

NOTIFICATION OF ACTIVITY PURSUANT TO REGULATION 10A

INTRODUCTION

1. Pursuant to Regulation 10A of the Kiwifruit Export Regulations (the Regulations), Zespri is required to inform KNZ before carrying out activity which is not core business but which supports core business.
2. As outlined in Regulation 10A, an activity supports the core business if the activity is likely to enhance the performance of the core business and the activity poses no more than a low risk (if any) to the interests of producers.
3. This document provides KNZ with prior notice of a commercial procurement model trial over a period of up to three years to a maximum of 1 million trays of Gold3 in China.
4. Although some aspects of the commercial procurement model trial are akin to research and development and/or constitute core business as existing activities, the procurement and sale of Chinese-grown Gold3 fruit for commercial purposes does not fall within the scope of core business.
5. An overview of the commercial procurement model trial, including a description of the activities which support core business is set out below (Section A), together with an explanation of how those activities enhance core business (Section B) and assessment of risk to the interests of New Zealand kiwifruit producers (Section C).
6. Zespri has previously conducted limited growing trials in China to assess whether or not local Chinese kiwifruit varieties held the potential to become part of the Zespri product portfolio as a means by which to satisfy local Chinese demand in the New Zealand offseason. Gold3 was not considered for those trials at the time due to concerns regarding the ability to adequately protect the variety from theft. As Gold3 has become widely dispersed through unauthorised plantings, Zespri is now looking to assess the commercial viability of the variety in China to understand if it can form part of Zespri's broader 12-month supply strategy.
7. In parallel, Zespri's business in China has grown significantly to support the growth in sales and market development of New Zealand-grown kiwifruit, which is further described in sections 14-20 below.
8. On 21 October 2020, the Zespri Board approved the initial phase of a commercial procurement model trial (up to 200,000 trays in 2021) and the provision of this prior notice of activity to KNZ. The Zespri Board will separately approve any additional required trial capacity at annual milestones. As noted above, this prior notice relates to a trial over a period of up to three years and up to 1 million trays.
9. A decision to commence commercial procurement of Chinese-grown kiwifruit as an ongoing activity would require further prior notice to KNZ and/or a producer vote pursuant to Regulations 10A and/or 11.
10. The commercial procurement model trial will provide the information needed to assess whether an ongoing China procurement would enhance the core business and be no more than low risk to the interests of New Zealand producers. Zespri will continue to engage with KNZ and New

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Zealand producers over the course of the trial to understand how those interests should be defined and further refinement of a framework for assessing the level of risks.

11. Monitoring of supply channels carried out to date, as well as anecdotal evidence from kiwifruit stakeholders and distributors in China, indicates that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

OVERVIEW OF ACTIVITIES IN CHINA

14. Zespri conducts the following activities as part of its existing business activities in China, which will provide support for the commercial model procurement trial:

- 14.1. **Research and assessment of quality assurance and systems** generally employed by Chinese producers, including harvest protocols, maturity monitoring, residue testing, pest and disease monitoring, and postharvest monitoring.
- 14.2. **Sales channel monitoring and assessment** of Chinese-grown Gold3 alongside New Zealand grown kiwifruit and Zespri non-New Zealand grown kiwifruit to determine the competitive landscape and ascertain acceptance and performance of Chinese Gold3 in the Zespri brand and potential for non-Zespri brand(s) to determine market positioning and price point.
- 14.3. **Government engagement** with federal, provincial and county government targeting key officials particularly in Sichuan and Beijing to formalise relationships and support future growth of Zespri's business in China.
- 14.4. **Legal enforcement activities** relating to unauthorised use of Zespri brands, packaging and plant variety rights.

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- 14.5. **Consumer research trials** of responses to Chinese-grown Gold3 in China and other markets including consideration of potential price, brand and export market consumer investigations into threat from Chinese-branded Gold3 and opportunity for Zespri-branded Chinese Gold3.
- 14.6. **Ancillary activities** associated with the commercial procurement model trial, including sourcing packaging, orchard inputs, monitoring equipment and marketing materials.
15. The commercial procurement model trial will consist of end-to-end China supply chain trials of Chinese-grown Gold3 kiwifruit from orchard to consumer over a period of up to three years to a maximum volume of 1 million trays in the third year to learn more about orchard and supply chain performance of Gold3 in China and its potential impact on existing Zespri sales and returns as a potential competitive product offering and/or as a Zespri offering.
16. Indicative proposed volumes for the 2021 Northern Hemisphere season are a maximum 200,000 trays from approximately 50 hectares of orchards.
17. The following activities will be new activities to be conducted in China for the purposes of the trial, which support core business and fall within the scope of Regulation 10A:
 - 17.1. **On-orchard extension and quality assurance activities** in relation to Chinese-grown Gold3, including winter pruning, soil and leaf analysis, infrastructure management and a fertiliser and spray management programme with a view to determining potential for yield and packout improvement (with/without Zespri involvement).
 - 17.2. **Post-harvest extension and assessment** in relation to the management of Chinese-grown Gold3 through the packhouse, and provision of quality assurance in relation to Chinese-grown Gold3.
 - 17.3. **Purchase and sale** of Chinese-grown Gold3 kiwifruit.
18. A key objective of the trial is to conduct necessary research and due diligence to enable consideration by the Zespri Board of whether to commence commercial procurement of Chinese-grown Gold3 largely aligned to Zespri's existing non-New Zealand kiwifruit supply model.
19. As commercial procurement and sales of Chinese-grown kiwifruit do not constitute core business and were expressly excluded from the scope of the producer vote in relation to global supply, a decision to commence commercial procurement of Chinese-grown kiwifruit as an ongoing activity would require prior notice to KNZ and/or a producer vote pursuant to Regulations 10A and/or 11.
20. Zespri does not now hold the information needed to assess whether such ongoing procurement activity would enhance the core business and/or be low risk to the interests of New Zealand producers. Zespri will gain this information through the commercial procurement model trial. In parallel, Zespri will continue to engage with KNZ and New Zealand producers to understand better how those interests should be defined and develop a framework for assessing the level of risks.

A. ENHANCEMENT OF CORE BUSINESS

21. The China commercial procurement model trial will enhance the performance of Zespri's core business in the following ways:

- **Due diligence and risk assessment of potential future commercial procurement options** - Developing the understanding of local agronomic, supply chain and distribution channels and economics to underpin an analysis of whether a domestic global supply procurement strategy in China would enhance the core business and requirements to enable such procurement to occur in a manner that is low-risk to New Zealand producers.
- **Confirmation/expansion of existing knowledge to permit more robust assessment of potential competitive threat of unauthorised Gold3 in China and other core New Zealand kiwifruit markets** - Gaining a more substantial and robust understanding of the potential scale and implications for Zespri and New Zealand kiwifruit producers from existing and potential competitive sources of Gold3 kiwifruit in China. [REDACTED]
[REDACTED]
[REDACTED]
- **Supporting existing government and industry relations platforms through working directly with local kiwifruit industry stakeholders** - Creating a platform to leverage industry and political support in China to help mitigate the spread and impact of unauthorised Gold3 plantings, as well as more broadly promote the importance of food safety, quality and the Zespri brand as a critical differentiator for consumer protection and price.
- **Reduction of risk** - Reduction of immediate and future financial risk and reputational risks to New Zealand producers through taking visible and proactive action to protect China supply chain and distribution relationships for the benefit of New Zealand kiwifruit, and potentially reduce the likelihood of plantings continuing to expand.

22. Further explanation on how each of these areas will enhance the performance of core business is set out below.

Due diligence and risk assessment of potential commercial procurement options

23. This activity will enhance core business through providing a structured and methodical assessment of the future potential for commercial procurement of Chinese-grown Gold3 to add value to New Zealand producers and the Zespri portfolio of products.

24. The commercial procurement model trial will permit comprehensive due diligence to ensure so far as possible the corporate integrity of selected growers and their ability to align their practices and procedures with Zespri values and brand, as well as to provide adequate capital investment for post-harvest development. This will limit the pool of growers able to take part in the trial.

25. Equally important as corporate and financial capability will be the positioning of growers in the industry and the strength of their relationships with regulatory and political bodies. Grower relations will be a key additional mechanism to supplement the careful, principled Government

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relations activities now undertaken by Zespri, and support Zespri's PVR infringement enforcement in parallel. Further, growers' engagement with local level cooperatives will be vital to securing fruit supply, provision of key orchard inputs and [REDACTED]

- 26. Growers will also need to possess the capabilities to work with and learn from Zespri orchard extension teams to improve their technical abilities and bring orchard practices in line to the extent required to meet Zespri standards.
- 27. Undertaking due diligence through a commercial procurement model trial will permit Zespri to develop a more thorough understanding of the growing environment and kiwifruit community in China and establish clear expectations to underpin any future selection of growers.

Assessing competitive threat posed by unauthorised Chinese grown Gold3

- 28. Zespri understands that at present there are around 4000 hectares of unauthorised Gold3 growing around China which, based on best estimates of quality and yield, could result in around 10 million trays of Class 1 fruit being available in the China market this season. [REDACTED]

[REDACTED]. Zespri has insufficient data regarding the quality, volume and distribution of Chinese-grown Gold3 to be able to accurately model or assess the potential competitive threat posed by unauthorised Gold3.

- 30. The trial will enable Zespri to collect accurate data to refine assumptions and help determine whether ongoing commercial procurement would materially reduce the competitive threat either through deterring the continued expansion of unauthorised plantings or the ability to defend supply relationships using locally-procured Gold3.
- 31. Of the China plantings of Gold3, around half of these vines are in Sichuan Province – the region most suited to growing gold fruit varieties. Of note, unauthorised Gold3 vines only make up an estimated 2 percent of the total kiwifruit grown in that province. [REDACTED]

Supporting ongoing government and kiwifruit industry stakeholder engagement

- 32. Expansion of Zespri's stakeholder engagement with both China and NZ government and kiwifruit industry stakeholders will facilitate ongoing dialogue between the kiwifruit industries, as well as send a clear message to the Chinese kiwifruit community that Zespri will enforce its proprietary rights.

34. Direct engagement with Chinese kiwifruit producers and stakeholders will also refine understanding of the Chinese production environments and stakeholders, and potentially bring opportunities for New Zealand producers to learn from techniques or capabilities not employed in New Zealand.

Reduction of risk to New Zealand producers

[Redacted text block]

[Redacted text block]

- [Redacted list item]
- [Redacted list item]
- [Redacted list item]

[Redacted text block]

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

[Redacted text block]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

B. RISKS TO THE INTERESTS OF NEW ZEALAND PRODUCERS

41. The Regulations do not define the term “interests of New Zealand producers”, nor do they provide an indicative list of what interests need to be factored into this consideration.
42. A plain English definition from the Cambridge Dictionary suggests that interests are “*something that brings advantages to or affects someone or something*”.
43. Interests are not static and generally evolve over time as circumstances and the environment changes, which makes it appropriate to consider the interests of producers on a broad basis and by reference to the operating environment within which those interests can be measured at any given time.
44. Similarly, while individuals may have personal interests or opinions, it is reasonable to assume that for the purposes of the Regulations, interests of producers should largely be interpreted collectively, although there may be scenarios where “an interest” may be of more interest to particular groups of growers which should be taken into account.
45. The term should be limited to interests as producers engaged in the business of supplying fruit to Zespri. This means that their interests as shareholders of Zespri would not be relevant to the regulatory assessment.
46. On this basis, Zespri has considered the range of interests within the New Zealand producer interest framework, and considers that the interests of producers are generally likely to include:
 - **financial returns** (OGR delivered by Zespri for fruit produced, and related factors such as timing and potential stability of returns);
 - **on-orchard operating costs and orchard values**, which could include both the value of licences and/or land;
 - **sustainability/environment/social responsibility issues**; and
 - **reputational matters** relating to the Zespri brand and by extension, the “NZ producer” brand of being a producer of high-quality, premium kiwifruit.

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47. Consideration of the interests of producers and whether or not any activity is low risk to those interests can only be done by reference to the specific activity. Comments are set out below in relation to these matters.

Assessment of interests

Range of interests of producers that may be impacted by the proposed activity, and an explanation of the basis for Zespri's assessment that it has identified relevant interests

48. Of the categories noted above, the range and nature of interests of producers that may be impacted by the commercial procurement model trial consist of:

- **reputational matters** relating to the Zespri brand and by extension, the "NZ producer" brand of being a producer of high-quality, premium kiwifruit; and
- **financial returns** OGR delivered by Zespri for fruit produced, and related factors such as timing and potential stability of returns.

49. The activities contemplated in the commercial model procurement trial will not impact on New Zealand on-orchard operating costs or orchard values, nor on sustainability/environmental matters in New Zealand.

50. Zespri's assessment of the relevant interests of producers is based on commercial modelling of likely impacts of the activity, combined with Zespri experience of engaging with producers internationally over more than 20 years, as well as direct engagement with New Zealand kiwifruit producers through industry forums, Zespri publications and direct grower engagement activities.

51. Zespri has undertaken a wide range of communications and engagement with New Zealand producers over the issue of unauthorised Gold3 in China particularly since the scale of the unauthorised plantations was realised. This is summarised in Appendix 1. Zespri has communicated and consulted widely among growers and our statements about the interests of producers are based on and supported by this extensive and consistent grower interaction.

52. Zespri Chief Grower & Alliances Dave Courtney spoke at length on the issue at the August/September 2020 Zespri grower roadshows (slides included as Appendix 3) which were attended by around 500 growers in all despite the Level 2 restrictions in place in some parts of the country. Most of the Q&A at these meetings was focused on China Gold3.

53. NZKGI has also channeled producer questions and comments to Zespri including how much of the unauthorised Gold3 is branded as counterfeit Zespri, whether this fruit is exported and potential impact on green returns.

54. The Zespri Grower Liaison team spoke directly with growers who attended the roadshows to see if their Gold3 questions were answered in the August/September 2020 roadshows and if not, what more information they require. Zespri also arranged smaller meetings to allow a more interactive engagement with growers to ask questions of Executive members in a relaxed setting, and there was significant discussion about China Gold3 in the July round of meetings.

55. Over recent weeks, Zespri has presented twice directly to the KGI Forum on this issue (23 September and 20 October) and has sought and taken into account feedback from a number of avenues, including from Seeka growers on October 14 and the Industry Supply Group (ISG) on 24 September.

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56. Zespri's Grower Liaison Managers (GLMs) also relay feedback they receive and this is used to inform planning and communications on China Gold3. This is carefully considered as it contains direct feedback from some growers who did not attend the roadshows. The GLMs have responded to queries in the Contact Zespri mailbox and directly from industry on unauthorised Gold3 in China.
57. There has also been widespread national media coverage on this issue over the past four years, summarised in Appendix 2.
58. In the context of such engagement, questions typically raised by growers have largely focused on topics such as impact on their returns, orchard prices and the prices paid for Gold3 licence, as well as impact on NZ fruit sales in China over time, impacts on fruit returns if China sales decline and what ability Zespri has to protect plant variety rights (PVRs) in China. Growers have also asked whether we know of unauthorised Gold3 in other countries and what options we would have in other legal regimes.
59. Zespri will continue to engage with growers directly with respect to potential commercial procurement activities in China through the course of the trial, and will include questions on the China trial in upcoming grower survey/s prior to any recommendation to the Zespri Board with respect to progressing to commercial procurement activities in China. Engagement with NZKGI will continue with unauthorised Gold3 being a standing agenda item for the NZKGI Forum.

Assessment of risk

60. As with interests, risk assessment requires continual assessment and re-assessment to respond to changing circumstances, environment and outcomes. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
61. Further, measurement of risk should be considered by reference to those individuals whose experience and knowledge is most relevant to the risks being undertaken and having regard to the particular circumstances and purpose of the risk assessment.
62. In this regard, primary sector participants typically have a moderate risk appetite, given the extent of risk involved in the production of food. This risk profile was noted in the World Bank Report Agriculture Global Practice Discussion Paper 10 [Agriculture Sector Risk Assessment: Methodological Guidance for Practitioners](#) (2016) as follows:
Risk and uncertainty are ubiquitous and varied within agricultural supply chains. These result from a range of factors including the
 - *vagaries of weather;*
 - *unpredictable nature of biological processes;*
 - *pronounced seasonality of production and market cycles;*
 - *geographical separation of production and end uses;*
 - *unique and uncertain political economy of food and agriculture, both domestic and international.*
63. In the New Zealand kiwifruit producer context, the risk and resilience was demonstrated during the Psa crisis, where growers chose in June 2012 to buy licences for 2068 hectares of Gold3, with 1610 hectares going to Hort16A growers, starting the process of all Hort16A growers (2,300ha

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before Psa) eventually transitioning their orchards to a more Psa-tolerant Gold cultivar. This was the largest transition to a new variety in a year ever undertaken by the industry and represented almost 15 percent of New Zealand’s kiwifruit hectareage moving to a new variety, despite a high degree of uncertainty regarding the performance of the variety.

- 64. In considering the low risk threshold, the interests of all producers are considered collectively, rather than on an individual producer by producer basis.

Nature of the risk(s) arising from the activity

- 65. Risks to the interests of producers that can be foreseen from the commercial procurement model trial include reputational risk, financial risk, and the risk of leakage of New Zealand on-orchard production expertise in China. The risk framework set out in Appendix 4 provides a detailed assessment of each risk.

Reputational risk

- 66. The continued growth and strength of Zespri’s brand is fundamental to the stability and growth of New Zealand producer returns and any risk to the brand is considered to be directly aligned with risk to New Zealand producer interests.
- 67. In assessing risks and impacts regarding damage to Zespri’s brand, the key elements to be evaluated are food safety and quality. [REDACTED] while taste and quality are the two highest single determinants of Zespri’s brand value.
- 68. The procurement of Chinese-grown kiwifruit and sale under the Zespri brand raises a potential risk of reputational damage in the event of any food safety or quality issues with the kiwifruit; in practice however, any such reputational damage is unlikely to accrue to New Zealand producers given that any such quality or food safety failures would be clearly linked to Chinese-grown fruit.

[REDACTED]

Financial risk

- 70. Costs relating to on-orchard activities will be paid by Zespri (not the grower pool), and thus will not flow through to New Zealand producer OGRs. [REDACTED]
- 71. There would be no adverse impact on the value of New Zealand Gold3 licences arising from the commercial procurement model trial; rather one of the purposes of the trial is to consider potential impacts on New Zealand Gold3 licence value in the event of the continuation of unauthorised plantings and/or if Zespri were to grant licences pursuant to a commercial procurement strategy.

Risk of leakage of New Zealand on-orchard expertise in China

72. Zespri’s involvement in on-orchard and postharvest extension and quality assurance activities risks specific skills and techniques used by New Zealand producers being copied or adopted more broadly by Chinese producers and post-harvest operators. This could both inadvertently hasten the development of volumes and quality of the unauthorised Gold3 production, and reduce the competitive advantage of New Zealand kiwifruit producers.

An assessment of the likelihood of each risk event occurring and impact on the interests of producers if each risk event occurred

73. Quantifying the likelihood of an event occurring is complex, and requires not only consideration of the inherent likelihood of an occurrence, but also the mitigation measures which can be put into place to reduce it. A description of Zespri’s assessment of the likelihood of each risk event occurring is considered below, with additional detail on the inherent and residual ratings and the risk framework included in Appendix 4.

74. **Reputational risk** – Zespri considers the likelihood of reputational risk to New Zealand producers to be low, given that any food safety or quality issues would be clearly relating to Chinese-produced fruit, rather than New Zealand kiwifruit. Potential for confusion as to source of the fruit is limited due to the counter-seasonal nature of the origins, and quality assurance and oversight which Zespri will provide mitigates against the uncontrolled risk of the fruit having issues in the absence of such oversight. The limited volumes of fruit proposed to be sold also reduce the risk.

75. **Financial risk** – The likelihood of financial risk to producers is considered to be low given that the costs of the trial will be paid by Zespri, and the sales of Chinese grown Gold3 will be largely at times when New Zealand kiwifruit is not in the market.

76. Further, Zespri is forecast to distribute ■ million trays of Gold3 into China for the 2020/21 season and the domestic market is estimated to produce 3 million tonnes or 857 million trays of kiwifruit (all varieties) annually for domestic consumption. At less than 200,000 trays, the volume of fruit proposed in the trial is immaterial in relation to Zespri’s supply of Gold3. The significant local production of kiwifruit – China is the home of kiwifruit and consumers are familiar with the product – also highlights the potential available market for Gold3.

77. **Risk of leakage of New Zealand on-orchard expertise in China** – The risk of leakage of New Zealand on-orchard expertise is considered to be low, given that Zespri will be requiring contractual controls on information and will have the ability to limit the level of information provided to Chinese Gold3 growers. [REDACTED]

[REDACTED]

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The mitigation measures that Zespri proposes to address each risk, and the assessments of how each measure might mitigate the effects, or might not work as intended

Reputational risk mitigations

79. Risks of reputational damage arising from the commercial model procurement trial will be mitigated through the following processes around on-orchard extension and quality assurance activities:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- Due diligence on partners and growers and ongoing compliance audits.
- Strong governance of the commercial procurement model trial through direct reporting and oversight by the Zespri Executive, China Advisory Board and Board of Directors.

80. Zespri will have direct oversight of growers and post-harvest facilities. Zespri will apply learnings from Project Bamboo, the three-year project to determine if local kiwifruit varieties could be grown to Zespri standards in China, to inform the direction and standards required during the production of the fruit.

81. Zespri will continue to liaise closely with NZ Government officials on this issue, both in NZ and China, as well as engaging directly with national, provincial and local government officials in China, with a clear stakeholder and communication strategy.

[REDACTED]

Financial risk mitigations

83. Mitigations in place to reduce potential for any financial impact on New Zealand kiwifruit producers include:

- Continuing to expand China market and other markets in accordance with Zespri's normal strategic and risk management practices.
- Managing sales channels for the Chinese-grown Gold3 to avoid financial impact on New Zealand kiwifruit still in the Chinese market.
- Paying costs from Zespri, rather than the pool.

Mitigation of risk of leakage of NZ on-orchard expertise in China

84. Mitigations in place to reduce potential for the leakage of New Zealand on-orchard expertise include:

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- Due diligence on growers and postharvest stakeholders chosen to participate in the commercial model procurement trial;
- Contractual requirements for confidentiality and intellectual property protection;
- Limiting access to information provided to solely information necessary for risk mitigation and successful trial objectives.

Assumptions upon which each assessments are based, and the grounds upon which those assumptions are considered to be reasonable

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Relative size of the proposed activity and associated risk event: is it of small to moderate scale relative to existing activities

86. The proposed activity is of a very small scale relative to existing Zespri activities, particularly in a New Zealand context, but even relative to the commercial procurement of kiwifruit that Zespri undertakes in other global supply locations. From a volume perspective, Zespri will be procuring and distributing in 2021 less than 200,000 trays of Chinese-grown Gold3, which compares to the [REDACTED] million trays of New Zealand Gold3 and [REDACTED] million trays of Non-New Zealand (Zespri Global Supply or ZGS) Gold3 which Zespri already distributes in China.

87. Zespri estimates that unconstrained demand in China is well in excess of the forecast growth [REDACTED]

88. In this context, even if the commercial procurement model trial were to reach 1 million trays in three years, fruit procured and sold in the course of the trial would be immaterial in the context of the China market.

89. It is also relevant that the sales of fruit by Zespri in the context of the commercial procurement model trial will be largely conducted at times which are counter-seasonal to New Zealand kiwifruit.

[REDACTED]

[REDACTED]

[REDACTED]

Variance of returns relative to existing activities

91. Zespri does not anticipate that the commercial procurement model trial would result in any variance of returns to New Zealand producers, [REDACTED]

[REDACTED]

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Whether the proposed activity is anticipated to generate returns that are at least moderately independent of existing activities

92. As above, no returns to producers are anticipated from the commercial procurement model trial. In the event the trial is successful and Zespri proceeds to commercialisation of Gold 3 in China, China would become an important part of Zespri's global supply strategy and demand for Chinese-grown Gold 3 would be monitored in accordance with other market forces and pricing (as per any other global supply location).

CONCLUSION

94. We trust KNZ will request clarification on items in this notice as necessary.
95. From this point, Zespri will include progress reporting regarding the commercial procurement model trial within its normal KNZ board reporting, including any matters which materially influence its assessment of risk as noted in this document.
96. Over the next few months, Zespri will be undertaking partner assessment and contracting with relevant orchard stakeholders for the provision of fruit in October 2021, as well as undertaking its normal sales and consumer monitoring trials of existing unauthorised Gold3 fruit.
97. Information from this season's monitoring will inform the recommendation to the Zespri Board to continue the commercial procurement model trial for the 2022 harvest season (likely October 2021), and the same for the following season.
98. Assuming Zespri believes that commercial procurement in China would be appropriate, Zespri would anticipate putting a recommendation to the Zespri Board around May 2023. This recommendation would include providing a prior notice of such activity to KNZ.
99. In the context of ensuring that Zespri has sufficiently canvassed New Zealand producers with a view to considering the relevant interests of producers and risks to those risks, Zespri will continue to liaise with growers throughout the course of the trial. A more formal engagement with growers would likely occur towards the end of 2022 to ensure all producers have an opportunity to comment.
100. We look forward to further engagement on this matter.

Appendix 1: Grower communications and engagement

Date	Type of engagement	Details
April 2016	Zespri media release	New phase of China strategy investigating partnering with local growers
April 2017	Grower/shareholder letter	On plans to protect PVRs and work with Police on theft of plant material now growing in China
April 2018	Kiwiflier	China trials update
July 2018	Zespri Annual Report 2018/19	Page 19 mentions illegal Gold3 in China
August 2018	Kiwiflier	China trials update
July 2019	Zespri AGM	In-person event – chairman acknowledged China IP theft and flagged upcoming response
November 2019	Chairman’s update	Focused on China Gold3 investigations and legal preparations
January 2020	Kiwiflier	Story on Zespri receiving key trademark protection status in Shanghai mentions China Gold3 and work to identify targets for legal action in China
February 2020	Media release on NZ court action against Gao	Mentions developing a strategy for China Gold3
February 2020	Chairman’s update	Focused on NZ court action and flagged ongoing work on this issue
February 2020	Kiwiflier	Focused on NZ court action and pledged to keep growers updated
March 2020	Zespri 5-year outlook	Included analysis of China Gold3
July 2020	Zespri fireside chats in Katikati, Gisborne, Te Puke	Discussion groups of around 10 well connected, influential growers plus KGI reps – Zespri Chief Grower & Alliances Officer Dave Courtney addressed the groups and much of the discussion focused on China Gold3
July 2020	Zespri Annual Report 2019/20	Page 22 flagged Zespri’s intention to address China Gold3 orchards
31 July 2020	Kiwiflier	Written update on China Gold3
31 July 2020	Zespri grower townhall	Online event including slides and Q&A on China Gold3
5 August 2020	NZKGI Exec	Dave Courtney introduced Zespri Chief Supply Officer Alastair Hulbert and gave an update on China Gold3. Questions on impacts on Italian growers.
17 August 2020	NZKGI Forum	Dave Courtney and Alastair Hulbert gave update on China Gold3. Questions on impacts to NZ growers, what is Zespri doing now and risk to brand.
18 August 2020	Zespri Annual Meeting	Online only event including dedicated section in Zespri CEO Dan Mathieson’s speech on China Gold3. Three questions in General Business section on issue covering projected growth of China Gold3 and impact on NZ grower returns; potential risk to Gold3 sales

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		in China; contracting some of the larger orchards and using them to police the others.
25 August 2020	Zespri roadshow: Waikato	In person event including slides and Q&A on China Gold3
25 August 2020	Zespri roadshow: Auckland	Held online due to Level 2.5 restrictions, including slides and Q&A on China Gold3
26 August 2020	Zespri roadshow: Kerikeri and Whangarei	Held online due to Auckland's Level 2.5 restrictions, including slides and Q&A on China Gold3
27 August 2020	Zespri roadshow: Nelson	Held online due to Auckland's Level 2.5 restrictions, including slides and Q&A on China Gold3
27 August 2020	Zespri roadshow: Te Puke	Held in person, including slides and Q&A on China Gold3
28 August 2020	Zespri roadshow: Te Puke	Held in person, including slides and Q&A on China Gold3
28 August 2020	Zespri roadshow: Katikati	Held in person, including slides and Q&A on China Gold3
31 August 2020	Zespri roadshow: Hawkes Bay	Held in person, including slides and Q&A on China Gold3
31 August 2020	Zespri roadshow: Gisborne	Held in person, including slides and Q&A on China Gold3
1 September 2020	Zespri roadshow: Opotiki	Held in person, including slides and Q&A on China Gold3
1 September 2020	Zespri roadshow: Edgecumbe	Held in person, including slides and Q&A on China Gold3
1 September 2020	Zespri roadshow: Tauranga	Held in person, including slides and Q&A on China Gold3
7 September 2020	NZKGI Exec	Session with Zespri China Advisory Board member David Mahon and Zespri Strategic Projects Lead Matt Crawford
23 September 2020	NZKGI Forum	Presentation from Matt Crawford
24 September 2020	ISG	Presentation from Matt Crawford – questions around Zespri's ability to stop exports of illegal China Gold3 and likely impact on 2021 licence prices for NZ Gold3.
14 October 2020	Seeka Growers	Presentation from Matt Crawford
20 October 2020	NZKGI Forum	Presentation and Q&A session from Matt Crawford

Appendix 2: Summary of NZ media coverage of unauthorised China Gold3 and industry press 2016-2020

April 2016:

- Zespri media release highlights that a new phase of its China Strategy will include joining with local partners to investigate growing Zespri Kiwifruit in China as part of its 12-month global supply strategy. CEO Lain Jager says “We are excited about the potential of partnering with Chinese growers to supply the important domestic market season with Zespri-branded kiwifruit in the long term. This will support our key strategy of 12-month supply and aligns to the partnership approach we have with growers and post-harvest partners in Italy, France, Korea and Japan. Any decision to potentially source Zespri Kiwifruit in China would be made with our reputation for premium kiwifruit top of mind and is likely some years away.”

See:

<https://usx.co.nz/uploads/paperclip/documents/1144/original/2016-04%20NZ%20media%20release%20China%20season%20launch%20-%20FINAL.pdf?1461300309>

April 2017:

- 3 April: Grower/Shareholder Letter distributed providing an update on plans to protect PVRs and work with the Police on potential theft of plant material. Notes that due diligence completed in December 2016 and still somewhat limited in what can be said based on ongoing investigation. Confirms Zespri started its investigation after receiving local information about potential plantings in April 2016. Zespri immediately commenced an extensive due diligence process and confirmed those reports in late 2016, which then led to the investigation by the authorities in New Zealand that is now underway.

See:

<https://usx.co.nz/uploads/paperclip/documents/1316/original/Zespri%20COO%20Letter%20to%20Growers%20and%20Shareholders%20-%20Action%20to%20Protect%20PVRs%20-%203%20April%202017.pdf?1491194812>

- NBR article highlights Zespri calling in police to investigate the transfer of Gold3 and Gold9 kiwifruit into China. Notes that last year Zespri started investigating reports a licence had been sold to a third party and passed on information to police in December.

See:

<https://www.nbr.co.nz/article/zespri-calls-police-over-cross-border-kiwifruit-transfer-b-201476>

- NBR article highlights initial suspicions that plant material was transferred several years ago and less than 100 hectares is planted out in China. The plantings were not expected to have a material impact on SunGold outlook.

See:

<https://www.nbr.co.nz/article/zespri-could-pull-out-illegally-planted-vines-china-following-investigation-fr-p-201517>

- NBR article on share trading reopening following licence allocation reconfirms Police investigating illegal transfer of Gold3 and Gold9 varieties into China.

See:

<https://www.nbr.co.nz/article/zespri-allocates-98m-gold3-licence-revenue-fr-201541>

May 2017:

- NBR article talking about flipside of Zespri's success in China is domestic counterfeiting and highlighting company's understanding that Gold3 was illegally being grown in China.

See:

<https://www.nbr.co.nz/article/counterfeits-name-recognition-challenge-zespri-quest-chinese-market-dominance-b-202802>

April 2018

- Update on Zespri commercial trials in Kiwiflier, noting that trials moving to commercial volumes with production hibs being set up in Shaanxi and Henan provinces to source green and red varieties for the Northern Hemisphere system.

See:

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https://usx.co.nz/uploads/paperclip/documents/1622/original/J000908_Kiwiflier_390_April_Web.pdf?1528235406

August 2018

- China production update in Kiwiflier - supply chain trials this year exploring consumer acceptance of Chinese-grown Zespri Kiwifruit and willingness to pay a premium. Work continuing to build greater protection for our Plant Variety Rights in China, with China's first Plant Variety Right Protection Committee formed in June 2018. Committee provides advice to China Ministry of Agriculture and Rural Affairs with representatives from China Fruit and Vegetable Association, Ministry and large corporates,. Zespri appointed 'advisors' to the group.

See:

https://usx.co.nz/uploads/paperclip/documents/1663/original/J000911_Kiwiflier_393_July_WEB_low-res.pdf?1533180817

November 2018:

- Widespread media coverage of Zespri's High Court case against Haoyu Gao including seeking damages for up to \$30m for infringement of property rights to Gold3 and G9 kiwifruit.

See:

<https://www.newsroom.co.nz/2018/11/06/309641/man-in-kiwifruit-smuggling-case-named>

<https://www.newsroom.co.nz/an-international-rip-off-or-an-innocent-abroad>

<https://www.freshfruitportal.com/news/2018/11/08/man-named-in-zespri-kiwifruit-smuggling-case/>

<https://www.rnz.co.nz/news/business/370321/zespri-sues-for-30m-over-trademark-breach-in-china>

<https://www.stuff.co.nz/business/farming/108370000/zespri-takes-case-against-person-who-allegedly-sent-gold-kiwifruit-plants-to-china>

February 2019:

- Zespri Producer Vote booklet distributed noting the importance of protection of PVRs. States that the commercial growing and procuring of kiwifruit in China and Chile are expressly excluded from the producer vote on PVRs and 12 month supply. "China carries with it unique circumstances and given the experience of other industries going into production in China, it requires separate consideration."

See:

https://usx.co.nz/uploads/paperclip/documents/1776/original/J001317_Zespri_Producer_Vote_Brochure_Final_V2_RGB_Low-res.pdf?1550637196

July 2019

- Chairman acknowledged IP theft and Zespri taking a very serious look at how this is managed in Annual Meeting address.

See:

https://usx.co.nz/uploads/paperclip/documents/1853/original/2019-07_-_Chairman's_2019_AGM_Speech_FINAL_.pdf?1563954598

November 2019

- Chairman's Update provides update on unauthorised Gold3 being grown in China noting that investigations indicate Gold3 is present in varying ages of maturity in several areas including some larger growing operations. Zespri confirms it is monitoring production sources and supply to better understand the scale and gather evidence for legal proceedings. A response will include legal action, anti-counterfeiting activity, working with officials and stakeholders. Notes the issue will be discussed at further roadshows.

See:

https://usx.co.nz/uploads/paperclip/documents/1910/original/Zespri_Chair's_Update_-_November_2019.pdf?1574137070

- Widespread media coverage of Zespri's confirmation of legal action in China to combat spread of illegal plantings. Chief Grower and Alliances Officer Dave Courtney confirms there could be as much as 2-2,500ha planted (reported as an increase on the 100ha estimate two years ago) and that we're aware of bigger commercial players getting involved. Article from Farmers Weekly notes that the discovery made no impact on whether Zespri would or would not grow its own protected and licensed Gold3 fruit in China and that some initial exploration work has been done but Zespri hasn't progressed any further.

See:

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<https://www.stuff.co.nz/business/farming/117558742/zespri-to-take-civil-case-in-china-as-illegal-gold-kiwifruit-plantings-expand>
<https://www.freshfruitportal.com/news/2019/11/21/zespri-files-case-against-chinese-growers-who-illegally-planted-its-sungold-variety/>

January 2020

- Kiwiflier highlights Zespri receiving Key Trademark Protection status in Shanghai. Dave Courtney quoted as saying the status will assist in taking action against those selling unauthorised Gold3. “The work to deal with the unauthorised SunGold plantings is challenging but progressing well. We’re in the process of identifying targets to launch legal action against and we hope to be able to do so soon. Commercially we’ve had strong cooperation from our partners in China while our efforts have been well supported by the New Zealand Government who we are working closely alongside. We’ll keep the industry updated as those efforts progress.”

See:

<https://usx.co.nz/uploads/paperclip/documents/1941/original/KF-409.pdf?1580443056>

February 2020

- Media release and grower update sent confirming positive New Zealand court action. Highlights that the decision “adds further impetus to our efforts to clamp down on the unauthorized growing of our SunGold kiwifruit in China. Our intention now is to pursue the grower and his associates in China, along with all those who have assisted in the propagation of SunGold kiwifruit in China. It’s important to note that while the awarding of damages is also very positive we are still working through the options for recovery both in New Zealand and potentially in China.”

See:

https://usx.co.nz/uploads/paperclip/documents/1947/original/2020-02-Grower_Update_-_Announcement_of_successful_PVR_action.pdf?1581647631

- Additional Chairman’s Update distributed highlighting the positive legal result in New Zealand, noting that “we’re currently considering our options with regards to the pursuit of damages and also further action against the former grower and those associated with him and with the propagation of our varieties in China. Work in China on the wider illegal Gold3 issue continues.”

See:

https://usx.co.nz/uploads/paperclip/documents/1952/original/Chair's_Update_19_February_2020.pdf?1582093022

- February Kiwiflier highlights successful prosecution of Gao and notes that “Zespri is considering its options in China relating to Mr Gao and his associates, and will keep growers updated as the work on the wider unauthorised Gold3 plantings continue.”

See:

<https://usx.co.nz/uploads/paperclip/documents/1955/original/KF-410.pdf?1582863102>

March 2020

- Zespri’s 5-Year Outlook is published, highlighting opportunities as well as challenges and risks. This highlights a risk that “the volume and quality of unauthorised Gold3 increases to a point that the fruit starts to enter Zespri’s sales channels and disrupts the sale of New Zealand-grown Gold3 on the shoulders of the New Zealand season and becomes direct competition to Zespri’s global supply business.” It also confirms that “Zespri is committed to dealing with the unauthorised Gold3 plantings but enforcement is challenging and complex, with the potential to affect our ongoing ability to manage the supply of Gold3 and thus the ability to maximise value.”

See:

<https://usx.co.nz/uploads/paperclip/documents/1961/original/2020-Outlook.pdf?1583956653>

July 2020

- Zespri Grower update highlights our ongoing commitment to “protecting our Plant Variety Rights and the value they create for our industry, including by taking action to address the unauthorised plantings of SunGold in China.” The update notes that “our understanding is that there could be as much as 4,000ha planted” and goes on to highlight that we are using a multi-faceted legal and political approach to protect our retail channels, and that “while no decisions have yet been made, one option we have been advised to explore is whether there is a commercial opportunity around commercialising SunGold in China that also assists in mitigating the ongoing spread of SunGold.” It was highlighted no decisions have been made on where this might lead - nor will any decisions be made without fully engaging with our New Zealand stakeholders and

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shareholders, we are continuing to work with both the New Zealand and Chinese governments and will provide further updates to growers in our August roadshows.”

See:

https://usx.co.nz/uploads/paperclip/documents/2065/original/2020-07_Zespri_Season_Update_-_31_July_2020.pdf?1596190058

- The July Kiwiflier confirms that “in recent months, Zespri has dedicated resources to establishing the parties involved, how much has been planted and where, and our best options for dealing with the issue. As a result of these investigations, a multi-faceted legal and political approach to protect our retail channels and PVR is being developed. Zespri is working closely with the New Zealand Government and in discussions with authorities in China to both elevate the issue, understand our options and determine which approach will be the most effective. This includes working to advance the recognition and defence of Plant Variety Rights in China so we can enforce our rights now and into the future. Notably, the Chinese Government has also stated its intention to strengthen PVR laws and enforcement. Based on Zespri’s investigations we believe there are up to 4,000 hectares of unauthorised SunGold plantings concentrated in a small number of districts in China. This is a major issue for Zespri and one that we are working hard to get our hands around. Protecting our PVRs is a primary concern for the business and we take any breach extremely seriously.”

See:

<https://usx.co.nz/uploads/paperclip/documents/2068/original/KF-415.pdf?1596604473>

- Zespri Virtual Town Hall on 31 July highlights the new understanding of the scale of plantings (4,000ha) and confirms that we’re looking at multiple fronts - legal, political and protecting our retail channels. Dave Courtney notes we’re still working with government (NZ and China) to elevate the issue and understand our options, and focused on understanding our leverage and developing strong local relationships to mitigate the impact and stop further spread.

See:

https://usx.co.nz/uploads/paperclip/documents/2062/original/2020-07-30_Grower_Virtual_Town_Hall_-_FINAL.pdf?1596093189

- Radio NZ feature an interview with Dave Courtney confirming that 4,000 hectares were now believed to be planted in China. Notes that “a key thing we need to understand is the quality of the fruit they can produce there, because if it’s high quality and equal to what we produce out of New Zealand and our other growing locations then it’s more of a threat than if it was a low quality offering. Unfortunately, it looks like there is a good portion of orchards can produce good quality fruit.” Highlights that in terms of a “win-win” Zespri is very much “at the start of the process.”

See:

<https://www.rnz.co.nz/news/country/422463/legal-action-begins-as-kiwifruit-plantings-in-china-soar>
<http://www.fruitnet.com/asiafruit/article/182540/zespri-eyes-legal-action-in-china>
<https://countrytv.co.nz/illegal-plantings-of-sun-gold-kiwifruit/>

August 2020

- Annual meeting addresses from both the Chairman and CEO highlight the risk presented by unauthorised Sungold plantings in China. Dan notes that “Our understanding of the illegal plantings of SunGold in China has continued to evolve, and we now believe there could be as much as 4,000 ha planted there. Our focus remains halting the growth of these plantings and mitigating the impact on our brand and business, and we’ll continue to adopt a multi-faceted legal and political approach to protect our retail channels. It’s a highly complex situation. One potential option we’ve been advised to explore is whether there is a commercial opportunity in commercialising SunGold in China that generates returns for our industry and also mitigates the spread of unauthorised SunGold. No decisions have been made, nor will they be without fully engaging our New Zealand stakeholders and shareholders. And we’ll continue to speak with growers and the New Zealand and Chinese governments in the coming months.”

See:

https://usx.co.nz/uploads/paperclip/documents/2076/original/2020-08-18_Zespri_CEO_Dan_Mathieson_Annual_Meeting_speech_FINAL.pdf?1597723164

- Widespread media coverage of the 4,000 hectares figures and Zespri’s concerns over the spread of unauthorised SunGold plantings in China follows the annual meeting.

See:

https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12357647

<https://www.stuff.co.nz/business/farming/122490401/zespri-mulls-best-way-to-combat-counterfeit-kiwifruit-in-china>
<https://www.freshplaza.com/article/9239113/illegal-kiwifruit-plantings-in-china-are-soaring/>
<https://farmersweekly.co.nz/section/horticulture/view/just-how-exposed-is-zespri-to-chinese-counterfeit-gold>

- August 2020 Roadshows include update on unauthorised Gold3 with most questions focused on the issue.

21 November 2019

Illegal kiwifruit is growing in China

by Richard Rennie



This kiwifruit on sale in a Chinese shop has been made to look like its from Zespri but it isn't. Zespri has fired a warning shot at Kiwi growers over illegal SunGold kiwifruit plots in China and plans to crack down on increasing volumes of the illegally grown fruit being detected in the fast growing market.

In his latest update to growers, the kiwifruit marketer's chairman Bruce Cameron said investigations indicate the Gold3 (SunGold) hybrid fruit is now present in varying ages of maturity in several areas and includes some big growing operations.

Zespri grower and alliances officer Dave Courtney said there are Chinese plots in the tens of hectares that total more than 2000ha, with typical areas averaging 10ha.

"But if you think about how here in New Zealand the average orchard size is about 3.5ha then this is significant."

Zespri has identified a few larger commercial groups with orchards in place on a bigger scale.

The alert comes as a civil court case continues in the High Court at Auckland for millions in damages against an individual who allegedly sent SunGold Gold3 plants to China.

The area covered by those plants is estimated at 160ha and they were discovered in 2016.

The Gold3 plants can be grown only under licence and growers this season have paid almost \$300,000 a hectare for rights to grow the popular SunGold variety.

Because there are no provisions in NZ's Plant Variety Rights Act for criminal proceedings the case is being heard as a civil one.

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Courtney said Zespri is working closely with Chinese authorities to take action on the illegal use of Zespri intellectual property.

Authorities there are very receptive to stamping out counterfeit activity but Zespri will be among the first fruit companies to deal with illegally grown fruit with an intellectual property claim over it.

Illegally packaged fruit using counterfeit Zespri labelling has been an ongoing issue for the company but fruit grown in-country is a first and Courtney said the company aims to have tools to help identify the provenance of disputed fruit.

“We will be able to tell where it is grown and even in what province but plant variety rights breaches in China are a new area.”

The discovery made no impact on whether Zespri would or would not go on to grow its own protected and licensed Gold3 fruit in China.

Some initial exploration work has been done but Zespri has not progressed any further.

Appendix 3 – grower presentations

August/September 2020 Zespri grower roadshow – China G3 slides



UNAUTHORISED SUNGOLD IN CHINA

- Our approach is across multiple fronts - legal, political and protecting our retail channels.
- We're continuing to work with government (NZ and China) to elevate the issue and understand our options.
- Focused on understanding our leverage and developing strong local relationships to mitigate the impact and stop further spread.

UNAUTHORISED SUNGOLD IN CHINA

- Protecting our PVRs and the value they create is our primary concern.
- Our understanding of current volumes is there could be as much as 4,000ha.
- We need to be realistic and accept elimination of all unauthorised G3 is unlikely.
- The challenge is to halt the growth and mitigate the impact on our brand and business.

September 2020 NZKGI Forum presentation by Matt Crawford

UNAUTHORISED sunGold Plantings

SEPTEMBER 2020

TIMELINE

- April 2016:**
Zespri first made aware of the potential presence of G3 in China as part of Project Bamboo Investigations. Investigations commenced into understanding the origin and extent under Projects Bamboo and Huishou.
- April 2017:**
Zespri investigation uncovers information relating to suspicions that plant material transferred several years earlier by Haoyu Gao. Understood that at that time approx. 100 hectares were associated with these original plantings in China.
- November 2018:**
Haoyu Gao appears in New Zealand's High Court with Zespri seeking damages of up to \$30 million for infringement of property rights relating to unauthorised plantings of G3 in China. The Court found in Zespri's favour in February 2020.
- November 2019:**
Following the Gao investigation, further investigation into unauthorised G3 indicates that significant grafting has taken place and that up to 2,500ha could be present across multiple provinces.
- May 2020:**
Following the lifting of COVID-19 travel restrictions, Zespri re-engaged with local industry to determine extent of grafting. Indicative feedback from local authorities and industry suggest up to 4,000ha of G3 could now be present in China.



Situation update

- Protecting our PVRs and the value they create is our primary concern.
- Our approach is across multiple fronts - legal, political and protecting our retail channels.
- We're continuing to work with government (NZ and China) to elevate the issue and understand our options.
- We need to be realistic and accept elimination of all unauthorised G3 is unlikely.



Situation update

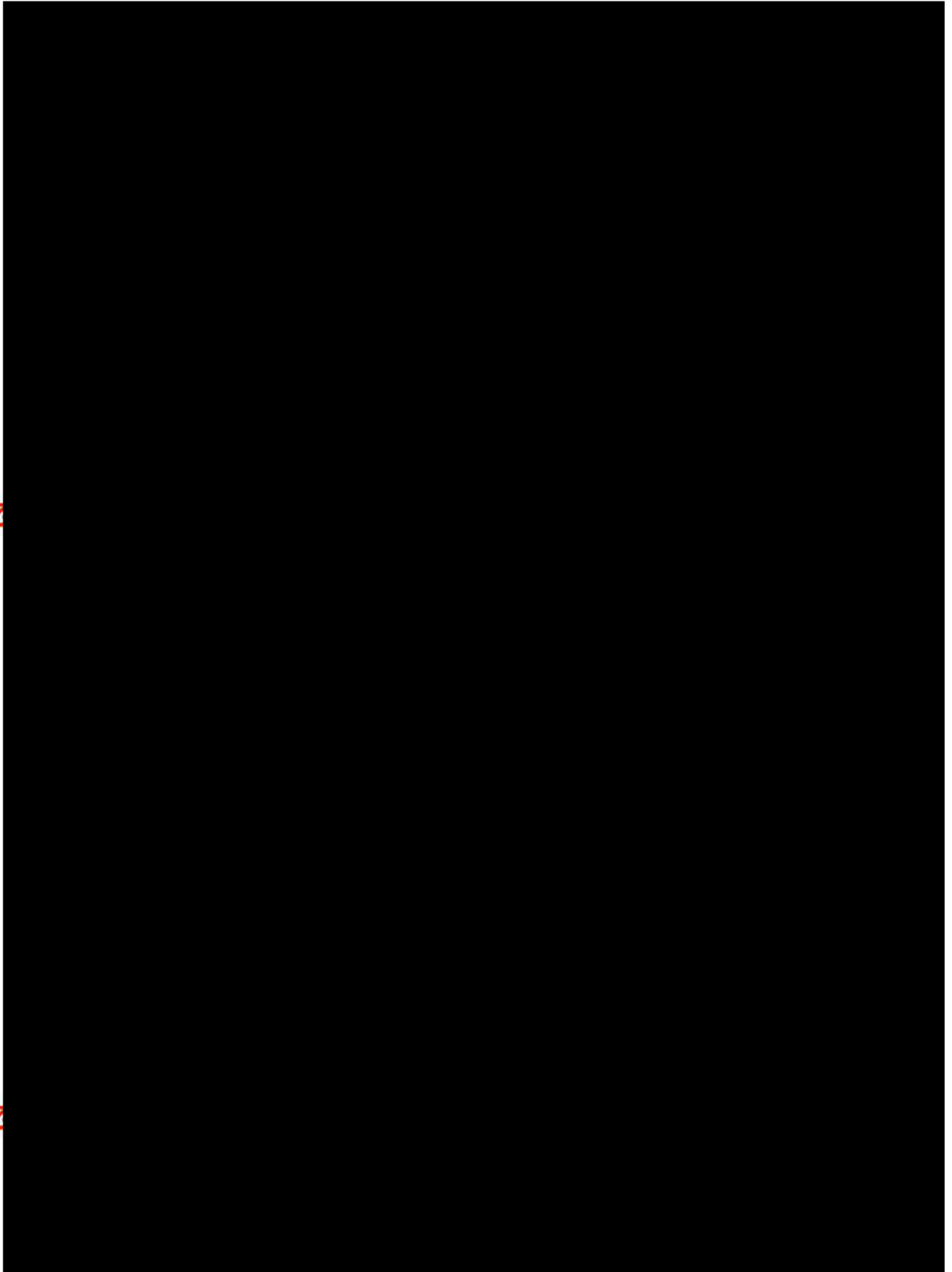
- There could be as much as 4,000ha planted.
- Sichuan the dominant province in respect of planted hectares.
- Seasonality means main threat is to the ZGS season, but also cuts across NZ sales season.
- The challenge is to halt the growth and mitigate the impact on our brand and business, both now and into the future.
- Need to understand what leverage there is to influence the situation.

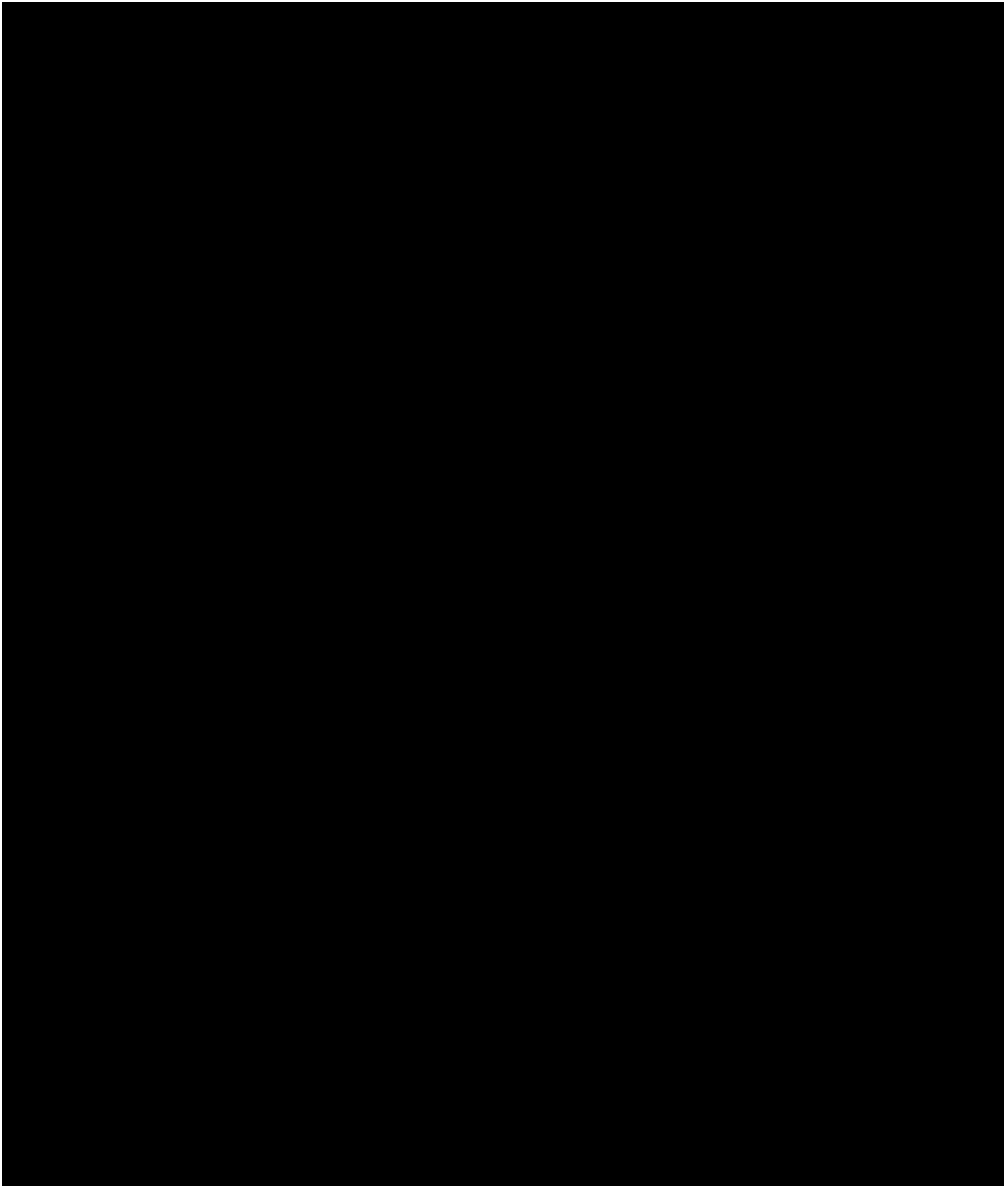


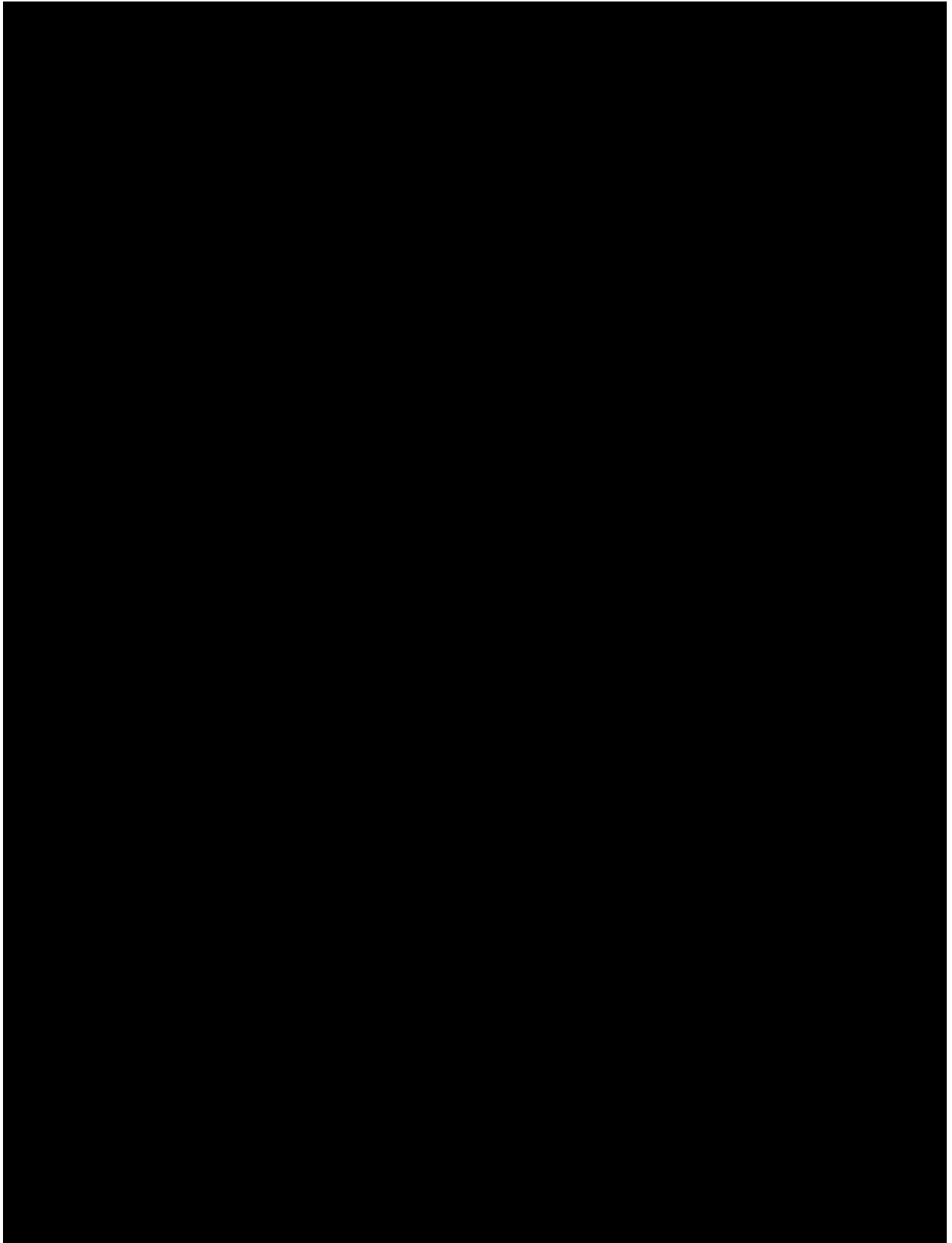
Situation update

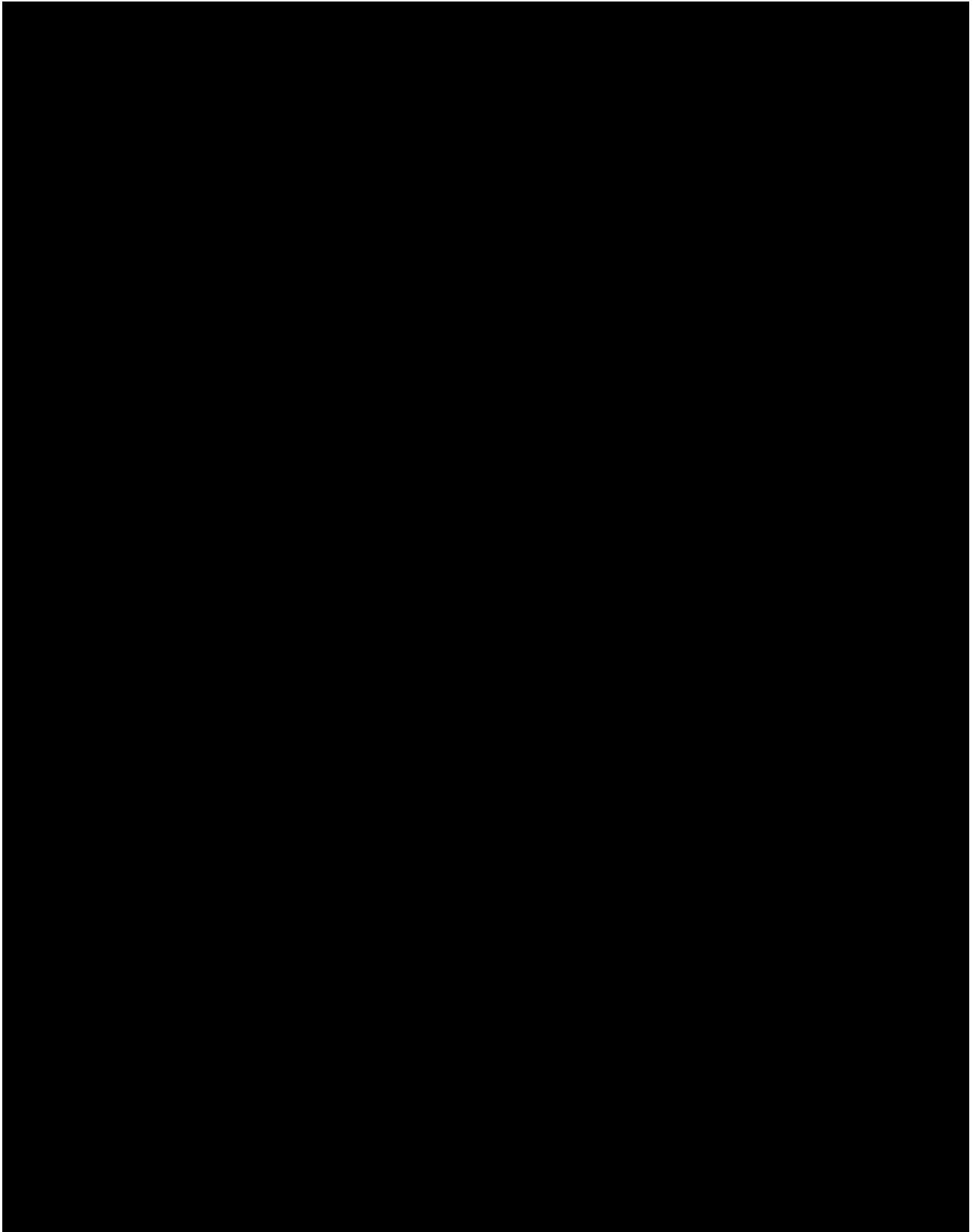
- Orchard Monitoring program is providing key data.
- Yield and quality comparable with other Nthn Hemisphere locations.
- 8,000 TE per ha. And 40-50% Zespri class 1.
- Size count ~1 less than NZ, firmness lower.
- Storage trials kicking off.
- Consumer perception trials underway.

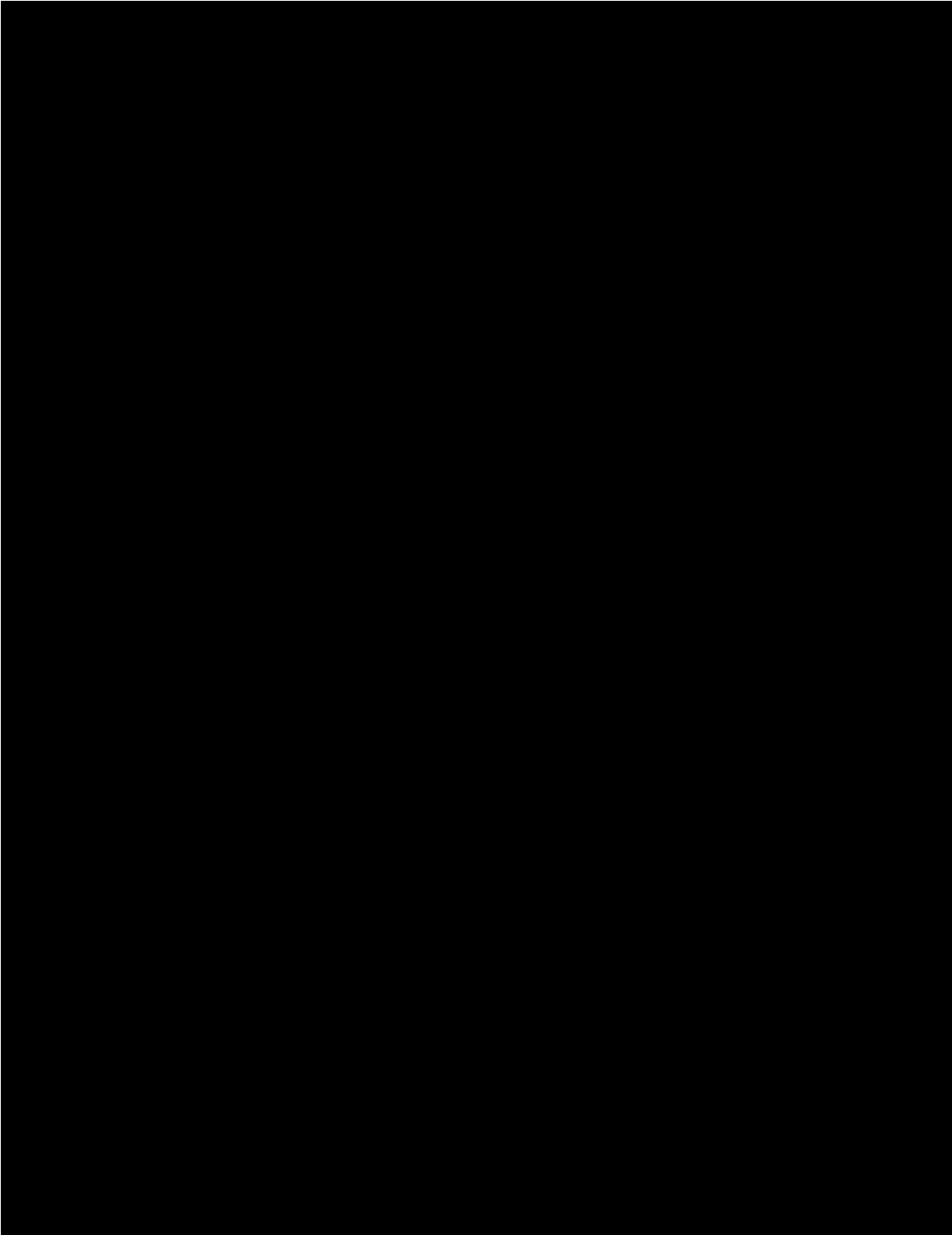


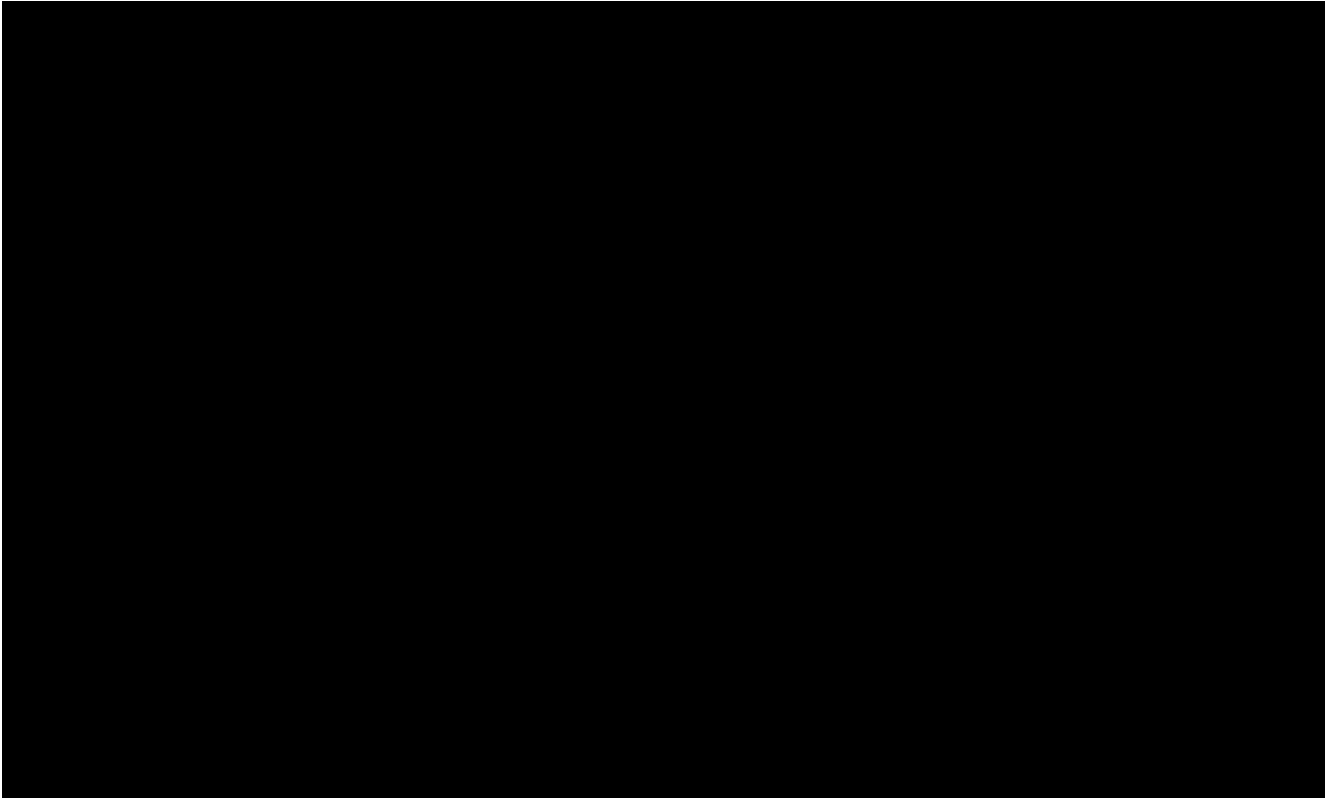












July 2020 Zespri Grower Virtual Town Hall – China G3 slides



Unauthorised sungold in china

- Protecting our PVRs and the value they create is our primary concern.
- Our understanding of current volumes is there could be as much as 4,000ha.
- We need to be realistic and accept that elimination of all unauthorised G3 is unlikely.
- The challenge is to halt the growth and mitigate the impact on our brand and business.

Unauthorised sungold in china

- Our approach is across multiple fronts – legal, political and protecting our retail channels.
- We're continuing to work with government (NZ and China) to elevate the issue and understand our options.
- Focused on understanding our leverage and developing strong local relationships to mitigate the impact and stop further spread.

Unauthorised sungold in china

- Our major concern is the significant plantings in Sichuan Province.
- Looking to identify a “win-win” situation for New Zealand growers and the Chinese industry.
- One option to assess is whether there is a commercial opportunity around commercialising SunGold in China as part of ZGS.
- A commercial model would increase the value of the Zespri brand and our supply chain in China, improve local growing methods and build expertise in the supply chain, and may help prevent the future spread of illegal SunGold.

Appendix 4: Risk framework

The risk framework uses likelihood and impact to quantify total risk.

The risk is assessed before and after mitigation measures are put in place. Likelihood and impact are rated on a 1 to 5 scale. The ratings are set out below:

<p>Likelihood</p> <p>1- Rare 2- Unlikely 3- Moderate 4- Likely 5- Almost certain</p>	<p>Impact</p> <p>1- Low 2- Medium 3- High 4- Very high 5- Extreme</p>
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The inherent and residual risk is calculated by multiplying the impact and likelihood together to get the overall risk score.

Risk description	Reputational				
Inherent risk assessment (No controls)					
Impact		Likelihood		Inherent risk	
Residual risk assessment (Controls in Place)					
Impact		Likelihood		Residual risk	
<i>Proposed actions to reduce the impact of the risk and/or the likelihood of it occurring</i>					
<ul style="list-style-type: none"> ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ ▶ 					

Risk description	Financial				
Inherent risk assessment (No controls)					
Impact	[REDACTED]	Likelihood	[REDACTED]	Inherent risk	[REDACTED]
Residual risk assessment (Controls in Place)					
Impact	[REDACTED]	Likelihood	[REDACTED]	Residual risk	[REDACTED]
<i>Proposed actions to reduce the impact of the risk and/or the likelihood of it occurring</i>					
[REDACTED]					

Risk Description	Leakage of NZ on-orchard expertise in China				
Inherent risk assessment (No controls)					
Impact	[REDACTED]	Likelihood	[REDACTED]	Inherent risk	[REDACTED]
Residual risk assessment (Controls in Place)					
Impact	[REDACTED]	Likelihood	[REDACTED]	Residual risk	[REDACTED]
<i>Proposed actions to reduce the impact of the risk and/or the likelihood of it occurring</i>					
[REDACTED]					

[REDACTED]

