



# ANNUAL ESG REPORT

2020-2021

Southern  
Pastures

## GENERAL PARTNERS INTRODUCTION / MESSAGE FROM THE EXECUTIVE CHAIRMAN

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 protecting our planet as we offer healthy, premium products to our consumers. We are prepared to lead, to do what we consider to be right, and so the 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 concisely captured these commitments for our consumers through the 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.

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, 3<sup>rd</sup> 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 are also not shy of trialing new technologies and techniques in a controlled manner to test effectiveness and, if effective, we 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, prebiotics in cows' diets 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 input 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 now 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](mailto:maan@southernpastures.co.nz)

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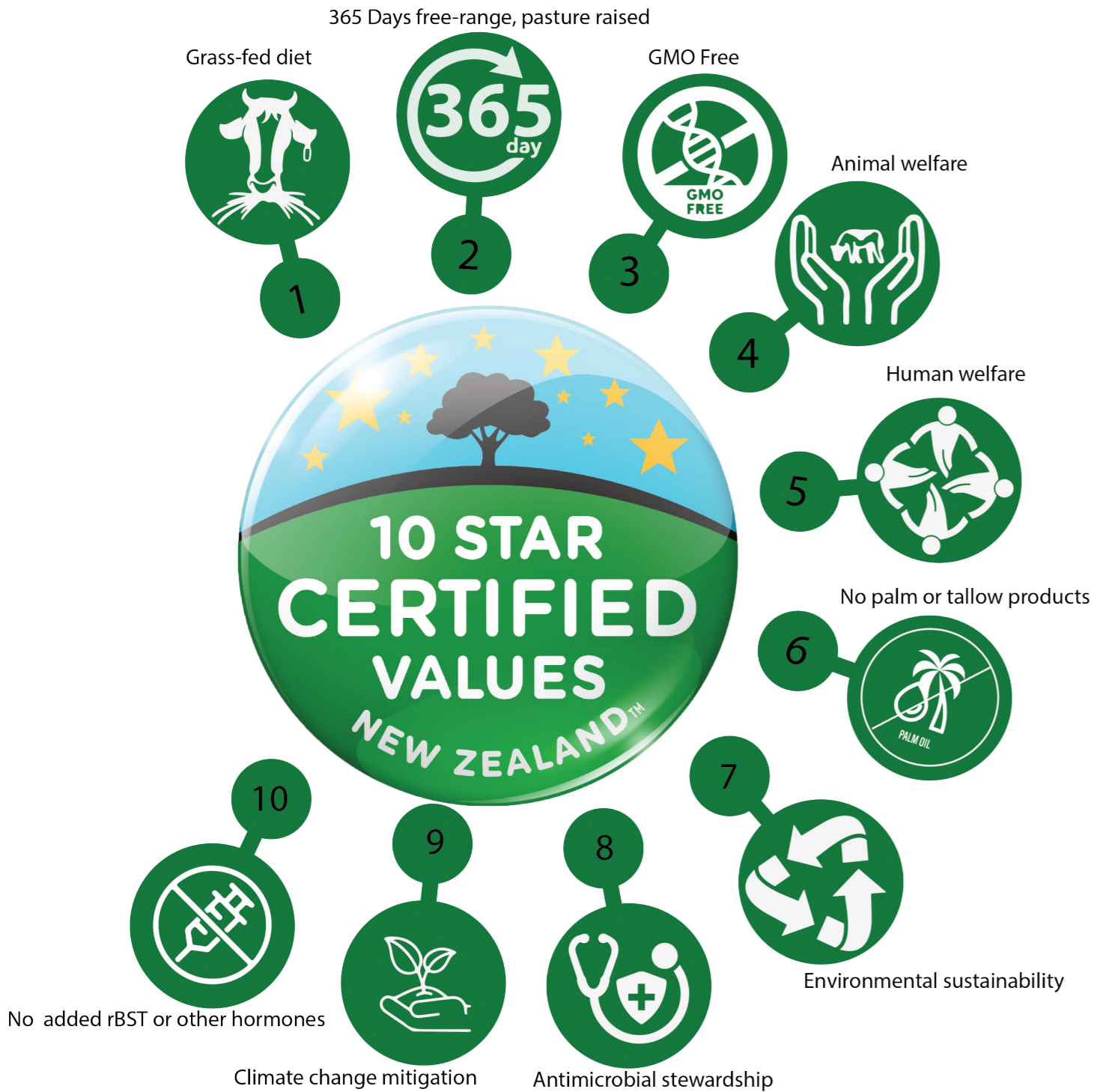
# Contents

Our commitments	5
<b>ENVIRONMENT</b>	7
<b>Te Taiao<sup>1</sup>   Our natural environment and our animals</b>	7
Water	8
Nutrient management	9
Nitrogen reduction	10
Electricity	11
<b>Our land and soil</b>	11
Soil management	12
Earthworms	13
On-farm planting programs	14
N loss and GHG Emissions	15
<b>Our animals</b>	16
Grass-fed, free-range, GMO-free and no PKE	17
Antibiotic stewardship	19
Bees, fish and birds	21
<b>Environmental research and development</b>	22
<b>Nga Tangata<sup>2</sup>   Our Farmers, partners and communities</b>	23
Lewis Road Creamery	25
<b>SOCIAL</b>	27
Our farmer and communities	27
<b>GOVERNANCE</b>	29
Nga Tikanga <sup>3</sup>   Our governance and oversight	29
Key Governance Frameworks	30




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1 Te Taiao – The Environment (New Zealand – Aotearoa Māori)  
 2 Nga Tangata – The People (New Zealand – Aotearoa Māori)  
 3 Nga Tikanga – Principled Practice (New Zealand – Aotearoa Māori)



### OUR COMMITMENTS

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 measure our performance in these critical areas:

- Grass-fed diet
- 356 days free-range
- Non-GMO<sup>1</sup>
- Animal welfare
- Human welfare
- No palm or tallow products
- Environmental sustainability
- Antimicrobial stewardship
- Climate change mitigation
- No added rBST or other hormones

<sup>1</sup> GMO – Genetically Modified Organism



“ 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. ”

### CREDIBILITY

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



# ENVIRONMENT

## TE TAIAO | Our environment and our animals

“ We’re convinced that dairy farming should be a force for environmental, not just economic, good. ”

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 treatment of livestock.

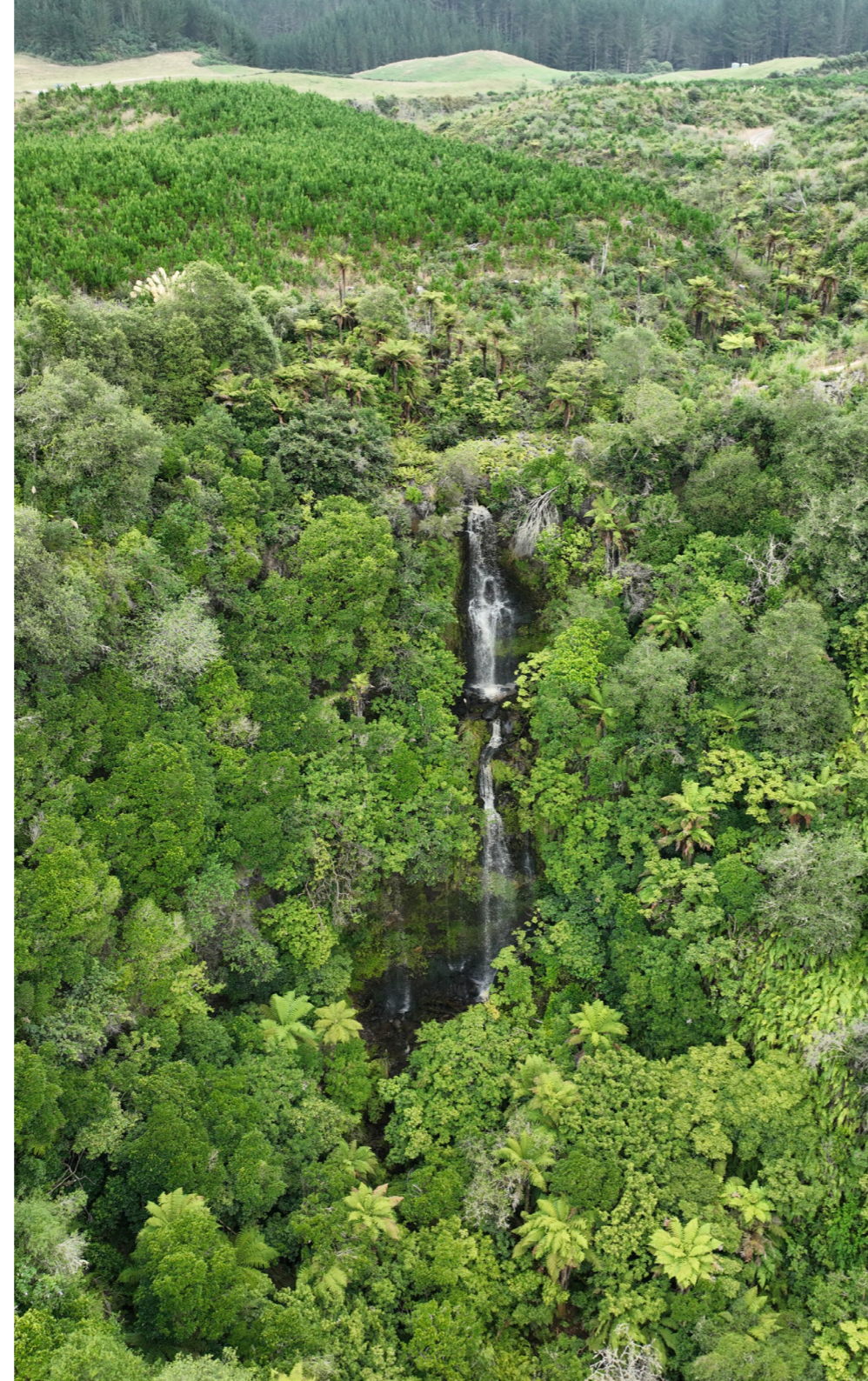
Southern Pastures exceeds the ecological obligations that were laid out in our environmental protection and improvement plans submitted to the Overseas Investment Office at the time of each farm’s purchase. Southern Pastures also exceeds the animal welfare requirements established in New Zealand law.

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 forests or virgin land for farmland.

Southern Pastures practises farming techniques and systems that minimise 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 all chemicals.
- Antibiotic Stewardship signatory commitment.



## 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 of our farms’ water sources and waterways.

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:

- 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.

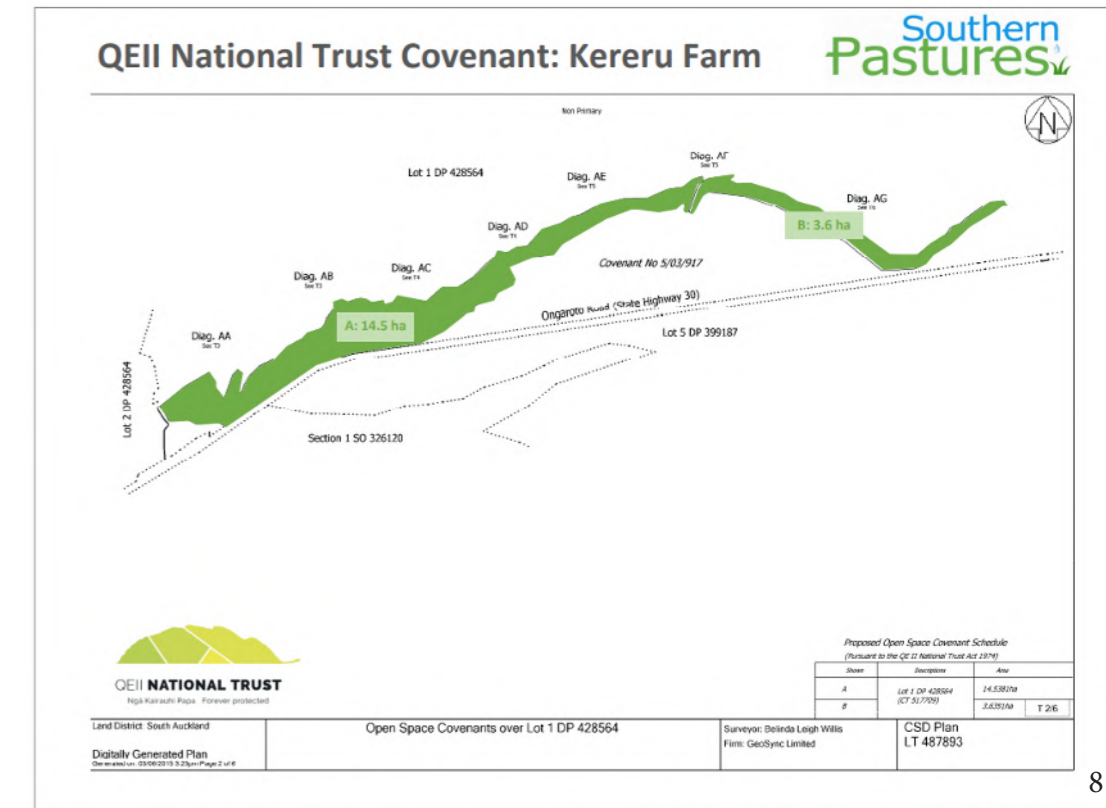
In addition to those obligations, we have undertaken extensive riparian plantings and completed significant riverbank protection work, working together with Environment Canterbury, to manage vulnerable areas, and we have established wetlands on two of our Waikato farms.

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.

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 flora to assist with run-off prevention.

On Kereru, 18 hectares of farmland has been retired and covenanted to bind any future land-owners to preserving the biodiversity improvements.



## Nutrient management

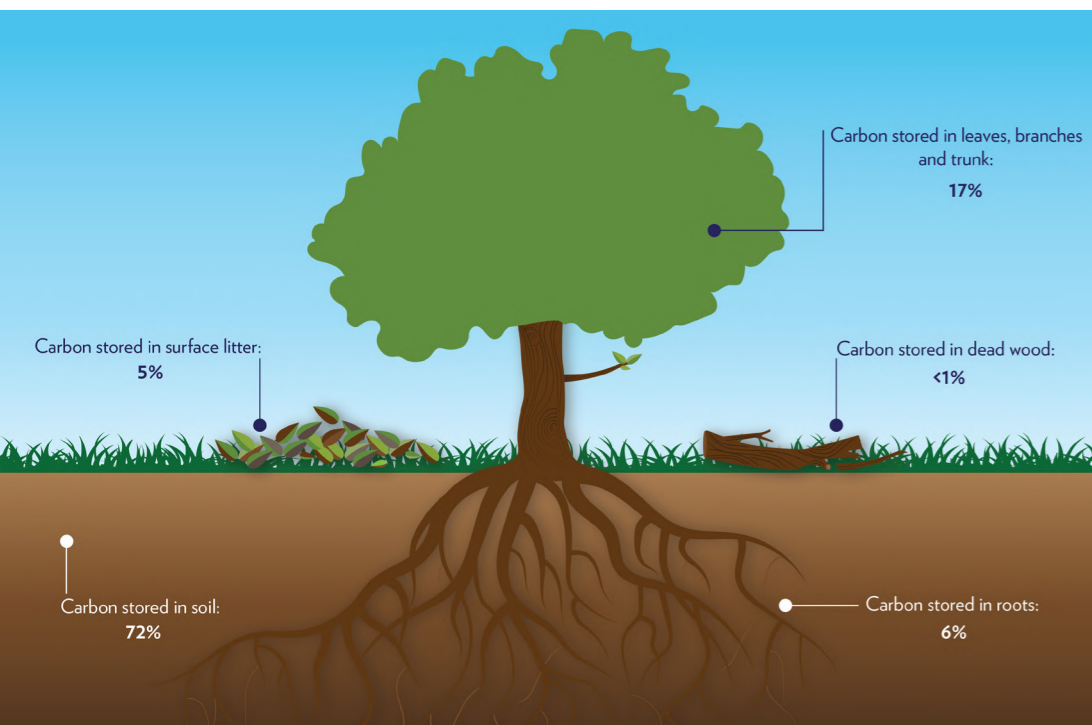
“ 100% of effluent from our farms is either captured, prevented from leaching, or responsibly recycled into the land to encourage soil health and pasture growth. ”

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.



Southern Pastures is also progressively installing ‘deep pond stirring’ and ‘pond management’ systems in the South-Waikato cluster farms effluent ponds. The stirrers combined with the pond management system aim to improve nutrient consistency for the distribution and application of the effluent as fertilizer. The pond management systems distribution technology enables greater accuracy in monitoring the location and application rates of the effluent applicators as well as monitoring flow and pressure on the related lines and pumps for potential faults.

These practices combined mean that 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 targeted 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.

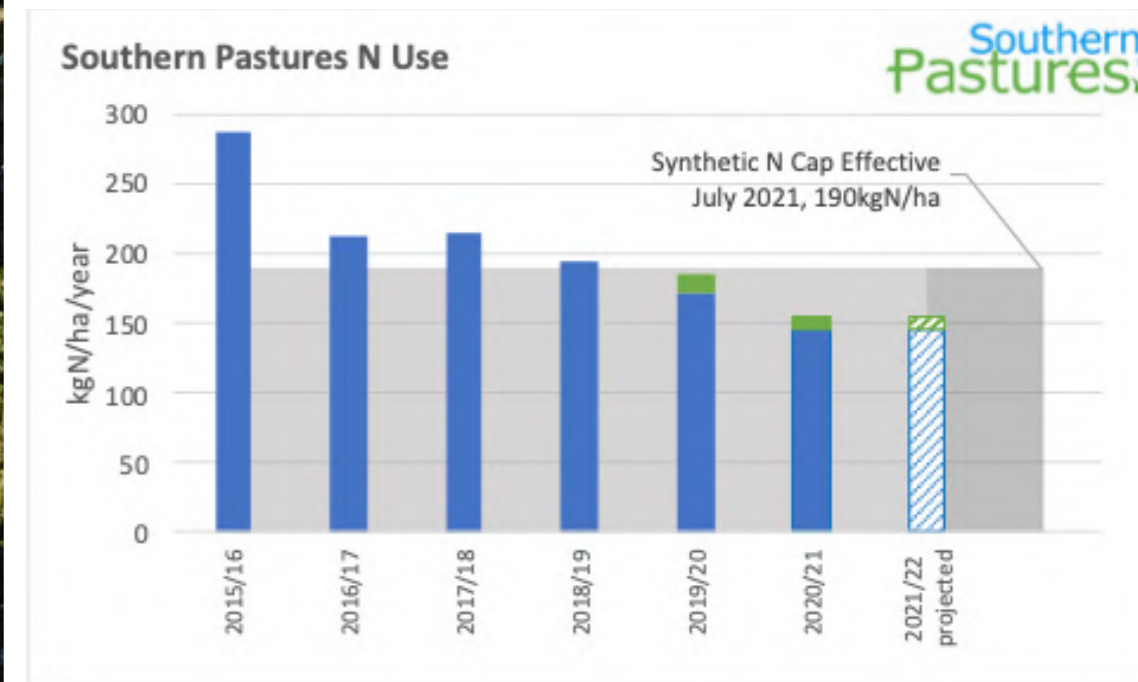
Research has shown that dung beetles improve pasture productivity, soil biology, carbon content, reduce surface water runoff, and importantly reduce methane emissions. Research also indicates that nutrient and contaminant leaching can be reduced by dung beetle tunnelling and burying activity.



## Nitrogen Reduction

To preserve water health, Southern Pastures continues to reduce overall Nitrogen (N) fertilizer usage and is incorporating organic sources of N. Management and application rates of synthetic nitrogen on-farm have become more important particularly with the National Environmental Statement on Fresh Water Regulations 2020 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 01 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 pasture. This is achieved through regular under-sowing to existing pasture and addition of plantain to the new pasture seed mixed 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-belt, 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.



## N loss and GHG Emissions

In 2021, Southern Pastures engaged AgriBusiness group<sup>1</sup> on further environmental reporting.

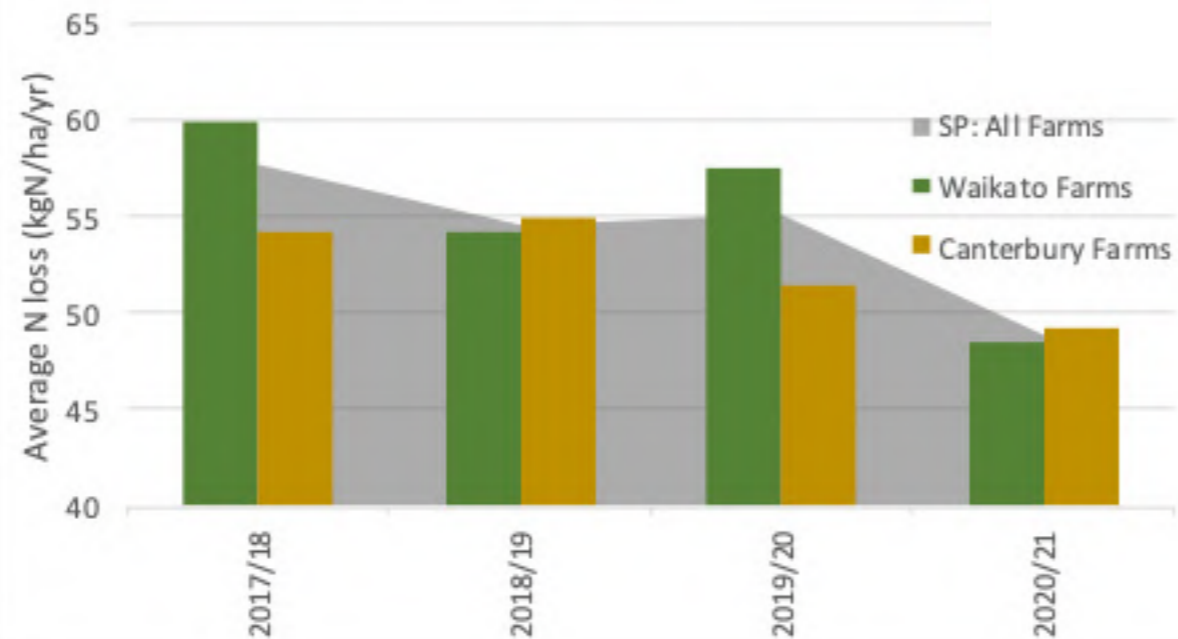
The report summarized the nitrogen leaching and greenhouse gas emission Overseer results from the Southern Pastures farms, since the 2017-18 season. Overseer is a science-based farm reporting and modelling software package that seeks to model the environmental aspects of a farm using individual farm and region-specific input.

This input may be atmospheric input or nutrient losses based on the type of farming engaged in, types of land uses, crop types, local soil and climate conditions, stock type and numbers, and additional farm feed and fertiliser inputs amongst many other key variables.

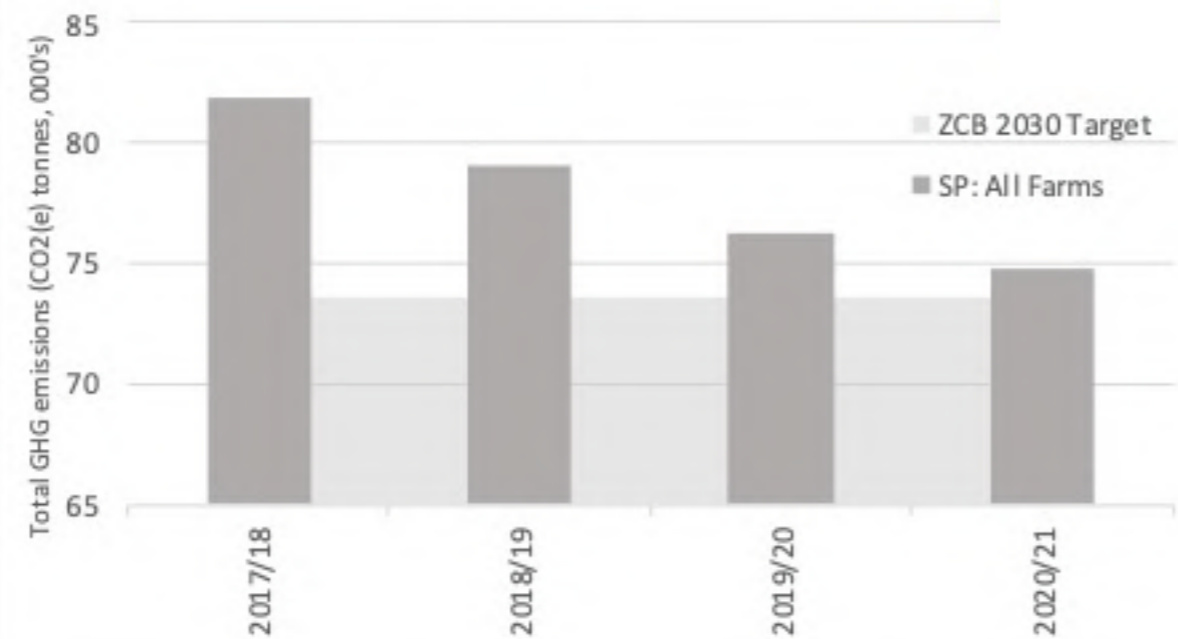
The AgriBusiness Group data uses 2017 as the baseline year to align with the baseline assessment year in the Climate Change Response (Zero Carbon) Amendment Act.

The AgriBusiness Group - Southern Pastures N loss and GHG calculations show continued on farm lower N loss and greenhouse gas emissions.

Southern Pastures Farms - Average N loss



Southern Pastures Farms - Total GHG emissions CO2(e)



## Our Animals

**“Our cows graze outdoors year-round with grass making up over 99%<sup>1</sup> 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 less 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.

Southern Pastures also operates a ‘whistle-blower’ policy whereby any knowledge of any breach in any human rights or animal welfare issue can be made known to any Southern Pastures director without fear of incrimination or reprisals.

Our policies have been recognized by FAIRR with a case-study entitled “Southern Pastures: Measuring the business case for good welfare.”<sup>2</sup>

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.

<sup>1</sup> Above 99% on a wet weight basis, above 96% on a dry weight basis

<sup>2</sup> <https://www.fairr.org/article/southern-pastures/>



<sup>1</sup> South Island based primary industry consultants dedicated to advising sustainable & resilient businesses.

## 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.

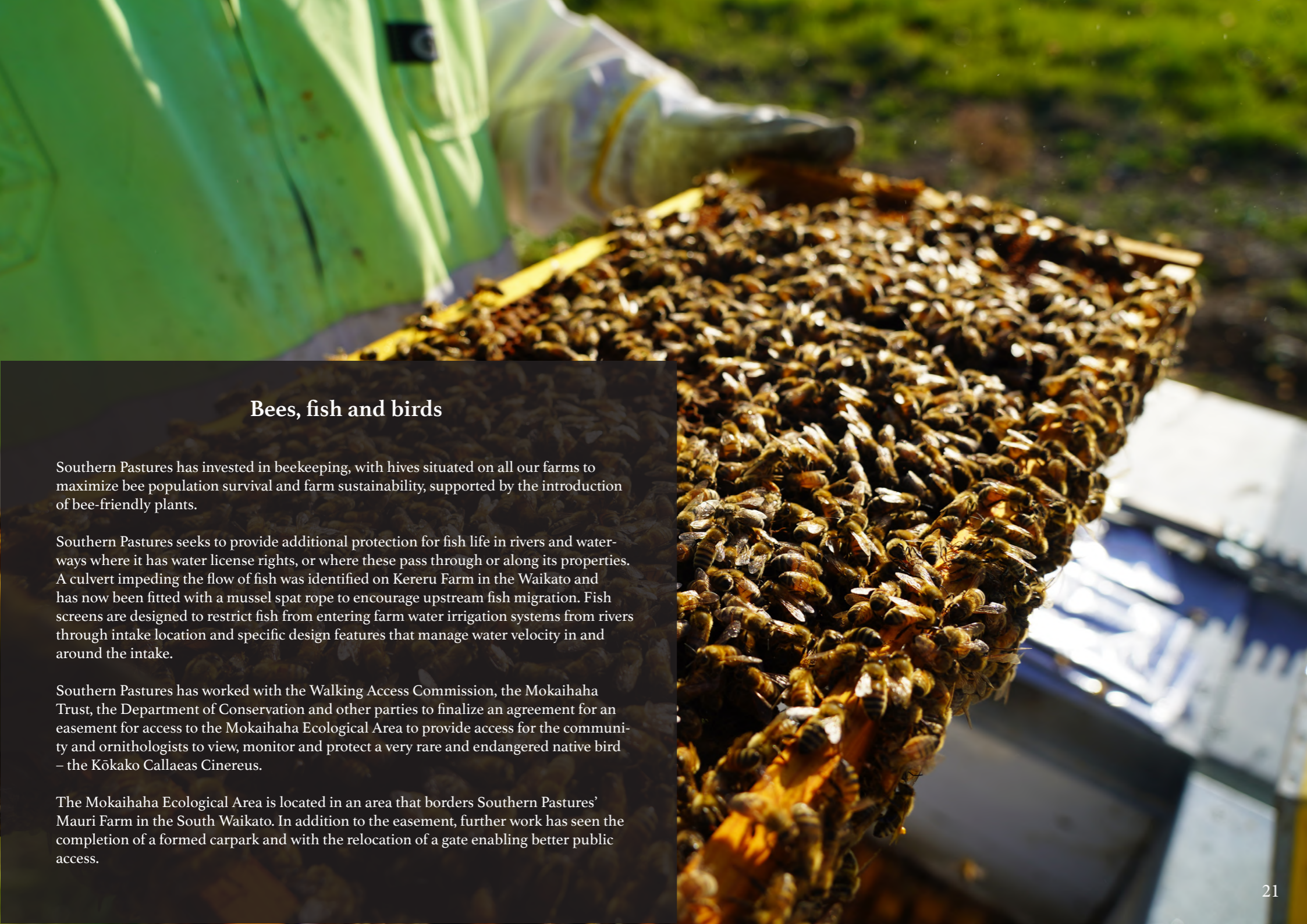
By having field free-range, sustainably farmed cows and superior farm management practices, including farm infrastructure - for example regularly maintained fences, the degree of animal infection through injury is dramatically reduced and consequently the need for antibiotics is less.

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.





## Bees, fish and birds

Southern Pastures has invested in beekeeping, with hives situated on all our farms to maximize bee population survival and farm sustainability, supported by the introduction of bee-friendly plants.

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.

Southern Pastures has worked with the Walking Access Commission, the Mokaihaha Trust, the Department of Conservation and other parties to finalize 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 Kōkako Callaeas Cinereus.

The Mokaihaha Ecological Area is located in an area that borders Southern Pastures' Mauri Farm in the South Waikato. In addition to the easement, further work has seen the completion of a formed carpark and with the relocation of a gate enabling better public access.

## 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<sup>1</sup> (Plant and Food) –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)<sup>2</sup> - 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 prebiotic 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 contour, soil type and climatic conditions thereby removing many variables that could complicate conclusions as to the effectiveness of the product when 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 respects already.

-Weed Control - Southern Pastures continues to look to trial and evaluate various site specific solutions to weed management. Weed management and maintenance 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 investment. 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 is charcoal 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.

-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 new technologies coming to the market in this space that will be investigated before a decision is made on the final technology platform to use.

<sup>1</sup> Plant & Food Research is a New Zealand Crown Research Institute. Its purpose is to enhance the value and productivity of New Zealand's horticultural, arable, seafood and food & beverage industries

<sup>2</sup> The Seed Industry Research Centre Inc was formed in 2017 with the aim of enhancing New Zealand's \$200 million seed export sector. It is a partnership of key New Zealand seed industry stakeholders including Crown Research Institutes, Universities, Industry and Farming organisations..



## NGĀ TANGATA

### 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 ensure we meet and exceed 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 incident 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 dangers 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 farmer-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 practices 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.



### Lewis Road Creamery

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 not only are cows 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 authorised to carry this stamp.

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



### 100% recycled and recyclable packaging

Lewis Road was the first milk producer to sign the New Zealand Packaging Declaration, committing to 100% 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.

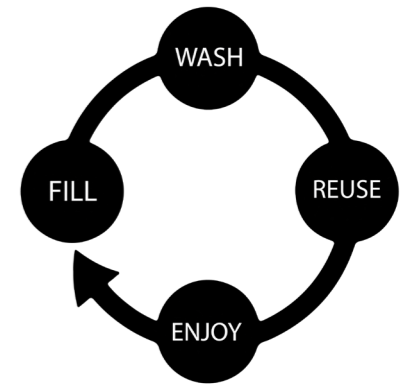
It was awarded Gold in the special Sustainability Category at the 2020 WorldStar Packaging Awards.

Switching to rPET bottles saves approximately 310 tonnes of new plastic being created each year.



### 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.



### The Refillery

At Lewis Road Creamery, our journey towards milk in glass bottles has begun. We have partnered with the 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.

# SOCIAL

## 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.

We participate in other wider community based programs – for example the Meat-the-Need Program is a nationally based charity designed to supply much needed meat to charitable City Missions and other food banks. To date, over 2100 animals have been donated providing nearly 600,000 meals.

Southern Pastures also continues to liaise with interested parties and organizations, including Regional Councils and representative groups such as New Zealand Fish and Game and the Walking Access Commission, on access to areas of significance, or of special interest to the public, that may lie within or near Southern Pastures farms. Previous cooperation has seen Southern Pastures create covenanted wilderness areas, riverside walkways, and access to areas of native birdlife.

## 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 managing 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 tradition. 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 assessing business continuity plans both on and off-farm, and our farming teams strongly encourage vaccination across all areas of operations.



# GOVERNANCE

## NGĀ TIKANGA

### Our governance and oversight

“Good structure creates 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 appointed 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 agricultural concern in New Zealand for the bank and was the first such loan for a farming entity in Australasia. The agreement centers 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 various 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. Southern Pastures is equipping its farms with Mastatest technology to test for infections, enabling a fast 24-hour turn-around 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.

### Responsible Investment Association of Australasia (RIAA)

The Responsible Investment Association of Australasia's Responsible Investment Benchmark Report for 2021<sup>1</sup> again recognised 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.

### Global Impact Investing Network

The Global Impact Investing Network (GIIN) is a network of investors dedicated to increasing 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'<sup>2</sup> 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.

UNPRI

We undertake annual UNPRI signatory reporting.



<sup>1</sup> <https://responsibleinvestment.org/wp-content/uploads/2021/09/Responsible-Investment-Benchmark-Report-Aotearoa-New-Zealand-2021.pdf>

<sup>2</sup> [https://thegiin.org/assets/Understanding%20Impact%20Performance\\_Agriculture%20Investments\\_web-file.pdf](https://thegiin.org/assets/Understanding%20Impact%20Performance_Agriculture%20Investments_web-file.pdf)



# Southern Pastures



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

