OSPRI

Annual Report
2019–2020

Annual Report 2019–2020

OSPRI New Zealand Limited was established on 1 July 2013. It currently manages the National Animal Identification and Tracing (NAIT) and TBfree programmes.

This is the Annual Report for OSPRI New Zealand Limited and its wholly-owned subsidiaries National Animal Identification and Tracing (NAIT) Limited and TBfree New Zealand Limited. The TBfree New Zealand Limited Annual Report provides a review and report on the Operational Plan for the National Bovine Tuberculosis Pest Management Plan, as required under section 100B(1)(b) and section 100B(2)(a) of the Biosecurity Act 1993.

NAIT TBfree

OSPRI New Zealand Limited's shareholders and funders:

DairyNZ DEER INDUSTRY NEW ZEALAND beef+lamb new zealand Ministry for Primary Industries Manatū Ahu Matua

OSPRI New Zealand Limited's Stakeholders' Council consists of representatives from:

Beef + Lamb New Zealand

Dairy Companies Association of New Zealand

DairyNZ

Deer Industry New Zealand

Federated Farmers Dairy

Federated Farmers Meat and Wool

Local Government New Zealand

Meat Industry Association New Zealand

Ministry for Primary Industries

New Zealand Deer Farmers Association

New Zealand Stock and Station Agents Association

Road Transport Forum

Predator Free 2050

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Chair and CE report

Barry Harris
Chair

Stephen Stuart
CEO

It has been an exceptionally busy and challenging year, with OSPRI navigating several dynamic situations: the impact on our programmes and staff of COVID-19; the Hawke's Bay TB outbreak exacerbated by the drought in that region; organisational change as we introduce our new operating model; and the first year of implementing and developing baselines for the targets in the OSPRI Strategic Plan.

Building momentum – ONE OSPRI

We have made considerable progress over the past twelve months with delivery against our strategy tracking well. Under our *ONE OSPRI* approach, new capability and ways of working, together with our new operating model and recently appointed leadership team, will increase the rate of our progress.

The introduction of our new operating model with an enhanced regional presence and leadership shows our commitment to be closer and more responsive to our stakeholders and the 71% trust and confidence rating in this year's stakeholder survey is an encouraging marker of our efforts to date to build connections.

The TBfree programme remains on track to deliver against its medium and long-term goals; the Hawke's Bay TB outbreak has been a major challenge with the number of infected herds expected to decline in the first half of the new financial year. The completed TB Plan Health Check process provided a timely opportunity to review our progress and identify how we can mitigate the risks to achieving our 2026 target of TB freedom in herds.

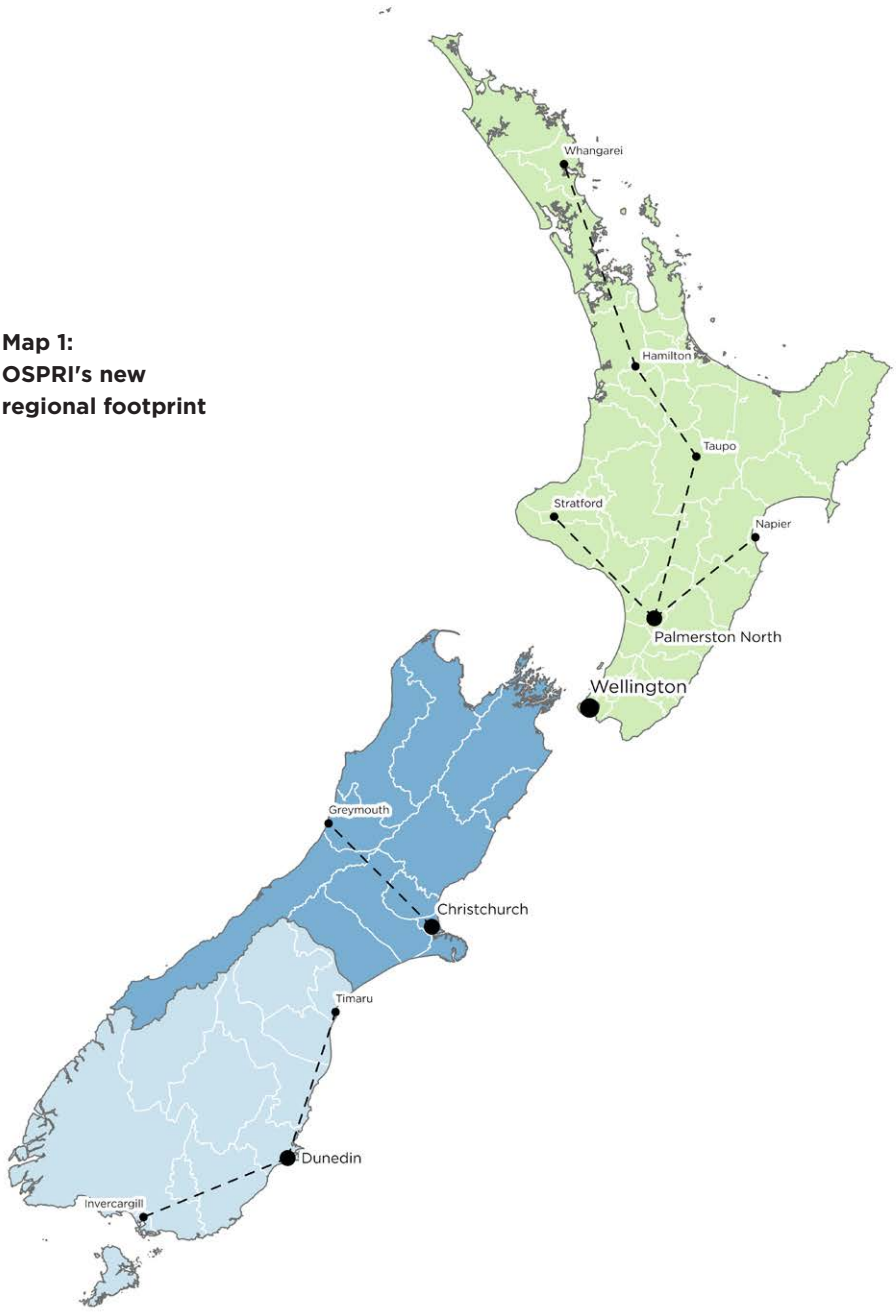
There has been a significant turnaround for traceability since the stress test of the *Mycoplasma bovis* response and the 2018 review, which concluded that the NAIT scheme had fallen short in some areas. As acknowledged in last year's report, the response highlighted issues unresolved since the implementation of the system and resulted in OSPRI committing to solve the technological, data management and relationship issues. There has been a lot of work done to enhance usability, improve data quality and the regulatory framework, and operate closely with MPI to increase levels of compliance with the scheme. It has been pleasing to see the progress made on all fronts resulting in improved compliance statistics.

Because of COVID-19, New Zealand has never been more aware of the importance of rigorous disease management that is underpinned by a high performing traceability system.

New operating model

To set up OSPRI to deliver our ambitious five-year Strategic Plan, we carried out a significant review of OSPRI's functions and capabilities.

The resulting new operating model includes features designed to position OSPRI to be customer-centric and deliver a more responsive and integrated set of services, with centres of excellence in Wellington supported by strengthened regional leadership across a wider geographical footprint. Introducing General Manager level accountability in the regions balances the national priorities of our programmes with building a deep understanding of the regions so we can better serve stakeholder needs. It also brings our communication, education and response processes closer to farmers, local and regional government and industry organisations, providing partnership opportunities and ultimately greater value to our stakeholders.



Map 1: OSPRI's new regional footprint

Disease management

The eradication of bovine TB is a long-term programme involving significant effort and resources to ensure that herds and wildlife populations are cleared of infection. Good progress has been made nationally; the number of infected herds has reduced from 1700 in the 1990s to 36 infected herds at the end of this financial year, with an historic low on the West Coast. While the programme is on track to achieve the goals of the TB Plan, particularly the upcoming 2026 goal of TB freedom from cattle and deer herds, recommendations from the Health Check Governance Group to increase the certainty of achieving the 2026 goal will be considered by the Board in the next financial year.

While the Hawke's Bay TB outbreak and the restriction on vector operations during the COVID-19 lockdown made it difficult to achieve all our disease management KPIs, we are confident of achieving next year's KPIs with carry-over work being completed and the expected reduction in the number of TB infected herds in Hawke's Bay.

Hawke's Bay

The TB infection in Hawke's Bay is currently being controlled through accelerated testing and case management. Over $20 million has been invested in operations during the next five years including to reinforce the buffer zone, which is the likely cause of the outbreak, and back-country infection sources. At 30 June 2020, 44 infected animals had been detected across 19 herds; 2 herds have been cleared, and 12 herds have had their first clear test, many of which are expected to clear in the next six months.

We know that the current situation has led to a stressful time for farmers, families and communities particularly on top of the drought in the area, and we continue to work with MPI, local stakeholders and Rural Support Trust to assist farmers. Stakeholders provided valuable feedback during a review of our response and as a result we have developed processes that will ensure we manage any future incursions better. Our new regional model will also enable us to be more agile and responsive and involve stakeholders earlier.

Health Check

A key piece of work this year has been completion of the scheduled TB Plan Health Check, carried out with the active involvement of our funders. This included a review of how the programme is tracking to its targets, and the identification of options and recommendations to improve delivery and better mitigate outbreak risks towards the 2026 and 2040 milestones. The OSPRI Board will consider these recommendations in the first quarter of the next financial year.

Traceability

Following the findings of the NAIT review and the *Mycoplasma bovis* response, OSPRI committed to improving NAIT. Our National Operations Plan is a three-year programme of work to ensure the NAIT scheme is fit-for-purpose, future focused, and will deliver full traceability of NAIT animals.

We are seeing good progress that gives us confidence that NAIT is headed in the right direction. This includes increased compliance across a range of metrics including 95% of commercial farms having completed re-registration. We are working with farmer groups to design a more user-friendly interface, and have rolled out a number of system updates, in conjunction with Livestock Improvement Corporation, to resolve integration issues and ensure that farmers can have greater confidence that they are meeting their NAIT Act obligations when using MINDA.

The NAIT KPIs for this year were aspirational, and we now have baseline figures against which to measure improvement towards our long-term targets.

Technology

During the year the Board approved OSPRI's five-year Information Systems Strategic Plan. This priority work is on track to deliver a new one-stop OSPRI platform for farmers, including an expanded eASD and an integrated NAIT and disease management system to provide a single view of animal and disease information. Usability is at the heart of our design process, using industry reference groups to provide user perspectives.

Recent technology improvements, including moving our systems to the Azure cloud and the introduction of soft telephony, meant that our people, including the Contact Centre, worked seamlessly from home during the COVID-19 lockdown.

Stakeholders

Connecting, listening and being more responsive to stakeholders was a key priority this year including reinvigorating our farmer-led OSPRI Committees. Our efforts to re-connect with stakeholders are demonstrated by the 71% trust and confidence rating achieved in the December 2019 stakeholder survey. Findings included that OSPRI is more open and collaborative, but noted that further work is required. Feedback contributed to the design of the new operating model and provided helpful insights of stakeholder expectations.

People and culture including health and safety

Our aspiration is to be in the top quartile of staff engagement when measured against all other organisations, an important measure given the history of the organisation and its previously high attrition rate. The 2019 staff engagement survey resulted in a 70% engagement score and we are working hard to lift this, with a People Strategy ready to be launched as part of the new operating model. Recruitment for new roles is still in progress, having been impacted by COVID-19, and our staff attrition rate for the last six months has dropped to single figures.

There was impressive performance in health and safety during the year. OSPRI achieved ISO45001 Health and Safety accreditation, and also saw its main measure of performance, Total Recordable Injury Frequency Rate (TRIFR), fall 46% to 17.1 which reflects our investment in people's training, education and equipment, and focus on safety performance and culture.

Finance

The 2019/20 Group budget included expenditure on systems, processes and capability and the bringing forward of some vector operational spend. During the year a further $4.4 million operational spend in Hawke's Bay was approved.

The Group result for the year is $1.5 million favourable to the full year budget. We will carry over $5.1 million of vector operations underspend, mainly from the COVID-19 lockdown when operations ceased.

Board operations

The Board's engagement with the Stakeholders' Council continues to increase, with the full Board meeting the Council twice during the past year and the respective Chairs collaborating on the Board's skills matrix and succession planning.

We acknowledge the valuable contribution of Mike Pohio, Director and Chair of the Audit and Risk Committee, who resigned from the Board in February. Marise James has been an able replacement.

The Board also appreciates the dedicated service and vast knowledge of Lesley Campbell who completes three terms at the 2020 Annual Meeting. Lesley has been the Chair of the Human Resources Committee, a member of the NAIT Data Access Panel, and led our director mentoring programme among her many contributions to the Board.

Priorities for FY2021

While we have made a good start to lifting the overall performance of the organisation, we acknowledge we still have plenty of work to do to realise the full potential of OSPRI.

Our priorities for the upcoming financial year are to:

- embed our new operating model and the necessary culture change to deliver new ways of working for a more agile, responsive and customer-centric organisation
- implement the approved recommendations of the TB Plan Health Check to ensure the programme is best positioned to manage risks and achieve the 2026 milestone of sustainable freedom of TB in herds
- review our procurement and vector operations contracting model and relationships
- implement a land access strategy to build relationships and engage with land owners, including iwi, as we continue to work to declare areas free of TB
- continue to progress our strategic initiatives for NAIT – make it fit for purpose and easier to use, improve compliance, and plan for the future by undertaking a traceability health check
- connect and build effective working relationships across the industry and develop more collaborative working arrangements and partnerships to achieve common objectives
- progress our technology plan to support stakeholders and our programmes.

The Board and senior management look forward to ongoing close working relationships with our stakeholders and continuing to develop OSPRI into a responsive and valuable organisation for New Zealand's farmers.

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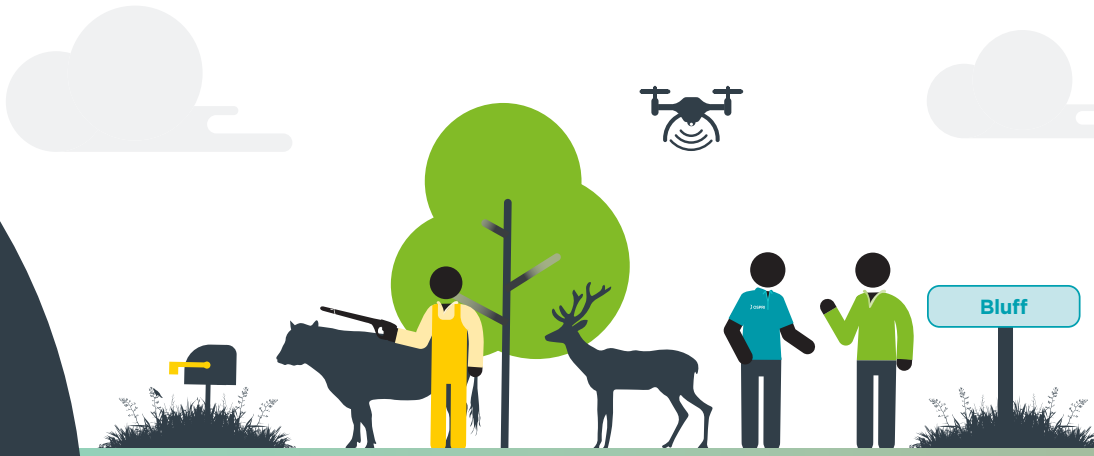


Stakeholders' Council report

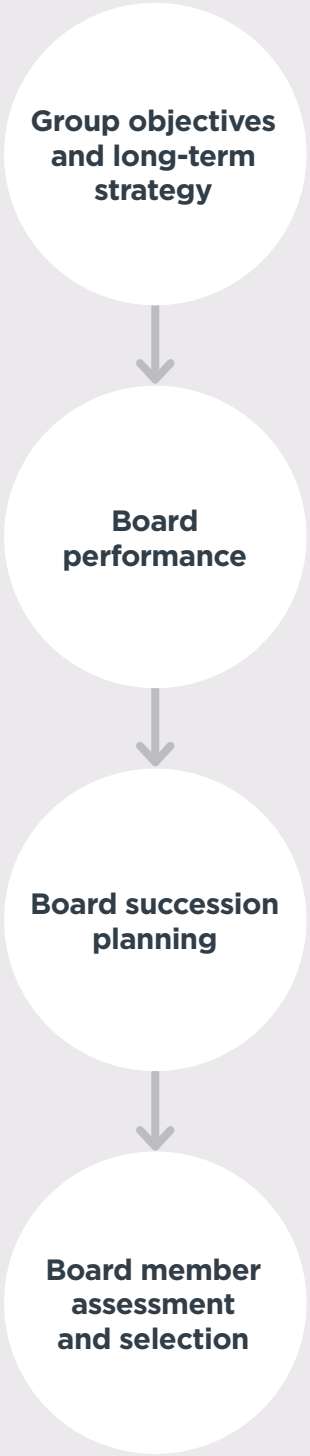
James Buwalda
Chair, Stakeholders' Council

Over the last year, the Council has fully implemented a work programme reflecting new and revised responsibilities following changes to the OSPRI Constitution and the Stakeholders' Council Rules in the previous year. This work programme supports four key areas of focus, as set out in the chart shown right.

Strategy

The Council appreciated the opportunity, in early 2019, to contribute to the development of the Strategic Plan which has established a good foundation for the Council's ongoing work with the Board to review the company's long-term objectives and performance. We anticipate further refinement of the Plan and KPIs in upcoming years to include a quality management focus, more realistic targets for NAIT compliance, and to ensure that targets are aimed at correction of weaknesses in the current NAIT system.

We have better aligned Board and Council meetings to allow the Council to provide stakeholder perspectives to OSPRI's business planning cycle.



The Council provided input in February 2020 on several areas of interest and focus and commented on the proposed activities in the organisation's draft 2020–2021 Annual Operating Plan.

The Council Chair has been involved in the TB Plan Health Check as independent Chair of the Governance Group, allowing the Council to have visibility of the process to review and develop options to improve delivery of the TB Plan objectives.

The Council was pleased to be invited to co-design the stakeholder survey carried out by UMR in December 2019, and most of its members provided their views. This has provided a good baseline for future surveys, and identified views to guide the organisation on what is important to stakeholders and the issues that need addressing.

The result reflects the Council's belief that OSPRI's connections with core customers have improved. We also noted increased willingness by the organisation to acknowledge and learn from challenges, for example the Hawke's Bay TB infection and the issues with NAIT highlighted during the *Mycoplasma bovis* response.

The survey signals the Council's concerns about OSPRI's perceived lack of farmer focus, and the ongoing issues with NAIT usability and farmer buy-in for the traceability system. We are optimistic that OSPRI's new operating model will enable improved regional relationships, and we will continue to question the Board on work to educate and help farmers to better understand their NAIT obligations and the timeframe for system improvements.

Board performance

The Council is pleased with the transparency of the KPI reporting provided to date but has requested further information on communication activities to show that OSPRI is aware of and is communicating issues and risks to farmers. It continues to question the Board on how it is drawing on user feedback to inform and guide its performance improvement plans and actions, interrogating the business to check lead indicators of business performance and risk, stress testing the continued feasibility of the organisation's long-term objectives, and developing and sustaining those partnerships that are critical to achieving its long-term objectives.

The Board Chair and Chief Executive have attended all meetings of the Council during the year, with the full Board joining two of those meetings. There has also been useful and effective interaction between the Chairs of the Board and the Council outside of meetings.

Board succession planning

The Council oversaw the development of a comprehensive Board skills matrix, working closely with the Board and with a specialist adviser. This matrix now provides an objective basis for assessing skills needs to be addressed during director succession. The matrix was used as the basis for the Board's self-evaluation of skills, highlighting areas for focus in director succession.

The Council established a Director Assessment Panel in April 2020, to assist with director succession. The panel includes two members nominated by shareholders, an additional (independent) specialist and is chaired by the Council Chair.

At OSPRI's 2019 Annual Meeting, when introducing the resolution to increase the directors fees' pool, the Council Chair reported Council's recommendation that the OSPRI Board be increased to six or seven, the maximum number permitted under the Constitution, from the current five.

Board member assessment and selection

The Director Assessment Panel considered and made a recommendation to shareholders on the expiration of Barry Harris' second term in June. Shareholders reappointed Mr Harris for a further three-year term in accordance with the Panel's recommendation, with continuity of knowledge and management of the scale of change in Board composition being drivers for this decision.

The Panel retained the services of a recruitment firm to assist with the recruitment of several new directors, to fill vacancies following the resignation of Mike Pohio (February 2020), the retirement of Lesley Campbell (who will have served three terms by the time of the 2020 Annual Meeting), and the potential expansion of the Board.

The Director Assessment Panel is recommending the appointment of three new directors.

Council operations

Four meetings were held during the 2019–2020 financial year; one of these was conducted online during the COVID-19 lockdown.

The relationship with the Board continues to develop, and the parties are working to identify further opportunities for the Council to provide perspectives which will benefit the Board.

The Council appreciates the regular engagement and constructive working relationship with the Board and Chief Executive over the past year. The work on Board composition and skills is expected to be reflected in increased Board effectiveness and engagement, and the Council's contributions to the focus areas required in the Annual Operating Plan, the stakeholder survey, and the development and ongoing review of the Strategic Plan reflect the growing value of the Council for stakeholders.

New members welcomed to the Council during the year were Don Wilson of the Road Transport Forum; Estelle Pera-Leask of Predator Free NZ; Nicol Horrell, the new representative for Local Government NZ; Sirma Karapeeva, the new representative for the Meat Industry Association; and Innes Moffat, the new representative for Deer Industry New Zealand. In the new financial year we are being joined by William Beetham and Wayne Langford representing Federated Farmers Dairy and Meat & Wool divisions respectively.

The Council thanks Dan Coup for his six years' service on the Council since its inception, including as interim Chair prior to this becoming an independent role. We also thank the following for their contributions to the Council: Andrew Robb on behalf of Local Government NZ; Tim Ritchie from Meat Industry Association; Katie Milne and Miles Anderson from Federated Farmers.

The Council's expenditure for FY20 of $110,884 exceeded budget by $24,884, due mainly to the higher than anticipated cost (exceeded budget by $15,000) for director recruitment with the decision to use professional services to support the Board member recruitment process, and increases to the Chair's fee approved after the budget was set.

The Council is working on an assessment of how it is achieving its targets and providing value for money, and identifying the skills and expertise it needs to work effectively for the benefit of stakeholders.

Strategic context

OSPRI Strategic Plan 2019–2024

OSPRI's Strategic Plan 2019–2024 was developed in early 2019 by the Board and Stakeholders' Council with input from funders.

The plan starts from a value statement, and details the organisation's two strategic outcomes and the four critical enablers that must be present if OSPRI is to deliver the strategic outcomes.

The framework also describes seven impacts that OSPRI will achieve in the upcoming five years, which will be monitored using 13 key performance indicators. Those KPIs will be reviewed in 2022.

The Annual Operating Plan and budget paper for each financial year will describe the annual work plan with clearly defined and linked milestones that drive accountabilities and plot the path to the ultimate achievement of the strategic outcomes.

Our value

Our strategic outcomes

Our critical enablers

Our impact

Farmers and markets can depend on us to provide assurance as to the health and status of animals

Disease Management

Animal diseases for which we have primary responsibility are managed to agreed outcomes

Traceability

There is full traceability of the animals within the National Animal Identification and Traceability scheme

We have the culture, capability and capacity to deliver our programmes effectively and efficiently

Our shareholders, stakeholders and funders agree that we understand their needs and expectations

We have superior information management systems and technology to support the successful delivery of our strategy and programmes

There is broad understanding and support of our programmes and the strategies we deploy to implement them

In the event of a disease incursion those who must manage the incursion have timely, accurate animal traceability information

Those responsible for the management of animal health and disease have confidence in the traceability scheme and its performance

Livestock are free of TB by 2026

Possums are free of TB by 2040

Other parties with a legitimate interest are able to verify the provenance of animals

Stakeholders have trust and confidence in OSPRI and in the delivery of its programmes

We are asked to take on responsibility for the management of other diseases

About OSPRI

OSPRI New Zealand Limited (OSPRI) was established in 2013, bringing together the Animal Health Board Incorporated and National Animal Identification and Tracing (NAIT) Limited.

OSPRI is owned by three industry shareholders – DairyNZ, Beef + Lamb New Zealand and Deer Industry New Zealand, and is funded by levies and Government investment through the Ministry for Primary Industries (MPI). Shareholders engage with OSPRI through a formal Shareholder Agreement and through the constitutional consultation mechanism of the Stakeholders' Council.

At 30 June 2020, the OSPRI Board comprises five directors. The Board owns the company's Strategic Plan and is responsible for governing OSPRI's business and affairs to ensure achievement of the Strategic Plan objectives.

Committees of the Board include the Audit and Risk Committee and Human Resources Committee. The NAIT Data Access Panel is a separate and independent governance body that oversees data access in accordance with the provisions of the NAIT Act 2012.

The Board is supported by a Stakeholders' Council representing 13 stakeholders. Key functions and powers of the Stakeholders' Council include review of the Board's long-term objectives and strategies for the OSPRI group, monitoring and discussing with the Board the performance of those objectives and strategies, and reporting on them to shareholders.

As at June 2020, OSPRI has 124 Full Time Equivalent employees in eight locations across New Zealand, supported by 12 regional OSPRI Committees made up of farmer representatives.

OSPRI's value

As an integrated service provider, OSPRI offers end to end disease management expertise, supported by traceability services and systems, which are scalable up to national level. Farmers and markets can depend on OSPRI to provide assurance as to the health and status of animals.

Our programmes of work

OSPRI is the sole shareholder of TBfree New Zealand Limited (TBfree) and National Animal Identification and Tracing (NAIT) Limited which are the statutory management agencies for the delivery of the TBfree and NAIT programmes respectively.

Accountabilities for delivery of these programmes are contained both in legislation and in National Operational Plans developed by OSPRI and provided annually to the Minister for Primary Industries.

TBfree programme

The TBfree programme is directed at the biological eradication of bovine tuberculosis (TB) from New Zealand by 2055 with milestone targets of livestock TB freedom by 2026 and possum TB freedom by 2040, while maintaining an annual infected herd period prevalence at or below 0.2%.

TBfree manages the National Pest Management Plan for TB as management agency, in accordance with the provisions of the Biosecurity Act 1993 and the Biosecurity (National Bovine Tuberculosis Pest Management Plan) Order 1998.

Services are delivered in the areas of:

- disease management including TB testing and diagnostics, case management, monitoring livestock movement, and disease surveillance
- pest management through a possum control programme, wildlife surveillance, field operations and monitoring
- research and programme development to support the control and eradication of TB in wildlife and livestock
- communications to farmers, stakeholders and other affected parties about the TBfree programme, activities and operations.

NAIT programme

NAIT is New Zealand's national animal identification and tracing programme, capable of tracing livestock (currently cattle and deer) movements across the supply chain from farm to meat processing, for the purposes of managing animal health, disease outbreaks, food safety and biosecurity risks.

NAIT is responsible for implementing the NAIT programme, operating under the NAIT Act 2012. Activities undertaken by OSPRI to achieve the objectives of the NAIT programme include:

- providing and maintaining the NAIT database
- providing education, training and service support to users
- communicating NAIT requirements and promoting programme uptake and adoption
- providing resource and input to livestock trace-back exercises facilitated by Government
- overseeing policy and standards development
- providing reporting to users, industry and Government.

Disease management

Figure 1: National TB infected herd update
As at 30 June 2020

Herds by region

4	Waikato	1	Wellington	2	Canterbury
1	Bay of Plenty	1	Marlborough	4	Otago
18	Hawke's Bay	5	West Coast		

Progress towards our long-term objectives

441,870 hectares

of Vector Risk Area / **37** Vector Control Zones declared free of TB in possums in 2019–2020

401 deer herds

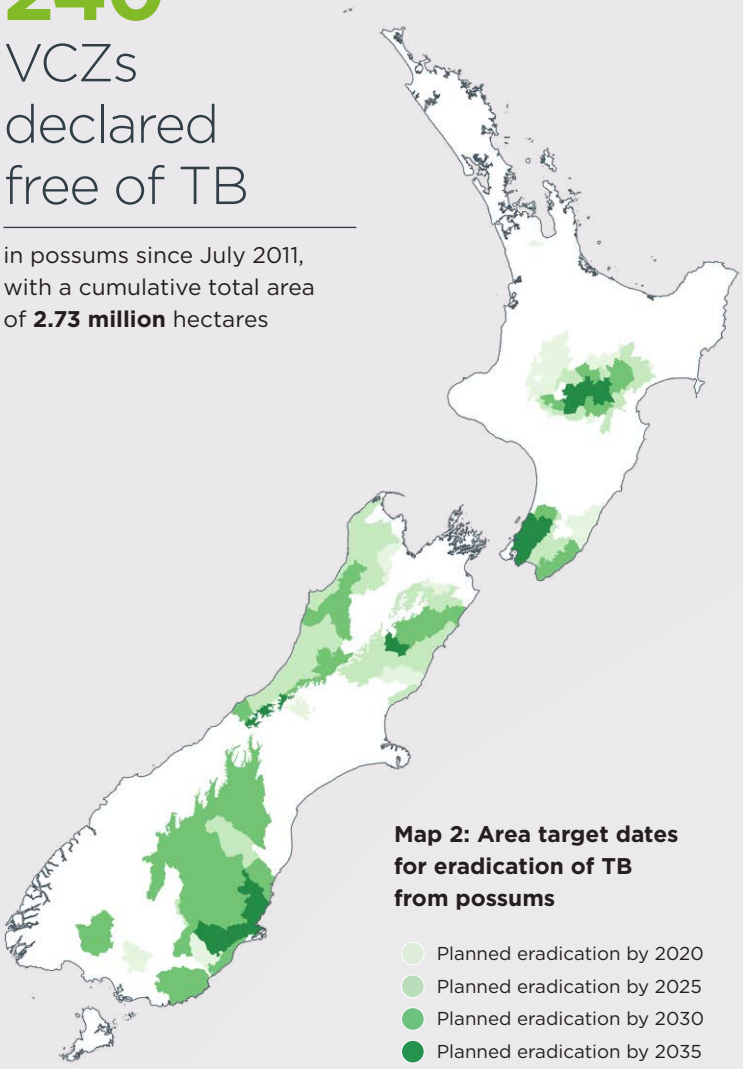
ended their TB testing in Waikato, Bay of Plenty, Southland from 1 March 2020

3.17 million tests

of cattle and deer completed

240 VCZs declared free of TB

in possums since July 2011, with a cumulative total area of **2.73 million** hectares



Map 2: Area target dates for eradication of TB from possums

- Planned eradication by 2020
- Planned eradication by 2025
- Planned eradication by 2030
- Planned eradication by 2035

health check of TB plan completed

1.46 million hectares

of wildlife surveillance carried out

1.35 million hectares

of possum control carried out

Disease management strategic outcome

Our first strategic outcome is that animal diseases for which we have primary responsibility are managed to agreed outcomes.

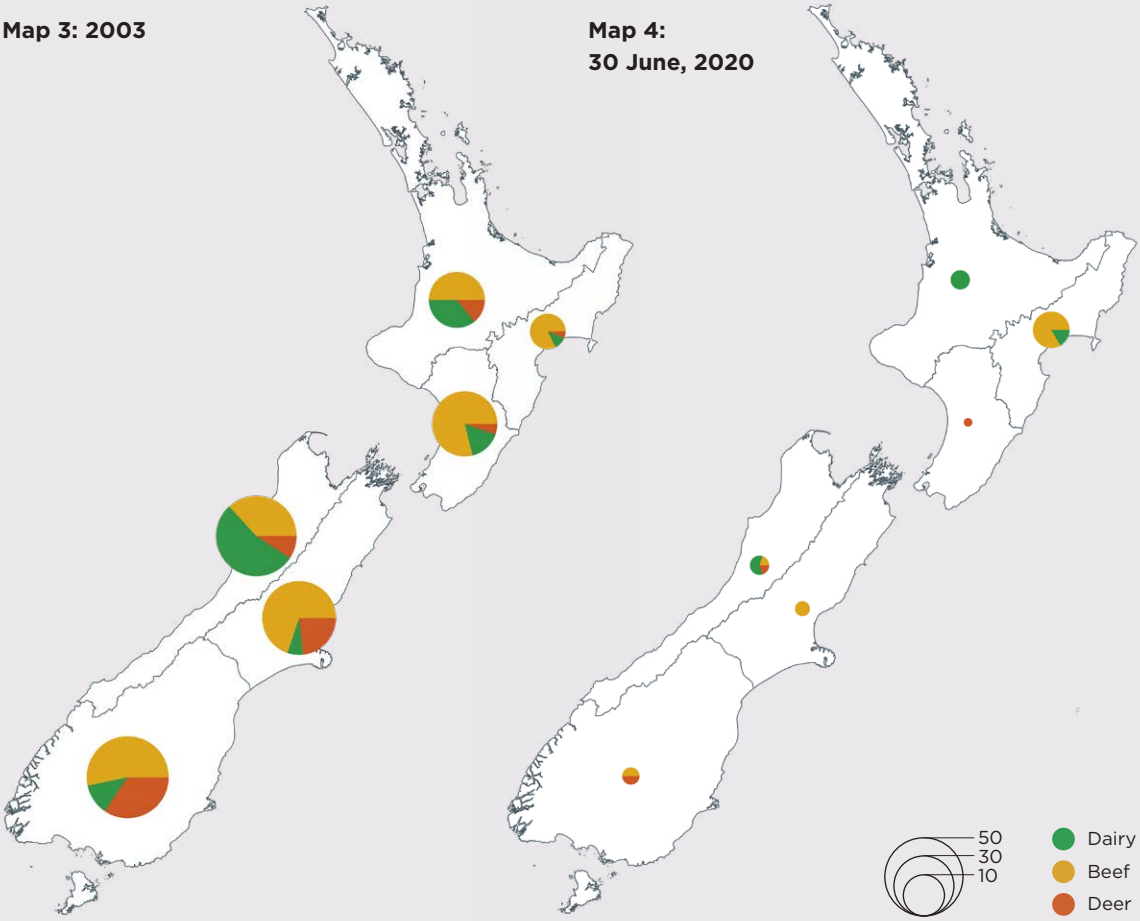
Our objectives for the TB programme are to achieve eradication of bovine TB:

and to contain the disease in cattle and deer to a national infected herd period prevalence of no more than 0.2% until eradication is achieved.

TB infected herds

Map 3: 2003

Map 4: 30 June, 2020



TB eradication is a long-term programme involving significant effort and resources to ensure that the wildlife population is cleared of infection. Good progress has been made nationally but areas remain where the disease persists in wildlife. As most herds become infected from a wildlife source, this means that TB can still show up in herds from time to time as happened in Hawke's Bay in the past year.

While the downward trend of infected herd numbers continues, challenges for the TB programme remain. As possum control progresses to remote areas, OSPRI needs to continue to engage with shareholders, stakeholders, farmers and communities to ensure that both the risk of TB and the work to reduce the risk remain visible to farmers.

2019–2020 results

At 30 June 2020, the TBfree programme was managing a total of 36 infected herds, with infection having been caused by a mix of contact with infected wildlife, and livestock movement. This is higher than the number of infected herds at the beginning of the financial year (26), mainly due to the Hawke's Bay TB outbreak. While the long-term trend for the programme shows infected herds are decreasing, we continue to examine and adapt our plans, including the improvement of response guidelines following a review, with stakeholders, of our Hawke's Bay response.

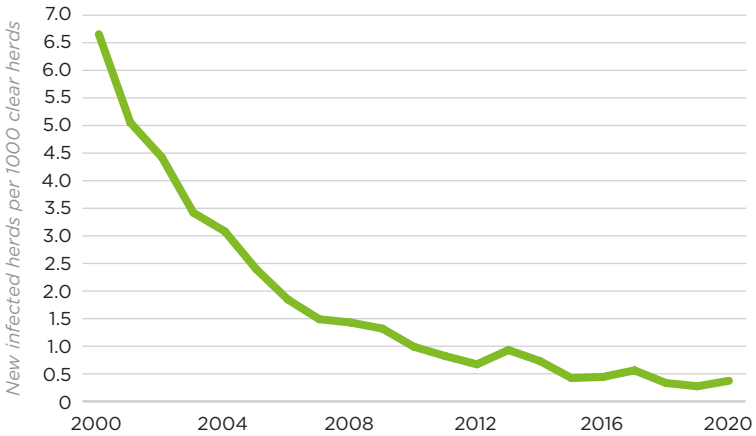
The national infected herd period prevalence was 0.09%, which is within target.

A more conservative approach to Vector Risk Area (VRA) reduction has been taken for 2019–2020 following the review of the Hawke's Bay Proof of Freedom declaration. We revised the estimate for VRA reduction this year to 5.9% instead of the targeted 12.4% reduction, and 441,870 hectares in 37 Vector Control Zones have had their VRA status revoked and been declared free of TB in possums. Since July 2011, 240 Vector Control Zones have been revoked with a cumulative total area of 2.73 million hectares. There are 7.07 million hectares of VRA remaining to clear.

The increased testing carried out in Hawke's Bay in order to rapidly delineate and contain the outbreak resulted in not achieving the previously targeted reduction in testing numbers. The full roll out of risk-based testing for cattle and deer was also not as far advanced as we originally anticipated.

The Appendix contains further statistics on this year's disease management.

Figure 2: 20-year trend of herd infection rate
June, 2000–2020



Risk-based testing

We have made gradual progress towards more risk-based livestock testing by ending testing for a total of 401 deer herds in Waikato, Bay of Plenty and Southland from 1 March 2020, in addition to the cessation of on-farm deer testing in Northland, Auckland, Gisborne and Taranaki in 2019.

Slaughter surveillance is now the primary source of TB detection for these herds and research has confirmed that New Zealand's meat inspection process meets the specifications required to detect TB at slaughter. We have provided detection training for meat inspectors and the Ministry for Primary Industries and we continue to work with MPI to ensure satisfactory performance of the process. Further rollouts of risk-based testing will be implemented from February 2021.

Impact of COVID-19

During COVID-19 Alert Level 4, pest control was not an essential service and vector operations were put on hold, having first ensured that animal welfare and public safety requirements were met prior to the commencement of the lockdown period. With the move to Alert Level 3, vector operations recommenced.

Due to the interruption to operations during the lockdown period, the start of a number of activities will be delayed beyond the 2019–2020 year and some due to finish in 2019–2020 have also been carried over. It is anticipated that the majority of the delayed work will be able to commence in the 2020–2021 year. OSPRI proactively worked with contractors to identify opportunities to reduce the amount of work to be delayed or carried over to the 2020–2021 year to minimise impacts on the programme.

Mycoplasma bovis

We have assisted with the Ministry for Primary Industries' *Mycoplasma bovis* programme by providing disease management expertise to support the delivery of the response; attending regional engagements with farmers; and assisting affected farmers with NAIT account reconciliation. This engagement has provided the opportunity to strengthen New Zealand's biosecurity system for the benefit of farmers and communities.


Ancare
New Zealand

Case study:
Meat inspector refresher underpins TB programme

North Island regional engagement partner and former meat inspector Bill O'Connor has been busy in the nation's meat processing plants, making sure inspectors are aware of the National TB eradication plan and providing a refresher of TB findings at post mortem inspections.

As bovine TB infections decline in New Zealand herds ahead of the goal of TB freedom in livestock by 2026, the emphasis on disease detection is shifting from on-farm TB testing to expert inspection of carcasses at slaughter.

During the peak of herd infection in the early 1990s when 1,700 herds were infected, meat inspectors had plenty of opportunity to see TB lesions in a carcass. Now, with fewer than 40 infected herds, it's rare for inspectors to see TB lesions but TB could still be present in some livestock herds.

In response to this situation, OSPRI has worked with AsureQuality on a training programme to ensure that meat inspectors can reliably detect increasingly rare cases of TB at slaughter, and that they follow best practice carcass inspection and sampling processes.

Will Petersen, Business Manager – Livestock and Meat for AsureQuality, says the training has been successfully delivered to over 500 meat inspectors and field technicians.

"The training has provided foundational knowledge which demonstrates to participants the importance of their role in TB slaughter surveillance. With many meat inspectors not regularly seeing signs of TB in the course of their daily work, the training was very well received, and they are now better equipped to support the eradication of TB in New Zealand."

The identification of lesions suspicious of TB as part of the routine meat inspection at slaughter supports OSPRI's move towards a more targeted approach to on-farm testing, to reduce test numbers and costs in areas of low TB risk. This will lead to a reduction in the burden of mustering and presenting stock for on-farm tests. It will also mean more resource can be directed to controlling and eradicating remaining wildlife sources of TB.

As TB is progressively eradicated from wildlife with associated reduction in the risk to herds, carcass inspection at slaughter will become the ultimate backstop in disease detection.

"The training has provided foundational knowledge ... to support the eradication of TB in New Zealand."

Hawke's Bay cluster of TB infections

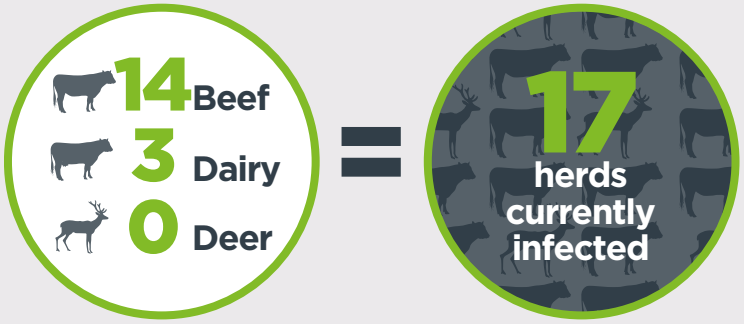
As part of routine TB testing, a single home-bred cow was confirmed positive for bovine TB on 5 April 2019 in Hawke's Bay.

By 30 June 2020, after the implementation of an accelerated TB testing programme in the region, a further 43 TB positive animals had been identified across another 18 herds, bringing the total number of TB positive animals to 44, across 19 herds. Two herds have since been cleared of TB, 12 herds have had their first whole herd clear test and six herds are currently under investigation.

Of the 12 herds with one clear test, at least 50% are expected to achieve a clear status at their next test. For infected status to return to a clear status two clear whole-herd tests are required no less than six months apart. The obligatory period between herd tests is to ensure that there is an opportunity to detect recent infection or possible spread that might have occurred within the herd.

Most herds that become infected in New Zealand only ever have one or two TB animals. They usually go on to complete two clear tests and do not become infected again. This trend has been seen in the infected herds identified in Hawke's Bay to date.

Figure 3: Current Hawke's Bay infected herd numbers
As at 30 June 2020



In response to the infection cluster we have:

- invested $20 million over five years to increase our vector control operations to manage the source of infection
- accelerated the TB testing programme in the area
- expanded the Hawke's Bay Movement Control Area (MCA)
- enhanced our case management assistance for farmers and worked with MPI, stakeholders and Rural Support Trust to ensure on-the-ground support to affected farmers and communities.

The existing MCA in the region was expanded from 1 March 2020. Cattle and deer herds in MCAs are required to be TB tested annually. In addition, any animals moving off a property must have a clear TB test result within 60 days prior to movement. 597 herds, comprising 82,833 individual animals, have been tested in the entire MCA since November 2019.

To support farmer welfare, OSPRI has also increased case management staff numbers to develop and deliver welfare services for affected farmers and communities and worked with central Government and Rural Support Trust to provide further support to farmers.

Figure 4: Hawke's Bay timeline

5 April 2019
Case one

Response team including regional case management team set up, Rural Support Trust engaged

1 October 2019
Accelerated possum control programme
$20 million over five years

Herds cleared of infection
2

Herds with one clear test
12

Number of herds tested
597

Outbreak area

All of the TB detections have been in the same general area in Hawke's Bay between Napier and Wairoa and followed previous peaks of TB in the same area in 1993 and 2003. The first detected case of this infection was in an area that had met criteria for Proof of TB Freedom in possums in June 2018. This is the first such case of infection in 175 Proof of Freedom areas since 2011 (0.57%).

Internal and external reviews were carried out into the likely reasons for the infection. Both concluded that the cluster of infections was most likely due to the failure to maintain a low possum population density buffer and so provide a sufficient barrier to safeguard the area from re-infection.
An accelerated possum control programme worth $20 million over five years involving aerial 1080 operations and ground-based control commenced on 1 October 2019 to shore up the control buffer zone and to hit the source of the infection in the back-country areas.
This plan has included bringing operations forward to prevent reinfection from wildlife and potential spread of disease.

Review of the response

Internal and external stakeholder feedback on the Hawke's Bay response has identified opportunities for improvement for future response management.
We have adopted all seven recommendations that came out of the review, including the creation of a Response Initiation Framework and national roll-out of the case management process which was implemented in Hawke's Bay to provide support to farmers. The framework includes early involvement of our shareholder organisations, contractors and suppliers, to ensure a collaborative approach, maximise our communications reach to farmers with consistent messaging, and ensure efficiencies in planning and resourcing the response.

1 March 2020

Expanded Movement Control Area introduced

597 herds tested = **82,833** animals

By 30 June 2020

Accelerated testing programme

44 animals in 19 herds detected

2 now cleared / **12** on first clear test

Case study: **Uniting to beat TB in Hawke's Bay**

When a single home-bred Hawke's Bay cow tested positive for bovine TB in April 2019, it was the start of an outbreak farmers and OSPRI feared the most.

The cluster of TB infection that surfaced in Hawke's Bay cattle herds during 2019 was compounded by a drought, feed shortages and the COVID-19 lockdown, all piling significant stress onto the region's farmers.

Together with our partners and farmers, we pulled out all stops to contain the infection, which DNA-typing confirmed originated from a wildlife source north of Waitara Valley.

OSPRI's response to contain and manage the outbreak included:

- mobilising support staff and working to build relationships with farmers
- implementing an accelerated TB testing programme, which identified a further 43 TB positive animals across 18 other herds (44 animals across 19 herds in total)
- extending the Movement Control Area as a precautionary measure – this includes pre-movement TB testing of livestock
- initiating aerial and ground-based possum control operations worth $20 million over five years
- working with partner agencies such as Federated Farmers, Beef + Lamb New Zealand, DairyNZ, Deer Industry New Zealand and Rural Support Trust to support farmers' welfare.

Hawke's Bay OSPRI Committee Chair Nick Dawson says while the battle continues, many lessons have been learned and some light is starting to appear at the end of the tunnel.

At the end of June 2020, two of the 19 infected herds had been fully cleared and 12 of the remaining 17 had one clear test. At least half of those were expected to achieve clear status after a second test within six months.

"That doesn't take away from the fact that the personal and financial cost of fighting TB and farming inside a Movement Control Area has been tremendously difficult for some farmers," Nick says.

"I'm sure if we could turn back the clock things would be different, but now is a time to learn and move forward."

Nick acknowledged the support given to fellow farmers through tough circumstances during the past year.

"OSPRI staff have shown compassion and empathy throughout this outbreak. With the help and support of many we will get through it but it's a stark reminder of the damage TB-infected wildlife has done to New Zealand farming."

"OSPRI staff have shown compassion and empathy throughout the outbreak."

2020 TB Plan Health Check

The TB Health Check, provided for under the 2016 TB Plan Funders' Agreement, is not a full review of the TB Plan, but a "current state assessment" of delivery and progress towards the objectives of the Plan. It commenced in early 2020.

The purposes of the Health Check were to:

- assess OSPRI's operational delivery and progress against objectives since the TB Plan's introduction on 1 July 2016
- review the current operating model (disease management and wildlife vector control approach, including assumptions) to identify and recommend changes to drive efficiencies
- assess risk-based approaches to disease management and operations to identify consequences and inform trade-offs
- determine whether the funding levels provided for under the Funders' Agreement are sufficient to meet the objectives of the TB Plan.

A Governance Group with an independent Chair and shareholder and stakeholder representation has overseen the work and made decisions on recommendations, with an Advisory Group of shareholders and stakeholders providing technical input and reviewing the output of an internal OSPRI working group.

The Health Check has found that there are no immediate risks to achieving the objectives of biological eradication of TB from New Zealand by 2055 or TB freedom in possums by 2040. It found that the 2026 milestone of TB freedom in cattle and deer herds is achievable, however, there are some risks that need to be managed to ensure vector control activities that support the achievement of the 2026 milestone are completed with sufficient scope and efficacy.

Another key finding was there is increasing pressure to continue to deliver the TB Plan within current funding (reduced after the 2015 TB Plan review) and be able to manage unexpected events. While disease outbreaks or control failures can be expected in a small proportion of areas which have been declared free of disease (based on a 95% probability of freedom) there is insufficient funding to manage these events without compounding financial pressures and increased disease risk, especially when planned work is moved into later years.

The impacts of unexpected control failure have been made clear by the resurgence of TB in Hawke's Bay since April 2019, after funding for vector control operations in the region was reduced following the 2015 TB Plan review. The response to the Hawke's Bay outbreak has required significant reallocation and reprioritisation of resources across the entire TB Plan in 2019–2020 and this will continue in future years. The outbreak also brought into sharp focus the financial and social impacts of the disease for farmers, and reputational impacts for the TB Plan delivery when confidence in the plan is eroded.

In the first quarter of the 2020–2021 financial year, the Governance Group will make recommendations to the OSPRI Board of the approach that best manages the trade-offs between costs to deliver the programme, risks within the programme and the timeliness of meeting TB Plan objectives, in order to address emerging risks and enable OSPRI to continue the successful trajectory towards the 2026 and 2040 milestones.

OSPRI is already working to implement operational changes to more efficiently and effectively deliver the Plan and achieve the 2026 milestone, including:

- partnering with other pest management agencies and organisations to realise efficiencies and advantages of scale by coordinating pest control activities
- targeting investment in applied research to deliver cost-efficiencies and outcomes that can be readily adopted and implemented
- a graduated approach to risk-based livestock TB testing will be delivered from 2021 commencing with:
  - reducing on-farm testing for dairy and beef herds which are currently tested triennially to one test every five years; tests will be distributed to ensure even geographical spread of surveillance
  - ceasing on-farm testing of deer herds which are currently tested triennially, with slaughter inspection being the primary source of disease surveillance
  - introducing post-movement testing to manage disease risks associated with movements of livestock from identified areas and herds of high TB risk (in addition to the standard pre-movement testing for herds located in a Movement Control Area); initially this will apply to movements from previously infected herds until system enhancements enable area based management
- amending movement restrictions for infected herds to enable OSPRI disease management veterinarians to apply a risk-based approach; this change will provide greater flexibility for infected herd owners and minimise social, financial and wellbeing aspects currently experienced with movement restrictions
- updating guidelines and procedures to enable operational enhancements
- implementing a robust monitoring and reporting framework with supporting governance arrangements to provide greater and regular oversight of the programme.

Research and Development

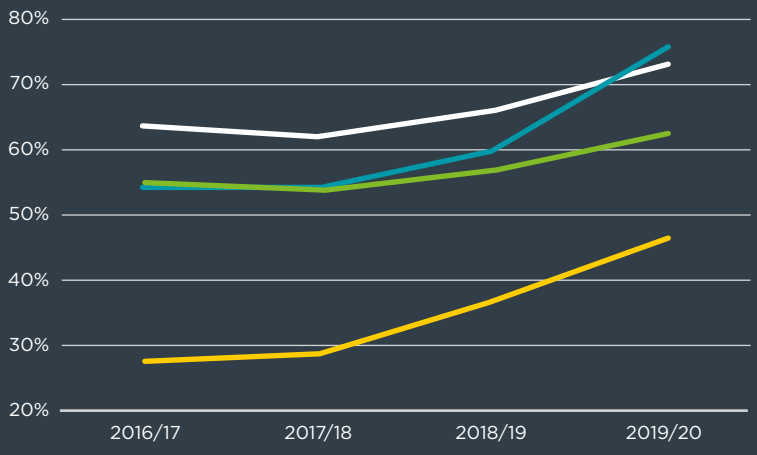
We have updated our Research and Development strategy as part of the TB Plan Health Check with an increased focus on applied research and exploring collaboration opportunities for improved methodologies for possum population assessment and pest control. Projects this year have included:

- work on the development of drone sensors for wildlife surveillance, jointly with Predator Free 2050
- collaborative design of "Farms as barriers" project with the Department of Conservation and Predator Free 2050
- remote trap monitoring using Spark IOT technology, in conjunction with the Department of Conservation and Predator Free 2050.

Traceability Programme

NAIT compliance improvements

Figure 5: Compliance dashboard



Animals registered prior to movement

76%

Improvement of **24%**

Animal movements recorded within 48 hours

63%

Increase from **57%**

Animal movements recorded within 5 days

73%

Increase from **66%**

Animals with lifetime traceability by registration date

43%

from January 2020

Progress towards our long-term objectives

95%
of commercial properties* re-registered

*Any location with more than 100 animals registered

76%*
active NAIT locations re-registered

*71,667

76%
animals tagged and registered

prior to first movement off-farm, comprising **3,122,087** cattle and **411,110** deer, **3,551,579** total

96,745
PICA farmers registered in NAIT

98.8%*
deer slaughtered were tagged

*289,904

98.2%*
cattle slaughtered were tagged

*2,570,596

NOP approved
by the Minister

Traceability strategic outcome

2019–2020 has been year one of a three-year programme of work aimed at strengthening the National Animal Identification and Traceability (NAIT) system to achieve our second strategic outcome: that there is full traceability of the animals within the NAIT scheme. OSPRI is also committed to ensuring the system is easy for farmers to use and fit for the future.

The focus this year has been to stabilise the NAIT scheme and set solid foundations for the future, including:

- making improvements to data quality
- developing better system usability incorporating user feedback
- increasing compliance jointly with the Ministry for Primary Industries (MPI), and continuing to provide education for farmers
- enhancing regulatory settings through the introduction of new NAIT Standards and changes to the Act.

2019–2020 achievements

This year we have worked to:

- increase our assistance and education to farmers on how to meet their NAIT obligations through the Contact Centre, on-the-ground support, and dedicated officers for *Mycoplasma bovis* affected farmers
- improve compliance to an all-time high, in collaboration with MPI
- stabilise the NAIT system and develop the roadmap to rebuild it
- establish industry reference groups to provide input to the new NAIT interface solution from a user perspective
- resolve immediate issues with the NAIT/MINDA interface so that farmers can be confident that their data is correct in the NAIT system
- implement technical and operational changes required under the NAIT Amendment Bill (No.2), including the unsafe to tag exemption, and animal history report
- develop the NAIT National Operations Plan
- establish quarterly reporting on a set of key performance measures
- introduce standards and an accreditation process for third party providers to ensure data integrity of systems
- communicate with farmers across multiple channels resulting in clear evidence of a change of behaviour towards the value of traceability.

NAIT National Operations Plan (NOP)

In developing the NOP, we worked extensively with stakeholders to identify their expectations of the scheme and ensure the NOP is forward-looking.

The NOP has three strategic initiatives:

- making NAIT fit for purpose and easier to use resulting in NAIT's stakeholders being confident in using, relying on, and working with the NAIT scheme and leading to NAIT data that is accurate, reliable, attributable, up to date, and complete
- increasing compliance by those with obligations under the NAIT Act so that NAIT and its stakeholders can proactively identify and address areas that create difficulty with achieving compliance
- planning for the future to allow NAIT to quickly adapt to industry requirements with an agile, forward-focussed approach.

NAIT / MINDA – improving integration and providing confidence to farmers

Since September 2019, OSPRI and Livestock Improvement Corporation (LIC) have been actively working to resolve integration issues between NAIT and MINDA.

OSPRI has completed the release of six technical changes to the NAIT information system which mean that farmers can have greater confidence that they are meeting their obligations under the NAIT Act when using the updated MINDA Live and MINDA App products. This includes, for example, an increase in the frequency of the transfer of data from MINDA to NAIT (from once daily to two-hourly) which reduces data synchronisation errors between the systems and means farmers can see correct information in both accounts.

LIC is working to transition its users from the legacy MINDA Pro to the more contemporary MINDA Live and MINDA App which will further improve data integrity.

The new Third-Party Software Standard, and development of the new OSPRI software solution, will further improve NAIT's interaction with third-party systems like MINDA and FarmIQ.

Priorities for 2020–2021

Our progress this year against the NOP activities and the positive trend in our KPIs is reassuring, however, there are challenges ahead.

Priorities for 2020–2021 include:

- developing a plan to deliver the strategic outcome of lifetime traceability of NAIT animals
- continuing to strengthen our compliance approach
- improving the accuracy of the data held in the NAIT system.

While there are limitations on improving the historical data, OSPRI will establish systems, processes and support structures to ensure that data entering the NAIT information system is timely, accurate, reliable and useable. Investment through OSPRI's Information Systems Strategic Plan will focus on system enhancements to add value, make the system easier for farmers to use, increase confidence in the NAIT scheme and deliver a world-class traceability system.

Case study:

Contact tracing for cattle – the benchmark for disease management

Now that contact tracing has become a key part of the COVID-19 response, OSPRI's Kevin Forward explains how it mirrors the importance of a strong lifetime traceability programme for farm animals.

Farmers can learn a lot from the recent COVID-19 emergency and how diseases can be managed more effectively through a sound traceability system.

New Zealand farmers will be familiar with the words and concepts outlined daily by the Prime Minister and the Director-General of Health. They talk about the virus, the way it spreads, the data that helps us intercept, eliminate and eradicate it.

They're talking about a global coronavirus pandemic, but they could as easily have been talking about disease management for New Zealand's farmed cattle and deer, because it all comes back to traceability.

Where movement data is captured, it can inform and optimise an effective disease management response. It is working for New Zealand's COVID-19 response; it is working for TBfree's tuberculosis eradication programme.

The crucial requirement for beating COVID-19 is data accuracy and integrity, and that's dependent on people observing the lockdown, recording contacts and movements.

That's everyday stuff for New Zealand farmers and the wider primary sector – dairy companies, meat processors, stock agents, transporters – who have successfully coped with the *Mycoplasma bovis* disease outbreak in recent years.

Some farmers who've been in the game for longer are as familiar with bovine tuberculosis, which the farmer-supported TBfree programme is getting closer to eradicating, reducing infected herds from 1700 at peak infection in the late 1980s to fewer than 30 today.

Where good records are held, the tracing of animals infected with either disease has been much faster and more effective, enabling a quick response for affected farmers. Good tracing will be our crucial defence when (not if) the next biosecurity incursion arrives on New Zealand farms.

The strength of New Zealand's biosecurity readiness ultimately relies on our ability to swiftly trace livestock movements and properties where there might be a risk. For a country reliant on agricultural exports, effective traceability is essential to the impact of animal diseases and the economic risk that carries.

Our National Animal Identification Tracing system (NAIT) gets stronger every time a farmer records a movement. It's never so important as now, with dairy animals moving farms and moving to grazing.

The NAIT programme continues to evolve as a key instrument in New Zealand's biosecurity defence network. Data captured in NAIT can optimise decision-making around managing biosecurity responses – providing support for on-going surveillance and imposing movement controls where required.

Traceability safeguards our agricultural exports – now worth $39.5 billion, according to MPI – builds trust among our trading partners and endorses the safety of our products in international markets. That creates tangible benefits for farmers, industry and all New Zealanders, including the thousands employed in the agriculture sector.

In the post-COVID-19 world, customers and markets may be more discerning about the source and integrity of the food they're buying. At the farmgate, traceability helps animal health and monitoring and leads to better business decisions. And the value is delivered by the markets.

Lifetime traceability of animals needs to become the bedrock of New Zealand farming. Because the response to the next global pandemic will depend on it.

Case study:

Dairy and beef farmers can lead on building effective animal traceability

Better communication between dairy and beef farmers can help strengthen animal traceability and disease management says Bay of Plenty farmer Rick Powdrell.

Mr Powdrell runs a 382-hectare drystock operation managing cattle and sheep and sees mutual biosecurity benefits from closer cooperation, having undertaken a business arrangement with nearby dairy farmer Darryl Jensen.

“Both of us are better off. My set-up with Darryl where animals move between our farms reduces the risk of disease spread with farm to farm movements localised and fewer. We always know the animal’s history and it reduces the chance of errors creeping into the system,” says Rick.

Mr Jensen’s decision to hold on to his bobby calves and rear them for beef production reflects an increasing trend among dairy farmers and this development is creating more opportunities for dairy and beef farmers to engage and build relationships.

“In the past when I bought animals from saleyards or private sellers, you’re never really sure how many times they’ve moved beforehand. Trading with Darryl and using the same local grazier, the animals move only between our blocks and you know where they’ve been.

“This gives Darryl and I more peace of mind when it comes to on-farm biosecurity and disease management. And, it can only strengthen NAIT’s ability to trace animals more accurately and swiftly, when another disease outbreak occurs,” says Rick.

Dairy and beef farmers who intend to rear calves for beef production should be mindful to update the animal production type in the NAIT online system.

From birth, all cattle are assigned a production type and this determines what farmers pay for their TB slaughter levy. It is therefore important farmers regularly check their NAIT accounts to ensure all animals are registered accurately in the online system before moving off-farm.

To ensure they’re paying the correct slaughter levy, farmers can change the animal production type in the NAIT online system - 62 days before the animals go for slaughter.

Rick says, “If you’re a beef farmer don’t assume because you are registered as a drystock farm in the NAIT system, you will pay the beef levy at the works. If you haven’t updated the animal production type from dairy to beef - you will be charged the dairy levy, which is considerably more than the beef levy.”

Every summer, Rick receives about 200 feeder calves from Darryl.

“It’s all straightforward really. Darryl records the sending movement in NAIT, and I confirm a receiving movement at my end. I’ve got a panel reader set up at the race, which is ideal for registering the animals automatically in NAIT as they come on-farm, and you can weigh them too using this equipment,” says Rick.

A staunch supporter of animal traceability, Rick has been an active NAIT user since the system was introduced seven years ago. He recalls "making multiple calls" over that period to the OSPRI Contact Centre but has no gripe.

“As a farmer these days, we seem to be constantly under the hammer to be compliant with a whole range of things, some of which are unfair. But for me, NAIT is different as there’s clearly a need and a benefit - so it is justified.

“Those farmers who aren’t convinced even after the *Mycoplasma bovis* outbreak, should consider the implications for their business and livelihood by not making animal traceability and disease management a priority,” says Rick.

Corporate enablers

Progress towards our long-term objectives

Approval of plan

5-year Information Systems Strategic Plan

70% engagement in staff survey

32 staff enrolled

in an introductory Te Reo course

71% trust and confidence rating

in stakeholder survey

86,852 inbound calls answered

by the Contact Centre. **40,098** outbound calls made, average call wait **1 min 23 secs**, average talk time **9 mins 28 secs**

41% decrease in TRIFR

(Total Recordable Injury Frequency Rate) from **29.3** to **17.1**

28% decrease in injuries

from **91** to **65**

2458 eASD sign ups

in April 2020 (COVID-19) vs **55** eASD sign ups in January 2020

75% increase in website users

56% increase in total website page views

94% internal users positive

about the functionality and usability of our technology

Culture, capability, capacity

One of the enablers critical to OSPRI delivering the Strategic Plan is our people, and we have spent time this year making changes to our operating model to improve the organisation internally and set ourselves up for the future.

One OSPRI

Connecting internally as one organisation, and externally with industry and Government, is essential if we are to deliver value to our shareholders and customers, and play our part in building a stronger biosecurity system for New Zealand.

During 2019 we undertook a functional review to assess the current state of the organisation and then consulted on a future model, with feedback from farmers, stakeholders and our people considered. This led to the launch of OSPRI's new, geographically based operating model, which is in place from 1 July 2020.

The key change is an enhanced regional footprint providing greater coverage across New Zealand, and bringing our people closer to farmers and partner organisations. We are opening new locations in Whangarei, Stratford, Timaru and Invercargill in addition to existing offices in Hamilton, Taupo, Napier, Palmerston North, Wellington, Greymouth, Christchurch and Dunedin.

Changes to the structure will strengthen our national and regional capabilities, with regional leadership roles established, which are part of the Executive Leadership Team, to enable decision-making to be closer to farmers and stakeholders. These changes enable OSPRI to leverage our existing capabilities in animal disease management and traceability and balance the national priorities of our programmes while also building a deep understanding of our regions to be able to better service their needs and respond to regional variances.

To enable OSPRI to be a high-performing organisation, and as part of work to improve the engagement score in our next employee survey, we have established core building blocks that will develop our people's skills and behaviours so that people are engaged, realise their potential and work in a connected way. These include:

- developing a comprehensive induction programme
- updating our delegations to empower staff
- a new People Strategy to improve culture and people performance.

Figure 6: Executive Leadership Team structure

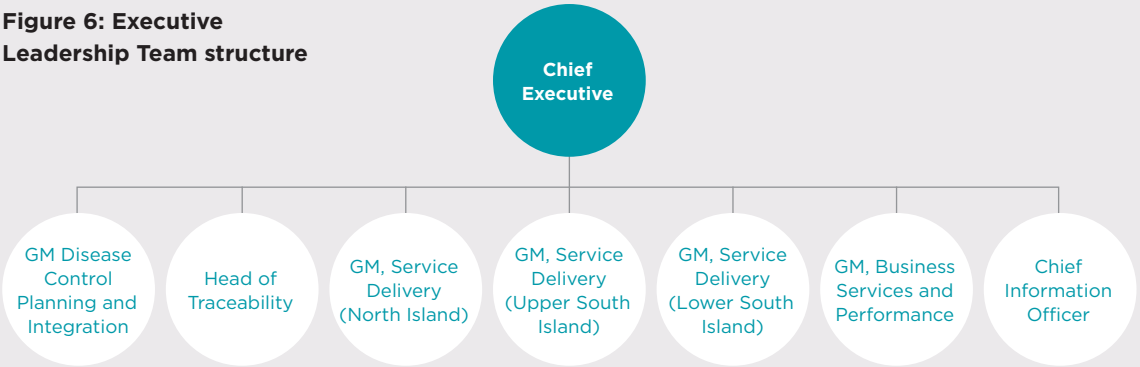
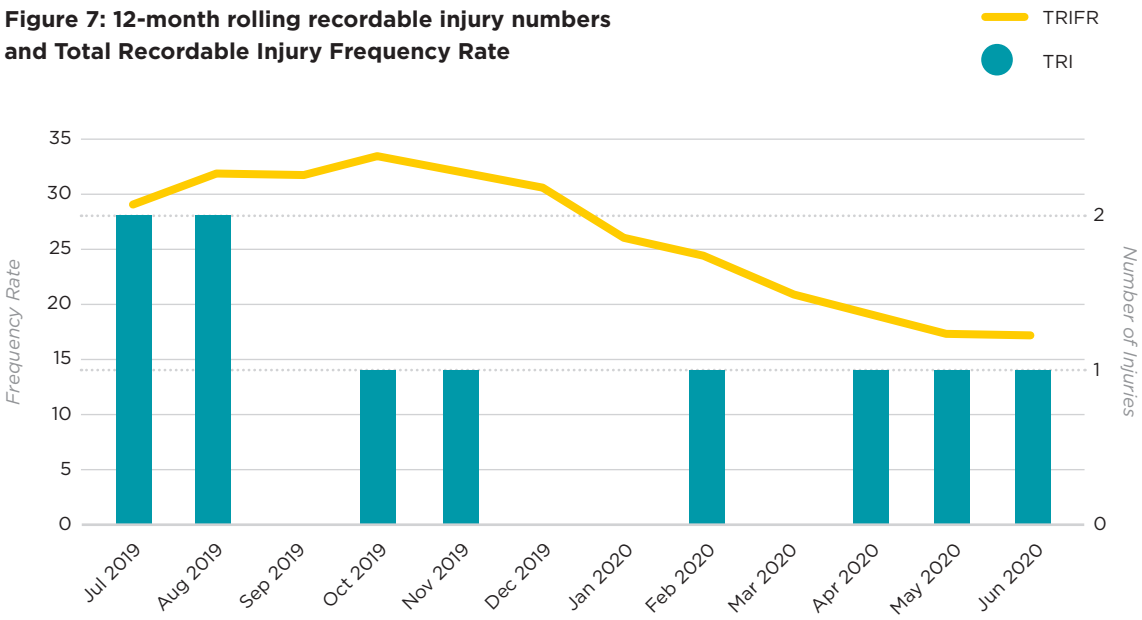


Figure 7: 12-month rolling recordable injury numbers and Total Recordable Injury Frequency Rate



Work is underway to commission and implement a Human Resource Information System that will better support managers, enable a proactive People and Culture team, reduce manual reporting and enable integration with our payroll system for greater efficiencies.

Mobilising our people, including the Contact Centre, to work from home during the COVID-19 lockdown was another significant success. Good planning and training combined with recent upgrades to technology systems contributed to a relatively seamless transition to remote working and we continued to provide essential services to farmers with minimal loss in productivity. Our ongoing COVID-19 response includes wellbeing initiatives and a review of lessons learned for new ways of working.

Health and Safety

Our injury reduction strategies are showing signs of success with the Total Recordable Injury Frequency Rate (TRIFR) reducing from 29.3 to 17.1 injuries per million hours worked. This achievement reflects the training, education and direct involvement in injury management and prevention by OSPRI and contractor Health and Safety teams collectively.

Other significant Health and Safety achievements for the year were:

- the confirmation of OSPRI's commitment to Health and Safety with accreditation to the international Health and Safety ISO45001 standard
- approval of the 2019–2024 Health and Safety Strategy and delivery of the year one activities
- 420% improvement in proactive leadership with 10,663 reported events (up from 2,049 last year), 188% increase in OSPRI management safety tours with 23 undertaken by senior leadership (up from 8 last year), and 2400% increase in OSPRI safety conversations with 100 by all employees (up from 4 last year)
- 17% decrease in potential serious injuries (from 14 last year to 12 this year), 83% decrease in actual serious injuries (from 12 last year to 2 this year), and 85% decrease in toxin incidents (from 20 last year to 3 this year)
- an upgrade of critical equipment procurement
- improvements to Health and Safety systems and technology
- contributions to the Hawke's Bay response with the development and delivery of welfare services for the affected community and OSPRI on-the-ground personnel.

Case study:
Making OSPRI's regional focus a reality

OSPRI's leadership team now includes three General Managers who are based in the regions.

The roles were introduced to ensure OSPRI's national disease management and traceability programmes are designed and delivered in an agile and responsive way closer to farmers. Viv Larsen, new General Manager for Service Delivery in the Lower South Island, explains what OSPRI's regional focus means in practice.

"OSPRI has always had great people in the regions but our centralised structure didn't always make it easy for them to influence how our programmes are delivered. The new, regional structure will change that, as we'll be able to adapt our ways of working to suit local needs.

"Successful regional service delivery is all about building respectful, collaborative working relationships. Farmers need to be involved in the decisions that affect them, as do many other partners. OSPRI Committees are an important forum for bringing farmers' voices to the table, and I'm looking forward to re-igniting their involvement in our decision-making.

"We need to know the challenges we face in our region so we can work together to address them. For example, if we think about disease management and traceability at a regional level, we need to have a shared understanding of the risk of infection and be ready to respond accordingly. To respond to an infection, we need to have a good understanding of the animal movements that happen in our region, and to engage with the numerous parties who are involved. On a practical level that means helping to increase farmers' confidence in using NAIT and providing support where it's needed.

"Farmers operate in a complex eco system that New Zealand's economy relies on. I'm proud that OSPRI protects farmers' livelihoods and gives assurance to markets they sell to. We need to be mindful that OSPRI is one of many organisations that farmers interact with, and our compliance obligations sit alongside many others. We owe it to farmers to see things from their perspective and do whatever we can to make their lives easier. I'm looking forward to working with other partners to share knowledge and come up with smarter ways of working.

"It's in everyone's interest to have a robust biosecurity system so it's also important we engage with the non-farming community to help people understand what we do and why. Whilst our primary focus is on disease management and traceability of livestock, OSPRI has an important role to play in the wider biodiversity system. It is exciting to see the biodiversity benefits of our collaboration with Predator Free around Dunedin. I am keen to expand this way of working with community groups across the region. There is a lot we can do together to be more effective and efficient, and deliver greater value to communities and farmers."

Shareholder and stakeholder relationships

The needs and expectations of our stakeholders must be at the centre of OSPRI's thinking, and this has been a key driver of our new operating model and the behaviour we are asking our people to demonstrate. More effective engagement and education, improved transparency, and better listening will enable us to identify opportunities to deliver benefits and value, and make our stakeholders advocates for OSPRI.

This year we have focused on working closer with our shareholders and stakeholders, at both a strategic level between our Board and Stakeholders' Council, and at the operational level.

We have provided refreshed reporting to the regional OSPRI Committees including key messages that Committee Chairs and members share with their neighbours. The Committees were also involved in testing that our industry communications are farmer-friendly.

We worked collaboratively with shareholders, Ministry for Primary Industries, OSPRI Committees and third-party providers to manage the disease in Hawke's Bay and provide support for farmers and the community during a stressful time. A holistic approach to case management for owners of infected herds has been an important change made by OSPRI to provide both disease management and welfare support to farmers.

Figure 8: Shareholder and stakeholder membership of OSPRI working groups during 2019–2020

TB Plan Health Check	Hawke's Bay TB Response	Traceability	Farmer Advisory Groups	Interview Panels
Technical Advisory Group	Response Group	Traceability Working Group	New NAIT interface	Senior appointments (funder managers)
Governance Group	Governance Group	Technical Advisory Groups with meat industry, farmer, stock and station agents	New OSPRI website	Regional Engagement Partner roles (OSPRI Committee Chairs)
		NAIT/MINDA Governance Group		
		Compliance Governance Group		

Through our increased engagement at stakeholder board and senior management meetings, including AsureQuality, Beef + Lamb New Zealand, Deer Industry New Zealand, DairyNZ, Livestock Improvement Corporation and Ministry for Primary Industries, we have been able to identify opportunities for joint work of value to farmers, and increase trust and confidence in our programme delivery.

Shareholders and stakeholders have been part of several groups working on programme reviews and other key activities to make sure we understand what we need to deliver for industry.

2020 stakeholder survey

OSPRI received an average rating of 71% trust and confidence in an independent qualitative study which interviewed 29 stakeholders across 25 in-depth interviews in February 2020. The purpose of the study was to capture a repeatable baseline measure of OSPRI stakeholders' views in line with the organisational KPI of achieving an 85% trust and confidence rating in OSPRI and its programmes.

A more open and collaborative approach from OSPRI was a significant driver of positive ratings. Most respondents felt the culture of OSPRI had improved, as evidenced by an increased willingness to engage with stakeholder groups. Survey respondents identified five key areas for improvement; we have made progress in all areas and have a plan of proposed next steps.

Case study:
A win-win partnership in the hills of Dunedin

OSPRI's management of a TB possum control hotspot on the edge of Dunedin has led to a win-win collaboration through membership of Predator Free Dunedin – a collective of twenty-two organisations working together to create a city rich in wildlife. The Mount Cargill TB Management Area, an area of intensive TB possum control just north of Dunedin City, lies within this project.

OSPRI Regional Partner, Extension Services Jennifer Lawn says being part of Predator Free Dunedin has provided a great opportunity to increase awareness of the TBfree programme with the community and key stakeholder organisations around the city.

"In an area close to the city with high recreational use, we're also creating support for the TBfree programme by showing the other benefits of possum control. Robins were spotted in nearby Ross Creek for the first time in 50 years. It's exciting to work towards our disease eradication goals and to see our work benefit local wildlife."

Jennifer says highlights of working with Predator Free Dunedin over the past year have included:

- working closely with Halo Project, Otago Regional Council and Dunedin City Council on a transition plan to maintain possum control after TB eradication, to reduce the risk of disease re-invasion and to maintain biodiversity gains into the future
- sharing data and best practice with City Sanctuary, a group aiming for permanent possum control in backyards and Dunedin reserves
- supporting a kākā tracking and awareness project, to help maximise benefits and minimise risks to kākā from predator trapping and toxic baiting.

Predator Free Dunedin aims "to make the city a place where robins play in your garden, kākā hang out in the Octagon, and all native birds can flourish." Jennifer says it's been fun and rewarding to be part of that, while also solving a significant TB problem.

Jennifer also stars in a Predator Free Dunedin video featuring OSPRI's work, which has been shared through multiple channels, with over 500 views on YouTube.

Technology

Work during 2019–2020 to support OSPRI in the successful delivery of its programmes included:

- obtaining Board approval of the five-year Information Systems Strategic Plan which contains the roadmap to improve and better integrate the systems which underpin the delivery of our two programmes
- upgrades to Contact Centre telephony to progress an omni-channel call centre service (email, phone, SMS, chatbot) in line with current customer service standards and expectations
- installation of fibre data network for improved connectivity
- the introduction of Digital Workspaces (SharePoint and Teams) which enables OSPRI to work remotely and connect more easily throughout the country
- finance and human resources system upgrades.

Information Systems Strategic Plan progress

The goal of our new Information Systems Strategic Plan (ISSP) is to deliver a single site that is easy to use and where farmers can go to:

- fulfil NAIT obligations
- see the disease status of animals
- produce eASDs.

This new whole-platform approach replaces the initial goal of simply replacing the NAIT user interface and will assist OSPRI to deliver value for our shareholders.

Work has been done to map all services which OSPRI provides and this is being used to design the new platform from a farmer's perspective with the intention of aligning the disease management and traceability aspects, for example, TB testing locations will be aligned with NAIT locations. The build of the new platform commenced in November 2019, and we will confirm the timelines for the replacement platform in the first quarter of the 2020–2021 year.

We have met with farmer working groups during the past year to gather their initial feedback and input to our thinking. As we progress with the new platform we will work with the OSPRI communication and extension teams to set up further opportunities to get farmer perspectives on the new system and their ease of use requirements, and we will provide regular updates on the build. We will also be seeking feedback from farmers about what works best for them for the release of the new platform.

eASD

The total number of registered users of eASD (electronic Animal Status Declaration form) is presently 5,735. The number of users more than doubled during the COVID-19 lockdown.

Following the successful delivery in 2017 of a prototype eASD for Red Meat Profit Partnership, which recorded the movement of cattle, deer and sheep from last farm-to-slaughter, the ISSP includes the development of a permanent eASD solution.

The electronic (eASD) form that will enable farmers to make an animal status declaration online or with a smartphone is in the early stages of development in the OSPRI platform. We are building the ability to do farm-to-farm and farm-to-saleyard movements. Our vision is to create a platform for reporting animal movements that allows farmers to comply with their multiple reporting obligations, including NAIT and TBfree, seamlessly and with the minimum of duplication in effort.

Support for our programmes

OSPRI's communication and engagement activities need to clearly articulate and demonstrate the value of our two programmes, build understanding, provide support and information to help farmers comply with their obligations, and generate commitment and action.

Collaborative messaging

In the past year, we have actively involved our shareholders, funders and OSPRI Committees in joint media activities and approaches to promote our programmes and increase our reach to farmers.

For example, we were part of a significant collaborative campaign with industry across mainstream, online and social media channels for Moving Day. This focused on building awareness around the importance of lifetime animal traceability and disease management. Simple messaging included a checklist to make sure farmers understood their obligations to update NAIT accounts at this key date in the farming calendar. By working with our partners we were able to reach a wider audience leading to improved traceability of animals.

Other collaborative campaigns during the year included winter grazing information and the legislative changes to livestock transporting.

Connecting with farmers

Our communication and extension teams also worked closely with OSPRI Committee members to get their feedback on both TBfree and NAIT messaging to ensure our communications are farmer-friendly and relevant.

OSPRI Committee Chairs have performed a central role in engaging farmers and communities following the wildlife infection in Hawke's Bay. Our increased regional presence will further enable us to support OSPRI Committee members perform an active role in promoting our programmes.

OSPRI has invested considerably in ensuring support is available to farmers to reconcile their NAIT accounts and keep them up-to-date. Our Traceability Support Officers have played an important role in the *Mycoplasma bovis* response by working with Ministry for Primary Industries and farmers to update NAIT accounts. This has led to increased awareness and understanding of the importance of NAIT for effective disease management.

COVID-19 required OSPRI to adapt its approach and find different ways of engaging with farmers. We worked with industry partners such as Beef + Lamb New Zealand and Dairy Women's Network to deliver webinars during lockdown to ensure we maintained connections with farmers.

Case study:
Farming through the tough times of TB

Manawatu farmer Robert Ervine knows exactly what it's like to go through a bovine TB infection – and come out the other side with a clear status and a TB-free herd.

Robert runs a top dairy business on his farm at Rangiotu near Palmerston North. He was drawn into the fight against TB after two cows in his dairy herd tested positive in 2001. His experience led to his involvement with the TBfree eradication programme, and he is now chair of the OSPRI Committee.

His is a reassuring story for farmers who haven't experienced a TB infection. The process of having a reactor identified and having animals slaughtered is disruptive, and working back to clear-herd status can be harrowing for a farming family.

But it's an optimistic story too, and one he hopes will encourage farmers to comply with the traceability system NAIT that enables the work of eradicating bovine TB.

"My initial experience of TB was…it was quite a shock," says Robert of receiving the news that there was infection in his herd. "It meant a whole lot of extra work and worry, and it's tough watching animals you've raised from calves go off to slaughter before their time."

Now it's behind him and in the years since, he and his wife Colleen have been recognised with a regional Dairy Business of the Year award and an environmental award. But he works hard to let younger farmers, who have no experience of TB, know the danger of letting their guard down.

"Farmers see their levy deducted for eradicating TB and although there are no herds infected locally, we know we still need to continue the work to get TB out of wildlife and work towards full eradication.

"We need to finish the job, and we've all got our part to play." With OSPRI undertaking large-scale possum control in nearby areas of risk, and good support locally from Horizons Regional Council, Robert feels the goal is in sight.

"If we take our foot off the throat now, we give up and go back to where we were in 1990, with herds across the country with TB. And that's stupid."

Speaking for all New Zealand farmers, Robert says: "We've made a major investment in this disease, we've all worked hard, and we've improved the NAIT system to support traceability.

"For NAIT to work, farmers are responsible. They're our animals and we've got to ensure we tag them, register them and record their movements.

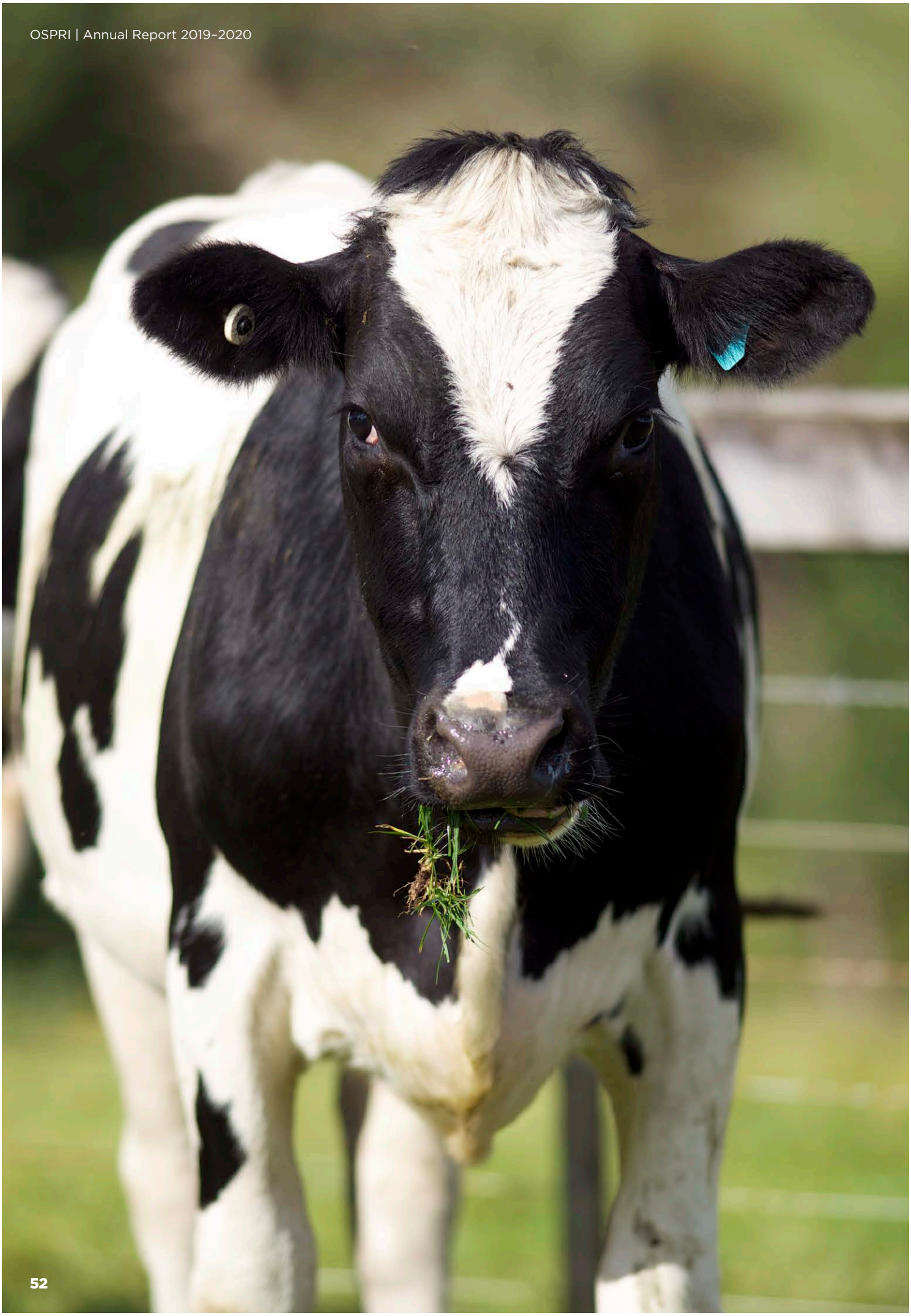
OSPRI's leaders in the farming community know the importance of this work. They keep an eye on history and work towards a clear vision of a TB-free future."

"We need to finish the job, and we've all got our part to play."

2019–2020 KPI targets

	KPI	Comment
✓	**Maintain national herd period prevalence of no more than 0.2%**	National herd period prevalence for 12 months to 30 June was 0.09%.
✗	**There are no more than 20 TB infected status cattle or deer herds**	At 30 June 2020 there were 36 infected herds, more than the beginning of the financial year (26). The increase is primarily due to the Hawke's Bay TB outbreak and the accelerated testing regime. The TB Plan 2026 livestock TB freedom milestone is not considered at risk.
✗	**There is a 12.4% reduction in TB vector risk areas**	A revised estimate was made of VRA reduction for 2019–2020 of 5.9% (443,800 hectares) due to a more conservative approach to VRA reduction as a result of learnings from Hawke's Bay. The final approved VRA reduction is 441,870 hectares over 37 Vector Control Zones.
✗	**Through risk-based testing there is a reduction in annual cattle and deer numbers tested by 244,900 and 21,300 respectively**	Numbers of cattle tested in 2019–2020 increased by 3.4% (+99,200) due to increased testing in Hawke's Bay and the risk-based testing roll out not being as advanced as planned; deer TB testing numbers reduced by 1.6% (-2,700) during 2019–2020.
WIP	**A compliance traceability scale is established**	The development of the compliance scale is currently awaiting prioritisation from the ISSP Governance Board.
↑	**95% lifetime traceability of animals from January 2020 is maintained**	An average of 43% of animals registered in NAIT from January 2020 have lifetime traceability. This is an increase from 33% in the previous year.
↑	**Less than 20% of animals are auto registered in NAIT**	An average of 24% of all animals were not registered in the NAIT system prior to being moved off-farm (ie they were automatically registered instead of manually registered). This compares with 40% not being registered in 2018–2019.
↑	**More than 75% of movements are recorded within 48 hours in NAIT**	An average of 63% of movements recorded during 2019–2020 were recorded on time (within 48 hours of the end of the day the movement occurred). This is an increase from 56% in 2018–2019.
↑	**100% of movements are recorded within 5 days in NAIT**	An average of 73% of movements recorded during 2019–2020 were recorded within 5 days of the end of the day the movement occurred. This has increased from 66% in 2018–2019.
↑	**OSPRI achieves an 80% engagement score**	The baseline staff survey was completed in July 2019 with an engagement score of 70%.
✓	**Unplanned attrition is less than 12%**	The attrition rate for the full 2019–2020 year was 16%; but this reduced to 9% over the last six months of the year.

	KPI	Comment
✓	**OSPRI is ISO45001 (Occupational Health and Safety Management System) accredited**	OSPRI achieved ISO45001 on 1 April 2020.
✓	**The OSPRI Total Recordable Injury Frequency Rate (TRIFR) reduces by 15% (from 29.3 to 25)**	The final TRIFR for the year is 17.1.
✓	**HR Strategic Plan is delivered**	The draft People Strategy has been developed and will be updated in the context of the new operating model.
↑	**More than 80% of stakeholders express "trust and confidence" in OSPRI and its programmes**	OSPRI achieved an average score of 71% trust and confidence in a baseline stakeholder survey conducted in February 2020. Survey findings will be used to develop a stakeholder engagement plan which is aligned to OSPRI's new operating model, ie regionally based relationship management.
✓	**The Contact Centre maintains an average call answering time of less than 2 minutes**	The average call wait time during 2019–2020 was 1 minute 23 seconds.
✓	**More than 80% of our primary users are positive about the functionality and usability of our information technology and systems**	Our internal user survey recorded a 94% positive rating for the functionality and usability of our systems.
✓	**ISSP year one work programme delivered on time and within budget**	The ISSP CAPEX work programme has delivered six work streams on time and budget, including development toward the new OSPRI core platform, public website, DMS and NAIT system enhancements.
✓	**There is an increase in positive and neutral media coverage of OSPRI's work programmes**	Sentiment reporting for the 2019–2020 year is: • Positive (49) • Neutral (168) • Negative (26)
✓	**There is a 10% increase in promotional and outreach activities**	In the 12 months to 30 June 2020 OSPRI Facebook impressions (the number of messages sent to our audiences) increased 101%, and our followers increased 10.5%.
✓	**Manage finances efficiently and within budget**	The Group expects to deliver within budget. Key items to note are that some operations will be carried over to next year (due to COVID-19), testing costs were higher than anticipated, but offset by wider savings throughout the business.



Appendix: **Detailed disease management statistics**

Delivery of the TBfree programme

To meet TBfree programme objectives OSPRI delivers an integrated range of services:

- livestock disease management, including TB testing and diagnostics, case management, monitoring livestock movement, and disease surveillance
- wildlife disease management through a possum control programme, wildlife surveillance, field operations and monitoring
- an annual review of areas across New Zealand where there is a risk of transmission of TB from wildlife vectors
- research and programme development to support the control and eradication of TB in wildlife and livestock
- local farmer-led committees which communicate the TBfree programme, activities and operations to farmers
- a range of further communications and extension activity to farmers, stakeholders and other affected parties.

The following graphs and table demonstrate recent progress of the TBfree programme.

Figure 9: Number of infected cattle and deer herds at 30 June

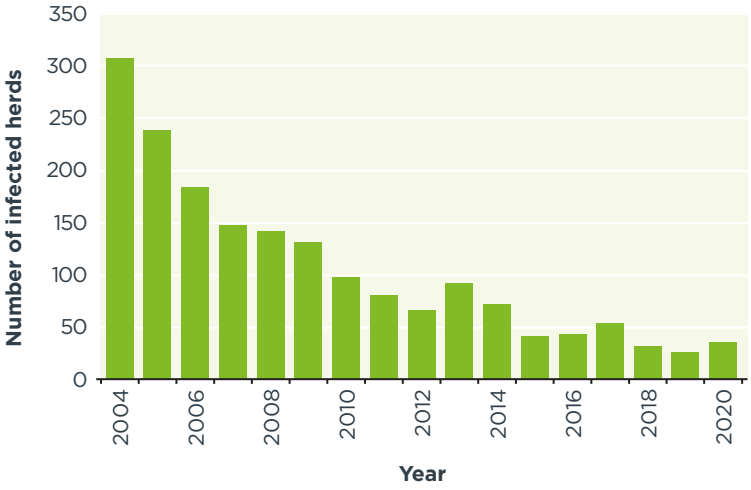


Figure 10: Annual infected herd prevalence (cattle and deer)

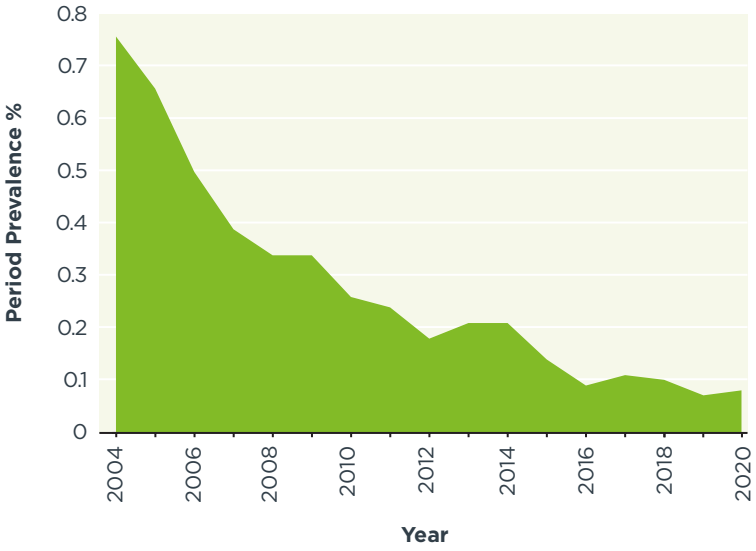


Figure 11: Disease metrics over three different time periods for cattle and deer herds located in Vector Free Areas (VFA) and Vector Risk Areas (VRA)

Vector area status	Infected herd period prevalence per cent			Herd breakdown rate per 1000 herds			Infected herd clearance per cent		
Period	1992/93	2002/03	2019/20	1992/93	2002/03	2019/20	1992/93	2002/03	2019/20
VFA	1.3%	0.15%	0.01%	6.8	0.73	0.13	68%	83.3%	0%
VRA	14.9%	3.8%	0.57%	50.3	13.21	0.29	32%	58.5%	53%
Total	**3.6%**	**0.91%**	**0.08%**	**13.4**	**3.3**	**0.41**	**42%**	**61.4%**	**47%**

The annual infected herd period prevalence (for cattle and deer combined) at 30 June 2020 was 0.08%. Period prevalence is derived from the total number of infected herds at the start of the year, plus new infected herds identified during the year, divided by the total herds in the country, expressed as a percentage. The annual period prevalence has been less than 0.2% for the last six financial years and New Zealand therefore meets the World Organisation for Animal Health (OIE) standard for being classified as officially TB free.

Livestock disease management

An effective livestock disease management programme is a key part of OSPRI's TB control and eradication effort and includes:

- disease surveillance through on-farm TB testing and post-mortem inspection of cattle and deer at slaughter
- effective case management of infected herds following TB diagnosis through approved laboratory testing
- restricting the movement of at-risk livestock either at area or herd level.

Under the TBfree programme, New Zealand is divided into distinct Disease Control Areas with specific frequency requirements for livestock TB testing – see the later section for more detail. The identification of lesions suspicious of TB as part of routine meat inspection at slaughter is the other method used to detect TB in New Zealand livestock.

If TB is diagnosed, a Restricted Place Notice under section 130 of the Biosecurity Act 1993 is placed on the herd. This restricts any movement of stock from the herd (except to slaughter) without a permit. This on-farm biosecurity process limits any spread of the disease through cattle or deer movement from that time on.

The infected herd is case managed by an OSPRI team. The case management process involves tracing any livestock movements into and out of the herd prior to diagnosis. Any livestock identified as having moved out of the herd will be TB tested in their destination herd.

OSPRI uses both livestock movement information and DNA analysis of the TB organism (*Mycobacterium bovis*) to help determine whether TB has been introduced by livestock movement, or by contact with wildlife, or was potentially residual within the herd.

An important aspect of case management is working with the farmer to understand the cause of the disease and supporting the farmer to manage their herd through to TB freedom as quickly as possible. A herd cannot be declared free of TB until it has had at least two clear whole herd tests at a minimum of six months apart.

A key part of OSPRI's TB Plan is the restriction of livestock movement from infected herds and from designated movement control areas where the TB risk from wildlife is considered high.

Infected cattle herds

At 30 June 2020 there were 32 infected cattle herds (0.05% of total cattle herds), compared to 23 herds at 30 June 2019, an increase of 39%. This increase includes 17 infected herds within the Hawke's Bay cluster.

Of the infected cattle herds:

- 34% were dairy or dairy dry herds
- 53% were herds in Hawke's Bay
- 28% were in the South Island.

Figure 12 shows the fall in infected herd numbers since June 2004 by vector area status (Vector Free Area – VFA, Vector Risk Area – VRA). The annual number of infected herds is expected to trend down towards zero over the next six years.

The cattle herd breakdown rate per 1,000 herds (new infected herds divided by total herds x 1,000) for 2019–2020 was 0.39, and the cattle herd clearance rate was 49%. These rates compare with a herd breakdown rate of 0.26 per 1,000 herds, and a clearance rate of 58% in 2018–2019.

During the year there were 50 infected status herds, five more than in 2018–2019. In total, 84 cattle had confirmed TB test results during 2019-2020. This compares with a total of 44 tuberculous animals in the 2018–2019 year. The sources of infection for newly TB infected and existing cattle herds this year are summarised by area status in Figure 13.

Figure 12: Number of infected cattle herds at 30 June 2020

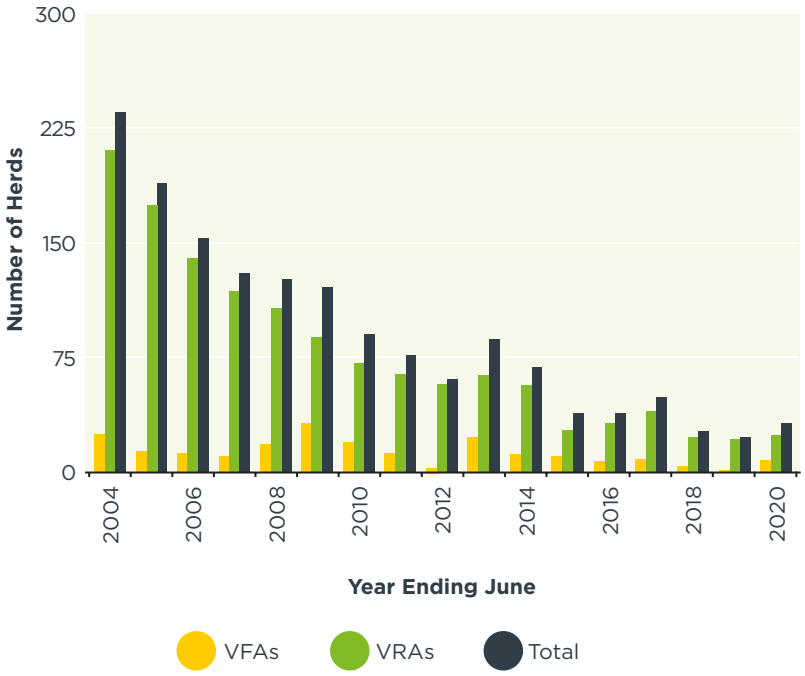


Figure 13: Sources of infection for cattle herds in the 12 months to 30 June 2020

	Cattle introduced from known infected herds	Cattle introduced from undetected infected herds	Residual herd infection	Wild animal	Source yet to be determined
Newly infected herds in VRA	0	0	1	19	1
Newly infected herds in VFA	0	2	0	3	2
Existing infection	0	1	1	20	0
All infected herds	**0**	**3**	**2**	**42**	**3**

Cattle testing and reactors

Cattle testing data is summarised in Figure 14, which compares the number of TB tests carried out on cattle and the number of reactors to tests for 2018–2019 and 2019–2020. In the year to 30 June 2020, approximately 3 million cattle were tested using the intradermal caudal-fold tuberculin test (primary skin test). This is approximately 100,000 more than the number of cattle tested in the previous year.

Serial ancillary (blood) tests were carried out on 4,174 cattle positive to the primary skin test. In addition, ancillary parallel gamma interferon blood tests were performed on 9,394 cattle that tested negative to the primary skin test for TB.

Figure 15 shows the trend in cattle reactors from 2003–2004 to 2019–2020.

Figure 14: Cattle TB test results for 2018–2019 and 2019–2020

Cattle testing	2018/19	2019/20
Primary tuberculin tests on cattle	2,900,162	3,000,154
Primary test-positive cattle ancillary serial tested	4,413	4,174
Ancillary parallel tests on cattle	13,847	9,394
Total cattle reactors slaughtered	445	401
Total TB cattle reactors confirmed positive	44	84

Tuberculous cattle

The number of tuberculous (confirmed infected with TB) cattle includes the total number of cattle (both TB test reactors and cattle found during routine slaughter) with gross TB-like lesions, or otherwise identified as infected following Polymerase Chain Reaction (PCR) assay or culture of *Mycobacterium bovis* from tissues.

During 2019–2020, 55 (13.7%) of the 401 reactors slaughtered showed visible TB lesions or had lesions sampled that were confirmed as being infected with *Mycobacterium bovis*. Bovine tuberculosis was also identified in 11 cattle during routine slaughter (0.42 per 100,000 cattle slaughtered, based on 2.65m cattle slaughtered in 2019–2020), and 18 cattle were identified as tuberculous following culturing of lymph nodes collected from reactors with no visible lesions. Figure 16 illustrates the long-term trend for TB found in cattle from 2003–2004 to 2019–2020 and shows the overall decline in the number of TB cattle, despite variable spikes in 2003–2004, 2008–2009 and 2012–2013. This mirrors that for reactors.

Figure 15: Number of cattle reactors

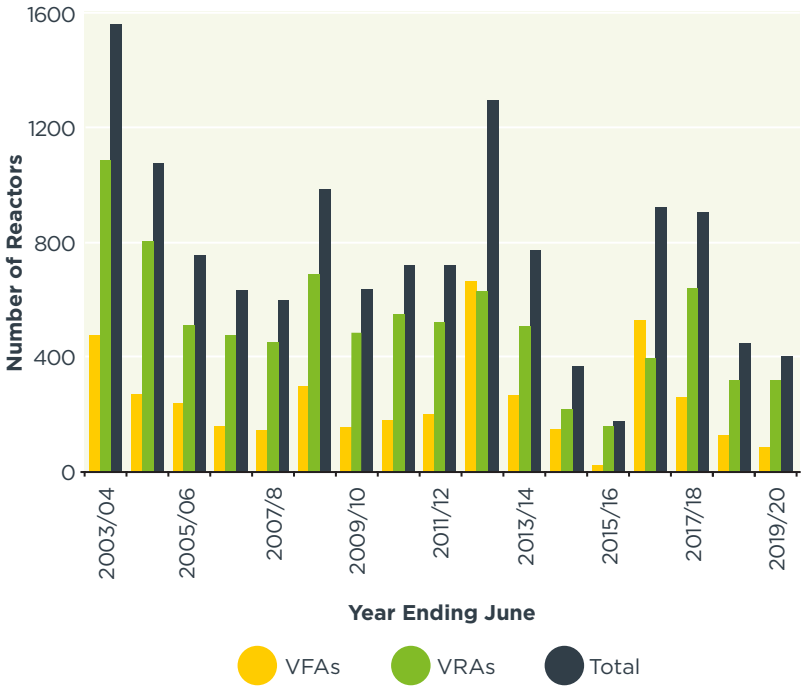
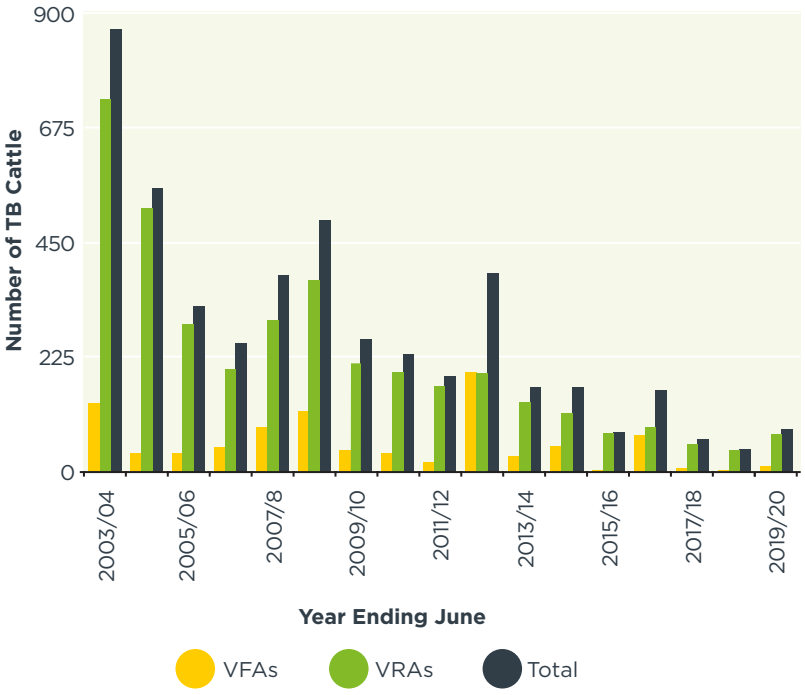


Figure 16: Number of tuberculous cattle



Infected deer herds

At 30 June 2020, there were four infected deer herds (0.19% of total deer herds), compared to three herds at 30 June 2019, an increase of 33%.

Figure 17 shows the decline in the number of infected deer herds between June 2004 and June 2010. Since then numbers have remained relatively steady and low, at between two and five herds.

The deer herd breakdown rate per 1,000 herds (new infected herds divided by total herds x 1,000) for 2019-2020 was 0.03, and the deer herd clearance rate was 25%.

During the year, TB was identified in five deer herds, the same number as in the 2018–2019 year. In total, seven deer were found with TB; three as a result of TB testing, three during routine slaughter inspection, and one as a result of culturing lymph nodes from a reactor found to have no visible lesions at slaughter. In 2018–2019 there were no tuberculous deer identified.

Deer testing and reactors

Deer testing data is summarised in Figure 18, which compares the number of TB tests performed and the number of reactors to tests in 2018–2019 and 2019–2020. In the year to 30 June 2020, 170,671 primary mid-cervical intradermal tuberculin tests (skin tests) were performed on deer compared to 173,577 in the previous year.

Serial ancillary (blood) tests were carried out on 955 deer positive to the primary skin test. No ancillary parallel tests were performed on deer in 2019–2020. As a result of these tests 114 deer were declared as reactors and were slaughtered. On slaughter, three reactors were found to be confirmed cases of TB.

Figure 19 shows the trend in deer reactors from 2003–2004 to 2019–2020 by TB risk status area.

Figure 17: Number of infected deer herds at 30 June 2020

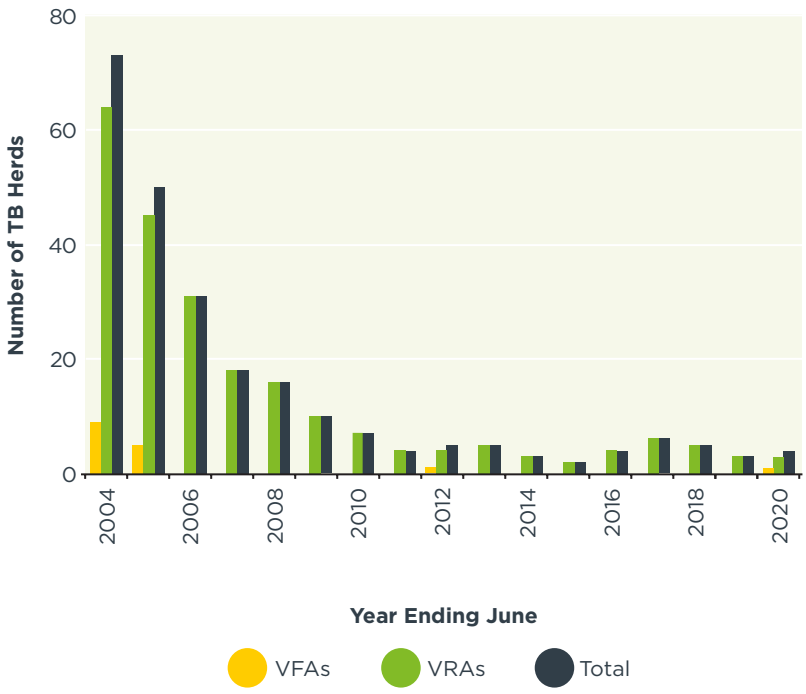
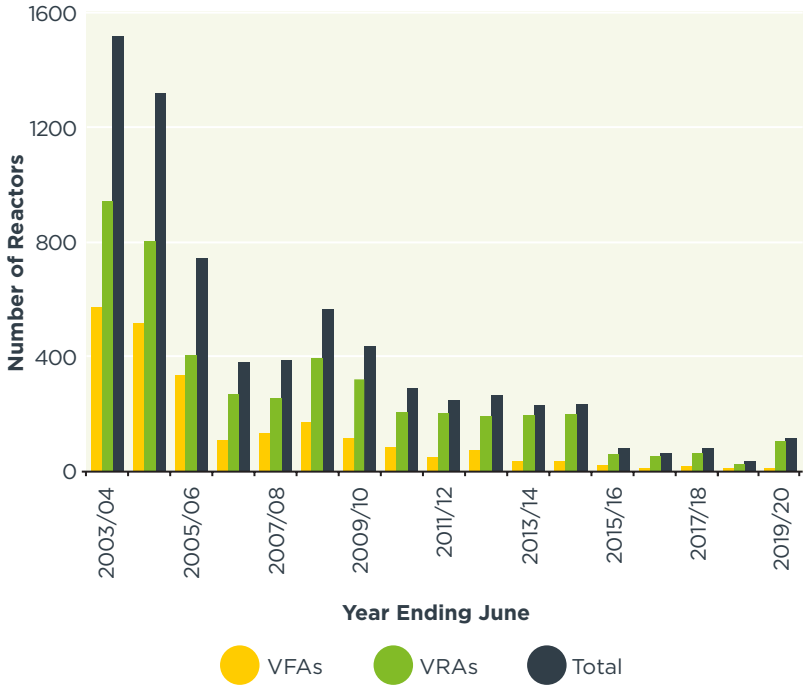


Figure 18: Deer TB test results for 2018–2019 and 2019–2020

Deer testing	2018/19	2019/20
Primary tuberculin tests on deer	173,577	170,671
Primary test-positive deer ancillary serial tested	1,271	955
Ancillary parallel test-positive deer	0	0
Total deer reactors slaughtered	36	114
Total positive TB deer reactors	0	3

Figure 19: Number of deer reactors

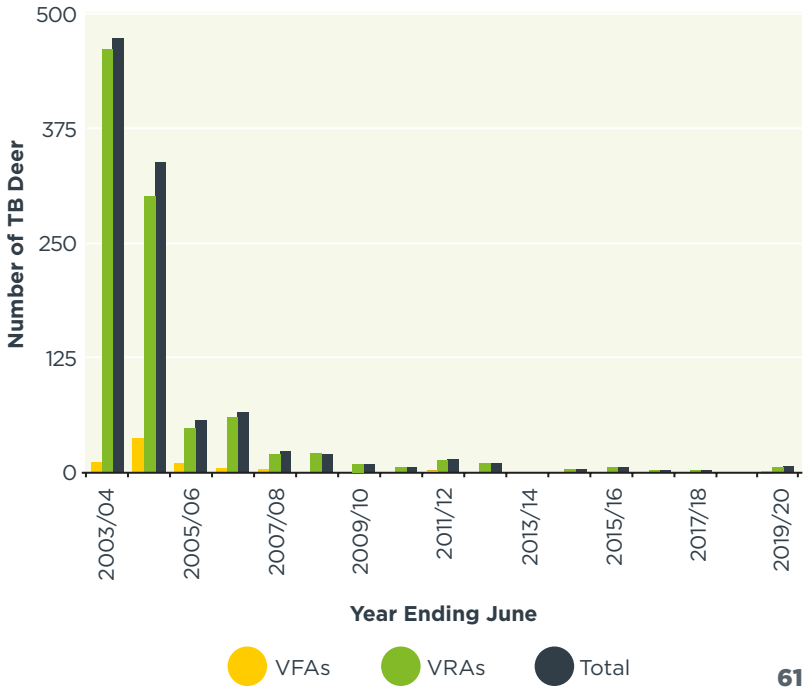


Tuberculous deer

The number of tuberculous deer includes the total number of deer (including reactors and deer found during routine slaughter) with gross TB-like lesions, or otherwise identified as infected following PCR assay or culture of *Mycobacterium bovis* from tissues.

During 2019–2020, there were seven reactors or slaughtered culls confirmed to be infected. Figure 20 shows the trend in the number of tuberculous deer between 2003–2004 to 2019–2020.

Figure 20: Number of tuberculous deer



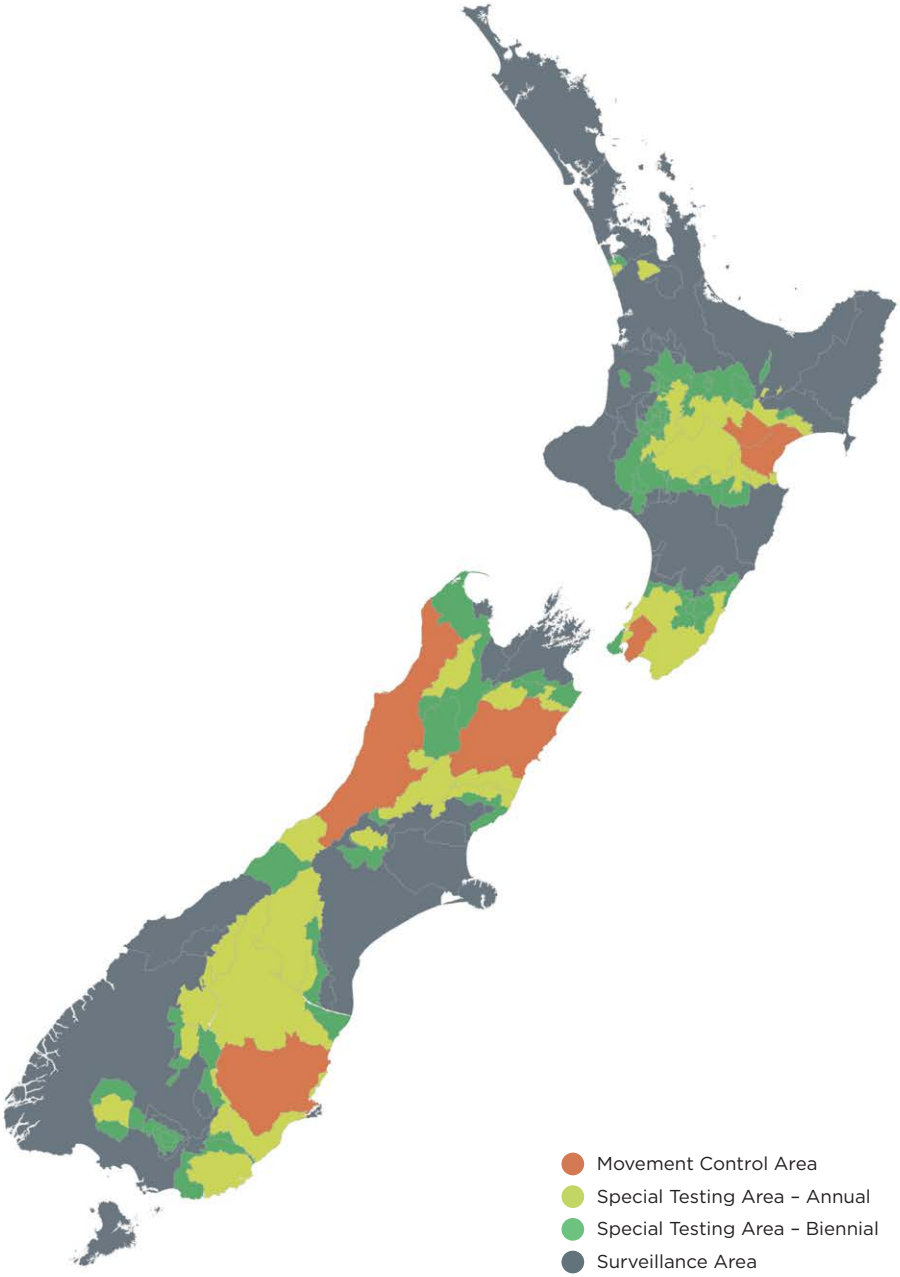
Disease Control Areas

Areas of New Zealand are categorised into various TB testing regimes based on the risk of infection:

- Movement Control Areas (MCA) are to minimise the risk of TB spreading through the uncontrolled movement of infected livestock from areas considered at greatest risk of vector-related infection; all cattle or deer over three months of age that move from, or within, an MCA must have been negative to a pre-movement test within 60 days prior to being moved
- Special Testing Areas (STA) and Surveillance Areas are defined geographical areas with the frequency of cattle and deer testing determined by the area risk, or the need to obtain surveillance data for Proof of Freedom purposes.

The Disease Control Areas (DCA) Map 5 shows which testing regime a herd comes under.

Map 5: Disease Control Areas (DCA) at 30 June 2020



As TB is progressively reduced or eradicated in each area, the definition and boundary of each specified DCA is reviewed and testing requirements are amended in accordance with the residual disease risk.

This year's DCA changes – excluding Hawke's Bay – covered approximately 1 million hectares in 66 separate areas, involved nearly 1,900 herds, and are expected to result in 105,000 fewer cattle and deer tests per year from 2020–2021. The changes came into effect on 1 March 2020.

The TB outbreak in Hawke's Bay resulted in a decision to increase testing in herds to establish the extent of disease spread and to detect any further herd infection as early as possible. The testing regime in this area was increased to annual testing, resulting in approximately 30,000 more tests being conducted over 160 herds. The Movement Control Area was also expanded to minimise risks of herd to herd TB transmission via movement of infected livestock.

The Disease Control Area locations of cattle and deer herds at 30 June 2020, and where 2019–2020 infected herds were located, is provided in Figure 21.

Figure 21: Total cattle and deer herds and infected herds by Disease Control Area type

	MCAs	STAs (annual and biennial)	Surveillance Areas	New Zealand
Total herds at June 2020	2,724	14,578	54,153	71.455
Cattle and deer infected herds during 2019–2020	40	13	2	55

Wildlife disease management

Contact with TB-infected wildlife – mostly possums – is the main cause of livestock TB in New Zealand, and possum control, along with related surveys for TB in other wildlife species, is the largest component of the TBfree programme.

Possum control operations are designed to reduce possum population densities so as to prevent further transmission of TB between possums and from possums to livestock.

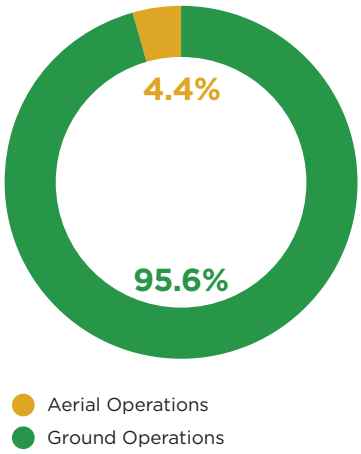
Eradication of TB is achieved by reducing the possum density to a very low and even level (about one possum per 10 hectares) for a period of at least five years. This low density means the disease is unable to be maintained within possum populations and will subsequently disappear both from possums and eventually other wildlife.

Figure 22 shows the breakdown of hectares and spend for ground and aerial wildlife control operations delivered in 2019–2020. Due to the COVID-19 lockdown, not all control activities planned for 2019–2020 were completed, and $5.1 million of work will be carried over to the next financial year.

Figure 22: Breakdown of national ground and aerial control operations by area and spend

	Total hectares	Spend
Ground Operations (including surveillance)	2,795,634 **95.6%**	$23,569,308 **78.9%**
Aerial Operations	130,088 **4.4%**	$6,321,507 **21.1%**
Total	**2,925,722**	**$29,890,815**

Figure 23: Area proportion of ground and aerial control operations



Wildlife surveys

An important aspect of the TBfree programme is surveying wildlife to detect whether TB is still present following a period of sustained possum control. This involves trapping or culling possums and other sentinel species, such as pigs and ferrets, followed by post-mortem examination and analysis. The results are used to help determine whether freedom from TB within designated areas has been achieved, or if further control work is needed. We expect to find few – if any – TB-infected possums or other wildlife in these surveys, as significant possum control effort has already been undertaken.

Wild animals sampled in 2019–2020 and the number and percentage that were TB positive are shown in Figure 24.

Map 6: Map of 2019–2020 wildlife control

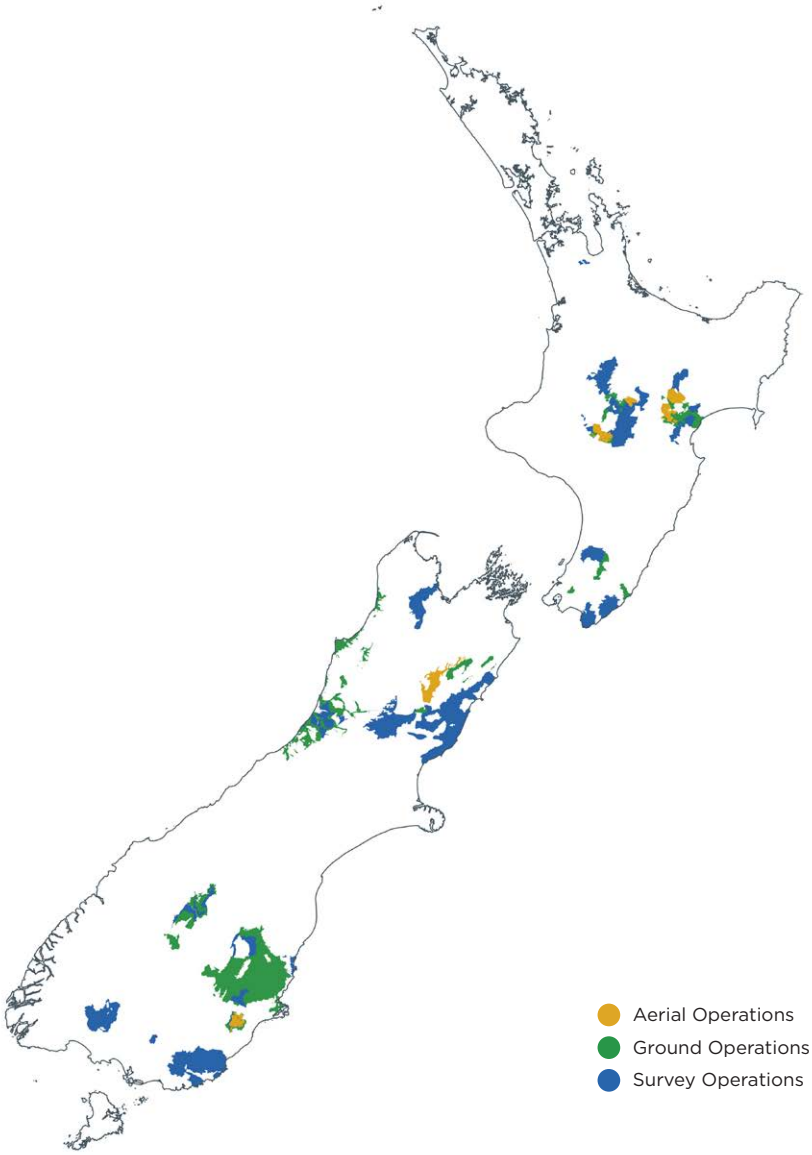


Figure 24: Number of wild animals in 2019–2020 sampled by species, and the number and percentage found to be infected with *Mycobacterium bovis*

	Possums	Wild pigs	Wild deer	Ferrets	Others
Number sampled	3383	1176	256	1518	12 (cat 10, stoat 1, weasel 1)
Number (%) with TB	0	1 (0.0008%)	2 (0.008%)	3 (0.002%)	0

Reduction of Vector Risk Areas

Meeting the TB Plan's objectives requires the progressive reduction in size of Vector Risk Areas (VRA) – where TB is considered to be present in possums and other wildlife – and the prevention of wildlife TB becoming established in Vector Free Areas (VFA).

In 2019–2020, the Chief Executive of TBfree New Zealand Limited approved the revocation of VRA status for 37 Vector Control Zones (VCZs) totalling 441,870 hectares. This comprised reductions of 35,700 hectares in the North Island (one VCZ), and 406,170 hectares in the South Island (36 VCZs).

The total amount of VRA reduction since 2011 is 2.73 million hectares over 240 VCZs, with 7.07 million hectares of VRA remaining in New Zealand at 30 June 2020. The target in the TBfree National Operational Plan for the end of the 2020 financial year was 6.58 million hectares remaining. This was not met due to a more cautious approach taken to VRA revocation in light of the Hawke's Bay outbreak. The programme's VRA reduction targets will be amended as a result of the recent TB Plan Health Check recommendations.

Figure 25 details the 37 VCZs that achieved cancellation of VRA status during 2019–2020 and Map 7 shows the total VRA reductions since 2011.

Process for VRA reduction

In 2019–2020 an expert, independent panel determined there was a high probability that TB had been eradicated from 37 areas proposed for VRA revocation. For an area to have its VRA status revoked, the review panel must agree that the evidence indicates a very high probability of freedom from TB in the possum population. This decision is mainly based on:

- qualitative data on the area's TB history, the effectiveness of possum control and the results of wildlife surveys
- quantitative data that includes the outputs from a Spatial Possum Model and Bayesian-based software (Proof of Freedom utility) that indicates there is 95% probability that TB has been eradicated from the possum population
- risk assessment that evaluates the risks and potential costs of making a wrong decision.

Map 7: Vector Risk Area Reductions since 2011

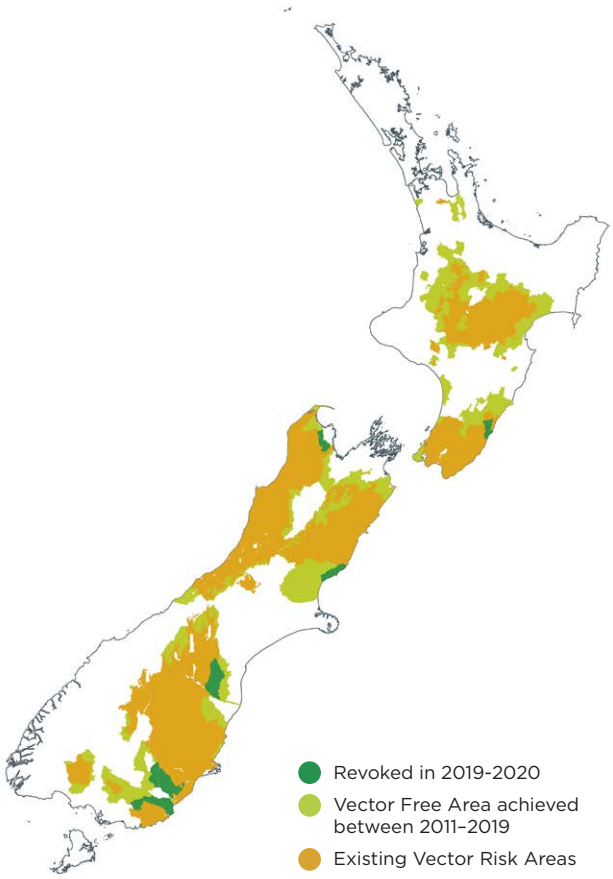


Figure 25: Cancellation of Vector Risk Area status from 37 Vector Control Zones

VCZ	Area HA	VCZ	Area HA
North Island			
Tinui	35,700		
North Island total	**35,700**		
Northern South Island			
Blythe Valley	12,899	Upper Takaka North	17,145
Mt Cass	13,785	Upper Takaka South	6,580
Motunau	18,760	North Motueka Valley	6,051
East Takaka Brooklyn	11,450		
Northern South Island total	**86,670**		
Southern South Island			
Blue Mountains Carson	1,131	Balclutha Buffer	4,099
Blue Mountains Central	5,221	Crookburn	6,484
Blue Mountains North	6,617	Greenfield	4,136
Blue Mountains Raes Junction	14,583	Haunui	6,043
Blue Mountains Rankleburn	4,715	Hillend	6,583
Blue Mountains Wharetoa	10,816	Lawrence B	7,082
Mimihau	2,986	Lawrence D	12,003
Redan	6,545	Milton Flat	11,159
Venlaw	12,495	Taupeka	11,826
Glenomaru	8,362	Hakataramea 1	24,939
Kaihiku	22,541	Hakataramea 2	23,483
Owaka 2	10,777	Hakataramea 3	25,587
Romahapa Paretai	16,966	Hakataramea 4	22,961
Slopedown North	10,724	Hakataramea Extension	14,500
Adams Flat	4,136		
Southern South Island total	**319,500**		


404
306

Summary Consolidated Financial Statements

Governance

The OSPRI Board of Directors is responsible for, and committed to, maintaining the highest standards of corporate governance, ensuring transparency and accountability to shareholders and stakeholders.

Nomination and appointment of directors

Procedures for the appointment and removal of directors are governed by the constitutions of OSPRI New Zealand Limited and its subsidiary companies, TBfree New Zealand Limited, and National Animal Identification and Tracing (NAIT) Limited (the Group).

In respect of OSPRI New Zealand Limited, all director positions are approved by shareholders after a recommendation from the four-person Director Assessment Panel. The Director Assessment Panel comprises one member of the Stakeholders' Council, two persons collectively nominated by shareholders, and one independent person nominated by the other Director Assessment Panel members.

The maximum term for which a director may be appointed to the OSPRI Board is three years. A director is eligible for reappointment after the expiry of his or her term of appointment but cannot hold office for a continuous period of more than nine years unless shareholders and the Director Assessment Panel agree exceptional circumstances warrant a longer continuous period.

OSPRI New Zealand Limited appoints directors to the boards of each of the two subsidiaries.

Director changes

Mike Pohio resigned as a director of the Board and its subsidiary companies and as Chair of the Board's Audit and Risk Committee from 29 February 2020. The appointment of Marise James to fill these roles was made by the Board, and approved by shareholders, as a casual vacancy under clause 60 of OSPRI's constitution, from 1 March 2020 until the next annual meeting in November 2020.

The second term of Barry Harris, Chair of the Board, expired in June. The Director Assessment Panel recommended, and shareholders approved, his reappointment for a further three year term.

There were no other director changes during the 2019–2020 year.

Board Committees

The Board has established the following committees to examine proposals and make recommendations.

Audit and Risk Committee

The Audit and Risk Committee's responsibilities include the following:

- liaison with internal and external auditors
- review of the annual audit plan with the external auditors and their letter of engagement
- approval of the annual internal audit plan, and the terms of reference for each audit
- review of audit findings and monitoring of any consequential actions
- review of half-yearly and annual financial statements
- prior clearance of public releases of financial information in reports and to the media
- review of accounting policies
- review of the adequacy of the internal control structure and associated organisational policies
- review and monitoring of legislative and statutory compliance processes

- review of the frequency and significance of all transactions between the company and related parties and assessment of their propriety
- review of the appointment of external and internal auditors and their fees
- review of the independence of the external auditors and the appropriateness of any non-audit services they undertake for OSPRI
- supervision of any special investigations requested by the Board
- oversight of the risk management system for the company
- advise the Board and recommend and monitor any remedial action plan in respect of any significant non-compliance with policies
- review all whistle blowing matters raised and escalate to the full Board.

Human Resources Committee

The objectives and role of the Human Resources Committee are to assist the Board to fulfil its responsibilities in relation to setting and reviewing policies and standards for employees relating to remuneration and employment practices of OSPRI and its subsidiaries. The Committee also oversees the OSPRI Director Mentoring Programme.

Board and Committee meetings

The Board met nine times during the 2019–2020 financial year and had three briefing sessions with the CE during the COVID-19 lockdown period. The following table shows director attendance at full Board meetings and member attendance at Committee meetings during the year ended 30 June 2020.

Director	Board meetings	A&R Committee meetings	HR Committee meetings
Barry Harris (Chair of the Board)	8	3	
Lesley Campbell (Chair of the HR Committee)	8		1
Fenton Wilson	8	4	1
James Parsons	9	4	1
Mike Pohio (Chair of the Audit and Risk Committee) to 29 February	6	4	
Marise James (Chair of the Audit and Risk Committee) from 1 March	3		

Members of the Audit and Risk Committee during the year were Marise James (Chair) from 1 March 2020, Fenton Wilson, James Parsons, and Mike Pohio (Chair) until 29 February 2020.

Members of the Human Resources Committee during the year were Lesley Campbell (Chair), Fenton Wilson, James Parsons.

The Chair of the Board is an ex-officio member of all Committees of the Board.

Barry Harris
Chair

Lesley Campbell
Director

Fenton Wilson
Director

James Parsons
Director

Marise James
Director

Remuneration report

Directors' remuneration

Directors' fees

These fees have been applied for the year from 1 July 2019 to 30 June 2020.

Position	2019/20	2018/19
Chair	$75,000	$70,000
Director	$40,000	$35,000
Committee Chair	$5,000	$4,000
NAIT Data Access Panel member	$6,000	$6,000

Remuneration details of directors

Details of the total remuneration and the value of other benefits received by each OSPRI director for the 2019–2020 financial year are as follows. Directors' fees exclude GST where appropriate. In addition, Board members are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs. Some Board members were remunerated as members of the NAIT Data Access Panel (set up under the National Animal Identification and Tracing (Information System Access Panel) Regulations 2012).

Director	Position	2019/20 Fees	2018/19 Fees
B Harris	Chair	$75,000	$70,000
L Campbell	Director Chair of the HR Committee Member of the NAIT Data Access Panel	$51,000	$45,000
F Wilson	Director Member of the NAIT Data Access Panel	$46,000	$41,000
J Parsons	Director Member of the NAIT Data Access Panel, appointed 1 March 2020	$42,000	$35,000
M James	Director, appointed 1 March 2020 Chair of the Audit and Risk Committee, appointed 1 March 2020	$14,583	Nil
M Pohio	Director, resigned 29 February 2020 Chair of the Audit and Risk Committee, resigned 29 February 2020 Member of the NAIT Data Access Panel, resigned 29 February 2020	$34,000	$45,000
Total		**$262,583**	**$236,000**

Employee remuneration

The table below shows the number of OSPRI employees who received remuneration and other contracted benefits (including redundancy or termination payments) during 2019–2020 of at least $100,000.

The remuneration figures include all monetary payments actually paid during the course of 2019–2020 whether in respect of 2019–2020 or other periods.

Remuneration bands	# employees 2019/20	# employees 2018/19
$100,000 – $109,999	9	8
$110,000 – $119,999	4	3
$120,000 – $129,999	6	5
$130,000 – $139,999	3	2
$140,000 – $149,999	4	4
$150,000 – $159,999	3	2
$160,000 – $169,999	1	1
$170,000 – $179,999	1	5
$180,000 – $189,999	1	–
$190,000 – $199,999	2	–
$200,000 – $209,999	–	–
$210,000 – $219,999	2	–
$220,000 – $229,999	1	–
$230,000 – $239,999	–	–
$240,000 – $249,999	1	–
$250,000 – $259,999	–	1
$370,000 – $379,999	1	–
Total	**39**	**31**

Auditor's remuneration

KPMG was appointed auditor of the OSPRI Group for 2019–2020 at the 2019 Annual Meeting. The following amounts were paid to the auditor of OSPRI New Zealand and its subsidiaries during the year.

Auditor	Work Undertaken	2019/20	2018/19
KPMG	For Audit Work	$45,000	$42,000
KPMG	For Other Work	$ nil	$ nil

Statutory disclosures

Disclosures of interests by directors

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2020, pursuant to section 140(2) of the Companies Act 1993. Each such director will be regarded as interested in all transactions between OSPRI and the disclosed entity. "Associated entities" refers to non-operating and related subsidiaries.

B S Harris	
Food Innovations Waikato (New Zealand Food Innovation (Waikato) Limited) and associated entities	Chair
McFall Fuel Limited	Chair
National Animal Identification and Tracing (NAIT) Limited	Chair
National Institute of Water and Atmospheric Research Limited and associated entities	Chair
RMF Holdings Limited	Director
TBfree New Zealand Limited	Chair
Ultra Fast Fibre Limited and associated entities	Director
Waikato Innovation Growth Limited	Director
Waikato Regional Airport Limited and associated entities	Chair
Waikato River Authority and associated entities	Member
WEL Networks Limited and associated entities	Director

L A Campbell	
National Animal Identification and Tracing (NAIT) Limited	Director
Seafood Innovations Limited	Director
Seafood Standards Council	Chair
TBfree New Zealand Limited	Director

F D Wilson	
Centralines Limited	Director
National Animal Identification and Tracing (NAIT) Limited	Director
Oruru Land Company Limited	Beneficial Shareholder/Director
Predator Free New Zealand Trust	Chair
Quality Roading and Services (Wairoa) Limited	Director
Tangihanga Joint Operation	QRS Director representative
TBfree New Zealand Limited	Director

J R Parsons	
AgFirst Northland Limited	Director
Ashgrove Limited and associated entities	Director
National Animal Identification and Tracing (NAIT) Limited	Director
TBfree New Zealand Limited	Director
Trevear Limited	Director
Wools of New Zealand Limited	Chair

M L James	
Allied Farmers (New Zealand) Limited and associated entities	Director, Chair Audit Committee
Baker Tilly Staples Rodway Taranaki Limited	Director
Firstlight Wagyu (NZ) Limited	Chair
Ikan Property Limited	Director/Shareholder
National Animal Identification and Tracing (NAIT) Limited	Director
NZ Farmers Livestock Limited and associated entities	Director
Rural Funding SolutioNZ Limited	Director
Southern Cross Pet Insurance Limited	Chair
SR Taranaki Trustees Limited and associated entities	Director
Staples Rodway Taranaki Nominees Limited	Director
Taranaki Rugby Football Union and associated entities	Director, Chair Audit Committee
TBfree New Zealand Limited	Director

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, OSPRI has continued to indemnify and insure its directors and officers, including directors of subsidiary and associated companies, against potential liability or costs incurred in any proceeding, excluding actions for gross negligence, criminal liability, breach of fiduciary duty or breach of directors' duties.

Subsidiary company directors

Currently all companies of the Group share all directors in common. Directors' fees are paid by OSPRI and directors' costs are allocated across the Group.

Subsidiaries

OSPRI has the following subsidiaries:

Name	Holding	Principal Activity	Charity #
National Animal Identification and Tracing (NAIT) Limited	100%	Implementing and maintaining the animal identification and tracing scheme	CC47735
TBfree New Zealand Limited	100%	Implementation of the National Pest Management Plan for Bovine Tuberculosis	CC49248

Stakeholders' Council

The Stakeholders' Council (the Council) performs the functions and powers required of it under the second schedule of OSPRI's constitution, which are to:

- convey stakeholders' views to the Board
- participate in consultation on Board membership, succession planning and the assessment and recommendation to shareholders of persons for appointment or election as directors
- provide oversight on the performance and effectiveness of the Board
- review and comment on the Group's long-term objectives and strategies, discuss with the Board the Group's performance in achieving those objectives and strategies including review of Board reports, and report to shareholders on the Group's direction, performance and operations
- support the Board, including in relation to the procurement of funding for the Group
- consider and propose constitution changes
- prepare the Council's financial year programme and budget and report on Council activity.

The Stakeholders' Council representatives during 2019–2020 were:

Stakeholder	Representative
Beef + Lamb New Zealand	Phil Smith
Dairy Companies Association of New Zealand	Shane Lodge
DairyNZ	Ian Brown
Deer Industry New Zealand	Dan Coup (to November 2019) Innes Moffat (from November 2019)
Federated Farmers Dairy	Katie Milne
Federated Farmers Meat and Wool	Miles Anderson
Local Government New Zealand	Andrew Robb (to November 2019) Nicol Horrell (from November 2019)
Meat Industry Association of New Zealand	Tim Ritchie (to April 2020) Sirma Karapeeva (from April 2020)
Ministry for Primary Industries	Grace Campbell-Macdonald
New Zealand Deer Farmers' Association	Paddy Boyd
New Zealand Stock and Station Agents' Association	Steve Morrison
Transport industry	Don Wilson
Predator Free 2050	Estelle Pera-Leask

James Buwalda is the independent Chair of the Stakeholders' Council. The Chair's fees in the 2019–2020 year totalled $41,790.

Summary Consolidated Financial Statements

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

In thousands of New Zealand Dollars	**2020**	**2019**
Revenue		
Revenue from non-exchange transactions	69,215	71,151
Revenue from exchange transactions	775	3,443
Total revenue	**69,990**	**74,594**
Expenditure		
Pest control and management	38,279	38,860
Disease management and testing	16,866	17,278
Animal identification and tracing operations	1,618	2,639
Contact centre and verification	2,375	1,481
Research	2,170	2,171
Business service support	16,448	12,753
Total expenditure	**77,756**	**75,182**
Deficit before financing activities	(7,766)	(588)
Interest income	1,063	1,282
(Deficit)/Surplus for the year	**(6,703)**	**694**
Total comprehensive revenue and expense for the year	**(6,703)**	**694**

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or can be downloaded from www.ospri.co.nz. The notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

In thousands of New Zealand Dollars	**Retained Earnings**	**Special Reserves**	**Total Equity**
Opening equity	44,135	-	44,135
Total comprehensive revenue and expense for the year	(6,703)	-	(6,703)
Equity as at 30 June 2020	**37,432**	**-**	**37,432**
Opening equity	21,513	21,928	43,441
Release of special reserves	21,928	(21,928)	-
Total comprehensive revenue and expense for the year	694	-	694
Equity as at 30 June 2019	**44,135**	**-**	**44,135**

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or can be downloaded from www.ospri.co.nz. The notes are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2020

In thousands of New Zealand Dollars	2020	2019
Assets		
Cash and cash equivalents	9,507	8,225
Receivables and other current assets	4,780	6,584
Investments	33,800	41,200
Current assets	**48,087**	**56,009**
Property, plant and equipment	477	582
Intangible assets	2,670	401
Non-current assets	**3,147**	**983**
Total assets	**51,234**	**56,992**
Liabilities		
Payables from exchange transactions and other liabilities	12,177	12,144
Revenue received in advance	639	-
Employee benefits liability	986	713
Current liabilities	**13,802**	**12,857**
Total liabilities	**13,802**	**12,857**
Equity		
Capital	-	-
Retained earnings	37,432	44,135
Total equity	**37,432**	**44,135**
Total equity and liabilities	**51,234**	**56,992**

Approval by the Directors

The Financial Statements were authorised on behalf of the Board of Directors on 25 September 2020.

B S Harris
Chair

M James
Director

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or can be downloaded from www.ospri.co.nz. The notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

In thousands of New Zealand Dollars	**2020**	**2019**
Cash flows from operating activities		
Revenue from operations	83,065	73,853
Cash paid to employees and suppliers	(87,612)	(70,523)
Net cash flows from operating activities	**(4,547)**	**3,330**
Cash flows from investing activities		
Interest income	1,116	1,240
Investments matured/(deposited)	7,400	(1,500)
Purchase of property, plant and equipment	(319)	(353)
Expenditure on intangible assets	(2,368)	(286)
Net cash flows from investing activities	**5,829**	**(899)**
Net increase in cash and cash equivalents	1,282	2,431
Opening Cash and cash equivalents	8,225	5,794
Closing Cash and cash equivalents	**9,507**	**8,225**

Reconciliation of net surplus/(deficit) to net cash flows from operating activities

In thousands of New Zealand Dollars	**2020**	**2019**
(Deficit)/Surplus for the year	**(6,703)**	**694**
Interest income	(1,063)	(1,282)
Work in progress additions	-	(15)
Loss on sale of property, plant and equipment	-	47
Non-cash movements		
Amortisation and depreciation	523	3,132
Capitalisation of work in progress	-	40
Work in progress written-off	-	39
Changes in working capital	2,696	675
Net cash flows from operating activities	**(4,547)**	**3,330**

These are summary financial statements. A copy of the full consolidated financial statements are available from OSPRI New Zealand Limited or can be downloaded from www.ospri.co.nz. The notes are an integral part of these financial statements.

Notes to the Financial Statements

Note 1: Basis of preparation – Summary financial statements

The summary consolidated financial statements have been prepared in accordance with, and comply with, New Zealand Generally Accepted Accounting Practice (NZ GAAP) and NZFRS-43 Summary Financial Statements.

Note 2: Basis of preparation – Full financial statements

This summary consolidated financial report does not provide the detail included in the full financial report, which has been prepared in accordance with NZ GAAP and complies with Tier 1 Public Benefit Entity Accounting Standards (Not-For-Profit). The specific disclosures included in the summary consolidated financial statements have been extracted from the audited consolidated financial statements dated 25 September 2020. The audit opinion expressed in respect of those consolidated financial statements was unqualified.

Note 3: Annual report

The full annual report is available from www.ospri.co.nz.

Note 4: Segmental results

The Group is organised and reports to the Directors on the basis of three functional areas: OSPRI (Parent), TBfree and NAIT (wholly owned subsidiaries). Expenses incurred by OSPRI on behalf of its subsidiaries are allocated across the two functional areas on a proportional basis.

The year ended 30 June 2020 has seen the Group needing to prepare for the future and invest in systems, processes and IT infrastructure. As a result the Business Service Support costs have increased for the 30 June 2020 financial year when compared to previous years.

2020 – Operating statement

In thousands of New Zealand Dollars	**OSPRI**	**TBfree**	**NAIT**	**Group**
Operating revenue	775	61,416	7,799	**69,990**
Operating expenditure	740	68,099	8,917	**77,756**
Net operating surplus/(deficit) for the year	35	(6,683)	(1,118)	**(7,766)**
Interest income	-	675	388	**1,063**
Total comprehensive revenue and expense for the year	**35**	**(6,008)**	**(730)**	**(6,703)**

2020 – Balance sheet

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Intra-Group	Group
Total assets	8,290	34,550	17,452	(9,058)	**51,234**
Current liabilities	6,407	16,307	146	(9,058)	**13,802**
Total equity	**1,883**	**18,243**	**17,306**	**-**	**37,432**

2019 – Operating statement

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Group
Operating revenue	3,443	63,323	7,828	**74,594**
Operating expenditure	3,113	64,716	7,353	**75,182**
Net operating surplus/(deficit) for the year	330	(1,393)	475	**(588)**
Interest income	-	814	468	**1,282**
Total comprehensive revenue and expense for the year	**330**	**(579)**	**943**	**694**

2019 – Balance sheet

In thousands of New Zealand Dollars	OSPRI	TBfree	NAIT	Intra-Group	Group
Total assets	4,846	34,906	18,679	(1,439)	**56,992**
Current liabilities	2,998	10,655	643	(1,439)	**12,857**
Total equity	**1,848**	**24,251**	**18,036**	**-**	**44,135**

KPMG

Independent Auditor's Report

To the shareholders of OSPRI New Zealand Limited

Report on the summary consolidated financial statements

Opinion

In our opinion, the accompanying summary consolidated financial statements of OSPRI New Zealand Limited (the company) and its subsidiaries (the group) on pages 78 to 83:

i. Has been correctly derived from the audited Group financial statements for the year ended on that date; and

ii. Is a fair summary of the Group financial statements, in accordance with PBE FRS 43 Summary Financial Statements.

The accompanying summary consolidated financial statements comprises:

— the summary consolidated statement of financial position as at 30 June 2020;

— the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the summary Consolidated Financial Statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the summary consolidated financial statements in accordance with PBE FRS 43 Summary Financial Statements; and

— implementing necessary internal control to enable the preparation of a summary consolidated set of financial statements that is correctly derived from the audited consolidated financial statements.

KPMG

Auditor's Responsibilities for the summary Financial Statements

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We expressed an unmodified audit opinion on the financial statements in our audit report dated 25 September 2020.

The summary consolidated financial statements do not contain all the disclosures required for a full set of consolidated financial statements under generally accepted accounting practice in New Zealand. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the group.

KPMG

KPMG
Wellington

25 September 2020

Director profiles

Barry Harris

Barry is a company director with extensive governance and executive experience. Barry has held a number of chief executive roles, including with Environment Waikato, Greater Wellington Regional Council and Hamilton City Council. He was also a senior executive with Fonterra for five years. Barry is currently Chair of McFall Fuel, National Institute of Water and Atmospheric Research, Food Waikato, Waikato Regional Airport; and Director of Ultra Fast Fibre and WEL Networks. Previous boards have included DairyNZ, Agricultural Service Limited, NZ Food Innovation Network, Primary ITO, CentrePort, RD1, International Nutritionals, Hamilton Riverside Hotels, and Local Authority Shared Services. Barry has a Master of Agricultural Science (Honours) and lives in Hamilton.

Fenton Wilson

Fenton enjoys a range of governance roles as well as farming sheep and beef in the Wairoa area with wife Sue. As a former member of the Stakeholders' Council he was a part of the transformation of TBfree and NAIT into the entity that's now OSPRI. As a stakeholder representative and now director he has had nine years' involvement with the business. In that time we have seen infected herd numbers drop significantly and the ongoing development of the NAIT programme. Following the TB outbreak in Hawke's Bay last year he wants to keep the business focused on delivering its strategy of TB freedom in herds by 2026 and continuous improvement of the NAIT programme. He also currently chairs the Predator Free New Zealand Trust and is a Director on both Centralines and Quality Roading and Services in Hawke's Bay, and a Board representative to Tangihanga Quarries.

Lesley Campbell

Lesley has more than 20 years' experience in the primary production sector. She brings vast experience in working with government agencies and ministers, and an ability to lead change and manage diverse and complex industry stakeholder interests. Lesley is currently the Chief Executive of Commercial Fisheries Services Limited (FishServe) and is also a Director of Seafood Innovations Limited, and Chair of the Seafood Standards Council. Lesley's areas of expertise include strategic and business planning, budgeting, cost recovery processes, policy development and preparation of legislation, and converting legislation into operational systems.

James Parsons

James farms sheep and beef in Dargaville, Northland and has extensive agri-business and rural sector leadership experience and is a 2008 Nuffield Farming Scholar. His family sheep and beef farming business Ashgrove Ltd breeds and provides sheep genetics to clients around the North Island. James is an experienced director, currently on the board of AgFirst Northland and Chair of Wools of New Zealand. He retired as Chair of Beef + Lamb New Zealand and the New Zealand Meat Board in 2018 and has held directorships in economic development, the veterinary sector and electricity sector. His governance capacity is complemented by particular skills in strategy, stakeholder management, media and government relations, and he brings practical farmer perspectives to OSPRI's governance decisions.

Marise James

Marise is a chartered accountant and partner at Baker Tilly Staples Rodway in Taranaki, where she services agri sector and professional services clients. She and her husband owned and operated their own dairy farm for 13 years after working through the sharemilking industry prior to farm ownership. They currently have an interest in a family dairy farm as well as a heifer grazing block. She was a founding director of Fonterra Co-operative Group, and has held directorships of FMG Insurance Limited, Landcorp Farming Limited and the TSB Bank. She has chaired the Audit Committees of FMG and Landcorp. Her current governance roles include Chair of Firstlight Wagyu NZ Limited, and directorships of Allied Farmers Limited and the Taranaki Rugby Football Union, where she also chairs both Audit Committees.

Marise has the following qualifications: Member of Chartered Accountants Australia and New Zealand; Fellow, Institute of Directors New Zealand (Accredited); and F.C.A (Fellow of Chartered Accountants Australia and New Zealand).