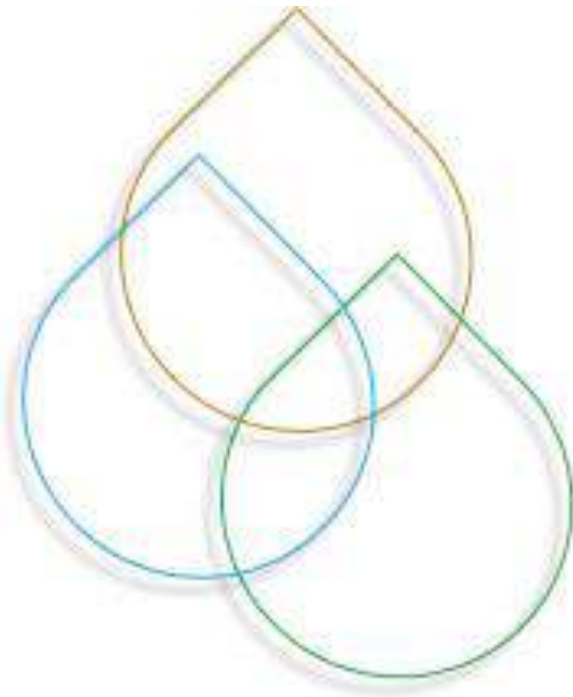


Southern Pastures

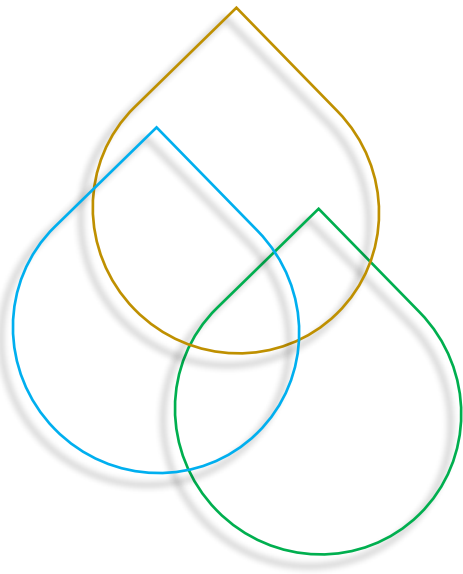


Environmental

Social

Governance

ESG Annual Report 2019



A Message from the General Partner

This report explains the actions Southern Pastures has taken, and is committed to taking, to put its Environmental, Social and Governance (ESG) policies into practice with the goal of being a world leader in sustainable dairy farming.

Overview

Dedication to responsible and sustainable investment based around ESG policies of the highest standards was built into the Southern Pastures proposition from inception and as such it is part of the DNA of both Southern Pastures LP and the General Partner (GP) (together *Southern Pastures*).

The GP believes in, and accepts its responsibility to, uphold the guardianship of the environment for future generations and stands to prove dairy farming and ESG philosophies can be mutually cohesive. New Zealand's indigenous Māori have a holistic and interconnected relationship with the natural world, and the GP has respectfully taken on this approach and perspective within its core values and company ethos.

The GP sees no conflict between promoting sustainability and maximising economic returns. On the contrary, the GP is convinced that sustainability is the key to value creation and long term economic out-performance.

Southern Pastures with its commitment to increase sustainable returns well into the future is specifically designed for pension funds and inter-generational investors. Such a focus requires judicious capital investments in the earlier years to increase future environmental, social and business sustainability.

Sustainability issues are often complex with many diverse and variable inputs and a myriad of outcomes. Many issues are at times global in origin or impact.

As a single New Zealand based organisation, with a farming cluster in the South-Waikato of the North Island and another in Canterbury of the South Island, Southern Pastures is mindful of its limitations in making a material impact on all issues at a global level. Notwithstanding this, the GP is committed to thinking of the wider global picture whilst acting locally. As part of this strategy, in addition to its own actions, the GP requires its suppliers and service providers to consider ESG issues in their own businesses when seeking business from Southern Pastures.

Investee companies are also required to develop and adopt ESG policies acceptable to Southern Pastures.

Increasingly consumers are demanding greater knowledge and understanding of how and where their food is produced. These consumers require the assurance that their food has been produced sustainably and in a responsible manner. To cater for such consumers, Southern Pastures has created its own 10 Star Certified Values standard for milk. This standard is independently audited by New Zealand Government owned AsureQuality and will carry its own ISO certification.



10 Star Certified Values

The 10 Star Certified Values reflect Southern Pastures' ESG policies in that they cater for the following attributes:

- Minimum 96% Grass Fed Diet
- 365-day Free-Range
- Animal Welfare
- Environmental Sustainability
- Climate Change Mitigation
- No Palm Products
- No GMO Products
- No Artificial Growth Hormones
- Antibiotic Free Products / Antibiotic Stewardship
- Human Rights

To process the 10 Star Certified Values milk into consumer products, Southern Pastures is working with Westland Milk Products through New Zealand Grass Fed Milk Products LP (NZGFMP), chaired by Southern Pastures' Prem Maan, to process and market 10 Star Certified Values milk products.

At Southern Pastures, we are proud of our ESG policy implementation, which has led to Southern Pastures gaining recognition in this field on a global level.

In order to provide leadership and assistance to others, our ESG Report is made publicly and freely available to provide an example for others to follow for the betterment and care of the planet and its inhabitants.

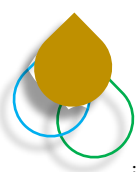


Environmental

Improving the environmental sustainability of farms makes a positive contribution to the global good and delivers higher and increasingly reliable long-term returns for investors.

The global declining availability of arable land in total and per capita means that a portfolio of sustainable dairy farms with water security - under climate change scenarios, that minimises external inputs will inevitably increase long-term value and global benefit.

Apart from the economic justification for environmental sustainability, the GP's philosophy is to improve the farms environmentally as a positive contribution to New Zealand's national and local communities. For ethical reasons, this ensures that investors' funds are not being utilised to deplete local farming resources, but rather to deliver positive and durable local value.

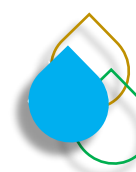


Social

While New Zealand is a global leader in terms of policies related to human, labour, indigenous, and animal rights, the GP has adopted a pro-active approach to ensure that such rights are always respected.

Our people are our company and its future. Health and safety of people on the farms is accorded prime importance and the GP strives to ensure that safe procedures are followed.

In terms of animal rights, Southern Pastures' policies are set at above and beyond the legal requirements.



Governance

Southern Pastures LP has been structured to ensure that the interests of the GP and the investors are aligned. This alignment and quarterly Advisory Committee meetings assure transparency for investors.

The GP ensures that it fulfils its signatory obligations to the PRI and Farmland Principles and also ensures that it abides by its adopted UK Stewardship Principles.

External governance support is provided through:

1. the appointment of independent members to the investment committee for farmland purchases,
2. the services of an external custodian (New Zealand Government owned Public Trust),
3. an independent and reputable valuation panel,
4. external accounting (Baker Tilley Waikato), and
5. KPMG as auditors.

Southern Pastures Management Limited (the GP) is a signatory of:

1. the United Nations backed Principles for Responsible Investments (PRI);
2. a member of the PRI Farmland Working Group;
3. a signatory of the Farmland Principles (that was developed by a sub-group of PRI signatories to provide a framework for ESG for institutional investors investing in agriculture); and
4. Global Investor Statement on Antibiotics Stewardship.

At a local level, Southern Pastures is a member of DairyNZ (an industry good body) and a founding member of the Upper Waikato Sustainable Milk Project (UWSM) that is supported by 700 local farmers, DairyNZ, Waikato River Authority (WRA) and central government. In Canterbury, Southern Pastures is working in conjunction with Environment Canterbury to restore and plant sterile willows selected for their protective capabilities along the Rakaia River.

Messrs. Maan & Mourie are members of the Agriculture Leaders' Health & Safety Action Group.

All GP directors are members of the New Zealand Institute of Directors (IOD). Messrs Maan and Mourie are members of Federated Farmers of New Zealand.

In an independent review of New Zealand domiciled PRI signatories, undertaken by the Responsible Investment Association Australasia (RIAA), the association, again highlighted Southern Pastures for its leading application of ESG principles and their integration in their broad responsible investment approach. The GP would note that Southern Pastures has featured in the RIAA reporting since the outset of the compilation of the New Zealand benchmark report. This list has now grown to eight featured members (from four last report), highlighting the leading position that Southern Pastures has adopted in this field. Of the eight, Southern Pastures is the only one involved with farmland and farming.

The GP believes that this annual ESG report demonstrates our commitment to ESG and that readers will agree that Southern Pastures is at the forefront of best practice in this regard.

Your comments and queries are welcomed, please direct them to: maan@southernpastures.co.nz

Prem Maan
Executive Chairman & CEO

Graham Mourie
Executive Director

Taari Nicholas
Executive Director

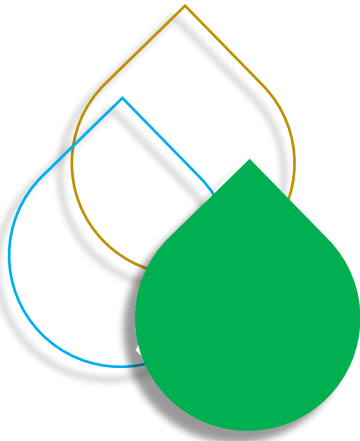
Phillip Wight
Executive Director

**We do not inherit the land
from our ancestors,
we borrow it from our
children**

American Indian Proverb

Glossary

10SCV	10 Star Certified Values
Antibiotic Stewardship	Global Investor Statement on Antibiotics Stewardship https://antibioticsstatement.fairr.org/
DairyNZ	DairyNZ is the industry good organisation representing New Zealand's dairy farmers
DOC	Department of Conservation
ECAN	Environment Canterbury
ESG	Environmental, Social and Governance
ETS	Emissions Trading Scheme
Farmland Principles	Investment principles developed by a group of institutional investors to improve sustainability, transparency and accountability of farmland investments
Field Free-Range	Livestock are out in the pasture 365 days per year
FMA	Financial Markets Authority (of New Zealand)
F&G	Fish & Game New Zealand
GP	General Partner, Southern Pastures Management Limited
Grass-fed	Livestock diet consists primarily of grass and other fodder.
Iwi	Regional Maori tribal group
Māori	Indigenous people of New Zealand
NZGFMP	New Zealand Grass Fed Milk Products
OIO	Overseas Investment Office
Pasture fed	Used inter-changeably with Grass-fed
PKE	Palm Kernel Expeller, a waste by-product of the palm oil processing
PRI	Principles for Responsible Investment, also known as UN PRI
PT	Public Trust
QEII	QEII National Trust, an independent statutory organisation
RFP	Request for Proposal
RFSP	Registered Financial Services Provider
RIAA	Responsible Investment Association Australasia
RSPO	Roundtable on Sustainable Palm Oil
Southern Pastures	Southern Pastures Limited Partnership
Stand-off area	An impermeable platform for cows to feed in wet weather
UN	United Nations
WAC	The New Zealand Walking Access Commission



Environmental

Environmental issues, including climate change, animal welfare and sustainability present challenges that the GP believes Southern Pastures can turn into long term opportunities to provide premium dairy products to discerning markets.

The GP holds the philosophy that it accepts guardianship over the land and its waterways for future generations and as such endeavours to ensure that the farms are sustainably improved.

Human life on earth is dependent on a thin layer of productive topsoil, water, sun and moderate temperatures. Farmland that can sustain these key factors is becoming an increasingly scarce resource.

The GP believes that by increasing sustainability of farms in temperate water-rich New Zealand, the GP will deliver long-term economic and environmental outperformance. The GP will achieve this whilst promoting global food security by making its farms more productive and by delivering a benefit to New Zealand generally and to local communities specifically.

The steps that Southern Pastures has taken or committed to taking to improve environmental conditions on its farms whilst being mindful of global issues are outlined below: -

Ecological audit

Prior to the purchase of each farm, the GP conducts an environmental review of the farm. If environmental issues are identified a comprehensive independent ecological audit is commissioned that, in particular, identifies native flora and fauna on the farm along with areas of significant ecological value. Business plans follow, incorporating the protection of the identified areas of significant ecological value.

The environmental audit and Southern Pastures' business plans, which aim to protect and promote biodiversity, are submitted to the New Zealand Government through the Overseas Investment Office (OIO) as part of each application to purchase farms. This action places an obligation on Southern Pastures to deliver on its environmental protection and improvement plans.

Southern Pastures has and continues to meet and materially exceed its ecological obligations and reports to the Overseas Investment Office on an annual basis.

Structural integrity

Prior to integrating any new land area into the South Waikato dairy platform, Southern Pastures commissioned independent surveyor and civil engineering reports on the structural integrity of the land and in particular on the impact of dairy farming on water flows. This information was processed, and a systemic implementation plan was put in place.

Significant Natural Areas

The Resource Management Act 1991 requires the Department of Conservation¹ (DOC) and Regional and District Councils to protect “areas of significant indigenous vegetation and significant habitats of indigenous fauna²”.

DOC is also charged with “promoting conservation of the natural and historic heritage of New Zealand on behalf of, and for the benefit of, the present and future generations.”³

Southern Pastures, DOC and the applicable District and Regional Councils have agreed to co-operate and have sought to develop farm plans and ecological protocols to foster biodiversity and to protect wetlands and Significant Natural Areas through Memorandums of Encumbrance.

Southern Pastures has agreed with DOC to use a Memorandum of Encumbrance (MoE) over the farms in the South Waikato cluster as a formal means of protecting the flora and fauna on each of the farms. Southern Pastures and the Waikato Regional Council have signed a MoE for a Significant Natural Area as a formal means of protection for the flora and fauna for Manako Farm. Southern Pastures is continuing with this process seeking to afford similar official protections for its other farms throughout its South Waikato cluster.

Walking Access for Public

In consultation with the Walking Access Commission (WAC), Southern Pastures has formally created walking access rights to the public across many Southern Pastures’ properties for recreational purposes.

In the South Waikato, Southern Pastures has worked with the Walking Access Commission, the Mokaihaha Kokako Trust⁴ and other parties to finalise an agreement providing an easement for access to the Mokaihaha Ecological Area

This has resulted in an ‘Agreement to Grant Easement’ being signed to allow public access to the Mokaihaha Ecological Area through Southern Pastures Mauri farm to view the rare and endangered native bird, the Kokako.

In Canterbury walking access rights and the creation of esplanade strips have been formally created and registered alongside and through Southern Pastures’

farms allowing the public access and passage beside the Rakaia and Ashburton rivers.

In New Zealand, it is not mandatory or in fact common to allow access to private property. Southern Pastures believes that allowing public access to areas of natural beauty is another opportunity to deliver enduring benefits to the local community.

Promotion of Biodiversity and Native Flora

Southern Pastures manages an active on-farm planting programme to promote biodiversity and to provide shelter for stock. In the 2018/19 season, specific new planting related spend was budgeted at around 2.5% of budgeted farming EBITDA.

Southern Pastures maintains a program for planting corners of farms in Canterbury with larger scale native trees specifically Totara and Matai. With sub-canopy layers developing over time, this will enhance biodiversity and “return” these patches of land to the forest type predominant on the Canterbury Plains 500 - 600 years ago.

Furthermore, Southern Pastures has also embarked on a native planting programme for farm boundaries, seeking to create additional native habitat and biodiversity along its borders while providing an increased stock buffer zone to waterways and drainage.



Fence-line planting, Canterbury Cluster

Where practical, nitrogen attracting plants have and will continue to be introduced around running water, e.g. alongside water races, streams and rivers to mitigate nitrate leaching into waterways to promote their water quality.

¹ The Department of Conservation is a department of the New Zealand Government

² Resource Management Act 1991, S 6, (c)

³ Department of Conservation, Statement of Intent 2012-2017, P. 8.

⁴ The Mokaihaha Kokako trust was established to protect the rare & endangered Kokako native bird

Non-native grey willow and wilding pine tree control continues to be undertaken on relevant farms to prevent their invasive spread and prevent the reduction in area of native flora, and the habitat for native wildlife.

Steeper areas of Southern Pastures South Waikato farms have been retired from farming and the reversion to native vegetation is being encouraged.

Planting of shade trees for the animals continues on all farms. Native Trees have also been planted around the effluent ponds on farms throughout both clusters.

One of eight rare Olearia plant species has been discovered along the riverbank outside the boundary of Pareka farm in the Canterbury cluster. Olearia adenocarpa is endemic to the Canterbury Plains and its conservation status is considered "Threatened – Nationally Critical" by the Department of Conservation. Olearia adenocarpa is also a part of the Tree Daisy National Recovery Plan.

The total number of known Olearia plants in 2007 was less than 650⁵. Once identified, Southern Pastures undertook measures to ensure protection for the plants from livestock and other perils by erecting fencing and signage. Southern Pastures then established a planting programme that in the 2018/19 season saw 532 new specimens planted. In other words, this threatened plant's number has been increased by over 280%.



Olearia ardenocarpa, Pareka Farm.

Safeguards and ecology protection signs have also been erected around a historic gum tree on Pareka Farm in the Canterbury cluster. The measures taken are to ensure that this historic tree is protected and continues to flourish.

Southern Pastures typically looks to partner with research institutions as part of a science-based approach to

measure the success or otherwise of research, trials or programmes.

In partnership with Lincoln University, Miscanthus grass is being trialled as a shelterbelt and biodiversity habitat in the Canterbury cluster. This trial planting on Mead Farm is approximately one kilometre in length and six metres wide (total around 0.6ha). Research indicates that amongst various other potentially beneficial environmental traits, Miscanthus could be expected to provide excellent shelter for pasture and animals as well as promoting habitats for native fauna. Miscanthus plantings will aid in the reduction of nitrogen leaching, sequester carbon, assist with promoting biodiversity and can be harvested and used for animal feed.

For the fence-line and boundary planting programme Southern Pastures has partnered with Plant and Food Research (a New Zealand government-owned Crown Research Institute) to study biodiversity growth along the newly planted fence-line shelterbelts on the Canterbury cluster farms.

Plant and Food Research installed equipment to actively measure beneficial and pest insect/invertebrate species with the data to be used to provide the baseline for ongoing analysis of relative insect diversity and abundance as the planting matures.



Plant&Food Research monitoring equipment, Pareka Farm, Canterbury cluster.

Southern Pastures also actively promotes and encourages Te Reo (the Maori language). Consequently, the names of farms, where appropriate, continue to be changed to reflect the biodiversity of New Zealand flora and fauna.

Natural Reserves and Wetlands

Southern Pastures is fully compliant with all aspects of the Fonterra Dairying and Clean Streams Accord. As a

⁵ <http://www.nzpcn.org.nz/publications/Olearia%20adenocarpa.pdf>

matter of integrity, the close and strict adherence to Fonterra's Dairy and Streams Accord has been seen as not just a baseline requirement to meet, but requirements to surpass.

Southern Pastures has undertaken significant riverbank protection to protect particularly vulnerable areas and has worked in conjunction with Environment Canterbury (ECAN) and other parties with an interest in river protection.

Southern Pastures is preserving and improving the wetlands on its farms through fencing and removing exotic plants to allow native flora and fauna to flourish.

Protected wetland areas are currently being developed, with a new wetland area developed on Miromiro Farm in the South Waikato cluster, and further areas have been identified on Mauri Farm and fenced in preparation for a planting programme.

and the policies to promote biodiversity. Mr. Kjörling was the head of external managers at Första AP-fonden (AP1), a key investor in Southern Pastures LP.

Southern Pastures has agreed to protect the area in respect of particular trees, shrubs and plants and the wetland habitat and has agreed a management plan for the optimal protection of the area.

The wetland area and wider covenanted area ecosystem continues to be enhanced with protection from stock incursion and ongoing management of pest animal and plant species allowing for the further regeneration of indigenous vegetation. This regeneration is also seen as providing support for native avian fauna such as the at-risk North Island Fern Bird. A three-year work programme is underway to see this area become a single large management unit and ecological reserve.



Organic herd, Kereru Farm, South Waikato cluster

QEII National Trust

The QEII National Trust was established under the Queen Elizabeth the Second National Trust Act in 1977, to aid in conservation on private land. The QEII National Trust's mission is to partner with landowners to protect special places and biodiversity on private land for the benefit of present and future generations.

Southern Pastures has created a permanent protection covenant with the Queen Elizabeth II National Trust⁶ over 18.2 ha of escarpment and wetland area on Kereru Farm.

"The Rikard Kjörling QEII Kereru Farm QEII Covenant" was named in honour and memory of the late Mr. Rikard Kjörling to reflect his early support for Southern Pastures

⁶ QEII National Trust is an independent statutory organisation set up in 1977 to "encourage and promote, for the benefit of New Zealand, the provision, protection, preservation and enhancement of open space." Open Space (as described in the QEII National Trust Act 1977) means any area of land or body

Waterways and Riparian protection

Southern Pastures always protects waterways from livestock through maintenance of existing fencing and the installation of new fencing.

Buffer zones have also been retained or established between fences and waterways. Invasive and pest plant species such as wilding pines and grey willows are being removed from such areas and destroyed to enhance the cover, quality and regeneration of indigenous vegetation.

Southern Pastures is also fully compliant with all aspects of the Fonterra Dairying and Clean Streams Accord, specifically,

of water that serves to preserve or to facilitate the preservation of any landscape of aesthetic, cultural, recreational, scenic, scientific or social interest or value.

- all livestock have been excluded from waterways;
- culverts have been created as appropriate on new pasture areas;
- all effluent discharge is compliant; and
- wetland areas and waterways have been fenced to exclude livestock and will be further enhanced through the planting of the margins in native trees and plants and the removal of grey willow during the late summer.

Southern Pastures is also trialling the use of specialist drone technology to terrain map farms in order to better understand potential water movement pathways across farm and through the soil. It is anticipated that the data has the potential to enable precise fertilizer application and better target planting by location and species to minimise nitrogen leaching into waterways. If the trial data proves successful, then this methodology will be rolled out across the clusters.

Carbon Sequestration

To assist in carbon dioxide removal from the atmosphere, zero to limited tillage, seed penetration insertion and the controlled rotation of paddocks are used where possible to aid in the mitigation of greenhouse gasses.

Southern Pastures has a strong focus on soil biology to assist with increasing soil carbon sequestration.

Southern Pastures has also invested heavily in stand-off areas and feed-pads for livestock to preserve pasture and soil in wet conditions.

Southern Pastures continues its partnership approach in working alongside Massey University as part of a research project on sustainable farming practices. Southern Pastures has contributed both funding and farm availability for a study aimed at furthering the understanding of the actual net emissions from dairying.

The study's goal is to measure soil carbon to quantify on-farm carbon sequestration levels in order to better understand techniques to enhance soil carbon sequestration and to understand how these techniques can be implemented to reduce overall emissions. The research was centred on Southern Pastures' Canterbury cluster farms and the GP is now examining the potential for an expansion of this research to include some of the Waikato cluster farms.

Pests

Many of the farms have environmentally damaging fauna, such as possums, feral pigs and deer, that can damage regenerating native trees and plants. At present Southern Pastures manages pest populations through the encouragement of controlled hunting by responsible hunters.

Additionally, Southern Pastures is taking up the governmental "Predator Free NZ" challenge and the goal of being rid of New Zealand's most damaging introduced predators that threaten the nation's natural taonga (treasures, native flora and fauna), economy and the primary sector.

Ridding New Zealand of possums, rats and stoats by 2050 is a New Zealand-wide goal and is seen as being important to allow the regeneration of indigenous plant species, the protection of environment values, and to improve the economic returns of the land.

Southern Pastures' predator management plans have targeted its farming clusters in the South Waikato and Canterbury as starting points with the aim of ecosystem restoration with a focus on native fauna and flora, insects, and bird regeneration.

Soil

Southern Pastures is committed to improving the soil humus and topsoil levels as we believe that better soils produce better grass which produces better milk. This has and will be done through the application of effluent and other organic material spread over the paddocks as part of the planned pasture renewal program.

Any livestock effluent that is not naturally deposited on the land by the grazing stock is collected and stored, with this 'greenwater' later distributed over paddocks. The process of distribution is controlled by advanced Variable Rate Irrigation pivots (VRI) that seek to apply the waste to pasture at the most appropriate time and at the most appropriate place improving the outcome for the environment by enhancing the timing of nutrient supply for pasture growth, improving soil fertility and reducing leaching.

Earthworms

Southern Pastures has introduced and is fostering populations of beneficial earthworm species that were not present on its South Waikato farms when Southern Pastures first acquired them. During 2013/14 alone, over 120 cubic metres of 'Southern worms' (*Aporrectodea trapezoid*) were introduced to the Waikato farms.

Earthworms improve soil quality and productivity through sequestering carbon through their castings and by increasing drainage and aeration. This leads to better pasture production, greater fertiliser and effluent efficiency and retention, lower grass grub pest populations, and a reduction of livestock facial eczema.

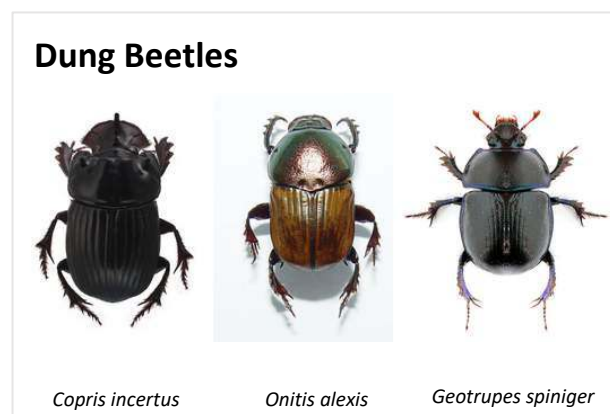


Earthworms are now clearly evident within the soil structure, when turf is pulled or under cow pats.

Dung Beetles

Southern Pastures has joined with Landcare Research (a government entity), the Ministry for Primary Industries (MPI), Dung Beetle Innovations, and many regional, district and environmental authorities to research and trial the benefits of dung beetles in New Zealand.

Landcare Research has undertaken extensive research around the benefits of dung beetles and a number of species have been approved for release in New Zealand.

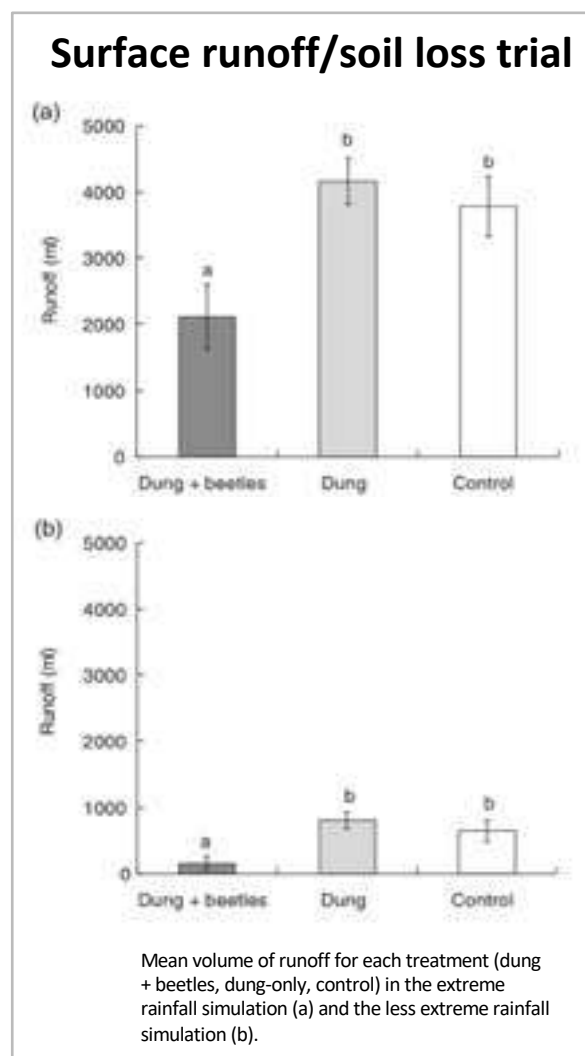


The research has shown that dung beetles improve pasture productivity, soil biology, carbon content, reduce surface water runoff, and importantly reduce methane emissions.

Recent commentary surrounding the impacts of methane on climate temperature suggests that a reduction of only 0.3% annually in methane emissions is required to ensure that methane no longer contributes to warming⁷. Consequently, the GP is encouraged by this and believes that science and smart farming practices can assist in mitigating climate change.

Research also indicates that nutrient leaching can be reduced by over 80% through utilising dung beetles in combination with fencing and plantings (compared to fencing and plantings alone reducing leaching by a smaller 47%).

Additionally, a recent scientific paper⁸ further supports the beneficial impacts with regards to runoff mitigation, with the paper noting that "Dung beetle activity resulted in significant reductions of 49% and 81% in mean surface runoff volume, depending on simulated rainfall intensity".



⁷ <https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/only-small-methane-cuts-needed-expert-claims>

⁸ https://dungbeetles.co.nz/wp-content/uploads/2018/04/Forge_et_al-2018-Ecological_Entomology.pdf

Southern Pastures has introduced dung beetles to farms in both its Waikato and Canterbury clusters.

Fish

Southern Pastures seeks to provide additional protection for fish life in rivers and waterways where it has water license rights or where these pass through or along its properties.

A culvert impeding the flow of fish was identified on Kereru Farm in the Waikato and has now been fitted with a mussel spat rope to encourage upstream fish migration.

Fish screens are designed to restrict fish from entering farm water irrigation systems from rivers through intake location and specific design features that manage water velocity in and around the intake, provision of bypasses and escape routes, and screening to exclude fish. Canterbury cluster farm Lochan Mor has recently upgraded its fish screen and has had this approved by Environment Canterbury (ECan).



Fish Screen

Fish-screen, Lochan Mor Farm

Bees

Southern Pastures has invested in beekeeping. Hives are placed on all Southern Pastures farms on a permanent population basis to maximize bee population and farm sustainability. Known bee friendly plants, such as Five Finger, Kowhai and Cabbage Trees are being introduced to support the native plant regeneration and will provide a valuable food source for not just bees, but native birds too.

Birds

Southern Pastures has worked with the Walking Access Commission (WAC), the Mokaihaha Trust, Department of Conservation and other parties to finalise an agreement for an easement for access to the Mokaihaha Ecological Area to provide access for the community and

ornithologists to view, monitor and protect a very rare and endangered native bird – the Kokako (*Callaeas Cinereus*). The Mokaihaha Ecological Area is located in an area that borders Southern Pastures' Mauri Farm in the South Waikato.

Ongoing protection of the Kokako will include the removal of feral species to improve the forest cover and the bird's environment, and the control of pest species such as possums and rats. This is aimed at enhancing the environment of the largest naturally remaining Kokako population.



Kokako

Crested Grebes have made their way onto the irrigation catchments of the Canterbury farms as an alternative to their normal breeding grounds of the alpine and sub alpine lakes. These birds are fully protected and have a classification as nationally vulnerable.

Southern Pastures has a 'Pet' policy that seeks to minimise predation by domestic pets. Current policy restricts the number of cats to one neutered or spayed cat per household and has a requirement for such cats to wear bells to warn native wildlife of their approach.

Effluent

While all the farms are more than fully compliant with current laws, Southern Pastures is working through a programme to increase effluent storage facilities and/or the area that effluent is applied to on the farms as appropriate. As mentioned under 'Soil', effluent is seen as a valuable resource to be used to improve soil nutrient levels.

Effluent gained from stand-off areas and milking sheds is collected via a system that separates solids from liquids. When appropriate, the nutrient rich liquids are sprayed over paddocks on a rotational basis whilst the solids are used as fertilizer. The liquid is applied through advanced Variable Rate Irrigators that seek to manage that amount, timing and effluent distribution to maximise effective nutrient application and reduce the risk of any leaching or runoff.

This has been done to mitigate the risk of the effluent having to be discharged on wet days when ground absorption is low and there is a heightened risk of the effluent running off-farm.

Feed-pads and Silage Bunkers

Southern Pastures has deployed significant capital towards feed-pad and silage bunker construction within the farm clusters. These structures are designed not only to store the on-farm supplementary feed under optimal conditions and increase the efficiency of feeding-out, but importantly also reduce any nutrient losses or leaching that may result from the storage and feeding processes.

The additional management of such potential run-off is part of Southern Pastures commitment to not merely comply with existing environmental requirements but to exceed them.



Feed-pad with rubber matting, Lochan Mor Farm, Canterbury cluster.

Additionally, during wetter conditions feed-pads also assist in the preservation of pasture areas, the protection of soil condition and carbon, and provide better utilisation of feed and therefore better returns on any non-grazing / supplementary feed utilised. Feed-pad areas also allow for better effluent management.

Weather patterns and climatic change

Whilst the Southern Pastures North Island farms are in areas with adequate and generally reliable rainfall patterns, Southern Pastures is mindful that such patterns can never be relied on 100%.

Southern Pastures ensures plantings of additional winter and summer crops for fodder to supplement pasture when required. The planting of additional summer crops and pastures that can survive during times of low rainfall

are part of the planning designed to make the portfolio even more resistant to weather patterns and climatic change.

Southern Pastures actively follows Fonterra's published suggestions on reducing on-farm greenhouse gas emissions and in this regard, has taken the following steps:

- Constructing stand-off areas;
- Regular pasture monitoring to improve feed utilisation and feed quality; and
- Ensuring all farms have nutrient management plans.

Feed

Feed support blocks have been purchased in the Waikato cluster to aid in mitigating against feed uncertainties. Additional crops are produced to meet the unlikely event of feed scarcity.

All Southern Pastures crops are GM free (free from being genetically modified).

Palm Kernel Expeller (PKE), a by-product of palm oil harvesting, was being used as a feed on the farms when Southern Pastures initially bought the farms as a going concern. A decision was taken to maintain, on a reducing basis the use of PKE for an interim period whilst the farms were further developed and while alternatives to PKE were investigated.

Southern Pastures also made the decision from inception to only use PKE that is certified as being sustainable by RSPO⁹. Southern Pastures was the first organisation in New Zealand to seek such certification.

Even though PKE is a waste product of the palm oil process and Southern Pastures purchases are inconsequential and declining, Southern Pastures as part of its RFP¹⁰ process requires PKE suppliers to demonstrate and to certify that any PKE they supply is from sustainable sources.

Southern Pastures plans are over time to completely remove PKE as a feed source.

This has already been achieved for Southern Pastures' Canterbury farms.

Southern Pastures, as a significant shareholder in Fonterra, is fully supportive of Fonterra's moves to limit and continue to reduce PKE usage.

⁹ Roundtable on Sustainable Palm Oil

¹⁰ RFP – Request for Proposal

Carbon sink plantings

Southern Pastures is actively managing ineffective and previously exotic forestry areas back into indigenous forest to provide carbon sinks and promote biodiversity. In the South Waikato cluster retirement and fencing of steeper areas continues to be undertaken to allow reversion to native species, while in the Canterbury cluster an ongoing planting programme sees indigenous planting along boundaries, corners and the riverside.

These areas individually are typically not wide enough under New Zealand emissions trading regime to be considered for the Emissions Trading Scheme (ETS) and hence do not generate any income. Notwithstanding this, Southern Pastures is committed to this course of action for environmental good reasons.

Research and Development

By working collaboratively with New Zealand's agricultural universities such as Lincoln University and Massey University, as well as other crown-owned research organisations Southern Pastures is able to make use of innovative, highly advanced and often pioneering science driven ideas and methods.

Southern Pastures' Environmental Sustainability Policies

Southern Pastures adopted a number of environmental sustainability policies at inception which were:

- The GP will seek to minimise the risk and magnitude of negative environmental impacts and to mitigate such impacts;
- The GP will promote environmental sustainability on a farm-by-farm basis;
- The GP will seek to promote biodiversity through the creation of regeneration reserves and wetlands, where economically viable; and
- The GP will not clear any native forests or virgin land for farmland

The GP have used these Southern Pastures policies as its benchmark and has strictly adhered to them.

Animal Welfare

Southern Pastures, as a UN PRI signatory, has worked with a group of investors to compile a booklet of case studies to show how investors concerned with farm


animal welfare consider this in their investment policies and how they implement farm animal welfare considerations in practice.

The booklet was produced by the Jeremy Collier Foundation and is titled 'Considering farm animal welfare in investment decision-making, Case Studies & Guidance' (see www.fairr.org). FAIRR is a collaborative investor network that represents over US\$20 trillion of assets under management that raises awareness of the material ESG risks and opportunities caused by intensive animal production.

The GP passionately believes that cows are sentient beings and employs farming systems based on humane treatment of the livestock. The GP's policies go beyond New Zealand's already very high standards and emphasise the 'Five Freedoms'. It is worth noting that, as far as we are aware, Southern Pastures is the only entity in New Zealand that has explicitly ruled itself out from participating in the live cow export trade¹¹.

ANIMAL WELFARE





Please talk to your manager if you have any questions about Southern Pastures' Animal Welfare Policies.

Southern Pastures' Animal Welfare Policies set out the fundamental **obligations of people who care for dairy animals** on Southern Pastures' farms.

The obligations include:

- Meeting the physical, health and behavioural needs of animals.
- Ensuring that all animals, including bobby calves, have adequate water at all times and are adequately fed.
- Ensuring sick/injured animals are treated to relieve pain/suffering, or humanely killed instead. This includes not keeping animals alive in unnecessary pain/distress and taking actions as and when required for lameness..
- Not selling an animal in pain/distress
- Not deserting an animal without providing for its needs.
- Not ill-treating an animal or killing it in such a way that it feels unnecessary pain/distress.
- Ensuring that animals are fit for transport and ensuring that the animals are loaded on to the trucks in a gentle and humane manner
- No tail dockings
- No calf inducements permitted unless certified by a vet as being necessary for the mother cow's health.
- No live exports of animals.

The Five Freedoms

The Five Freedoms of animals on Southern Pastures' farms are;

FREEDOM from Thirst and Hunger
by ready access to fresh water and a diet to maintain full health and vigour

FREEDOM from Discomfort
by providing appropriate environments

FREEDOM from Pain, Injury and Disease
by prevention or rapid diagnosis and treatment

FREEDOM to Express Normal Behaviour
by providing sufficient space, proper facilities and company of the animal's own kind

FREEDOM from Fear and Distress
by ensuring conditions and treatment which avoid mental suffering

Southern Pastures has a "whistle-blower" policy whereby knowledge of any breach in any human rights or animal welfare issue, any criminal or fraudulent actions by any staff, contractors and farm operators/sharemilkers are to be made known directly to any of the directors of Southern Pastures without fear of individual reappraisal for the informer or "whistle-blower", subject to the normal application of the relevant New Zealand laws.

Southern Pastures welfare policies have been recognized

¹¹ While New Zealand does not permit the live exports of animals for the meat trade, it does permit the live exports of cows for the establishment of dairy farms in other countries.

by FAIRR with a case-study entitled “Southern Pastures: Measuring the business case for good welfare”

The GP’s animal welfare policies have been complied with and written into farm manager contracts.

All GP and farm staff have been informed of the GP’s expectation that livestock are to be treated humanely and that there is a zero-tolerance policy for any animal cruelty, abuse or neglect.

All Southern Pastures milking sheds have the illustrated Animal Welfare sheet and all staff are trained to be aware of the required freedoms.

DairyNZ (A New Zealand dairy industry body) has highlighted the positive animal welfare based ‘Bobby’ calf practices on Tatua Farm - one of Southern Pastures’ South Waikato farms as a case study. These practices ensure the safe and humane treatment of Bobby calves. Southern Pastures has erected bobby calf sheds and transport loading ramps on all farms.

Southern Pastures also has a programme to reduce the risk of potential collisions with stock on public roads. Southern Pastures continues to engineer and build underpasses for stock and on-farm small vehicles to travel through for those farms that border busy or main roads.



Underpass construction, Kereru Farm, Waikato Cluster

Antibiotics and Hormones

Humans consume what our food consumes. Over 50% of antibiotics consumed globally are given to animals to treat or prevent infection and to boost growth.¹²

Antibiotic resistance in people has been recognised as being one of the largest threats to global health, food

security and development today by the World Health Organisation.¹¹

Southern Pastures recognises the routine non-therapeutic use of antibiotics in livestock potentially poses a risk to public health.

Southern Pastures therefore supports the establishment of FAIRR’s comprehensive Global Investor Statement on Antibiotic Stewardship¹³.

Southern Pastures has provided on-farm training with regards to antibiotic use amongst our farmer-partners, and already complies with the FAIRR stewardship statement.

Southern Pastures’ policy is that our milk sent for processing is always free from antibiotics.

By having field free-range, sustainably farmed cows and superior farm management practices, including farm infrastructure - for example well maintained races and rubber mats on feed-pads, the degree of animal infection through injury is dramatically reduced and consequently the need for antibiotics is less.



Stock race, Lochan Mor Farm, Canterbury Cluster

No cow is administered antibiotics unless it is necessary for their well-being, and then only under the advice of a qualified veterinarian. This ensures cows receive specifically ‘targeted to the cause’ antibiotics in the weakest and lowest dosage before being quarantined from the milking herd whilst still ensuring best practice animal welfare. Southern Pastures also continues to trial other remedies and systems to further reduce its antibiotic use.

¹², Bulletin of the World Health Organisation 2015 - Antibiotics

¹³ <http://antibioticsstatement.fairr.org/wp-content/uploads/2017/11/FAIRR-Template-Antibiotics-Policy-final.pdf>

Energy Efficiency

New Zealand is blessed with an abundant supply of renewable energy resources, and already has one of the highest shares of renewable electricity generation in the world. In 2018, 84% of the electricity generated in New Zealand came from renewable sources, primarily from hydropower, but also from geothermal and wind sources.

With this availability of renewably sourced electricity Southern Pastures could be forgiven for being complacent towards energy efficiency, however the GP has taken the view that it can again be proactive and improve on best practice.

Mahana Blue energy efficient heat transfer systems have been installed on all dairy units. These units work by taking wasted heat from the refrigeration system and utilise this to heat water necessary for shed cleaning purposes.

Southern Pastures also has investigated the potential for solar energy to assist in powering dairy shed operations. The investigation however noted that without significant storage capacity the misalignment of peak solar power production and shed demand reduced the ability for solar to materially impact on power usage. The GP will continue to monitor technology developments and reassess suitability.

Historical Sites and Places of Significance

The woolshed residing on Kenburn Farm in Canterbury has been identified as having historical significance. In 2010/11, the woolshed was damaged in the Canterbury Earthquake.



Historic Kenburn Woolshed

Southern Pastures having been in contact with Heritage New Zealand carried out maintenance and restorative

works. These works included repairs to the roof, windows, and brickwork and mortar repair. In addition, the site has been fenced with a substantial post-and-rail fence providing additional protection to this historic structure.

Recycling

Southern Pastures strongly encourages recycling initiatives across all its activities.

On-farm, Southern Pastures is actively engaged in the recycling of many of the commonly used on-farm plastics, including silage or bale wrap, silage pit covers, small low-density polyethylene (LDPE) feed bags, shrink wrap and pallet covers. The collected material is then recycled back into a number of commonly used on-farm building or specific farm type products.

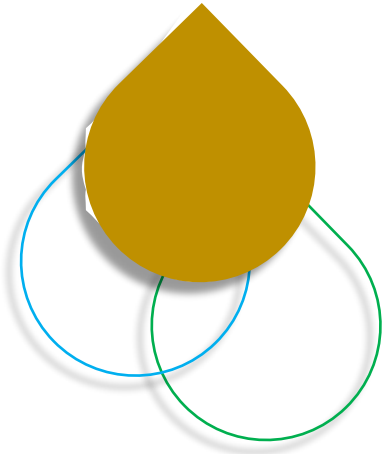
At consumer level, Lewis Road Creamery, 50% owned by Southern Pastures, is proud to be the first milk producer to sign the New Zealand Packaging Declaration, committing to 100% of all packaging being recyclable, reusable or compostable by 2025 or earlier.



Lewis Road Creamery rPET recyclable bottles

Lewis Road's first step on this journey was its 750ml & 1.5L white milk and flavoured milk bottles - now made from rPET which is made from 100% recycled plastic, and importantly can be further recycled.

Lewis Road highlighted that in the first 12 months of trialling these rPET bottles, Lewis Road had eliminated 210 tonnes of fresh plastic from its packaging cycle.



Social

New Zealand is generally regarded as a leader in social issues including human and animal rights. Nevertheless, Southern Pastures has its own policies that complement and at times go beyond local legal requirements.

These policies and the steps taken by Southern Pastures to comply with them are outlined below.

He aha te mea nui o te ao?

He tangata, he tangata, he tangata.

*What is the most important thing in the world?
It is the people, it is the people, it is the people.
Maori Proverb.*

Existing Land and Resource Rights:

The GP will respect existing rights to land and natural resources and proactively protect and provide access to any sites of cultural significance to the local population.

The Resource Management Act 1991 requires the New Zealand Government including DOC, Regional and District Councils to provide for ... "(d) the maintenance and enhancement of public access to and along the coastal marine area, lakes, and rivers: and (e) the relationship of Maori and their culture and traditions with their ancestral lands, water, sites, waahi tapu¹⁴ and other taonga.^{15,16}

The GP has met regularly with the Department of Conservation, the local Regional Councils, the local district councils, local public good organisations and Iwi¹⁷ and discussed the GP's intention to co-operate with them to protect existing land and resource rights. In particular, the GP has met regularly with:

- the Department of Conservation (DoC) to discuss providing access to DoC to significant areas of interest;
- Fish & Game New Zealand¹⁸ (F&G) and agreed to provide access through one of its farms for F&G members to travel through to a fishing area that would otherwise be inaccessible; and

¹⁴ waahi tapu = sacred sites

¹⁵ taonga = treasures

¹⁶ Resource Management Act 1991, S 6 (d), S 6 (e),

¹⁷ Refer Glossary – Regional Maori Tribal Group

¹⁸ Fish & Game New Zealand is a non-profit organisation that manages, maintains and enhances sports fish and game birds and their habitats in the best long-term interests of present and future generations of anglers and hunters. It is funded by fishing and hunting licence fees.

- the New Zealand Walking Access Commission¹⁹ (WAC) to discuss the Commissions principles and aims and their areas of interest on the farms, waterways and areas of significant natural interest.

Health & Safety

Southern Pastures maintains a thorough and robust health and safety policy which aims to ensure that farm workers are well informed as to the processes and safety requirements on each individual farm.

The Health and Safety policy is updated annually and is aimed at promoting an environment that provides the highest level of protection against preventative accidents.

Additionally, all visitors and contractors to the farms are checked-in and informed of potential on-farm risks and hazards. Southern Pastures also operates a whistle-blower policy that allows human or animal rights abuses or any criminal or fraudulent activity to be brought to any GP director's attention confidentially.

Quad bikes feature heavily in New Zealand farm accident statistics, with New Zealand's primary workplace health and safety regulator Worksafe noting that on average five people are killed and 100 severely injured annually in quadbike accidents on New Zealand farms. Southern Pastures recognizes the risks that quadbikes pose and has responded by fully phasing out quadbikes from all Southern Pastures' farms. These have been replaced with the safer 'side-by-side' vehicles with roll cages.

Additional farm safety measures introduced include, amongst other things, safety cages around silo ladders, fixed ladders and life-preservers at effluent ponds, and a policy around limiting the cc rating of two-wheeled farm bikes.

Given risks inherent in the operation of farm equipment and heavy machinery, Southern Pastures also carries out random drug testing to ensure a drug-free safe work environment for all staff.

Southern Pastures holds regular seminars within its Waikato and Canterbury clusters on health and safety issues including training sessions and courses designed around farm workers such as first-aid, bike safety, machinery operation, chemical handling and working at heights.

Southern Pastures cluster managers also regularly

undertake random checks on key health and safety issues during farm visits.

Health & Safety Officers have been appointed to coordinate health and safety initiatives on the Canterbury and South Waikato farms and Southern Pastures has joined a farming industry CEO led group – the Agricultural Leaders' Health and Safety Action Group, to bring an industry wide awareness to actions in terms of on-farm health and safety issues.

Human Rights

The GP respects human and labour rights.

All GP and farm staff have been informed of the GP's expectation that fellow staff are to be treated with due respect.

Southern Pastures is an equal opportunities employer, who promotes diversity. At time of writing, staff from around a dozen different cultural backgrounds were represented in the Southern Pastures fold.

All staff have been informed of the GP's whistle-blower policy that allows human or animal rights abuses or any criminal or fraudulent activity to be brought to any GP director's attention without fear.

Southern Pastures provides support to its farmer partners over volatile periods of uncertainty, as required. These actions have enhanced Southern Partners reputation as a preferred employer and partner of choice.

In a global context, Southern Pastures has ensured that the phosphate it buys is not from Western Sahara. This is due to concerns about possible human, labour and indigenous rights abuses in the region.

Food Security

The GP will act to ensure that farmland investments enhance rather than diminish food security at both a local and global level.

The GP's plans include increasing nutrient dense milk production and sustainability. This enhances food security.

¹⁹ The New Zealand Walking Access Commission is the Crown (i.e. State or Government) entity that works to enhance free, certain, enduring, and

practical walking access to the outdoors for New Zealanders and overseas visitors.

Empowering Local Participation

The GP actively seeks to empower local participation by employing local people wherever possible and encouraging the economic participation in the farms by key staff and sharemilkers.

The GP continues to apply this policy and has provided financial support to farmer-partners including some of its sharemilking partners to enable them to participate economically at an ownership level in the farms.

Southern Pastures continues to support local communities through sponsorships and donations. The recipients are based on recommendations made by Southern Pastures farmer-partners. For the 2018/19 season Southern Pastures on behalf of farmer-partners provided donations for a variety of projects and causes including, provision of science-based learning resource kits for local primary schools, community based new parent classes through specialist providers, support for local early childcare facilities, and the local St Johns Ambulance service. Additionally, sponsorship or support was applied to local community building events such as 'The Salmon Run' multi-sport event in Canterbury or the 'Summer Sizzler' fun-run-walk in the Waikato.

Career Pathways

Southern Pastures is intent on nurturing and creating a pathway for its staff to progress from farm worker, to contract-milker, to on-farm management, to sharemilker, to equity partner by way of encouragement, training and support, and by making farm ownership a tangible reality.

By way of example, the GP has provided the opportunity for some sharemilkers from the South Waikato to transfer to the Canterbury Cluster as Farm Equity Partners.

Training and Education

The GP holds annual offsite educational conferences for all its farmer-partners and makes available training scholarships for farming related disciplines. These conferences supplement the ongoing in-cluster programmes run throughout the year that combine a mix of classroom and in the field sessions. Southern Pastures believes that this commitment to ongoing training provides opportunities for further development and to consolidate existing knowledge, master new competencies and encourage team cohesiveness.



Classroom session: Forming Effective Teams seminar, Waikato cluster.

Southern Pastures also encourages cross-training of farm work and experience covering off a variety of different skills and systems. This is seen as providing important upskilling and competency pathways for the farm assistants and aids in mitigating farm management risks.



Field session: Pasture Management, Canterbury cluster.

Research and Development

By working in collaboration with leading universities and farming specialists, researching and trialling new techniques and technologies, Southern Pastures is seen at the forefront of industry development and training.

Southern Pastures has or currently is working with the following organisations on research or trials:

- Lincoln University
- Massey University
- University of Canterbury
- Plant&Food Research
- Ministry of Primary Industries
- Landcare Research
- Livestock Improvement Corporation
- Dairy NZ
- Fonterra
- Ballance Agri-Nutrients
- Dung Beetle Innovations
- Miscanthus NZ

Housing

Each Southern Pastures farm has accommodation for its full-time farm managers, farm staff and their families.

Currently Southern Pastures has 68 houses on its farms and runs a programme dedicated to continual maintenance, upgrades and construction of new homes.

Upgrades undertaken by Southern Pastures in 2018/19 include insulation upgrades, installation of heat-pumps, as well as other renovation works where appropriate such as kitchen upgrades, additional bathrooms, new carpeting and painting. During 2018/19 Southern Pastures also built a new 2-bedroom home on Canterbury cluster farm, Ngamarua.

The GP would note how a high standard of housing with efficient heating and insulation can assist in overcoming the negative health effects of cold, damp housing and help reduce the incidence of ailments such as respiratory illnesses or serious diseases like rheumatic fever. Consequently, Southern Pastures pays close attention to the condition of on-farm housing provided.

Smoke alarms are installed in all houses and these are audited annually. Fire extinguishers are placed in every dairy shed.

Equal Rights

The GP encourages the removal of barriers to equal employment. Whether it be ethnicity, nationality, race, colour, religion, gender or sexual orientation.

The Southern Pastures policy is clear - discrimination is not tolerated.

Indigenous Rights

The GP respects the Treaty of Waitangi as the founding document of modern New Zealand and the indigenous (Maori) people's rights enshrined therein.

The GP meets with local iwi²⁰ from time to time with the aim of developing a long-term mutually beneficial, positive and pro-active relationships covering the ecological to the economic.

The GP has provided access through our farms to the Iwi to support their plans to clear local streams of

weeds.

The GP has also worked with local Iwi and their archaeologists to investigate an area on one of Southern Pastures' farms that showed signs of pre-European settlement. The GP has reserved this area from farming operation to preserve the site in its current form and the GP will allow the iwi access to the site.

Southern Pastures have also worked with a South Waikato Maori community to plant shelter trees along a shared boundary with South Waikato farm Kereru Farm to provide protection for their Marae²¹ against prevailing winds. Southern Pastures also assisted with the purchase of native trees for the shelter belt from a local nursery that is owned by the wider Maori community. Southern Pastures staff were involved in the planting of the shelter trees with the local Maori community.

Southern Pastures has changed the names of twelve of its farms to Maori names to promote the sustainability of the Maori culture and the Maori language (te reo) and to better reflect New Zealand's natural environment.

Working Conditions

All farms within Southern Pastures clusters are managed by contract milkers, farm managers or sharemilkers who are either New Zealand citizens or permanent New Zealand residents. Best endeavours are made to recruit suitable New Zealand citizens or permanent residents.

All full-time staff employed by Southern Pastures farms receive a complete compensation package offering four weeks holiday and entitled sick days. All New Zealand labour laws, rights and obligations are upheld.

Southern Pastures rigorously applies its Health and Safety policy aimed at ensuring that the farm working environment is a safe working environment. Should there be an accident that results in injury the Accident Compensation Corporation (ACC) insures all staff for such accidental injury through a national no-fault accident insurance scheme that covers the cost of treatment, rehabilitation or compensation.

²⁰ Iwi – Maori Tribe – Maori are the Indigenous people of New Zealand

²¹ In Māori usage, the **marae** atea (often shortened to **marae**) is the open space in front of the whareniui or meeting house (literally "large building").

Southern Pastures Farms – Maori Names

Farm Name	Meaning	Previous Name
<i>Waima</i>	White Water	Tiger
<i>Mauri</i>	Spirit of Life	McDowall
<i>Manako</i>	Desire/Hope	Grizzly
<i>Kahu</i>	Native Hawk	Osprey
<i>Kereru</i>	Native Wood Pigeon	Granite
<i>Nikau</i>	Native Palm species	Palm
<i>Rimu</i>	Native (gum) tree	Gum

Farm Name	Meaning	Previous Name
<i>Miromiro</i>	Native Bird (Tomtit)	Rogerson
<i>Te Maania</i>	The Plains	CPL1
<i>Matariki</i>	Pleiades – Star Constellation	CPL 2
<i>Pareka</i>	Riverbank	Inch
<i>Kowhai</i>	Native Tree	Ardlui
<i>Mamaku</i>	Native Tree Fern	Mamaku

Responsible Global Citizenship

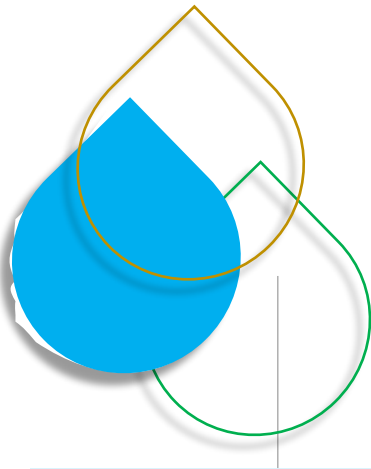
The GP takes pride in all the initiatives contained in this report and strives to constantly improve its practices in New Zealand and where it interacts with the world - without compromise to be a responsible global corporate citizen.

By focusing on carbon sequestration and on not buying fertilisers sourced from Western Sahara, the GP is acting locally with the global picture in mind.

By sharing this report, the GP is encouraging active participation by farmers and investors worldwide to equal the sustainability benchmark created.



Kowhai Farm, Canterbury cluster



Governance

We believe that the best governance is achieved through structural means that not only promotes but also locks-in best practice disciplines. To this end the Southern Pastures structure includes:

Key Governance Frameworks

- Alignment of interests: the GP directors on a personal basis are committed to investing alongside and on the same terms as other investors.
- Long-term focus: the first performance fees are not due until year 10. This ensures a long-term focus on generating sustainable income.
- Independent custody: New Zealand Government owned Public Trust acts as the Custodian for Southern Pastures and controls all bank accounts.
- Independent accounting: the accounts are prepared by Baker Tilly Waikato.
- Independent audit: the annual financial statements are audited by KPMG
- Independent valuation: all real assets are valued at purchase and reviewed annually by a member of the Southern Pastures independent valuation panel.
- Environmental audit and impact: procuring independent environmental reports prepared on the farms where need has been identified prior to purchasing farms as and where appropriate.
- Legal due diligence: commissioning in-depth legal due diligence prior to any land purchases.
- Investment Committee: there are three independent members on the investment committee ensuring fresh unbiased critical analysis for every farm purchase.
- Advisory Committee: the GP discusses its operations and plans with the investor appointed advisory committee once a quarter.
- Cluster meetings: all farm staff are invited to cluster meetings where farm performance is discussed for benchmarking and improvement purposes.
- Monthly management reviews: the farming clusters operations are regularly reviewed and benchmarked.
- Regular GP meetings: the GP directors and key support staff meet as a team on a weekly basis.
- Daily alerts: the GP directors get daily collection data from the milk processor on milk collection and quality.
- All invoice payments are approved by the directors
- Leadership of key areas: while the GP is responsible for the operations of Southern Pastures, each GP Director has individual oversight responsibilities, or leadership, for key areas as outlined in the matrix below.

Key Leadership Responsibilities

P Maan <ul style="list-style-type: none"> • Health & Safety • Soil Biology • Administration • GP Staff • Investor Reporting • Dairy NZ • OIO, Government • ESG 	G Mourie <ul style="list-style-type: none"> • Animal Welfare • Human Resources • On-farm Best Practices • DOC • WAC • QEII • ECAN
P Wight <ul style="list-style-type: none"> • Carbon • Forestry & Offset plantings • Clean Energy • Legal Due Diligence • Suppliers' RFP • Accounting & Audit 	T Nicholas <ul style="list-style-type: none"> • On-farm Sustainability • Clean Waterways • Local Community • Resource Consents • Iwi liaison • Local Government

Supplier Requirements

As part of its stewardship policies, Southern Pastures requires all suppliers and service providers to respond to a Request for Proposal (RFP) that specifically states Southern Pastures commitment to ESG policies and asks for the respondents to provide their own ESG policies. This RFP process ensures that we choose partners, service providers and suppliers that provide an optimum combination of:

- Pricing
- Service levels
- "Fit for purpose" products and services
- "Meeting of minds" and alignment on various ESG issues

The GP believes that Southern Pastures' RFP process has compelled many organisations to start considering ESG issues and in particular, wider global issues that they may not have previously concerned them. For example, the use of PKE, antibiotics and phosphate from Western Sahara.

Active Ownership

Southern Pastures actively exercises its right to vote (or proactively abstain if the GP believes that is in the interests of Southern Pastures or the wider community) in the various companies, co-operatives and organisations that it has interests in.

During 2019 the GP noted publicly their decision to abstain from voting on the proposed takeover of the

Westland Co-operative Dairy Company Ltd. (Westland) by a subsidiary of Chinese dairy giant The Inner Mongolia Yili Industrial Group Co., Ltd. (Yili).

The GP viewed that Southern Pastures position as Westland's single largest shareholder, the location of its farms, and financial strength, was likely significantly different to that of the many smaller owner-operator West-Coast farmer shareholders. The GP highlighted that these factors provided options to Southern Pastures that may not have been available to those smaller shareholders and consequently the GP made a moral judgement to leave the critical decision on whether the offer should be accepted or not to those individual Westland shareholders.

This stance was viewed positively by a wide group of interested parties.

Financial Service Registration

Southern Pastures and the GP are Registered Financial Services Providers (RFSP) for "keeping, investing, administering, or managing money, securities, or investment portfolios on behalf of other persons" with the Financial Markets Authority of New Zealand (FMA).

Responsible Investment

As previously mentioned, Southern Pastures is a signatory of the United Nations backed Principles for Responsible Investments (PRI) and is an active member and abides by its signatory undertakings.

The concept of 'Responsible Investment' is growing in importance in New Zealand with the RIAA assessing that there were \$188b²² in assets under management managed in a responsible manner as at 31 December 2018.

The Responsible Investment Association Australasia (RIAA) has completed its annual review of New Zealand's responsible asset managers and again Southern Pastures is noted as clearly demonstrating leading practices of ESG integration in its investment process via policies, clearly defined approaches to stewardship, active ownership (including corporate engagement and voting) and meaningful disclosures.

The GP would note that Southern Pastures has featured in the RIAA reporting since the outset of the compilation of the New Zealand benchmark report.

²² Responsible Investment Benchmark Report 2019 New Zealand



Responsible
Investment
Association
Australasia

Responsible Investment Benchmark Report 2019 Australia & New Zealand

There are eight investment managers that clearly demonstrate leading practices of ESG integration in their investment process via their policies, their clearly defined approaches to stewardship, their active ownership (including corporate engagement and voting) and their meaningful disclosures.

New Zealand investment managers

AMP Capital Investors	HRL Morrison	Pathfinder Asset Management
Devon Funds Management	Mercer New Zealand	Southern Pastures
Harbour Asset Management	Mint Asset Management	

The report can be found here:-

<https://responsibleinvestment.org/wp-content/uploads/2019/07/Responsible-Investment-Benchmark-Report-NZ-2019.pdf>



Cow shed, Manako Farm, Waikato cluster

Appendix 1:

PRI Principles for Responsible Investment

The Principles for Responsible Investment (*PRI*) were developed by an international group of institutional investors, reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The United Nations Secretary-General convened the process.

As a signatory of the PRI, we (Southern Pastures Management Limited (the GP)) are committed to implementing the Principles, where consistent with our fiduciary responsibilities, to better align our investment activities and the interests of our investors with the broader interests of society.

The preamble to the signatory states:

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1: *We will incorporate ESG issues into investment analysis and decision-making processes.*

Consideration of ESG issues is a specific requirement for all our investment analysis and incorporated into our decision-making processes.

Principle 2: *We will be active owners and incorporate ESG issues into our ownership policies and practices.*

ESG issues have been integrated into our operating business plans for the assets

Principle 3: *We will seek appropriate disclosure on ESG issues by the entities in which we invest.*

We have sought and reviewed ESG policies of the entities into which we have invested.

Principle 4: *We will promote acceptance and implementation of the Principles within the investment industry.*

We have promoted PRI and ESG in our marketing to other institutional investors.

Principle 5: *We will work together to enhance our effectiveness in implementing the Principles.*

We are participants in PRI Farmland Working Group and in the Farmland Principles group of investors in farmland.

Principle 6: *We will each report on our activities and progress towards implementing the Principles.”*

We participate in the formal reporting to PRI and this report is an additional report on our activities and progress towards implementing the Principles.

Appendix 2:

Farmland Principles

Investing in farmland has emerged as a new asset class for institutional investors.

'Farmland Principles' were developed by a group of institutional investors in September 2011 to guide investors who wish to invest in farmland in a responsible manner.

Southern Pastures Management Limited (the GP) became a signatory to the Farmland Principles in August 2012 and committed to applying the Principles in its activities.

Principle 1: *Promoting environmental sustainability*

As outlined under the 'Environmental' section, we have undertaken measures aimed at protecting the environment and contributing to sustainability.

Principle 2: *Respecting labour and human rights*

As outlined under the sub-section 'Human rights' in the 'Social' section, we have taken measures to ensure that labour and human rights are respected. We have also ensured that animal rights are also respected.

Principle 3: *Respecting existing land and resource rights*

As outlined under the sub-sections 'Existing land and resource rights' and 'Indigenous rights' in the 'Social' section, we have respected existing land and resource rights.

Principle 4: *Upholding high business and ethical standards*

As outlined under the 'Governance' section, we have adopted and practiced the highest business and ethical standards. We have promoted such standards to our suppliers and service providers by specifically requesting information on their ESG policies and practices in all RFPs.

Principle 5: *Reporting on activities and progress towards implementing the Principles and promoting the Principles*

Appendix 3:

Stewardship Principles

The GP has adopted the following principles based on the Financial Reporting Council's UK Stewardship Code.

Principle 1: *Institutional Investors should disclose their policy on how they will discharge their stewardship responsibilities.*

Stewardship responsibilities have been incorporated into investment and management decision-making.

Principle 2: *Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be disclosed.*

The GP regards investor interests as paramount and is committed to managing any conflicts of interest fairly and to carrying out its business in compliance with the highest standards of corporate governance and control. The GP recognises that conflicts of interest may arise and has a clear policy on how to manage such conflicts:

- Commitment of all directors to conflict identification and management
- Consistent treatment of conflicts of interest (such as not being able to vote on any matters where there is a conflict and/or not being privy to any new information once the conflict has been identified)
- Regular reviews of the policy.

Principle 3: *Institutional investors should monitor their investee companies.*

Southern Pastures holds significant equity interests in Fonterra Co-operative Group, Westland Co-operative Dairy, New Zealand Grass Fed Milk Products and Lewis Road Creamery. The GP maintains a dialogue at senior levels with Fonterra and Westland representatives, and has board representation on New Zealand Grass Fed Milk Products and Lewis Road Creamery. This is to ensure that Southern Pastures remains as fully informed as possible.

Principle 4: *Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.*

The GP will vote in any of Southern Pasture's investments in line with its core philosophies. If there was a particular issue where the GP felt that the investee company was not managing its risks/opportunities in a responsible manner, then the GP will endeavour to engage in a more active dialogue.

Principle 5: *Institutional investors should be willing to act collectively with other investors where appropriate.*

As per Principle 4, if the GP felt that a company was acting in a manner that was not consistent with the GP's core philosophies, then the GP will endeavour to identify similar minded investors with whom it could act collectively in order to maximize the potential for a positive change.

Principle 6: *Institutional investors should have a clear policy on voting and disclosure of voting activity.*

The GP has a clear policy of voting in line with its core Responsible Investment Principles. All voting is disclosed to investors.

Principle 7: *Institutional investors should report periodically on their stewardship and voting activities.*

The GP reports to investors through quarterly advisory committee meetings, annual reports, annual meetings and through an annual ESG report.