

ENVIRONMENTAL MANAGEMENT POLICY

Farm Environment Plan Auditing – Non-compliant Audits

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CONTENTS

PURPOSE OF POLICY	4
APPLICATION.....	4
RESPONSIBILITY.....	4
DEFINITIONS.....	4
POLICY	5
1.1 Introduction	5
1.2 Policy Requirements	6
1.2.1 General.....	6
1.2.2 ‘C’ Grade Audits	6
1.2.3 ‘D’ Grade Audits	7
1.2.4 Non-compliance due to Exceeding Nitrogen Loss Targets	7
1.3 Review of Policy	7

PURPOSE OF POLICY

This policy specifies the approach Opuha Water Limited (OWL) will take in addressing non-compliant Audits of OWL shareholder and water users Farm Environment Plans (FEPs).

The purpose of the policy is to ensure consistency of action taken by OWL in response to non-compliant Audits.

APPLICATION

This policy applies to all OWL shareholders and water users, who are required to hold a land use consent (LUC) to farm and therefore, a FEP.

This policy is consistent with the terms and conditions of the Water Supply Agreement that applies to all OWL shareholders and water users, and links to regulatory requirements set by the Canterbury Land and Water Regional Plan to hold FEPs.

RESPONSIBILITY

At all times the shareholder is responsible for all information provided to OWL by them or by their authorised agent, relating to their property. Neither OWL nor its representatives shall be liable for information or assistance provided whether or not changes were made to the FEP as a result of such information or guidance.

DEFINITIONS

<p><i>Audit</i></p>	<p><i>An assessment of the performance of a farming activity against the objectives and targets of a Farm Environment Plan, and includes identifying any remedial actions to be carried out to achieve the objectives and targets of the Farm Environment Plan, and an overall grading based (grades A-D) on the assessment of the farming activity.</i></p> <p><i>The frequency and cost of the Audits to shareholders is determined by the audit grade as detailed in the ‘OWL Environmental Management Strategy’ and ‘OWL Policy: Farm Environment Plans and Auditing – Fee Charging Model’.</i></p> <p><i>Audits will be carried out on all shareholder FEPs. Audits will be undertaken by a Certified Farm Environment Plan Auditor, in accordance with the requirements of the LWRP and individual resource consents.</i></p>
<p><i>Certified Farm Environment Plan Auditor (Auditor)</i></p>	<p><i>means a person who either:</i></p> <ul style="list-style-type: none"> <i>a. is approved by the Chief Executive of Environment Canterbury as meeting the following criteria and is registered on the Environment Canterbury website as a Certified Farm Environment Plan Auditor or</i> <i>b. is an auditor who is operating under an International Standards Organisation accredited audit programme that has been approved by the Chief Executive of Environment Canterbury as including audit criteria equivalent to that set out in Part C of Schedule 7;</i>

	<p><i>and</i></p> <ol style="list-style-type: none"> 1. <i>has at least 5 years' professional experience in the management of pastoral, horticulture or arable farm systems; and</i> <ol style="list-style-type: none"> i. <i>holds a Certificate of Completion in Advanced Sustainable Nutrient Management in New Zealand Agriculture from Massey University; or</i> ii. <i>holds a tertiary qualification in agricultural science or demonstrates an equivalent level of knowledge and experience; and</i> 2. <i>is a current member of professional institute relevant to auditing that requires members to subscribe to a code of ethics and has a procedure in place for dealing with complaints made against members; and</i> 3. <i>demonstrates, to the Chief Executive of Environment Canterbury, proficiency in the auditing of Farm Environment Plans against the matters set out in Part C of Schedule 7.</i>
<i>FEP</i>	<p><i>A Farm Environment Plan is an environmental risk-management tool which helps farmers recognise on-farm environmental risks, and sets out a programme to manage those risks. FEPs are unique to a property and reflect the local climate and soils, the type of farming operation, and the goals and aspirations of the land user. A Farm Environment Plan is required by Environment Canterbury to be held by all shareholders who trigger the need for a land use consent.</i></p>
<i>Good Management Practice (GMP)</i>	<p><i>The practices described in the document entitled "Industry-agreed Good Management Practices relating to water quality" - dated 18 September 2015.</i></p>
<i>Water Supply Agreement (WSA)</i>	<p><i>The terms and conditions for supply of water by Opuha Water Limited to Shareholders or other person receiving irrigation water (a water user)</i></p>

POLICY

1.1 Introduction

OWL encourages all shareholders to meet or exceed the industry agreed Good Management Practices (GMP) by administering the FEP and Farm Management Plan (FMP) process.

This includes developing FEPs, undertaking FEP updates and organising the Auditor contracted by OWL to conduct audits in accordance with the requirements of the LWRP and the Auditor Manual.

LUC's contain a condition of equivalent intention to;

'The farming activity shall be managed:

- a. *to achieve and maintain a Farm Environment Plan audit grade of "A" or "B", as assigned in accordance with Part C of Appendix CRCXXXXXX; and*
- b. *such that it is not assigned a "C" or "D" grade.*

Therefore, when an Audit is carried out, and a C or D grade is issued, the property is regarded as non-compliant with the condition and therefore the LUC.

In the case of a non-compliant Audit, Environment Canterbury (ECan), as the regulatory authority, requires an action plan to be provided to address the significant non-compliance with regard to the landuse consent. ECan then requires that a re-audit is carried out in accordance with the Auditor Manual.

Should the re-audit grade be a C or a D, ECan will issue an Abatement Notice to require compliance with the landuse consent. Failure to comply may result in daily fines of \$1000 for breaching the Abatement Notice.

OWL is committed to improving on-farm environmental practices within the scheme, and considers non-compliant Audits to be a serious reputational risk, and threat to this commitment. Additionally, in the interest of other shareholders who are heavily investing time and resources to implementing GMP on farm, OWL considers it appropriate that firm action is taken to ensure any incidence of non-compliance is rectified promptly.

This policy, therefore, outlines a commitment to addressing non-compliance. In particular, it specifies timeframes that are more stringent than those outlined in the *'Canterbury Certified Farm Environment Plan Auditor Manual'* (Auditor Manual). The consequences of non-compliance under this policy are also significant. While the cessation of supply of water is a 'last resort' for OWL, should Audit non-compliance not be addressed, such action is considered appropriate.

1.2 Policy Requirements

1.2.1 General

As per OWL's 'Farm Environment Plans and Auditing – Fee Charging Model' OWL tenders for auditor(s), and enters into a contractual arrangement with the successful tenderer. Shareholders who otherwise arrange their own audits shall pay all costs associated without subsidy, and any disagreement/disputes will be resolved as per the Auditor Manual procedures.

Following the Audit visit by the Auditor, a draft report is provided to the shareholder and they have the opportunity to raise any concerns directly with the Auditor. Once the timeframes prescribed by the Auditor Manual have passed, the final Audit report is provided by the Auditor to OWL who will undertake the following action.

1.2.2 'C' Grade Audits

In the case where a C grade is issued;

1. The shareholder will be given 15 business days to develop and submit a written action plan and/or map to address all issues identified in the Audit report, with defined timeframes for completion. All actions must be completed within 3 months.
2. The shareholder will be re-audited by an Auditor after 3 months. This will be 100% shareholder cost.
3. If an action plan/map and timeframes is not submitted or the re-audit report shows that the action plan has not been implemented and/or another C or D grade is issued, the report will be provided to the Water sub-committee. A written notice of breach of the WSA will be issued to shareholder giving 20 business days to remedy the breach.

4. The shareholder will be re-audited by an Auditor after 20 business days. This will be 100% shareholder cost. The re-audit will only assess the issues(s) which resulted in the C grade, and any subsequent actions identified.
5. If the WSA breach is not remedied to the satisfaction of the Auditor and therefore OWL, the supply of water to the shareholder will cease until such time as the breach is remedied and verified by an Auditor. Environment Canterbury will be notified where the shareholder holds an individual consent to take water.

1.2.3 'D' Grade Audits

In the case where a D grade is issued;

1. The report will be provided to the Water sub-committee. A written notice of breach of WSA will be issued to shareholder giving 20 business days to remedy the breach.
2. The shareholder will be re-audited by an Auditor after 20 business days. This will be 100% shareholder cost.
3. Should the re-audit report provided to OWL award a C or D grade, the supply of water to the shareholder will cease until such time as the breach is remedied and verified by an Auditor. Environment Canterbury will be notified where the shareholder holds an individual consent to take water.

1.2.4 Non-compliance due to Exceeding Nitrogen Loss Targets

In the instance where a C is issued due to non-compliance with GMP nitrogen loss rates prescribed by the consent, the shareholder will be required to resume the audit frequency as required by the Auditor Manual.

For the purpose of Objective 5A (Management Area: Nutrients) in the FEP prepared in accordance with Condition (2), the consented nitrogen loss limit is:

Target 1a. Nitrogen losses from farming activities are at or below the:

- a.
- b. *From 1 July 2020, Baseline GMP Loss Rate or Good Management Practice Loss Rate (whichever is the lesser)"*

1.3 Review of Policy

1. This policy will be reviewed every two years.
2. The OWL Board retains the right to review this policy in the interim period, if it deems a review or change is required, in particular to respond to changes in planning rules or Environment Canterbury policy.