

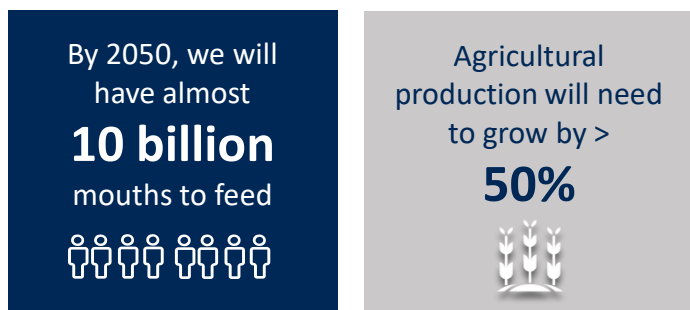
Capturing sustainable, long-term returns in Australian Agriculture

Australian agriculture offers a unique opportunity to invest in a resilient and defensive asset class that behaves differently to traditional assets classes, with uncorrelated returns, while at the same time capitalising on the upside potential from the nascent growth of sustainable agriculture and natural capital markets.

Investing sustainably delivers many rewards

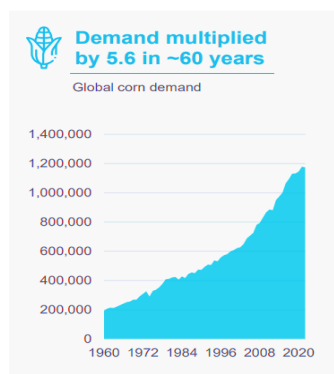
The attention on rising food demand and how this will be met, along with concerns around food security have grown in recent years and institutions such as the *Food and Agriculture Organisation of the United Nations* and the *International Food Policy Research Institute* have published projections of an increase in global food demand to 2050. The projections indicate that world food demand may increase by more than 50 per cent by 2050 (see **Exhibit 1**), with much of the increase expected to come from rising consumer incomes in Asia, Eastern Europe and Latin America.

Exhibit 1: The world is hungry for sustainable agriculture solutions

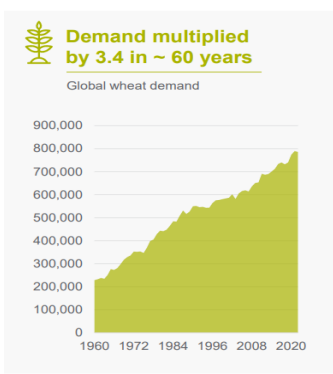


Source: World Bank

Source: Food and Agriculture Organization of the United Nations



Source: ANZ Agri



Australia is in a good position to meet some of this growing demand. Australia’s vast natural resources and different climate zones, comparative advantage in the production of several agricultural products, combined with proximity to key global export markets, positions the country well for the

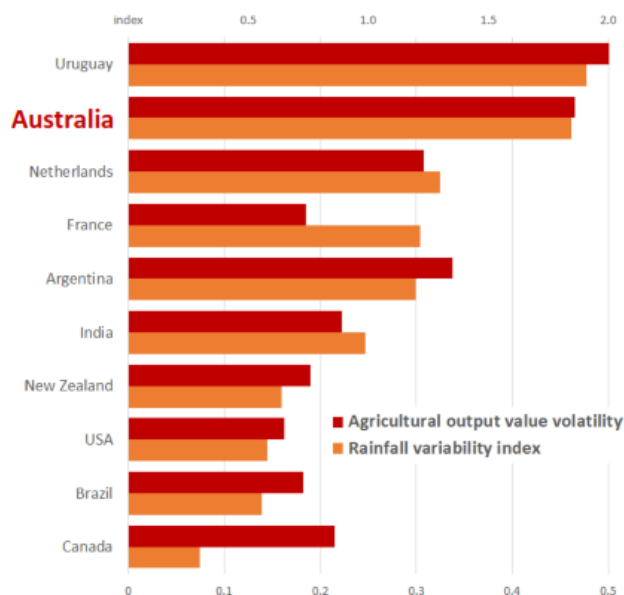
continued growth and development of sustainable agriculture and farming systems as the economy transitions to a low carbon future.

In addition to the production of food products for global consumption is the need to ensure lasting positive social and environmental impact, including the management of carbon. Investing sustainably in Australian agriculture can deliver many rewards – positive social and community outcomes, significant long-term environmental benefits, and competitive financial returns for investors.

Managing climate variability

Australian agricultural producers manage significant variability, particularly a highly variable climate. Agriculture is undertaken across diverse conditions and these factors generate substantial variation in farm output, greater than that experienced by farmers in most other countries, and greater than that experienced by business owners in other sectors of the Australian economy. Australian agricultural output value and rainfall are also more variable than most agricultural producers around the world (**Exhibit 2**).

Exhibit 2: Australia’s climate and agricultural output value is more variable than most other countries



Source: ABARES – Pathways to sustainable and productive agriculture: an Australian perspective, October 2020

But sustainable agriculture is not confined to managing climate alone. Warakirri’s holistic approach to sustainable agriculture seeks to achieve balanced outcomes across a range of social, economic and environmental considerations. It is about our people and communities, sustainable farming systems and being strong environmental stewards. Our approach to sustainable agriculture has been thoughtfully developed over a long period of time – in fact since the launch of Warakirri’s first institutional agricultural cropping mandate in 1996.

A holistic approach to sustainability

Warakirri’s holistic approach to sustainability is underpinned by three core pillars:

- 1. The long-term needs of our people and communities**
- 2. Sustainable and profitable farming practices**
- 3. The responsible stewardship of our farming assets**

Operating within a mature governance framework, each pillar entails specific goals and targets that are measured on a regular basis and guide our everyday decisions and operations.

Exhibit 3: The three pillars of Warakirri’s holistic approach to sustainability



Source: Warakirri Asset Management

Below we expand on our key commitments and what each of our three core sustainability pillars represents.

1. Social Pillar: The long-term needs of our people and communities

We are focused on growing our people and supporting the local communities in which we operate to be vibrant and prosperous regional communities. We collaborate closely with our farm teams and networks and participate in local events in support of the communities in which we operate.

We also focus on the health, safety, mental health, and wellbeing of our farm employees. Our sustainability strategy articulates average tenure and female representation targets which are measured and reported on a regular basis.

We also provide learning and development opportunities and offer a number of career pathways including work experience, scholarships, internships and graduate programs, emerging and senior leadership programs.

2. Economic Pillar: Sustainable and profitable farming practices

This pillar aims to develop and maintain sustainable farming systems to drive productivity and sustainable, long-term returns. We continue to support and implement new innovations and farm management practices to improve productivity and generate sustainable returns.

We engage industry leading independent agronomists and advisors to support adoption of best-in-class sustainable farming systems across each of our assets. Examples of our best-in-class farming systems include optimising soil health and conservation, diverse crop rotations to encourage genetic diversity and fertility, nutrient management, water use and pest management.

Exhibit 4: Warakirri Cropping test site



3. Environmental Pillar: The responsible stewardship of our farming assets

The third pillar of our sustainability strategy has a focus on natural resource management, encouraging and protecting biodiversity, and responsibly managing waste and landfill. This pillar also includes specific goals to reduce greenhouse gas emissions and improve climate resilience through adaptation and mitigation strategies. Our portfolio greenhouse emissions are measured and reported annually against long-term reduction targets.

Our strategy has a long-term focus on sustaining our natural systems by enhancing soil health and productivity, protecting and enhancing native vegetation and regeneration and limiting deforestation.

In terms of biodiversity, we are closely observing the development of this area and in the medium term we expect to see further development in strategies around offsets and enhancing biodiversity in our farm systems.

Risks and opportunities of climate change

The assessment of climate risk forms part of the financial analysis and due diligence of our agricultural assets. We have developed a climate change action plan aligned to the *Task Force on Climate-Related Financial Disclosures (TCFD)* framework for all of our agricultural investments, to understand the risks and opportunities of climate change, in terms of both physical and transitional risks.

A rigorous assessment analysis is applied in investment decisions when it comes to the acquisition of new assets which considers both the potential climate risks and opportunities posed by the particular asset. Building a geographically diverse portfolio with exposure to different environments and climate zones plays a central role in mitigating risks.

We play an active role in building geographically diverse portfolios that behave differently to each other and are considered in the potential impacts of climate change scenarios in those regions. We also consider the current and potential future management practices which can abate or mitigate those climate change risks, because some environments and regions in Australia are able to, with the help of science and best in class management, mitigate those risks.

Looking Ahead

Given the role that carbon and biodiversity offset credits will most likely play in achieving Australia's net zero ambitions, the agricultural sector plays a key role in the development of this nascent market.

We are closely watching developments in this area and remain focused on investing in ways that utilise natural assets such as our farms and forestry and related assets including carbon, water management and co-benefits such as biodiversity, as the Australian economy transitions to a low emissions future.

For more information, please contact us on 1300 927 254 or visit warakirri.com.au