

Our **road** to sustainability





Message from our Chief Executive

With a national presence and a broad range of waste-to-resource services, 3R Group is at the forefront of enabling economic benefit from resource recovery in New Zealand.

We aim to effect social change as we continue to deliver programmes and initiatives into 2016 and beyond, and will be measuring our environmental progress as we go.

Our success is grounded in our twenty-four employees rigorously applying their own sustainability principles, in close cooperation with our customers, partners and shareholders.

These shared commitments are expressed in the following document: 3R's first published Sustainable Development Report.

I invite you to read about our journey to date, and to send me feedback and observations for improvements as we, alongside an ever growing number of businesses and consumers, embrace the sustainability journey.

Adele Rose
Chief Executive
adele@3R.co.nz



Sustainable Development Report 2014-2015

This first sustainability report covers 1 April 2014 to 31 March 2015. The report outlines our commitment to sustainable development in all of 3R's business activities, conducted at five locations in Auckland, Hastings and Christchurch. It is our intention to update this report annually.

We have decided to report our financial performance in relative rather than absolute terms due to the size and ownership structure of our company, plus the commercial sensitivity of this information. Where possible the indicators selected for this report are in line with the GRI-G4 reporting framework. We have not sought external assurance of this report due to the significant costs.



Sustainable at heart

3R Group Ltd develops programmes to help consumers and businesses recycle or responsibly dispose of used products and packaging. From businesses with a specific waste issue to industry wide projects looking at the full product life cycle we are experts in product stewardship solutions.

3R operates on a national basis, with our head office in Hastings, an office in Christchurch, and material processing sites in Auckland, Hastings and Christchurch. From these locations 3R's twenty-four employees deliver enduring product stewardship and recycling programmes, including Agrecovery, Resene Paintwise, Dulux Paint and Packaging Takeback, and SeatSmart, plus a range of other initiatives.



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A new vision

Since we began in 2004, we have always taken into consideration the net benefit to the environment of the programmes we design and deliver; measuring and minimising our impacts wherever possible.

Over the years we have achieved ISO 14001 and CEMARS certification, formalising these measurements. However in 2013, we took this a step further and decided to review the very basis of our business, undertaking a purposefully disruptive examination of our objectives - from shareholders and the board, to staff and customers.

We wanted to clearly define our stakeholders and understand whether we were delivering what they really needed, now and for the future, to ensure a truly sustainable business.

The result: a clearly articulated purpose, vision and values for our staff, customers and stakeholders.

With this clarity, we embarked on a customer engagement process in the form of face-to-face interviews with key customers. It was critical that we learned what our customers thought we did well – and what we did not. We also gained some clarity around our role in programme design versus delivery.

Alongside this, we enabled all 3R staff to be part of our sustainability commitment, ensuring the culture continued to embed itself and flourish in every area of our business.

From designing policies and procedures for our ISO 14001 Environmental Management Planning, through to quality improvement as a result of our one-on-one engagement with stakeholders, staff were involved throughout.

Bringing the outcome of these three processes together, we then set about to make improvements in our business model.

With a clear and concise brand strategy, market development guide, communications plan, and an increased focus on leadership training, we re-launched 3R's new positioning statement:

"3R combines imagination and science to repurpose waste."

It is a message clearly articulated from our original shareholder to the newest staff member.

It has also led to a refreshed relationship with our customers, and opened doors to new customers who are now looking at how to deliver sustainable products to their own stakeholders.



Embedding sustainability

3R tends to draw people who share a strong sense of environmental responsibility. Providing them with the means to bounce around ideas, record improvements and fully understand our sustainability aims is a critical part of our own journey as a business.

To this end, we have an internal quality improvement register (QIR) which all staff can use to identify opportunities to increase efficiency or reduce our environmental impacts.

We also have a "good ideas" white board, regular informal brain storming sessions, and monthly morning teas where all staff are encouraged to share ideas or ask questions.

A combination of staff strategy days and two board strategy days each year allow us to take a top level approach to these issues.

New staff members are introduced to 3R's sustainability aims via our Environmental Sustainability Policy which is a key part of the new staff induction process. Sustainability initiatives are also communicated regularly to all staff and customers through our website and e-newsletters.

- **2008-2013**
In-house carbon monitoring.
- **May 2009**
ISO 14001 certification achieved.
- **2010 - 2013**
Participated in development of SBC's Vision 2050 for Sustainable Development.
- **May 2013**
In-house carbon inventory audited against ISO 16400-1 by Telarc.
- **Aug 2013**
Results from stakeholder engagement process.
- **Dec 2013**
Hastings office fit out.
- **Aug 2014**
Decision to attain CEMARS certification.
- **Dec 2014**
South Island paint processing base established.
- **Jan 2015**
Baseline CEMARS audit for 2013/2014 year.
- **Feb 2015**
CEMARS certification achieved.
- **Mar 2015**
Mobile granulator unit hits the road.
- **Apr 2015**
Sustainable Coastlines beach clean up.
- **Aug 2015**
First CEMARS recertification audit 2014/2015 year.
- **Ongoing**
Publish first SDR report, work towards 2020 emissions target.



Economic performance

In 2014-2015 3R reported a revenue decrease of 9.5% compared to the 2013-2014 year. This reduction was due to the cessation of the Agrecovery Wrap programme and completion of two major projects in the previous year. Concluding the silage film programme also had a material effect on our operating costs; in the reported year our costs dropped 13.8% after having risen by 23% the year previous.

In this reporting period, 3R's costs by way of wages, salaries, and employment benefits dropped by 6%. This compares to a rise of 8.8% in the previous year.

A critical addition to our team during 2014-2015 was Neville Smith, a qualified Chartered Accountant with a strong financial background in both practice and commercial environments.

Neville contributes to the leadership team's strategy and planning with a focus on budgeting, forecasting, and cash flow management, in addition to strong compliance around reporting and taxation.



Positioning for growth

Positioning 3R for expansion across a diverse customer base included a review of our financial and project management processes to ensure they enabled task ownership, delegation and project expenditure at the leadership level.

Improvements were made to our purchasing procedures including executive delegation responsibilities. Project management reporting processes were also formalised.



MYOB-EXO

During 2014-2015 3R invested in MYOB-EXO, an accounting package that enabled us access to improved financial performance reporting required for project management.

Due to this system change, producing data for this report required extraction and analysis of data from two separate financial systems, which brought with it some challenges. We expect to expand our economic reporting in the future.

Economic Performance April 2014 - March 2015 Percentage change from previous year

	FY13/14 (%)	FY14/15 (%)
Turnover	(2.16)	(9.53)
Operating Costs (excludes employment costs)	23.44	(13.84)
Salaries and Employment Benefits	8.80	(6.06)

Social responsibility



Our people

Since inception, 3R has been committed to support our staff and local community.

It's a credit to the original owners of 3R that they put in place a key "Good Friday" policy which continues to this day. This policy enables staff to take extra paid time off for charitable work or professional development. It is designed to promote education, self-development, community interest and the development of deeper understanding of sustainability issues by providing flexibility to pursue such activities. In this financial year staff made use of 179 of the 800 hours of leave available; we will continue to encourage them to take advantage of this opportunity.

3R also provides staff with access to Employee Assistance Programme services and funds Southern Cross Healthcare to *Wellbeing Two*.

Community support

Alongside the "Good Friday" policy, 3R has a long-standing commitment to nominate a board member to the Hawke's Bay Chamber of Commerce, and our Chief Executive Adele Rose currently sits on the board.

Other support includes:

- Sustainable Business Council / Sustainable Business Network membership
- Young Enterprise Trust (YES) sponsorship and mentoring
- \$500 to Oxfam for water pumps
- \$324 Community Club Bake-Off – Hastings' staff baked weekly morning teas to raise funds for various charities, including Starship Children's Hospital, Prostrate Awareness, Salvation Army (food bank collection)










"Good Friday" policy has resulted in special paid leave of around 179 hours for:

- Professional development
- Civil Defence
- Brain Injury Trust
- Pink Ribbon Appeal collections
- Accounting support for sports club

Social Responsibility April 2014 - March 2015

Sustainable Business Council / Sustainable Business Network	170 hrs
Good Friday	179 hrs
Hawke's Bay Chamber of Commerce	96 hrs
Young Enterprise Scheme	32 hrs

Staff + Health & Safety April 2014 - March 2015

	2013-2014	2014-2015
 Total staff (FTE) ¹	21.25	19.35
 Workforce by gender (female / male)	8 / 10 ²	7 / 13 ³
 Total worked hours	42,982	38,220
 Accidents and Incidents	25	28
 Lost time (injuries)	1	1
 Lost time (days)	17	6
 Health & Safety attendance (number of staff attending at least one meeting)	5 ⁴	11
 Risks and Hazards	48	24
 Quality Improvements	45	39



¹ 40 hour full time equivalent (FTE) includes non-payroll staff and differs from "feet on the ground"

² As at March 2014

³ As at March 2015

⁴ Permanent Health and Safety Committee of five staff in 2013/2014, changed to a requirement for all staff to attend at least one meeting per quarter in 2014-2015.

179

Hours of
"Good Friday"
leave



41%

Reduction in total gross
emissions per tonne of
material collected



1,250

Tonnes of materials
diverted from landfill



Emission Reduction
Initiatives:

5 completed
3 in progress
5 pushed to 2015-2016

32%

Reduction in total
greenhouse gas
emissions



Neville Smith (2nd from right) at SBC
Future Leaders Programme 2014
www.sbc.org.nz/our-work/flp

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Procurement

At 3R we believe sustainability requires a three-pronged approach – consumer-driven, industry-led, and government-supported. Individually, none of these will bring about the required change.

In the same way that individuals can positively influence the sustainability of products and services through their purchasing decisions, 3R also uses its purchasing power to create demand for environmentally preferable products and practices.

As such, sustainable procurement is part of 3R's long-term commitment to sustainability. We survey new and review existing suppliers about their own environmental management, health and safety, and supply chain practices. In 2014-2015 we received responses from five new suppliers.

It is our policy to purchase evidenced sustainably produced products and services that are of comparable quality and price to their standard counterparts. However we do see room to improve the regularity of this auditing and application of results.

At 3R's Hastings, Auckland and Christchurch sites:

- Our recent Hastings office fit out included sky lights for natural lighting, energy efficient fluorescent ballast lighting, Resene Environmental Choice paints, Environmental Choice certified insulation and wall board, wool carpet, energy star rated heat pumps and re-use of our existing kitchen appliances.
- Our printer/photocopier supplier is Ricoh who are carbonZero certified. We return all toner and printing ink cartridges for recycling; our default printing is set for black and white and double sided; we re-use all single sided printed paper for draft printing.
- We purchase Forest Stewardship Council and Environmental Choice certified paper.
- The Hastings office contracts "Clean Planet" commercial cleaners who are NZ's first environmentally-based cleaning company. They make their own Environmental Choice certified products, and have partnered with the Asthma Foundation to deliver an asthma-safe cleaning service.
- We purchase Ecostore products for use in the bathroom and kitchen, which are Enviromark Diamond.



- We purchase Fair Trade certified and organic coffee, tea and sugar.
- Whenever possible we use Green Cabs and public transport to get from the airport to central city (Auckland / Wellington).

Environment

Every day we encourage Kiwis to take actions that will help us all “live well and within the limits of the planet” as outlined by the Sustainable Business Council’s *Vision 2050*.

As individuals and as a business, we work to make this a reality through our own actions. Alongside formal commitments, such as certification to the internationally recognised environmental standard ISO 14001 and CEMARS certification, sit everyday activities like recycling and food scrap collection at our offices, the use of fair-trade and Environmental Choice products, and reducing travel through technology.

Certification

In 2009 and 2014 respectively, we gained ISO 14001 and CEMARS certification. These third-party accreditations provide a formal benchmark against which we aim to continuously improve our environmental performance and reduce our emissions. They also give our customers and stakeholders confidence that we practice what we preach.

During 2014-2015, we maintained our ISO 14001 accreditation and were assessed for our CEMARS baseline audit. The first re-certification audit for CEMARS took place in July 2015, providing us with audited emissions reductions for this report.



Emissions

During 2014-2015 we reduced our total greenhouse gas emissions by 32% from 404 tonnes in 2013-2014 to 275 tonnes in 2014-2015.

Total gross emissions per tonne of material collected also fell from 0.31 in 2013-2014 to 0.22 in 2014-2015.

INDICATOR	UNITS	2013-2014	2014-2015
Material collected	tonnes	1,288	1,225
Total GHG emissions from all 3R activity	tonnes CO ₂ e	404	275
Total direct energy consumption (diesel, petrol)	litres	88,118	64,801
Total indirect energy consumption (electricity)	kilowattt hours	29,776	31,387
Total waste to landfill	tonnes	11	19
GHG emissions from freight and staff travel	tonnes CO ₂ e	87.2	47.4
Total gross emissions per \$M turnover	ratio	119	90
Total gross emissions per tonne of material collected	ratio	0.31	0.22

Fuel and freight

The decrease in emissions was mainly due to reduced fuel use and freight resulting from a number of business initiatives and changes:

- Establishment of a Christchurch processing base led to a significant reduction in freight between South Island collection points and Hastings;
- Reduced fuel with the discontinuation of the lease truck used for 2013 Agrecovery Wrap programme collections; and
- Staff changes which led to a reduction in on-road time and the number of fleet vehicles.

Travel

Operating on a national basis inevitably means a certain level of business travel is required. We strive to reduce the amount of travel and the impact of this through:

- Three-way Skype for meetings involving staff in different locations along with conference call facilities;
- Use of Green Cabs or public transport where possible; and
- Multiple purpose trips (maximising benefits of each trip).

Waste and Recycling

We sent 19 tonnes of waste to landfill in 2014-2015, which was an increase from 11 tonnes in 2013-2014. The significant growth in the paint and packaging recycling programmes, which results in additional non-recyclable rags, masking tape, old brushes, wrapping and contamination, is a key factor in this increase.

In contrast, we diverted 1,225 tonnes of materials from landfill via the programmes we deliver. This includes containers, chemicals, paint and packaging, plastic and steel drums, balage wrap, child car seats and other materials.

In all locations, we recycle cardboard, paper, plastics, glass and metal. In the Hastings office, food scraps are also collected for chickens belonging to a staff member and in September 2014 3R staff initiated an e-waste collection, including extended family and business e-waste.

Our Emission Reduction Initiatives

EMISSIONS SOURCE	ACTIONS	BENEFITS	COMPLETION TARGET	STATUS
FUEL	Mobile granulator project to replace Agrecovery shredder truck	Increase capacity Multi polymer types on same trip Reduce empty returns Improve flexibility Increase plastic types that can be handled Allow external operators to transport plastic from hubs	Mar 15	Completed
	Investigate bio fuels availability for trucks	Reduce dependence on fossil fuels Reduce environmental impact Reduce emissions	Sep 15	Waiting on fuel availability
	Investigate fuel efficient tyres	Improve fuel efficiency	Mar 16	2015-2016
	Investigate and trial fuel conditioner additive to PaintWise truck	Improve fuel efficiency	Jun 15	2015-2016
	Driving training courses	Improve fuel efficiency Improve Health and Safety	Mar 16	2015-2016
	Additional trailer-mounted shredder unit	Suitable for towing by multi-vehicle types (ute & truck) Increase flexibility	Jun 15	2016-2017
	New vehicle for Christchurch depot	Improve fuel efficiency Improve flexibility	Nov 15	Completed
	Investigate 3R owned chemical collection service	Improve collection event servicing Expand business opportunities	Mar 16	In progress
FREIGHT	South Island paint processing base	Reduce transport of materials from South Island to Hastings	Dec 14	Completed
	Investigate alternative freight service providers	Reduce costs Reduce emissions (eg. CEMARS certified suppliers)	Mar 16	2015-2016
TRAVEL / ACCOMMODATION	Establish Christchurch office	Increase business capability Expand services to new customer base	Jun 16	Completed
	Join fibre network to enable improved web conferencing	Reduce emissions from travel Improve connectivity to hubs	Mar 15	Completed
	Investigate improved multi participant web conference	Reduce emissions from travel Improve connectivity to hubs	Mar 16	In progress
	Review and update company policies on staff travel	Encourage use of public transport, Green/Carbon Zero certified Cabs, fuel efficient/hybrid rental cars and accommodation options with carbon reduction policies	Mar 16	2015-2016
ELECTRICITY	LED lighting Christchurch	Reduce emissions Increase visibility	Jul 15	Completed

Programme achievements

Our work is having a significant impact on how resources are viewed and treated in New Zealand, enabling thousands of tonnes of materials to be recycled and have a second life rather than sent to the landfill or disposed of in other inappropriate ways.

Last year we collected over 1,250 tonnes of unwanted products and packaging. In total we have handled over 7,000 tonnes of recyclables that would otherwise have been burned, buried in landfill or dumped elsewhere in New Zealand.

Plastic collected last year totalled approximately 750 tonnes, all diverted to recycling.

We have been working closely with paint manufacturers to recover paint and packaging across New Zealand. Waterborne paint is recovered for a variety of uses including graffiti abatement, donations to community organisations, and as an admixture in cement. Solvent-borne paint is sent for solvent recovery, while plastic and steel packaging is recycled. These successful programmes continue to grow at a rapid rate, with an increase of 22% in 2014-2015 compared to the previous 12 months.

A long standing scheme designed and delivered by 3R is Agrecovery Rural Recycling. This levy-funded product stewardship programme enables farmers and growers nationwide to safely dispose of their chemicals and packaging, avoiding traditional harmful practices of burning and burying on property.



Operating 8 years, Agrecovery has recycled more than 2 million plastic containers and safely disposed of 75,000kg of unwanted or expired chemicals.

3R's ISO 14001 certification has led to us working with dairy supplier Westland Milk Products (WMP), who are also ISO 14001 accredited. We have been working with a whole of supply chain approach to identify further opportunities to reduce waste across both factory and farm operations. Often the less obvious waste products provide excellent opportunities to divert significant volume from landfill. Two such examples are milk testing bottles (up to 1000 per day in peak production periods) and bulk milk powder bags, both made of recyclable plastic. 3R has helped WMP divert 39,517kgs from landfill to recycling.

In 2014, 3R developed the SeatSmart child car seat recycling programme in conjunction with industry stakeholders. In only eight months since launch, our fledgling programme has collected nearly 2,000 car seats. This scheme has the dual aims of diverting waste from landfill and improving safety for kiwi kids on our roads by removing expired or damaged car seats from circulation. 94% of the seat materials are currently recycled.

3R designed and now manages The Great DDT Muster, a safe disposal programme for DDT and other persistent organic pollutants (POPs). The programme, funded with support from the Waste Minimisation Fund, which is administered by the Ministry for the Environment, helps to fulfil obligations under the Stockholm Convention by removing remaining POPs from New Zealand properties. In just the first eight months, 3R received bookings for more than four tonnes of product, far exceeding expectations. The chemicals are collected by qualified contractors and shipped offshore for appropriate disposal.



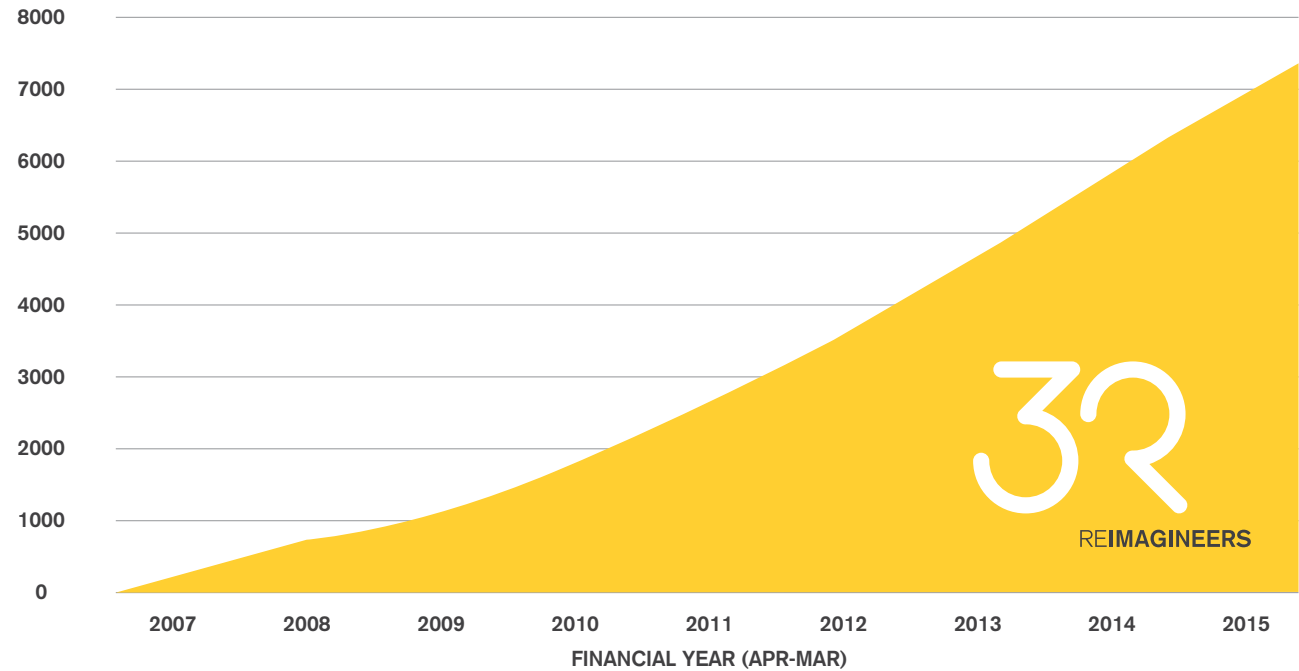
"Using the 750 tonnes of recycled plastic vs. sourcing new plastic saves 6,400 cubic metres of landfill space and energy equivalent to 1.4 million litres of petrol. That's the same impact as taking over 1,000 NZ cars off the road for a year!"



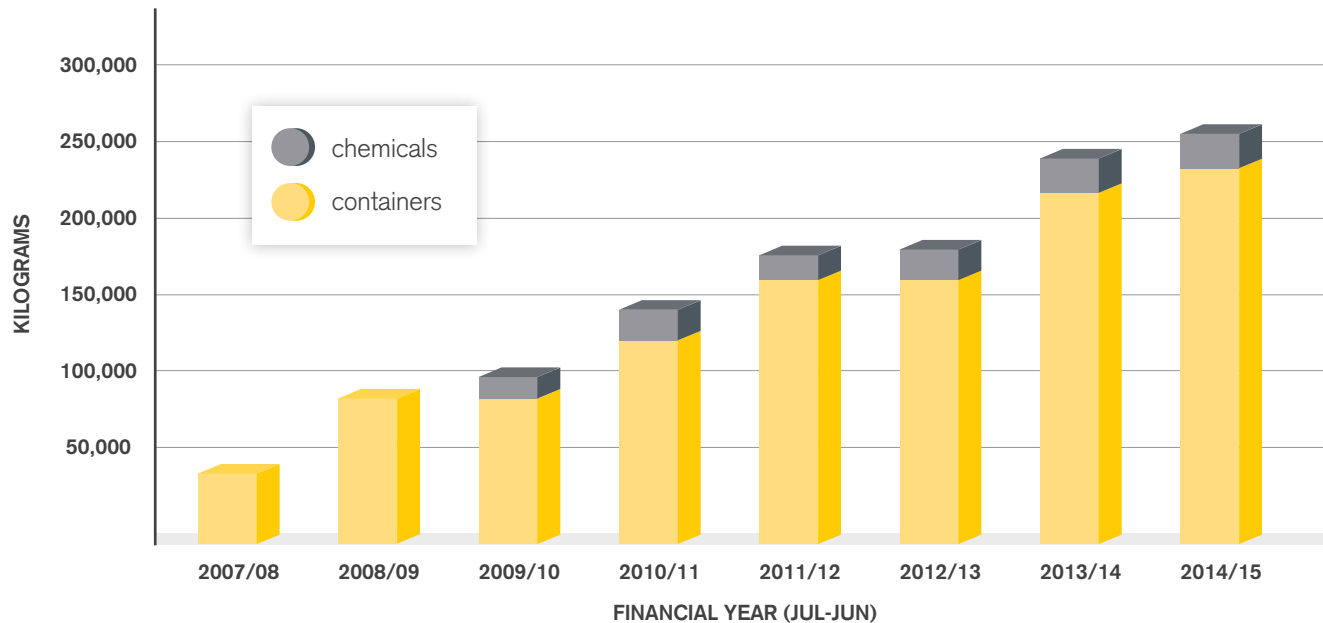
In the 11 years that we have been managing paint and packaging take back, the programmes have achieved:

- More than 2.4 million individual items collected for recycling
- More than 430,000kg of steel and 260,000kg of plastic recycled
- More than 550,000 litres of solvent-borne paint sent for solvent recovery

3R Programmes: cumulative collected tonnes 2007 - 2015



Agrecovery Annual Collection Volume 2007 - 2015



In the 8 years we have been operating in the rural sector we have:

- Collected more than one million kilograms of container plastic for recycling
- Collected more than 89,000 kg of unwanted or expired agrichemicals for safe disposal

Where to next?



Reporting

Undertaking this first sustainability report has provided a focus for 3R's commitments. It required input from across the team and identified areas for improvement, particularly around data collection for the social and economic impact metrics.

We have also identified an opportunity to follow up on our stakeholder engagement regarding what they believe are the material sustainability aspects for 3R. Procurement surveys has also been shown as an area for further improvement.

Activities

3R will continue to action our CEMARS initiatives with the difficult task of following up such a successful first year of reductions in our emissions. We will also be making the decision whether to further our journey and progress to becoming carboNZero.

Social responsibility activities will include involvement with Presbyterian Support Services and Sustainable Coastlines. In particular, we are sponsoring the "Redefine – love your op shop" initiative which centres around repurposing of items regarded as waste by many – a topic close to our hearts. We completed a Sustainable Coastline clean-up of approximately 2km of beach between Clive and Te Awanga here in Hawke's Bay in April 2015. The 3R Community Club will continue with its combination of social club and community support activities.

IT infrastructure

For the 2015-2016 year a project has been signed off to review our IT infrastructure including our video conferencing capabilities in order to further reduce travel requirements and adaption of smart technology.

5 million

items collected for
recycling since 2005



22%

Increase in paint
and packaging collected
in 2014-2015

**Materials
handled:**

Containers

Chemicals

Paint and packaging

Plastic and steel drums

Balage wrap

Child car seats



Recycled plastic saved the
energy equivalent of

1.4 million

litres of petrol in 2014-2015



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If you'd like to know more about **our journey**, you can find us at:

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