

## **COOLSTORE UPDATE PROJECT 2023**

### **SUMMARY OF INVESTIGATION — NON-DIVERSIFICATION RULE**

KNZ became aware in December 2023 that Zespri was undertaking a Coolstore Update Project (**Project**) that targeted carbon emissions reductions in relation to refrigerant use in the post-harvest sector.

The Project included engaging an external agency to gather data on refrigerant gas inventory and historical leaks from each participating post-harvest supplier and report back to participants with an anonymised report including the data and options for upgrading systems. The intention was that the report would assist post-harvest suppliers applying jointly for government funding to assist decarbonisation.

The non-diversification rule in regulation 11 of the Kiwifruit Export Regulations 1999 (**Regulations**) prohibits Zespri from carrying out activities that are not core business or do not support core business unless a producer vote is taken giving Zespri approval to carry out the activity. Zespri did not undertake a producer vote because it considered the Project was core business.

KNZ advised Zespri of its concerns regarding the Project, and following receipt of this, Zespri advised that it had withdrawn from the Project and that post-harvest sustainability leaders had taken the lead.

The Board determined that the Project did not meet the definition of core business in the Regulations and gave Zespri notice of an investigation into whether Zespri had failed to comply with the non-diversification rule.

While a full assessment was unable to be undertaken in these circumstances, the Board considered it was likely the Project would have supported core business and therefore Zespri would not have been required to undertake a producer vote in accordance with regulation 11. This meant that the investigation did not find a breach of the non-diversification rule.

Zespri was reminded of the need for strict compliance with the prior notice rule in regulation 10A if there is any doubt as to whether an activity is core business. The Board recorded that Zespri's processes for evaluating whether activities are core business are important for compliance with the Regulations and KNZ will continue to engage with Zespri to ensure compliance.

4 September, 2024