ANNUAL ESG REPORT
2020-2021
At Southern Pastures, our sustainability practices are the bedrock of our business. It is our driving belief that pastoral farming can be a powerful force for good. Through our ESG policies and practices we commit to delivering benefits to both our investors and our environment, and to promoting our planet at our expense. We are prepared to lead, to do what we consider to be right, and no other policies and practices outlined in this report often exceed our legal and industry best practice obligations.

In 2020 - 2021 we have continued to see great disruption and uncertainty caused by the Covid-19 crisis. We know that future generations will have to carry the costs of the pandemic recovery. We should not burden them with additional climate and environmental costs at the same time. Farms that produce more each year with fewer inputs and are resilient to climate volatility will be in our common interest.

New Zealand farmers are already the most efficient in the world - our national dairy footprint is one-third of the global average - but our Southern Pastures commitments go further than what is required by law and industry best practice.

We have consistently captured these commitments for our consumers through the independent audited 10 Star Certified Values program. The program meets our stringent standards for sustainable practice and is designed to become a trusted benchmark for pastoral farming excellence. In 2020 - 2021 all Southern Pastures farms achieved compliance with the 10 Star Certified Values program.

We know, however, that there is still a journey ahead. In 2020 we set a long-term objective to achieve real – not traded, off-set, or purchased – carbon-neutral status on all our farms. We own and operate 20 farms encompassing over 6,600 hectares of land in the North and South Islands of New Zealand. To reduce our carbon footprint we use products, tools and ideas that have been empirically proven, or we trial them on our farms in conjunction with local universities, 3rd party and government research agencies to produce peer-reviewed research.

Our intention, ultimately, is to go beyond carbon-neutral and become a net extractor of atmospheric carbon, to become climate positive.

Southern Pastures is not waiting for complicated future technologies to pursue this goal. We are using available farming techniques to capture and store carbon in the soil. These include low-tillage, crop rotation, preserving valuable nutrients on-farm, and reducing animal methane emissions.

We also see our role in shaping new technologies and techniques in a controlled manner to test effectiveness and, if effective, to then apply them more widely. Our past, existing, and planned trials cover – soil biology (including funding introduction of a species of dung beetles into New Zealand), biochar, miscanthus grass, probiotics for cows and probiotics for cows and the land.

We are working on achieving the baseline measurement for our soil carbon and will combine this with above ground and other inputs and output measurements to determine our “wholistic” system-wide footprint. This will then allow us to measure the delta over time to demonstrate the benefits of our farming practices.

In 2020, we completed our purchase of premium boutique dairy producer Lewis Road Creamery, which like all parts of our business, must adhere to our ESG standards. There are many who would call our overall approach to farming and business a regenerative one. At Southern Pastures, we have started from a healthy baseline on many of our farms, so our focus is less on repairing (or “regenerating”) our land and more firmly on fixing the future.

As the links between food production and megatrends, such as antimicrobial resistance, animal welfare, climate change and water stress are better understood, people want to know more about the provenance of their food. Simply put, a lot of people are as concerned about values, as they are about value for money, and we aim to reflect that in the products we produce.

So, we prefer to call what we do “Inter-generative Farming”, to show our commitment to a planet that we are, after all, only borrowing from our children.

Your comments and queries on our ESG policies are welcome, please direct them to: maan@southernpastures.co.nz

Phillip Wight
Executive Director

Prem Maan
Executive Chairman & CEO

Graham Mavor
Executive Director

Tara Nicholas
Executive Director
Contents

Our commitments

ENVIRONMENT

Te Taiao | Our natural environment and our animals
Water
Nutrient management
Nitrogen reduction
Electricity

Our land and soil

Soil management
Earthworms
On-farm planting programs
N loss and GHG Emissions

Our animals

Grass-fed, free-range, GMO-free and no PKE
Antibiotic stewardship
Bees, fish and birds
Environmental research and development

Nga Tangata | Our Farmers, partners and communities

Lewis Road Creamery

SOCIAL

Our farmer and communities

GOVERNANCE

Nga Tikanga | Our governance and oversight
Key Governance Frameworks

Lewis Road Creamery
Many of our key ESG commitments are captured at a glance for our consumers through our independently audited 10 Star Certified Values program. The program meets our stringent standards for sustainable practice and is designed to become a trusted benchmark for pastoral farming excellence. In 2020-2021 all Southern Pastures farms achieved compliance with the 10 Star Certified Values program, which measures our performance in these critical areas:

1. Grass-fed diet
2. 365 days free-range
3. No GMO
4. Animal welfare
5. Human welfare
6. No palm or tallow products
7. Environmental sustainability
8. Antimicrobial stewardship
9. Climate change mitigation
10. No added rBST or other hormones

100% of effluent from our farms is either captured, prevented from leaching, or responsibly recycled into the land to encourage soil health and pasture growth.

We hold ourselves to account through global key commitments and recognitions, which include:

- Signatory of United Nations Principles for Responsible Investment (UNPRI);
- Signatory to Farmland Principles (a sub-group of UNPRI);
- Signatory to Investor Statement on Antibiotic Stewardship;
- Member of the Upper Waikato Sustainable Milk Project; and
- Recognition by Responsible Investment Association Australasia as only NZ agricultural fund to meet its highest ESG standards.

Disclosure of governance to GIIN (Global Impact Investor Network) and only New Zealand Entity to do so.
Our environment and our animals

Southern Pastures accepts guardianship over our land and waterways and we commit to leaving these healthy and productive for future generations.

We see our animals as sentient beings and we only permit farming systems based on humane treat-

ment of livestock.

Southern Pastures exceeds the ecological obligations that were laid out in our environmental protection and improvement plans submitted to the Overseas Investment Office at the time of each farm’s purchase. Southern Pastures also exceeds the animal welfare requirements established in New Zealand law.

Our environmental sustainability and animal welfare policies, adopted at inception, are to:

- Minimize the risk and magnitude of negative environmental impacts and mitigate such impacts.
- Promote environmental sustainability on a farm-by-farm basis.
- Promote biodiversity through the creation of regeneration reserves and wetlands.
- Prohibit the clearing of any native forest or virgin land for farmland.
- Southern Pastures practises farming techniques and systems that minimize environmental impact on all its farms, including:
  - Zero tillage where possible and low tillage where it isn’t.
  - Cover and catch crops, deep rooted plants and increasing pasture species diversity.
  - Increasing biodiversity through the retirement of land, creation of wetlands and active native plantings.
  - Permanent bee populations.
  - Managed rotational grazing of livestock.
  - Introduction of beneficial species of earthworms and dung beetles.
  - On-farm forestry.
  - Increasing the use of organic matter and the judicious use of synthetic fertilisers.
  - Stewardship policy around use of chemicals.
  - Antibiotic Stewardship signatory commitment.

On Kereru Farm, we have a permanent protection covenant with the QEII National Trust to sustain over 18 hectares of wetlands.

Across all our wetlands we work to eradicate exotic and pest plants to replace them with native flora and fauna either by undertaking plantings or encouraging native regeneration.

Southern Pastures is compliant with the Fonterra Dairying and Clean Streams Accord, which we view as a starting and minimum requirement for our freshwater responsibilities.

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- All livestock are excluded from waterways.
- Culverts are created on new pasture areas.
- All effluent discharge is compliant.
- All wetland areas and waterways are fenced to exclude livestock.

In addition to these obligations, we have undertaken extensive riparian plantings and completed significant riverbank protection work, working together with Environment Canterbury, to manage vulnerable areas, and we have established wetlands on two of our Waikato farms.

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One hundred percent of streams and rivers on our farms are fenced to prevent livestock incursion, and the fence-lines have buffer zones of indigenous fern to assist with run-off prevention.

On Kerere, 18 hectares of farmland has been retained and covenanted to bind any future landowners to preserving the biodiversity improvements.

Water

From the rain-fed rolling hills and pastures of our Waikato farms to careful management of our fresh irrigated water sources in Canterbury, which are sourced from and replenished by rain and snow-fed Southern Alps, Southern Pastures prioritizes the good health and quality of all our farms’ water sources and waterways.

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Nutrient management

Southern Pastures exceeds New Zealand’s legal requirements for nutrient management on farm. Each farm has a nutrient management plan to ensure policy obligations are met. Southern Pastures also invests sustainability in effluent management to minimize any potential chance of environmental contamination. All effluent is collected and stored. Nutrient-rich liquids are dispersed across paddocks on a rotational basis during suitable weather conditions while solids are also used as fertilizers. Our intention is to retain nutrients on-farm and to prevent run-off into waterways.

Significant capital investment in silage bunkers and feed pads prevents nutrient loss and leaching from supplementary feed storage and use.

100% of effluent from our farms is either captured, prevented from leaching, or responsibly recycled into the land to encourage soil health and pasture growth.

Limit the leach - from dung beetles to drones

Our use of dung beetles on farm contributes to water quality through the reduction in leakage of nutrients. We use specialist drone technology to map and understand water movement pathways across our farms. This allows targeted and reduced use of fertilizers and sewage plantings to minimize nitrogen leaching into waterways.

Southern Pastures has introduced dung beetles to farms in both its Waikato and Canterbury clusters, as part of our partnership 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.

Research has shown that dung beetles improve pasture productivity, soil biology, carbon content, reduce surface water runoff, and importantly reduce methane emissions. Research also indicates that nutrient and contaminant leaching can be reduced by dung beetle tunnelling and burying activity.

Nitrogen Reduction

To preserve water health, Southern Pastures continues to reduce overall Nitrogen (N) fertilizer usage and in incorporating organic sources of N. Management and application rates of synthetic nitrogen on-farm have become more important particularly with the National Environmental Requirements on Fresh Water Regulations, which having come into force in late 2020.

These regulations, as well as imposing restrictions on land-use and land-use change including limits on irrigation, also cap the use of synthetic nitrogen on a per hectare-basis effective from 1st July 2021.
Electricity
One hundred percent of electricity used on our farms is renewable. All milking sheds on all farms are fitted with heat transfer systems to utilize waste energy generated by refrigeration for heating shed cleaning water.

Our Land and Soil
“Healthy soils sequester more carbon.”

Life on earth is dependent on a thin and fragile layer of topsoil, and the health of these soils underpins our farming philosophy. Improved soils sequester more carbon, produce superior grass, and in turn make the healthiest and most nutritious milk possible.

We therefore require the following soil policies be adhered to by all our farms:

- All effluent at the dairy shed is collected and stored for managed recycling to improve soil fertility
- Zero or low tillage
- Use of earthworms and dung beetles to improve soil biology, quality and productivity
- Pasture monitoring and controlled renewal
- All steep hill country not suitable for pastoral farming to be retired and regenerated in indigenous species

We also require permanent bee populations on all farms as a natural means of pollination and to do our part in preserving biodiversity and bee populations that are globally threatened.

Soil management
Southern Pastures soil management policies stem from the knowledge that good soil biology improves carbon sequestration.

It is recognized that soil organic carbon (SOC) sequestration is a viable means to mitigate climate change. Estimates place the amount of carbon stored in the soil at two to three times that of the atmosphere, and as such, relatively small changes in the sequestration rate of the soil could exert a significant role in mitigating greenhouse gas emissions. For instance, it is calculated that a 0.4% increase in SOC sequestration could offset annual greenhouse gas emissions from fossil fuels use.

Our on-farm measures for healthy soils that assist with carbon dioxide sequestration include:

- Pasture species diversity
- Zero to limited tillage
- The introduction of earthworms and dung beetles
- Seed penetration insertion
- Controlled rotation of paddocks

Increasing the types of pasture species and the addition of dung beetles and earthworms, enhances soil depth and structure. Improving the soil humus and topsoil levels not only sequesters more carbon but produces better grasses and other diverse forage which produces better milk.

Southern Pastures farms continue to increase plantain grass species in the pastures. This is achieved through regular under-sowing to existing pasture and addition of plantain to the new pasture seed mixes when regrassing. Trials have found that increased plantain in the pasture sees reduced nitrogen in the cow’s urine which helps reduce the N loss from each of the farms. It is also seen as a highly nutritious plant with additional mineral levels that assist with overall animal health.
Earthworms

We foster populations of beneficial earthworm species that were not present on our farms when we first acquired them. 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 fertilizer and effluent efficiency and retention, lower grass grub pest populations, and a reduction of live-stock facial eczema. Earthworms are now clearly evident within our soil structure, when turf is pulled back or under cow pats.

On-farm planting programs

Southern Pastures manages an on-farm planting program to promote native flora and biodiversity on all our farms.

This includes native and regenerative planting, new fence-line and shelter belts, and associated planting maintenance programs within both our key farming regions.

New planting CAPEX is budgeted to be in the order of NZ$300k for the 2021/22 season across the two regions in the South Waikato in the North Island and in Canterbury in the South Island.

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

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. These areas have been identified and mapped to assist in the revision. 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.
In 2021, Southern Pastures engaged AgriBusiness Group on further environmental reporting. The report summarized the nitrogen leaching and greenhouse gas emissions over two seasons from the Southern Pastures farms, since the 2017-18 season. Overseer is a science-based farm reporting and modelling software package that seeks to model the environmental aspects of a farm using individual farm and region-specific inputs.

Our Animals

“Our cows graze outdoors year-round with grass making up over 99% of their diet.”

Our starting point for good animal welfare is that our cows are sentient beings with a right to proper and humane treatment. Our cows are also key to our business success. Ensuring proper animal welfare is a fundamental consideration for Southern Pastures as we rely on our dairy cows for the quality of our returns. If a cow is stressed, ill or lame she produces both lower and lower quality milk, so the health and wellbeing of our cows is fundamental to our business.

Our Animal Welfare approach is guided by the Five Freedoms:

- FREEDOM from thirst and hunger
- FREEDOM from discomfort
- FREEDOM from pain, injury and distress
- FREEDOM to express normal behavior
- FREEDOM from fear and distress

Southern Pastures animal welfare policies go beyond New Zealand’s already very high standards and are written into our farm manager contracts. We have a zero-tolerance policy for animal cruelty, abuse or neglect. All Southern Pastures staff are trained to be aware of the required five freedoms. Our policies have been recognized by FAIRR with a case study entitled “Southern Pastures: Measuring the business case for good welfare.”

FAIRR is a collaborative investor network that represents over US$48 trillion of assets under management that raises awareness of the material ESG risks and opportunities caused by intensive livestock production.

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1 South Island based primary industry consultants dedicated to advising sustainable & resilient businesses.

2 https://www.fairr.org/article/southern-pastures/
Grass-fed, free-range, GMO-free and no PKE

Southern Pastures' cows have a natural grass forage diet that is free from PKE and GMO crops and feed.

Southern Pastures has entered a partnership with Farmlands to produce calf feed that is suitable for a 10 Star Certified Values diet and is guaranteed to be non-GMO. This allows us to certify that our whole feed chain is also GMO-free.

Our cows are pasture raised and fed outdoors year-round with grass and other forage making up near 100% of their diet. This diet produces better quality milk that is significantly richer in omega-3 fats, vitamin E, beta-carotene and conjugated linoleic acid – a beneficial fatty acid.

Southern Pastures has removed Palm Kernel Expeller (PKE) entirely from the milking herd diet. The elimination of PKE has resulted in a reduction in the assessed emissions footprint of the milk produced given the higher emissions profile of PKE as a feed source compared to the replacement feeds. Additional crops are produced to meet the unlikely event of a period of feed scarcity and the potential impact this can have on animal welfare.

Southern Pastures considers it a moral decision not to feed PKE on our farms because we know we must play our part in preventing rainforest destruction and protecting biodiversity on earth.
Antibiotic stewardship

Southern Pastures recognizes the routine non-therapeutic use of antibiotics in livestock potentially poses a risk to public health. Southern Pastures therefore complies with (and is the only New Zealand signatory to) FAIRR’s comprehensive Global Investor Statement on Antibiotic Stewardship.

Southern Pastures’ policy is that our milk sent for processing is, and therefore all our products are, always free from antibiotics without exception.

Our antibiotic stewardship plan manages the on-farm challenges that create disease or damage; in other words, we put the emphasis on prevention rather than cure.

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

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

No cow is administered antibiotics unless it is necessary for their well-being, and then only after other treatments have been tried first and 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.

Southern Pastures’ farms now use less antibiotics than what is permissible under EU organic standards.
Environmental research and development

Southern Pastures continues to work with research partners, including Universities and Crown Research Institutes, on environmental and sustainability projects.

These include:

- Plant and Food Research – ongoing studies of biodiversity growth along newly planted fence-line shelterbelts and proposed new studies on around fruit tree pollination.

- Seed Industry Research Centre (SIRC) – provision of sites for research by the Seed Industry Research Centre on additional or alternative pollinators to honey bees.

- Massey University – a research project on the ‘Role of Shelterbelts in New Zealand Pastures’ conducted for the Ministry for Primary Industries and funded additionally in-part by the Sustainable Farming Fund.

Southern Pastures also looks to conduct its own demonstrations and trials on-farm on various farm related aspects.

KNEWE – Southern Pastures is progressing a trial on a probiotic supplement treatment

KNEWE. Initial research indicates an increase in milk production due to increased digestive efficiency in the feed conversion process. An increase in production at greater efficiency would provide a reduction in GHG emission estimates per kgMS as well as reduced costs.

The trial takes place on neighbouring Waikato cluster farms Tātua (supplement) and Nikau (control). These farms share similar socio-economic and climatic conditions thereby removing many variables that could complicate conclusions as to the effectiveness of the product where a comparison of the results is undertaken. A full analysis of results will be conducted at season-end though early season commentary from farm staff may suggest some anecdotal indications of a potential material positive difference in some performance aspects already.

Weed Control - Southern Pastures continues to look to trial and evaluate various site specific solutions to weed management. Weed management and minimisation of the new plantings specifically weed suppression during the early phases of growth, plays a significant role in ensuring the best outcome for the new planting-ment. The weed suppression trials are taking place on Kenburn Farm in Canterbury.

Miscanthus Grass – there is ongoing work around the propagation, usefulness and applications of miscanthus grass.

Biochar – The biochar self-demonstration is continuing at Waikato organic farm Kererū. The second application was completed in late August 2021. Biochar ischarcoal that is produced by pyrolysis of biomass in the absence of oxygen; it is used as a soil ameliorant for both carbon sequestration and soil health benefits. We anticipate that the application of biochar to the soil should result in greater water and nutrient retention – as well as increasing soil carbon sequestration.

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Cow-Manager - Southern Pastures also instigated a trial on Cow-Manager on two farms, one in each region. Cow-manager is a computerised wearable ear tag that supplies data wirelessly on overall cow health including body temperature, rumination and activity or movement levels. This information assists in the optimisation of mating, early identification of potential health issues and can also inform on the feeding behaviour. Initial results have showed some measurable beneficial results around mating. There are now technology gis coming to the market in this space that will be investigated before a decision is made on the final technology platform to use.

Plants and Food Research is a New Zealand Crown Research Institute. Its purpose is to enhance the value and productivity of New Zealand’s horticultural, weekly, pastoral and its beverage industries.

2 The Seed Industry Research Centre Inc was formed in 2017 with the aim of enhancing New Zealand’s seed export sector. It is a partnership of key New Zealand seed industry stakeholders including Crown Research Institutes, Universities, Industry and Farming organisations.

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Farming organisations.

Mauri Farm in the South Waikato. In addition to the easement, further work has seen the completion of a formal access drive and the relocation of a gate enabling better public access.

The Mokaihaha Ecological Area is located in an area that borders Southern Pastures’ conducted for the Ministry for Primary Industries and funded additionally in-part by the Sustainable Farming Fund.

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Farming organisations.
Our farmers, communities, partners and staff

New Zealand is a world leader in social issues and human rights, and at Southern Pastures we have developed our own social policies that remain at the forefront of our legal requirements.

Health and Safety

Southern Pastures prioritizes workforce Health and Safety. The results are reported and summarized each quarter to the GP Board, with any serious incidents reported immediately. The regular incident reporting and tracking also includes findings from any spot inspections that have been conducted through the quarter.

The nature of farming operations and the danger surrounding livestock and heavy machinery operation, means we require drug testing be regularly undertaken to assist or enhance worker safety. We are also investigating a new geo-fenced app-based Health and Safety tool allowing sign-in and sign-out onsite. This will assist farm partners to identify who is on or off farm, what tasks are being conducted, and when these have been completed the person has left safely.

Human Rights

Southern Pastures upholds human and labour rights with our all-practitioners founded on the expectation that staff are to be treated with due respect. Southern Pastures is an equal opportunities employer and we are proud to promote workplace diversity with staff from around a dozen different cultural backgrounds.

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.

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.

Indigenous Rights

Southern Pastures respects the Treaty of Waitangi as the founding document of modern New Zealand and the Māori rights enshrined therein. We foster beneficial, positive and pro-active relationships with iwi for both ecological and economic outcomes.
Southern Pastures is the 100% owner of New Zealand’s beloved premium dairy brand, Lewis Road Creamery. Like all aspects of our business, we require Lewis Road to meet our ESG standards and policies. As we create new dairy products, we go the extra mile to ensure care and attention at every stage of our supply chain.

**GMO-free**

GMO-free is an important value to Southern Pastures and is a 10 Star credential. Lewis Road Creamery now has a range of products certified by the Non-GMO Project Product Verification Program, which is North America’s most rigorous third-party verification for non-GMO food and products.

In the dairy sector, the butterfly mark of the Project means our only cows are free of genetic modification, but they have been raised on a non-GMO diet. Our Lewis Road Creamery fresh milks proudly carry the Non-GMO butterfly mark and are uniquely the only products sold just in New Zealand that are authorized to carry this stamp.

Our export butter carry both the Non-GMO project verified butterfly stamp and our own 10 Star Certified Values stamp.

**PKE-free Milk**

Lewis Road’s white milk range comes from cows that are not fed Palm Kernel Expeller, a by-product of the palm oil industry, and it is the only standard PKE-free milk available in New Zealand.

**100% recycled and recyclable packaging**

Lewis Road was the first milk producer to sign the New Zealand Packaging Declaration, committing to 50% of its packaging being recyclable, reusable or compostable by 2025 or earlier.

Since October 2019, Lewis Road’s entire white milk, flavored milk and cream range has been bottled in our 100% recyclable (rPET) milk bottle. The packaging is made entirely from recycled plastic and is not only 100% recyclable, it is also accepted by every local authority recycling collection nationwide. It was awarded Gold in the special Sustainability Category at the 2020 WorldStar Packaging Awards.

Switching to rPET bottles saves approximately 200 tonnes of new plastic being created each year.

**The Refillery**

At Lewis Road Creamery, our journey towards milk in glass bottles has begun. We have partnered with The Glass Bottle Milk Co. to install our new Milk Refillery stations in Farro Fresh stores to provide a simple fill, use, rinse, and repeat system for our customers who love glass bottles.
Our Farmers and Communities
Southern Pastures offers our farmers the option to purchase an ownership stake in their farm, meaning we run our business alongside our Farmer-Partners.

Farmer-Partner Housing
Southern Pastures continues to invest in warm, healthy homes on our farms for our Farmer-Partners and their staff. Southern Pastures currently has 69 homes spread amongst our two regions. For 2021/22 the budget has been allocated an additional housing unit alongside circa NZ$170k for existing home updates and upgrades.

Community and Community Event Sponsorship
Southern Pastures runs a program of community donations based on the recommendations of our farmer-partners to positively impact the communities they live in.

Farmer-Partner Training
Regular regional training sessions continued to be held throughout the two regions. These on and off-site training sessions cover practical farming activity from Health and Safety sessions including chemical handling and storage to machinery and equipment use, to herd management specific such as mating and the use of stock management software and stock health.

Annual regional conferences were reintroduced this year and timed to coincide with Matariki the traditional start of the new year for Māori. This falls after the shortest day of the year at the winter solstice around late June and early July.

Southern Pastures adopted Matariki as its equivalent of Thanksgiving many years ago and it has become a cherished part of our farm life traditions. Southern Pastures notes that from next year Matariki will be a public holiday in Aotearoa New Zealand.

This year’s conferences provided further information and updates to our farmer-partners on Southern Pastures and Lewis Road Creamery’s direction of travel, as well as advances in the industry from Southern Pastures and industry leaders.

Farmer-Partner COVID-19
Southern Pastures continues to manage its activities within all COVID-19 guidelines. Our management teams are ensuring business continuity plans both on and off-farm, and our farming teams strongly encourage vaccination across all areas of operations.

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NGĀ TIKANGA
Our governance and oversight

“Good structure ensures good governance”

Key Governance Frameworks

Alignment of interests: the GP directors on a personal basis have invested 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 global accounting practice Baker
Tilly.

Independent audit: the annual financial statements are audited by global accounting
practice KPMG.

Independent valuation: all real assets are valued at purchase and reviewed annually by an
independent specialist rural valuer. Southern Pastures independent valuation panel
members and the farms they value are rotated regularly to ensure complete independence.

Environmental audit and impact: we procure independent environmental reports prepared
on the farms where need has been identified prior to purchasing farms as and
where appropriate.

Legal due diligence: we commission in-depth legal due diligence prior to any
land purchases.

Advisory Committee: the GP discusses its operations and plans with the investor appoint-
ed advisory committee once a quarter.

Banking

Southern Pastures and the Bank of New Zealand reached an agreement on a Sustainability
Linked Loan. This is the first written sustainability bank-linked facility for an agricultur-
al concern in New Zealand for the bank and was the first such loan for a farming entity
in Australia. The agreement covers around three key action areas - GHG, Water and
Biodiversity, seeking measurable independently audited targets and results. The ambitious
targets ensure that Southern Pastures will go above and beyond compliance minimums to
show what best practice in environmental management, labour and governance looks like.

Southern Pastures Voting

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 vari-
ous companies, co operatives and organizations that it has interests in.

Antimicrobial Stewardship

The GP have previously noted the global concerns surrounding antimicrobial resistance
(AMR). AMR occurs when bacteria, viruses, fungi and parasites change over time and
no longer respond to medicines making infections harder to treat and increasing the risk
of disease spread, severe illness and death. The main drivers of antimicrobial resistance,
amongst other things, include the misuse and overuse of antimicrobials.

As part of the GP’s Antimicrobial Stewardship Plan and support for measures to seek to
 curb AMR, the GP seeks to minimize on-farm antibiotic use, and when used, seek to align
the right drug in the right dosage for the right purpose.

Mastitis in milking cows can be an issue that requires antibiotic treatment.南方
Pastures is equipping its farms with Mastatest technology to test for infections, enabling a
fast 24-hour turnaround for identification of specific bacteria, rather than the typical three
to five-day wait for lab test results. Consequently, a quicker, targeted treatment is delivered
rather than a broad catch-all treatment approach. Using this testing technology allowed
one of our farms to reduce treatment rate by 22% in the 2020/21 season.

Southern Pastures is pleased to note that it now uses fewer antibiotics across all its farms
than what is permitted under EU Organic regulations.

Global Impact Investing Network

The Global Impact Investing Network (GIIN) is a network of investors dedicated to increas-
ing the scale and effectiveness of impact investing around the world.

Southern Pastures was the only New Zealand contributor to the recent report entitled
“Understanding Impact Performance - Agriculture Investments” that seeks to analyze and
measure the performance of impact investing and the differences made in areas such as
environmentally sustainable farming practices, increased rural income and employment.

Responsible Investment Association of Australasia (RIAA)

The Responsible Investment Association of Australia’s Responsible Investment Bench-
mark Report for 2021 again recognized Southern Pastures for its leading application of
ESG principles, noting their integration in our comprehensive responsible investment
approach. Southern Pastures has featured in the RIAA reporting for the past eight years
since the compilation of its New Zealand benchmark report.

UNPRI

We undertake annual UNPRI signatory reporting.
“Southern Pastures is founded on the belief that dairy farming must be a force for environmental, not just economic, good.”