

Policy – Authorised Land Use

1. Policy Background

Water quality in the Hekeao/Hinds Catchment has deteriorated over the past 20 years. MHV Water hold a land use and discharge resource consent CRC183851 to manage the effects of nitrogen loss from shareholder properties and includes a catchment nitrogen load limit. The catchment nitrogen load limit will decrease over time to comply with reduction targets set by Plan Change 2 of the Land and Water Regional Plan.

In order to ensure the scheme remains on track with meeting catchment water quality outcomes and compliance with their nitrogen discharge consent, MHV Water have developed processes to identify a property's Authorised Land Use (ALU) and how they apply to vary that land use (Farm Activity Variation Application – FAVA).

This Policy replaces all previous FAVA process and environmental Directives made by the Board and formally documents the Board Directive made July 2020, which approved the process required to prepare an Authorised Land Use and the associated decision making framework for FAVAs. This policy formalises the ALU and FAVA processes developed to manage the scheme nitrogen load and is given weight by the Terms and Conditions of the Water Supply Agreement (WSA).

2. Purpose

The intent of the policy is to ensure MHV complies with its' Land Use and Nutrient Discharge Consent CRC183851, provides Shareholders clear boundaries in which they can operate their businesses and details the expectations required for shareholders who wish to expand or develop their operations.

3. Scope

This policy applies to all Shareholders.

4. Triggers for Review of Policy

The ALU and FAVA processes will need to be reviewed regularly to take into consideration the following:

- Changes to resource consent conditions
- Implementation of National Environmental Standards for Freshwater (2020) and National Policy Statement for Freshwater (2020)
- Deteriorating trends in water quality within the Hekeao/Hinds Catchment
- Changes in market dynamics
- Recommendations from the Environmental Decisions Panel
- In response to reviews of internal policies and procedures

Any changes to this policy must be approved by the MHV Board prior to implementation.

5. Policy Details

The company requires compliance with all aspects of this policy so that adherence to the land use and discharge consent can be maintained and improved environmental outcomes can be achieved/demonstrated.

6. Definitions

Authorised Land Use (ALU)	The permitted land use for a Property
Certified Nutrient Management Advisor (CMNA)	Means a person accredited under the Nutrient Management Advisor Certification Programme
Environmental Decisions Panel (EDP)	An independent panel appointed by the Board to make FAVA decisions in line with MHV policy
Farm Activity Variation Application (FAVA)	Request for permission from the scheme to vary land use in a manner which may increase N losses
Farm Environment Plan (FEP)	Plan to support farmers mitigate the on farm risks associated with their farm system to drive improved environmental, cultural, social and economic outcomes
Good Management Practice (GMP)	As defined in the document Industry Agreed Good Management Practices relating to water quality (September 2015)
Nutrient Discharge Allowance (NDA)	Is the nitrogen loss limit for a property used to compare the impact of a FAVA application
Property	Means any contiguous area of land, including land separated by a road or river, held in more than one ownership, that is utilised as a single operating unit, and may include one or more certificates of title
Retrospective Farm Activity Variation Application (FAVA)	A FAVA application is required where a land use change occurred <u>after</u> 1 June 2018 without approval from the company.

6.1 Authorised Land Use (ALU)

The ALU is determined by using the Farm Environment Plan (FEP) and Nutrient Budget data provided to MHV during the course of resource consent CRC183851¹ to identify maximum permitted land use parameters. For the avoidance of doubt, the permitted land use excludes one-off abnormalities as a result of biosecurity or climate extremes and any non-approved intensified land use.

The permitted seasonal maximum irrigated area, winter grazing area, stocking rate, supplements and fertiliser usage or approved FAVA parameters, are recorded. All Properties will have their ALU confirmed by the end of Dec

¹ Previously CRC121664

2021, however, the information is available upon request prior to this date if required for a land sale or other requirement.

The ALU identifies:

- The FAVA triggers for a property, based on the maximum permitted seasonal land use which has occurred
- If a retrospective FAVA is needed
- A permitted land use which can be audited and easily monitored
- The parameters the property can operate within for land sales and leases without FAVA approval

Note: For any land use intensification, which would have triggered a FAVA (see section 6.2), from 01 June 2018 to present time, that does not have Board Approval, a retrospective FAVA is required to be completed and presented to the Board for consideration. If the FAVA is approved the ALU will be updated to reflect the land use approved by the FAVA.

6.2 Farm Activity Variation Application (FAVA)

A FAVA is required where a Shareholder seeks to vary the Authorised Land Use (ALU) on their Property. A variation includes, but is not limited to:-

- Any increase in irrigated area
- Any increase in winter grazing area
- Any permanent increase in stocking rate
- Any intensification of your dairy system (e.g. move from Dairy system 3 to Dairy system 2)
- Any change in land use

If a Shareholder has not yet had their ALU confirmed and seeks to make any change to their farm system it is the Shareholders responsibility to call the MHV Team to confirm they would not trigger a FAVA prior to making any change.

Where a proposed variation meets at least one of the above criteria (either for a new property entering the scheme or for an existing property), then the Shareholder will need to apply for a Farm Activity Variation and demonstrate:-

- The change will not result in an increase in N losses greater than the Nitrogen Discharge Allowance (NDA)
- The Property is able to meet anticipated reduction targets
- The Property does not rely on an unauthorised intensification on another property (e.g. move winter grazing somewhere else)
- The variation does not have a negative impact on a sensitive receiving area
- The proposed variation aligns with the schemes overall objectives, including continuous improvement

The application must be prepared by a Certified Nutrient Management Advisor (CNMA), with experience in farm systems and be provided for assessment no less than 20 days prior to a Board meeting, the schedule of these are available on our website, www.mhvwater.nz.

A **Retrospective FAVA** is required where a land use change has occurred **after 1 June 2018** without express approval from MHV Water Ltd.

For the avoidance of doubt, a retrospective FAVA is not required for land use change before 1 June 2018, and the land use is taken as is.

6.3 Nitrogen Discharge Allowance

A Nitrogen Discharge Allowance (NDA) is a nitrogen load calculated using OverseerFM™ based on the nutrient budgets used to establish the ALU, standardised to Good Management Practice (GMP). The NDA is only calculated for use in the FAVA decision making process.

The NDA process includes ensuring the robustness of the nutrient budgets on file for the seasons which form the Authorised Land Use Summary.

6.3.1 GMP Standardisation of Reference Nutrient Budgets

Irrigation

All irrigation shall be modelled in accordance with the table below prepared by Ian McIndoe on behalf of IrrigationNZ to meet 80% irrigation efficiency. Borderdyke irrigation defaults to the Pivot parameters as it is unable to meet the 80% efficiency requirements for the soil types within the scheme.

Figure 1: Irrigation Efficiency GMP Modelling Rules

Plant Available Water capacity (mm)	Irrigator type	Irrigation trigger point	Application depth (mm)	Return period (days)
30	Pivot	55%	15	3
40		60%	15	3
50		65%	15	3
60		59%	15	3
70		62%	15	3
80		65%	15	3
90		64%	15	3
100		60%	15	4
110		68%	15	4
120		65%	15	4
140		69%	15	5
160		72%	15	5
200		77%	15	5
<80	Lateral move	As per centre-pivot		
80		65%	26	6
90		64%	26	6
100		66%	40	9
110		68%	40	9
120		65%	40	12
140		69%	40	12
160		72%	40	12
200		77%	40	12
<80	Rotary booms, linear booms, guns	As per centre-pivot		
80		50%	50	10
90		50%	50	10
100		50%	50	10
110		50%	50	10
120		55%	45	12
140		55%	45	12
160		55%	45	12
200		60%	45	12
<60	K Lines, long laterals, spraylines	As per centre-pivot		
60		55%	33	7
70		55%	33	7
80		60%	33	7
90		60%	33	7
100		50%	65	14
110		50%	65	14
120		50%	65	14
140		55%	65	14
160		60%	65	14
200	68%	65	14	

GMP Fertiliser

All pastoral system fertiliser inputs will be standardised to meet the requirements of the National Environmental Standards for Freshwater (2020) once these have been clearly defined.

7. Decision Making Process

With a clear policy framework, the approval/recommendation process will be delegated to an independent group with the appropriate skillsets. This is to protect against any perceived conflicts.

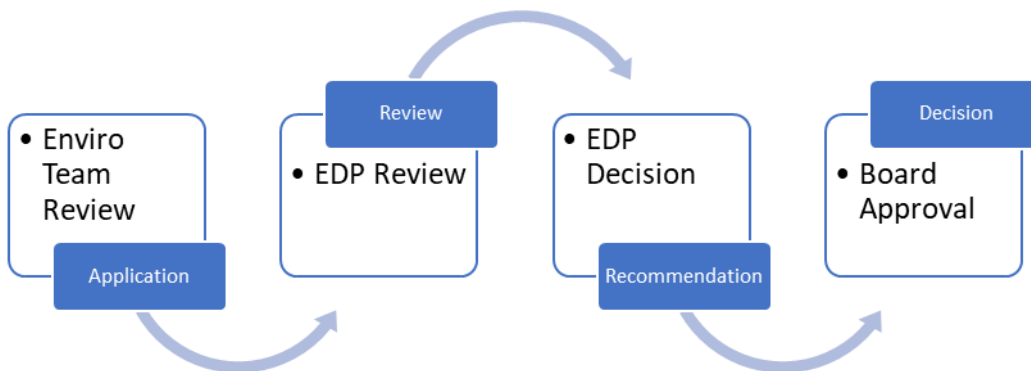
Accordingly, an Environmental Decision Panel (EDP) will be appointed by the Board of MHV. The EDP objective is to support and to make independent decisions in line with MHV Policy for Farm Activity Variation Applications. Decisions and recommendations from the EDP will be given a high weighting by the Board.

The members of the EDP comprise of two professionals in each of the following areas, Legal, Farm Systems and/or Nutrient Budgets. Additional skills can be co-opted onto the EDP at the discretion of the MHV Board.

A quorum of three panel members, one from each discipline, must be present for a meeting to proceed.

The FAVA applicant details will be disclosed to the EDP prior to the circulation of information and every EDP member must confirm they have no conflicts that would arise directly or indirectly as a result of sitting on that specific panel. Where there is any potential conflict this will be assessed by the CEO to confirm if the panel member participation is appropriate in that instance. Members of the EDP will be rotated on each panel with half yearly consistency sessions where all members participate.

7.1 EDP Process - FAVA



The delegation to the EDP will be reviewed following the first six months of the inception of the panel. Any delegation will be made by the MHV Board.

8. Review and Sign Off

Revision	Status	Date	Prepared by	Checked	Approved
00	FINAL	Nov 2020	MB/EH	MB	MHV Board
02	FINAL	Feb 2020	MB/JN	MB	MHV Board – 17/08/2021

9. Related Documents

- Water Delivery Policy
- Water Supply Agreement