



**TIAKI**  
FARM SOURCE SUSTAINABLE DAIRYING

# FONTERRA INDUSTRY SCHEME

October 2018



# FONTERRA INDUSTRY SCHEME

## BACKGROUND

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1. The Waikato Regional Council's ("**WRC**") Proposed Plan Change 1 – Waikato and Waipa River Catchments ("**PPC1**") provides for a change to the Waikato Regional Plan (the "**Plan**") for the use of Certified Industry Schemes ("**CIS**" or "**Scheme**") as an alternative to the consented approach for all land owners required to prepare Farm Environment Plans ("**FEP**").
2. Fonterra has considered in this application the conditions and criteria included in Rule 3.11.5.3 and PPC1 to become a CIS ("**Scheme Proposal**"). Schedule 2 of the PPC1 sets out the criteria against which applications to become an approved Scheme will be assessed. Fonterra has considered these criteria in this application. The WRC "Industry Scheme Principles Discussion Document" dated 31 August 2018 also helpfully outlines the WRC's view of how Schedule 2 is to be interpreted and implemented.
3. The PPC1 sets out Rule 3.11.5.3 – Permitted Activity Rule – Farming activities with a Farm Environment Plan under a CIS. This rule establishes that the use of land for farming (and the associated diffuse discharge of contaminants), where there is a FEP, and land use is registered to a CIS, is a permitted activity subject to the conditions set out in the rule.

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## Ownership

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4. The proposed Scheme will be a service delivery programme under the Tiaki Sustainable Dairying Programme, a Fonterra Farm Source business unit. Fonterra Cooperative Group Limited (Company # 1166320) will be the Scheme owner ("**Fonterra**").

## Governance arrangements

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5. A steering committee will act as the governance body for the Scheme. The "Steering Committee" will comprise of:
  - a. Farm Source Waikato Regional Head (Chairperson);
  - b. General Manager Sustainable Dairying;
  - c. Waikato based Shareholder Councillor;
  - d. Sustainable Dairying Programme Lead ("**Programme Lead**"); and
  - e. Fonterra Farm Source Farmer Solutions Manager N.I.
6. The Steering Committee will be responsible for ensuring that the Fonterra Scheme is meeting all commitments set out in this application, in a way that is consistent with achieving the outcomes anticipated by the successful implementation of rule 3.11.5.3 of the PPC1.
7. The Steering Committee will meet a minimum of four times per calendar year to consider performance of the Scheme.
8. The General Manager Sustainable Dairying will ensure that any changes to the Steering Committee, and a detailed annual Scheme report covering the previous 1 June to 30 May dairy season, will be provided to the WRC by 1 December each year.

## Management

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9. The Programme Lead (or equivalent) will be responsible to the Steering Committee for: (i) ensuring all aspects of the Scheme are operating in accordance with the Scheme Proposal (unless a variation is agreed in writing with the WRC); and (ii) ensuring the appropriate reports and information is provided to the Steering Committee.
10. The WRC will identify a key contact person at an appropriate management level to be responsible for ensuring Scheme / Council communication and issue resolution is efficient.
11. A working group will be set up between WRC and the Fonterra Scheme to implement the Scheme – the working group will focus on the operational delivery of the Scheme.

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## Responsibilities of all parties

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12. The role of the Scheme is to support and assist the Scheme members to meet their regulatory obligations under the Plan, not to take on responsibility (or liability) for an individual scheme members' compliance.
13. The WRC maintains responsibility for monitoring and compliance functions (including enforcement) in relation to the requirements of PPC1 and in particular rules 3.11.5.3 and 3.11.5.5.
14. Fonterra does not have any delegations to exercise any RMA functions or powers and therefore has no regulatory responsibilities. The primary RMA compliance obligation is between Scheme member and the WRC, and any enforcement for breach will be carried out by the WRC against the Scheme member directly.
15. The WRC acknowledges that: (i) the individual Scheme member holds the responsibility and liability for compliance with the Plan and any applicable rules; and (ii) Fonterra will not be liable or responsible for the Scheme member's non-compliance.
16. Fonterra will monitor its members' performance under the Plan and report to the WRC on such performance, this includes (but is not limited to) checking that the member has registered and submitted an Nitrogen Reference Point ("**NRP**").
17. The WRC will work with Fonterra to ensure the Scheme is delivered in a way that is consistent with the way controlled land use consents are managed and monitored (as a far as practically possible) by the WRC. This includes alignment of the monitoring frequencies and strategy to ensure that the monitoring is undertaken in a manner not inconsistent with the WRC monitoring for farming activities under the controlled activity rule 3.11.5.4 for farming activities with a farm environment plan not under a certified industry scheme.
18. Where a potential Scheme member has not complied with their obligations under the Plan, Fonterra will escalate such non-compliance to the WRC. Any non-compliance could result in the Scheme member being exited from the Scheme.
19. Fonterra will exercise its responsibilities in relation to the Scheme as described in this Scheme Proposal. Changes to this Scheme Proposal will be agreed in writing between the Steering Committee and the WRC.
20. The Membership Agreement between Fonterra and the farmers who register with the Fonterra Scheme will include (amongst other things):
  - a. the Scheme member's ongoing responsibilities in providing accurate information to the Scheme and implementing the actions set out in the Farm Environment Plan; and
  - b. provisions allowing Fonterra to share certain information and data with the WRC including a copy of the relevant FEP, and any other information relating to the Scheme member's compliance with the Plan (i.e. results of FEP monitoring and/or the nitrogen risk assessment).
  - c. A copy of the draft Fonterra Scheme Membership Agreement has been provided in Appendix E to this Scheme Proposal.
21. Fonterra may in its sole discretion, at any time, decide to wind up the Fonterra Scheme.

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## Register of Scheme Membership

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22. Fonterra will develop and maintain a record of the farmers who have registered to become members of the Scheme. On a quarterly basis, an updated membership register (that clearly identifies which members are new and which members are no longer members of the Scheme) will be provided electronically to the key contact person at the WRC.
23. The membership register will clearly identify the Scheme member, the relevant dairy farming property, the street address and land parcels, and the primary contact for that Scheme member.
24. A copy of the Membership Agreement is appended to this Scheme Proposal, and sets out the requirements for registering to the Scheme, and the reasons for why a Scheme member may be de-registered.

## Competent and consistent performance in FEP preparation and audit

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25. Fonterra will support and assist Scheme members with the process of preparing and submitting to WRC a Farm Environment Plan (“**FEP**”), in accordance with the requirements for FEPs set out in Schedule 1 of the PPC1.
26. Fonterra will work with Scheme members to support and assist with preparation and submission of FEPs to meet the sub-catchment priority timelines set out in paragraph 5 of rule 3.11.5.3.
27. Fonterra will establish internal processes for FEP delivery (attached as Appendix A) and FEP review protocol (attached as Appendix C) to ensure consistent and transparent performance of FEP preparation).
28. The FEPs will be provided to the WRC by Fonterra in an agreed format to align with the proposed Healthy Rivers farmer online “portal”.

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## Effective monitoring of performance

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29. Fonterra will carry out monitoring of compliance by Scheme members with rule 3.11.5.3 of PPC1 (including compliance with any FEP) as set out in this Scheme Proposal.
30. Every scheme member will have a visit within 2 full seasons (1 June to 31 May) of the submission of their FEP to the WRC, in which Fonterra will monitor compliance of the timebound actions that fall within the 2-season period. During the monitoring visit, Fonterra will also review the FEP against the requirements set out in Schedule 1. The results of this monitoring visit will be made available to the Waikato Regional Council in an agreed format. An example is provided in the appendix D.
31. Fonterra will undertake reporting of all FEP actions that fall on the seasons between the scheduled monitoring visit. Fonterra will commit to checking with scheme members on the progress of all outstanding FEP actions. This check may not necessarily involve a farm visit, and the reporting provided to the Waikato Regional Council would specify how the progress check of the outstanding action was initiated to give the Waikato Regional Council a level of confidence of the action progress. Any action that is reported upon to the Waikato Regional Council will be verified during the next scheduled farm monitoring visit.
32. Where non-compliance is identified, Fonterra will record and report the:
  - a. non-compliance by a Scheme member; and
  - b. agreed mitigation actions to address the breach in the agreed standard format to the WRC.
33. Fonterra will provide scheme members with the same monitoring report provided to the WRC. This monitoring report will also advise farmers that the non-compliance places them in breach with the Scheme Membership Agreement, and are at risk of removal from the scheme.
34. If the scheme member does not implement the actions required to address the non-compliance, this will be escalated to the WRC (within 10 working days of Fonterra becoming aware of the continued non-compliance). It is then up to the WRC to decide if further action (including enforcement action) is required.
35. Fonterra will provide an annual Nitrogen assessment service to assess compliance with the Nitrogen management provisions in the Waikato Regional Plan. Compliance with the NRP for all Scheme members will be reported annually to the WRC in the agreed format.
36. The Fonterra Scheme will work with the Scheme members to help them understand their regulatory commitments. If a Scheme member does not make reasonable efforts to carry out outstanding actions on the FEP and to address any non-compliances, the Steering Committee will consider the member's removal from the Scheme register. This will be set out in the membership agreement when an applicant registers with the Scheme. Where a Scheme member is removed from the Scheme, the register will be updated and the WRC notified.

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37. The WRC / Fonterra implementation working group will review the monitoring regime set out in paragraphs 29 – 36 of this application, and if required will amend the monitoring of scheme members FEP to align with the WRC monitoring regime established for controlled land use consents issued under Rule 3.11.5.4 of PPC1.
38. Fonterra will provide the WRC with a quarterly overview of aggregated scheme progress, which will include number of FEP's provided, number of monitoring visits and aggregated compliance distribution.

## Robust Data Management

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39. The Scheme will use the following data management systems:
  - a. Farmer Central (Sales Force CRM);
  - b. Fonterra's "Gary" Nitrogen Management System; and
  - c. Fonterra Tiaki GIS Tool.
40. In absence of a completed WRC farmer portal, the ability to undertake suitable data exchange has not been formalised, however Fonterra commits to providing the appropriate data (farmer property information, FEP content, FEP monitoring content) in the most suitable format agreed between Fonterra and WRC.

## Transparency and public accountability

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41. Fonterra recognises that this Scheme Proposal document, and any future updates, will be publicly accessible. Supporting information with the Scheme Proposal that describes or displays Fonterra systems or detailed internal process documents is commercially sensitive and will not be made public without Fonterra's prior written consent (unless not releasing such information would breach the WRC's obligations under LGOIMA or other legislation in which case Fonterra will be notified immediately).
42. Fonterra will provide the WRC with copies of the FEP developed for a Scheme member, Scheme audit outcomes, agreed template farm level monitoring reports and Scheme register updates. Fonterra accepts that all information provided to WRC becomes subject to the Official Information Act and that WRC might from time to time have to consider data requests under this Act.
43. The monitoring and enforcement functions of the WRC cannot be transferred to a third party and the WRC will undertake monitoring of Scheme members (separate to the Fonterra Scheme monitoring programme).
44. The Scheme will work with the WRC to provide farmer support where non-compliance is identified and the WRC is comfortable for the non-compliance to be managed by the Scheme. [For clarity, there is no obligation on the WRC to engage with the Scheme when considering enforcement action against a farmer but it may choose to do so.]
45. The WRC will advise the Scheme of the outcome of any enforcement action taken against the Scheme member.

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## People

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46. The Scheme will use qualified staff under the direction of a qualified and experienced Certified Farm Environmental Planner to assist Scheme members with the preparation, delivery and monitoring of FEPs, and Certified Nutrient Management Advisors for services provided to support scheme members with their nitrogen obligations.
47. The same pool of Fonterra staff used for the provision of FEP's for scheme members will also be used for the ongoing monitoring of the FEP's.

## Audit

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48. The Scheme will engage an independent third party ("**Independent Auditor**") to carry out an audit to assess scheme performance. The annual audit will comprise of five different components:
  - a. Annual audit to ensure the Scheme is being implemented in accordance with the Scheme Proposal. This includes the governance mechanisms, Scheme membership register, data management and scheme reporting;
  - b. Random auditing of 5% of FEPs delivered in the operation of the Scheme to ensure the farm planners are identifying appropriate farm risks, and that the appropriate mitigation actions are being included in the FEP's;
  - c. Random auditing of 5% of farm monitoring reports to ensure that mitigation actions in FEP's are completed on time and to an appropriate standard;
  - d. Auditing of the timeliness and accuracy of the FEP and monitoring data provided to WRC, including the provision of plan non-compliance, corrective actions and consequences.
49. An audit report will be produced annually by an Independent Auditor which will detail the findings of the audits. The report will be provided to the Scheme Governance Committee and to the WRC.
50. Fonterra will confirm suitability of the auditor with the WRC prior to engaging any Independent Auditor.

# APPENDIX



# FONTERRA INDUSTRY SCHEME

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**a. Process of On-Farm Delivery of FEP for Waikato**

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**b. Waikato Checklist FEP Content Expectations**

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**c. Process for Internal Review of an FEP**

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**d. Proposed Annual Monitoring Report**

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**e. Proposed Scheme Membership Agreement**

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