

**KNZ Report for NZ Kiwifruit Producers**

**2024 Producer Vote on extension of 12-month supply activities**

**Executive Summary**

Kiwifruit New Zealand's (KNZ) role is to monitor and enforce Zespri's compliance with the mitigation measures in the Kiwifruit Export Regulations 1999 (Regulations). The Regulations prohibit Zespri from carrying out any activities that are not its core business, unless those activities 'support core business', as defined in Regulation 10A, or are approved under a (Producer Vote) process defined in Regulation 11.

KNZ's role in relation to the 2024 Producer Vote is to:

1. Ensure producers are fully informed of the proposed activities
  - Information is clear and accurate
  - All producers have sufficient opportunity to access the information
  - Risk factors and mitigation measures are defined
2. Ensure the voting process meets the regulatory requirements
  - Producer database is accurate
  - All producers have the ability and opportunity to vote
  - Voting count and result is independent of Zespri
3. Monitor and enforce the results of the Producer Vote
  - If vote is successful (75% or more)
    - Zespri's activities do not stray outside the activities communicated to producers
    - Zespri minimises the risks to producers who have not agreed to the activity (whether or not those producers voted).
  - If vote is unsuccessful (less than 75% support)
    - Zespri does not carry out the activity

A successful Producer Vote does not mean that activities become Zespri's core business. It just means that Zespri can undertake the activities described in the Producer Vote, as well as core business. KNZ continuously monitors Zespri's activities to ensure they are consistent with core business and the results of all Producer Votes.

For more detailed information, please view the full report below.

## 1. Previous Producer Votes

Zespri has conducted two previous Producer Votes in 2019 and 2022 relating to its Global Supply activities (ZGS). The results are outlined below.

2019		Vote was successful
<b>Resolution 1</b>	<b>84.05% support</b>	
<i>Vote of producers to agree to Zespri carrying out the 12-month supply business.</i>		
<b>Resolution 2</b>	<b>84.84% support</b>	
<i>Vote of producers to agree to Zespri owning plant varieties.</i>		
2022		Vote was unsuccessful
<b>Resolution 1</b>	<b>67.79% support</b>	
<i>Increase in planted hectares of Zespri SunGold Kiwifruit in overseas countries by up to 10,000 additional hectares.</i>		
<b>Resolution 2</b>	<b>70.19% support</b>	
<i>Increase in planted hectares of any new kiwifruit variety in overseas countries by up to 1,000 additional hectares.</i>		

Producers were informed that the 2019 Producer Vote activities included up to 5,000 ha of SunGold, and 1,000 ha of other varieties to be planted in overseas countries except for China and Chile. Zespri could also purchase up to 20 million trays per annum of Hayward Green kiwifruit. ZGS is currently limited to the results of the 2019 Producer Vote and KNZ monitors compliance based on that vote.

## 2. Kiwifruit Export Regulations 1999

Under Regulation 11, Zespri must carry out a process in which all producers have been:

- informed of the proposed activities; and
- asked to agree by vote to Zespri carrying out the proposed activities.

To carry out the proposed activities Zespri must obtain the required proportion of votes (calculation of how votes are counted is set out in Regulation 11) in support of those activities and minimise, as far as is reasonably practical, the risks arising for producers who have not agreed to the proposed Extended Activities.

Regulation 33 requires KNZ to monitor and enforce Zespri's compliance with the non-diversification rule.

These provisions intend to establish the appropriate level of control by producers over Zespri's activities that are not 'core business'. KNZ's role is not to decide the scope, direction, or scale of non-core activities. The decision about the desirability of an activity, its risks, or whether the benefits of an activity outweigh the risks involved is to

be decided by producers. KNZ's role is to ensure that producer oversight is engaged, and producers have the information necessary to make an informed vote.

### **3. Process**

As set out above, KNZ's function is to monitor whether Zespri has carried out an appropriate process in accordance with Regulation 11. As part of this KNZ will monitor:

- the process by which Zespri intends to inform producers of the proposed activity, including the steps Zespri will take to ensure all producers receive the information in a timely manner in order to exercise their vote;
- whether sufficient information is provided to producers in a form that is clear in its presentation, to ensure producers are in a position to make an informed decision on the risks to their interests from the proposed activity;
- how the votes will be calculated and counted and whether the required proportion of votes has been obtained; and
- if the required proportion of votes has been obtained, whether Zespri has and continues to minimise, as far as reasonably practical, the risks arising for producers who have not agreed to the activity.

### **4. 'Informed'**

A high level of disclosure is required to meet the test of 'informed' because the proposed activities are outside Zespri's core business as stipulated in the Regulations. Any new activity is more significant than a "business as usual" proposal and could carry significant implications for the industry and New Zealand kiwifruit producers.

For producers to be "informed" they need full disclosure of the proposed activities and any risks or benefits resulting from the activity. The information should be sufficient for a prudent kiwifruit producer to reach an informed assessment. KNZ considers that the following matters should be considered:

- information should be clearly presented in a balanced and neutral manner;
- information should be accurate and not misleading (including the omission of any information);
- any factual assertions or projections should be supported by sufficient evidence and analysis to demonstrate robustness and key assumptions should be clearly identified;
- options should be considered, including the advantages and disadvantages of the various courses of action;
- producer interests affected by the proposed activities should be identified (noting that these may be different to the interests of Zespri and/or shareholders) and any risks and benefits to them should be explained in detail;
- information gaps should be identified and producers advised when reliable evidence is not available; and
- information as to how, if the vote is passed, Zespri would minimise, as far as reasonably practical, the risks arising for producers who voted against the activity.

## **5. Conclusion**

KNZ has worked with Zespri to ensure that information is available to all producers and that it meets the necessary standard so that producers are “informed”. KNZ is also working with Electionz.com Ltd and KPMG to ensure the voting process is robust and complies with the Regulations.

KNZ will monitor the voting process, and the results, and will continue to monitor and enforce ZGS based on the outcome of the 2024 Producer Vote.