/21 to 30/06/22
GRI 102 - 53	Contact point for questions regarding the report	This appendix	53	sustainability@nzmerino.co.nz
GRI 102 - 54	Claims of reporting in accordance with the GRI Standards	About this report This appendix	4, 53	This report has been prepared in accordance with the GRI Standards Core option.
GRI 102 - 55	GRI content index	This appendix	-	-
GRI 102 - 56	External assurance	About this report This appendix	4, 53	NZM has partnered with numerous organsiations globally to verify our ESG approach. We plan to review our needs around externally assurance in future reports.

GRI Topics

	Disclosure	Reference	Page #	Notes
GRI 407 Freedom Of Association And Collective Bargaining				
GRI 103 - 1	Explanation of the material topic and its boundary	ZQ Grower Standard This appendix	12, 54	The ZQ programme seeks to uphold the freedom of association and the effective recognition of the right to collective bargaining for our growers in New Zealand/ Australia. An aim of the ZQ certification programme is to ensure the rights and conditions of employees are well protected. It is recognised that many ZQ growers are small business owners or managers. NZM supports the right of its employees, both in New Zealand and around the globe, to exercise their right to freedom of association and collective bargaining.
GRI 103 - 2	The management approach and its components	ZQ Grower Standard This appendix	12, 54	Our management approach to Freedom of association and Collective bargaining for our Growers in Australia and New Zealand is managed through our ZQ programme. 100% of certified ZQ Growers must satisfy the requirements of the programme. Whilst no current NZM employees have entered into or expressed an interest in collective bargaining, NZM supports the right of its employees both in New Zealand and around the globe to exercise their right to freedom of association and collective bargaining
GRI 407 - 1	Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk	This appendix	54	There were no instances where ZQ programme requirements for Freedom of Association and Collective Bargaining were not reached by our certified Growers at 30/06/22 0% of total NZM employees covered by collective bargaining agreements. Whilst no current NZM employees have entered into or expressed an interest in collective bargaining, NZM supports the right of its employees both in New Zealand and around the globe to exercise their right to freedom of association and collective bargaining. New Zealand Bill of Rights Act 1990. This Act seeks to affirm, protect and promote human rights and fundamental freedoms in New Zealand and to affirm New Zealand's commitment to the International Covenant on Civil and Political Rights. This Act expressly recognises a number of fundamental rights including the freedom of expression, the freedom of association and the freedom of movement. Our ZQ programme ensures that these requirements are met for growers. New Zealand is considered as a low risk country. Australia - Workplace Relations Act 1996. The Act establishes the Australian Industrial Relations Commission (AIRC), provides machinery for the prevention and settlement of industrial disputes, sets out minimum entitlements of employees, allows for the negotiation and enforcement of collective and individual employment agreements and extensively regulates the activities of trade unions and employer organisations. The Act also protects the freedom of workers and employers to associate in trade unions and employer organisations. Our ZQ programme ensures that these requirements are met for growers. Australia is considered as a low risk country.

	Disclosure	Reference	Page #	Notes
GRI 408	Child Labour			
GRI 103 - 1	Explanation of the material topic and its boundary	ZQ Grower Standard This appendix	12, 55	The ZQ programme outlines our management approach to child labour through our requirements. The programme seeks to abolish child labour. An aim of the ZQ certification programme is to ensure the rights and conditions of employees are well protected. It is recognised that many ZQ growers are small business owners or managers.
GRI 103 - 2	The management approach and its components	ZQ Grower Standard This appendix	12, 55	100% of certified ZQ Growers are audited to ensure that: <ul style="list-style-type: none">• Child labour is abolished• Children and young workers must not be engaged in dangerous work, and must be able to participate in normal educational activities.• Children are able to safely learn farming from their family engaging in age-appropriate activities outside of school hours and lessons• Growers must identify young workers and ensure that appropriate work restrictions are understood by the person responsible for the worker and the worker themselves (employee interview may be required).• The farm must not employ workers under the age of 15 or legal Country minimum (whichever is higher).• Workers under the age of 18 must not be engaged in child labour or hazardous child labour or as stipulated in regulations at a Country level. We will continue to refine our management approach to this topic.
GRI 408 -1a	Operations and suppliers at significant risk for incidents of: <ul style="list-style-type: none">i. child laborii. young workers exposed to hazardous work	ZQ Grower Standard This appendix	12, 55	Child labour is considered as low risk within our grower base in Australia and New Zealand due to strict labour laws and confirmation through audit. No instances of Child labour or young workers employed in hazardous work through the ZQ programme at 30/06/22
GRI 408 -1b	Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: <ul style="list-style-type: none">i. type of operation (such as manufacturing plant) and supplier;ii. countries or geographic areas with operations and suppliers considered at risk.	Our wool ZQ Grower Standard Our growers This appendix	11, 12, 13, 14, 55	Child labour is considered as low risk within our grower base in Australia and New Zealand due to strict labour laws and confirmation through audit. No instances of child labour or young workers employed in hazardous work through the ZQ programme at 30/06/22

	Disclosure	Reference	Page #	Notes
GRI 408 -1c	Measures taken by the organisation in the reporting period intended to contribute to the effective abolition of child labor.	ZQ Grower Standard This appendix	12, 56	100% of ZQ certified growers screened for child labour at audit.
GRI 409	Forced Or Compulsory Labour			
GRI 103 - 1	Explanation of the material topic and its boundary	ZQ Grower Standard This appendix	12, 56	The ZQ programme seeks to eliminate all forms of forced and compulsory labour. An aim of the ZQ certification programme is to ensure the rights and conditions of employees are well protected. It is recognised that many ZQ growers are small business owners or managers.
GRI 103 - 2	The management approach and its components	ZQ Grower Standard This appendix	12, 56	The ZQ programme outlines our management approach to Forced Labour. 100% of ZQ certified Growers in AU and NZ must satisfy these requirements through audit.
GRI 409 - 1a	Operations and suppliers considered to have significant risk for incidents of child labor either in terms of: i. type of operation (such as manufacturing plant) and supplier; ii. countries or geographic areas with operations and suppliers considered at risk.	Our wool ZQ Grower Standard This appendix	11, 12, 56	New Zealand has enacted laws prohibiting slavery, trafficking in persons and forced labour in New Zealand and is a party to a number of international treaties dealing with the topic. https://www.mfat.govt.nz/en/trade/nz-trade-policy/combating-modern-slavery/ The Modern Slavery Act 2018 requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, and actions to address those risks. Other entities based, or operating, in Australia may report voluntarily. We will continue to refine our management approach to this subject.
GRI 409 -1b	Measures taken by the organisation in the reporting period intended to contribute to the effective abolition of forced or compulsory labour	ZQ Grower Standard This appendix	12, 56	100% of ZQ certified growers screened for forced or compulsory labour.
GRI 414	Supplier Social Assessment			
GRI 103 - 1	Explanation of the material topic and its boundary	ZQ Grower Standard This appendix	12, 56	The ZQ programme seeks to support and respect the protection of internationally proclaimed human rights and make sure there is no complicity in human rights abuses. The programme seeks to to ensure the rights and conditions of employees are well protected. It is recognised that many ZQ growers are small business owners or managers.
GRI 103 - 2	The management approach and its components	ZQ Grower Standard This appendix	12, 56	Our ZQ programme outlines our management approach to Supplier Social assessments and is managed through the Social Responsibility section of the ZQ programme. 100% of certified ZQ Growers must meet all requirements, to include compliance around Labour, Child Labour and Young Workers, & Health and Safety.

	Disclosure	Reference	Page #	Notes
GRI 414 -1a	Percentage of new suppliers that were screened using social criteria	This appendix	12, 56	100% of growers screened, prior to certification, through 3rd party audit.
GRI 414 -2a	Number of suppliers assessed for social impacts	About our products This appendix	57	100% of growers screened, prior to certification, through 3rd party audit. 296 growers screened across New Zealand and Australia at 30/06/22.
GRI 414 2b	Number of suppliers identified as having significant actual and potential negative social impacts	This appendix	57	25 growers issued corrective actions for social responsibility across New Zealand and Australia at 30/06/22.
GRI 414 -2c	Significant actual and potential negative social impacts identified in the supply chain	This appendix	57	Employment contracts and access to policies and codes.
GRI 414 -2d	Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment	This appendix	57	92% of growers closed social assessment corrective action requests (CARs) at 30/06/22.
GRI 308	Supplier Environmental Assessment			
GRI 103 - 1	Explanation of the material topic and its boundary	ZQ Grower Standard Climate and carbon This appendix	12, 31, 57	<p>The ZQ Certification programme recognises the importance of protecting the environment in which our growers farm. Growers must develop systems that result in the production of high quality wool fibre while minimising their impact on the environment. Consumers and brands are increasingly demanding that wool is sourced from sustainable sources and that the environment is cared for in a sustainable manner.</p> <p>The ZQ Certification programme assists in raising awareness of and minimising impacts on the environment. Participants are required to undertake active positive management to protect and enhance soils, water and indigenous biodiversity through regular and ongoing planning.</p> <p>ZQRX goes beyond this foundation level and provides a more holistic approach for managing Supplier Environmental Assessments.</p>

	Disclosure	Reference	Page #	Notes
GRI 103 - 2	The management approach and its components	This Appendix	12, 31, 58	<p>Our management approach to Environmental Assessment is covered through our ZQ and ZQRX programmes. The ZQ Certification programme recognises the importance of protecting the environment in which our growers farm. Growers must develop systems that result in the production of high quality wool fibre while minimising their impact on the environment.</p> <p>Farm environment planning enables identification of environmental issues and goal setting, and provides an ongoing record of on-farm environmental improvement. This is shown by:</p> <ul style="list-style-type: none">• An awareness of and response to environmental issues.• Planning steps to address identified issues.• Implementation of actions and results.• Logging of key achievements or changes over time
GRI 308 -1	The reporting organisation shall report the following information: a. Percentage of new suppliers that were screened using environmental criteria.	ZQ Grower Standard Climate and carbon This appendix	12, 31, 58	100% of certified growers screened for environmental assessment
GRI 308 -2	Negative environmental impacts in the supply chain and actions taken	This appendix	58	275 CARs opened under the environmental section of the ZQ programme and 227 CARs closed under the environmental section of the ZQ programme across New Zealand and Australia at 30/06/22.
GRI 308 -2a	Number of suppliers assessed for environmental impacts.	This appendix	58	100% of certified growers.
GRI 308 -2b	Number of suppliers identified as having significant actual and potential negative environmental impacts.	This appendix	58	116 growers received CARs under the environmental section of ZQ programme across New Zealand and Australia at 30/06/22.
GRI 308 -2c	Significant actual and potential negative environmental impacts identified in the supply chain.	This appendix	58	Farm environment plan, biodiversity plan, monitoring sites, goal setting, nutrient management, soil conservation, waterway management, recycling of farm waste, fertiliser plan.

	Disclosure	Reference	Page #	Notes
GRI 308 -2d	Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment.	This appendix	59	84% of growers closed corrective actions at 30/06/22.
GRI 308 -2e	Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	This appendix	59	1.7% of growers audited this year (2 growers) were terminated from the ZQ programme due to failure to close out CARs raised under ZQ environmental section accross New Zealand and Australia at 30/06/22.
GRI 305 Emissions				
GRI 103 - 1	Explanation of the material topic and its boundary	NZM carbon footprint This appendix	34, 59, 60	NZM calculated our corporate carbon footprint in order to understand the emisssons profile of our business activities. The boundary for this was determined using the operational control approach.
GRI 103 - 2	The management approach and its components	NZM carbon footprint This appendix	34, 59, 60	The emission inventory is compiled using the Emanage software provided by Toitu. Inventory results, emission reduction projects and progress thereof, are reported through to senior leadership for approval.
GRI 305 -1a,b,c	Direct (Scope 1) GHG emissions	NZM carbon footprint This appendix	34, 59, 60	Gross direct (Scope 1) CO ₂ -e emissions for the base year (01/07/20 - 30/06/21) are 104.21t CO ₂ -e. This is comprised of CO ₂ , CH ₄ , and N ₂ O and generated through the combustion of transport fuel both in leased and rented vehicles.
GRI 305 -2a,b,c	Gross location-based energy indirect (Scope 2) GHG emissions	NZM carbon footprint This appendix	34, 59, 60	Gross indirect (Scope 2) emissions from purchased energy for the base year (01/07/20 - 30/06/21) are 14.32t CO ₂ -e. This is made up of electricity purchased from the grid predominantly for offices in Christchurch and Cromwell.
GRI 305 -3a,b,c	Gross location-based energy indirect (Scope 3) GHG emissions	NZM carbon footprint This appendix	34, 59, 60	Gross indirect (Scope 3) emissions from purchased energy for the base year (01/07/20 - 30/06/21) are 46.66t CO ₂ -e. This is made up predominantly of commuting and business travel.

	Disclosure	Reference	Page #	Notes
GRI 305 -1,2,3d	Base year for the calculation	NZM carbon footprint This appendix	34, 59, 60	The reporting period for NZM's carbon footprint aligns with our financial year, beginning July 1 and ending June 30 the following year. The base year footprint is FY 2020-2021. This coincides with Covid-19 lockdowns and subsequent travel restrictions, so emissions, relating to air travel specifically, are significantly lower than what is considered a 'normal' year. This year was chosen however, as it was the most recent completed financial year, and it was deemed more important to begin reporting on emissions, than to wait for Covid-19 travel restrictions to lift.
GRI 305 -1,2,3e	Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source	NZM carbon footprint This appendix	34, 59, 60	Toitu states that the preferred emissions factors for their calculation tool are those GWP(100) factors published in the IPCC 5th assessment report (AR5), however, where publications approved by their programme still use emissions factors from older reports, these are allowed.
GRI 305 -1,2,3f	Consolidation approach for emissions; whether equity share, financial control, or operational control	NZM carbon footprint This appendix	34, 59, 60	Operational control.
GRI 305 -1,2,3g	Standards, methodologies, assumptions and/or calculation tools used	NZM carbon footprint This appendix	34, 59, 60	Our carbon footprint (base year) has received certification from Toitu against the requirements set out by ISO14064 (2018). Toitu's Emanage software was used to compile and calculate the inventory and generate reports.
GRI 305 -4	GHG emissions intensity	NZM carbon footprint This appendix	34, 59, 60	Emissions intensity for the base year mandatory (scope 1, 2, and 3) emissions is as follows: <ul style="list-style-type: none">1.17 t CO₂-e per \$Million0.011 t CO₂-e per tonne of clean wool sold2.91 t CO₂-e per staff member employed
GRI 305 -5a,b,d	Reduction of GHG emissions, GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO ₂ equivalent	NZM carbon footprint This appendix	34, 59, 60	As we have recently begun reporting on our corporate carbon footprint, we have not yet had time to implement projects or measure reduced emissions. This will be updated in future years.
GRI 305 -5c	Biogenic CO ₂ emissions in metric tons of CO ₂ equivalent	NZM carbon footprint This appendix	34, 59, 60	1.3 tons of biogenic CO ₂ -e are produced as methane through waste sent to landfill for the base year. This accounts for less than 1% of total emissions for the base year.
GRI 305 -5e	Standards, methodologies, assumptions, and/or calculation tools used	NZM carbon footprint This appendix	34, 59, 60	As above, we have not had time to reduce emissions. However, in future we will, and as we begin to report reductions the standards and methodologies for this section will be the same as in row 176.

Materiality Matrix - Table 1

Environmental Footprint		
Very High Priority	Actions	Stakeholders Who Raised This Topic
Industry Leadership in Climate Action Definition: Partnerships with value chain and others to mitigate the long-term effects of climate change and its physical impacts on business operations, communities and the natural environment.	<ul style="list-style-type: none">Strategy and tools to reduce GHG emissions - business and growers.	Directors, brand & supply chain partners, leaders, team, investors, growers
Carbon Impact of Wool Production Definition: Reducing the impact of Carbon during wool production to improve the positioning of wool as a sustainable and regenerative fibre.	<ul style="list-style-type: none">Accurate accounting and reduction strategies for the GHG profile of merino wool through tools and connection with expertise.	Brands, growers
Land and Soil Health Definition: Protecting land and soil health to contribute to healthy ecosystems by helping to clean water, cycle nutrients, store carbon and grow plants and animals on-farm.	<ul style="list-style-type: none">Tools and connection with expertise to protect and restore land and soil health.	Growers, team
Biodiversity Definition: Protection of plant and animal life by applying regenerative principles on-farm.	<ul style="list-style-type: none">Tools and connection with expertise to protect and restore biodiversity.	Leaders
High Priority		
Water Use and Protection Definition: Managing and protecting water quality and use across our business and grower operations.	<ul style="list-style-type: none">Strategy and tools for team and growers to manage and protect water.	Brand partners, investors
Waste Reduction Definition: Reducing the environmental impact of waste across our business and grower operations (waste - Any substance that is worthless and of no use in the production of wool (toxic and non-toxic).	<ul style="list-style-type: none">Strategy and tools for team and growers to manage and protect waste.	Growers, leaders, directors, team
Creating value together		
Very High Priority	Actions	Stakeholders Who Raised This Topic
Transparency and Traceability Definition: Ensuring ethical and regenerative wool is traceable from farm to finished product.	<ul style="list-style-type: none">Policies, programmes, and tools to enhance and simplify traceability of wool.	Brand partners, team, leaders
Supply Assurance Definition: Ensuring sufficient availability of ethical and regenerative wool to meet market demand.	<ul style="list-style-type: none">Strategies and tools to increase grower capacity to deliver ZQ and ZQRX wool.Robust supply chain partner agreements.Long-term supply contracts and contract premiums for growers.	Team, investors, growers, leaders
Increase Demand Definition: Growing demand for ethical and regenerative wool.	<ul style="list-style-type: none">Tools and systems to support value chain partners to understand, activate, source, authenticate and market ethical and regenerative wool.	Investors, leaders, growers, team

Animal Welfare		
Very High Priority	Actions	Stakeholders Who Raised This Topic
Animal Welfare Definition: Protecting the welfare of animals on-farm.	<ul style="list-style-type: none">Tools and resources to support animal welfare.Leadership in animal welfare	Growers, team, directors, brands
People & Communities		
Very High Priority	Actions	Stakeholders Who Raised This Topic
Connection and Communication Definition: Enhancing communication and connection with value chain partners.	<ul style="list-style-type: none">Strong relationships with growers and brand partners to collaboratively advance the appeal and use of regenerative wool (value chain).Programmes that support and enhance communication and connection: grower community, grower to grower, grower and relevant expertise, and between growers, brand partners and consumers.	Leaders, directors, team, growers
Team Engagement Definition: A culture and work environment that promotes strong mental and emotional connection for employees toward the work they do, their teams, and their organisation.	<ul style="list-style-type: none">Programmes, policies, and training that measure and support employee engagement and satisfaction at work.	Leaders, directors, team, investors, growers, brand and supply chain partners
Health, Safety and Wellbeing Definition: A culture and work environment that protects and promotes the physical and mental wellbeing of our Team and Grower Community.	<ul style="list-style-type: none">Programmes, policies, and training that support the safety, health, wellbeing and development of NZM employees and grower communities.	Leaders, brand & supply chain partners, team
Diversity & Inclusion Definition: A culture and work environment that promotes the representation and participation of different groups of individuals, including but not limited to people of different religion, race, ethnicity, language, gender, sexual orientation, disability, age, personality, values and way of thinking.	<ul style="list-style-type: none">Programmes, policies and training that promote and support diversity, inclusion and belonging of NZM employees.	Directors, team, leaders, investors, brand & supply chain partners
Talent and Development Definition: Attracting, retaining and developing our people.	<ul style="list-style-type: none">Programmes and policies that advance personal and professional learning and developmentEducation and capacity building in ESG issues and practices related to employees' work.	Growers, directors

People & Communities		
High Priority		
Community Engagement Definition: Collaborating with grower communities on positive social and environmental initiatives.	<ul style="list-style-type: none">Corporate giving, strategic partnerships and volunteerism to support social and environmental programmes in our grower and our own communities.	Leaders, directors, team, investors, growers, brand and supply chain partners
Managing with Integrity		
Very High Priority	Actions	Stakeholders Who Raised This Topic
Transparency and Accountability Definition: Implementing strategies, policies, practices, and reporting to drive accountability for ESG performance and to ensure that stakeholder expectations are met or exceeded.	<ul style="list-style-type: none">Accountability to stakeholders - ESG strategy, goals, actions and performance.Transparency and reporting.Leadership engagement to drive ESG strategy and performance.Transparent ESG governance structure.	Leaders, directors, team, growers

Our Impacts and Where They Occur - Table 2

Material Topics were selected based on significance of impacts, importance to stakeholders and the importance to NZM’s business success. We considered our level of influence and control when defining boundaries.

Material Topic	Who it applies to	Where it applies and Boundaries
Industry Leadership In Climate Action	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsNZM team	<ul style="list-style-type: none">Supply chainNZM business operations
Carbon Impact of Wool Production	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsNZM team	<ul style="list-style-type: none">Supply chain
Land & Soil Health	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groups	<ul style="list-style-type: none">Supply chain
Biodiversity	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groups	<ul style="list-style-type: none">Supply chain
Water Use & Protection	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsNZM team	<ul style="list-style-type: none">Supply chainNZM business operations
Waste Reduction	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsNZM team	<ul style="list-style-type: none">Supply chainNZM business operations
Animal Welfare	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groups	<ul style="list-style-type: none">Supply chain
Transparency & Traceability	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsSupply chain partnersBrand partners	<ul style="list-style-type: none">Supply chainNZM business operations
Supply Assurance	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsSupply chain partnersBrand partners	<ul style="list-style-type: none">Supply chainNZM business operations

Our Impacts and Where They Occur - Table 2 (continued)

Increase Demand	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsSupply chain partnersBrand partners	<ul style="list-style-type: none">Supply chainNZM business operations
Connection & Communication	<ul style="list-style-type: none">NZM certified ZQ growers/ZQRX growers – New Zealand and Australia Farm groupsSupply chain partnersBrand partners	<ul style="list-style-type: none">Supply chainSupply chain PartnersBrand PartnersConsumers
Team Engagement	<ul style="list-style-type: none">NZM team	<ul style="list-style-type: none">NZM business operations
Health Safety & Wellbeing	<ul style="list-style-type: none">NZM team	<ul style="list-style-type: none">NZM business operations
Diversity & Inclusion	<ul style="list-style-type: none">NZM team	<ul style="list-style-type: none">NZM business operations
Talent & Development	<ul style="list-style-type: none">NZM team	<ul style="list-style-type: none">NZM business operations
Community Engagement	<ul style="list-style-type: none">NZM team	<ul style="list-style-type: none">NZM business operations
Managing with Integrity	<ul style="list-style-type: none">NZM team	<ul style="list-style-type: none">NZM business operations
Freedom of Association And Collective Bargaining	<ul style="list-style-type: none">NZM ZQ certified growers – New Zealand and Australia Farm groupsNZM team	<ul style="list-style-type: none">Supply chainNZM business operations
Child Labour	<ul style="list-style-type: none">NZM ZQ certified growers – New Zealand and Australia Farm groupsNZM team	<ul style="list-style-type: none">Supply chain
Forced or Compulsory Labour	<ul style="list-style-type: none">NZM ZQ certified growers – New Zealand and Australia Farm groupsNZM team	<ul style="list-style-type: none">Supply chain
Supplier Social Assessment	<ul style="list-style-type: none">NZM ZQ certified growers – New Zealand and Australia Farm groups	<ul style="list-style-type: none">Supply chain
Emissions	<ul style="list-style-type: none">NZM team	<ul style="list-style-type: none">NZM business operations

Keeping our Stakeholders Updated - Table 3

It’s essential to understand from our stakeholders what matters most. Stakeholder engagement is vital to foster connections, trust, and buy-in for our organisation’s key sustainability initiatives. We regularly engage with our stakeholders to help us to identify and manage our material topics.

Stakeholder Group	Engagement Mechanism	Frequency
Board	Board updates, reports	Quarterly
Leaders	Executive updates, meetings, reports	Weekly, monthly, quarterly, annually
Employees	Performance mechanisms, team meetings, engagement surveys, staff communications, events	Weekly, monthly, quarterly, annually
Brands & Supply Chain Partners	Meetings, social media, surveys, webinars, site visits, monitoring media, website	Weekly, monthly, quarterly, annually
Growers	Audits, questionnaires and surveys, community news, meetings, grower events & conferences, site visits, webinars, newsletters	Weekly, monthly, quarterly, annually
Local Communities	Cadet programmes, community news, community events, surveys, social media, website	Weekly, monthly, quarterly, annually
Government and Regulators	Reports, legislative updates, meetings, subscriptions	Quarterly, annually, as requested
Investment Community	Annual reports, AGM, NZX announcements, website, investor roadshows, briefing forums, surveys	Bi-annually, annually
Industry Associations	Meetings, reports, workshops, subscriptions, webinars and working groups, requests for information, monitoring media	As needed
NGO’s, Civil Societies and Community Organisations	Social media, requests for information, meetings, monitoring media.	Board updates, reports

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