

Bonnefield

Responsible Investment Policy Bonnefield



This page intentionally blank.

THE POLICY AND ITS APPLICATION

The purpose of this policy is to provide an overview of how Bonnefield incorporates environmental, social and governance (ESG) practices in its investment model, to help mitigate risks and leverage opportunities as it continues to build its farmland portfolio.

This policy applies to the Bonnefield's Investment Committee, as well as its investment management, asset management, and property management teams.

BONNEFIELD

Bonnefield is Canada's foremost provider of land-lease financing for farmers, dedicated to preserving *farmland for farming* across Canada. Bonnefield partners with progressive, growth-oriented Canadian farmers to provide an alternative source of financing in the form of farmland leasing solutions, to help them grow, reduce debt and finance retirement and succession.

For individual, family office and institutional investors, Bonnefield provides opportunities to invest in a diversified portfolio of Canadian farmland through pooled limited partnerships.

Bonnefield is currently the investment manager for three farmland funds that are structured as limited partnerships, each with a mandate to invest solely in Canadian farmland. The funds do not operate farms, but rather form long-term, relationships with Canadian farmers and seek to promote long-term sustainable farming practices through Bonnefield's Standards of Care.

In November 2014 Bonnefield became the first Canadian farmland investment management company to qualify and become a signatory to the United Nations supported Principles for Responsible Investing (UN-PRI), which subsequently awarded Bonnefield an "A" rating for its overarching approach to responsible investment in 2015, and 2016.

UNITED NATIONS SUPPORTED PRINCIPLES FOR RESPONSIBLE INVESTMENT (UN-PRI)

UN-PRI is an international network of investors that follow a set of six principles that protect the environment, benefit society, and promote sound governance through integrity and transparent reporting.

In addition to promoting general principles of responsible investing, the UNPRI has established a further set of five principles that are unique to farmland investing. Bonnefield views the UN-PRI standards as minimum benchmarks for its investing activities and strives to exceed those standards whenever possible.

RESPONSIBLE INVESTING

Bonnefield believes Canadian farmland should remain in use as farmland indefinitely, and that it should be monitored, maintained and operated in a sustainable and ecologically responsible manner, which in turn, protects and enhances long-term returns for investors.

Bonnefield's responsible investing (RI) principles are rooted in a set of core operating guidelines that put farmers and farming first, and are summarized by Bonnefield's *farmland for farming* investment approach. Our core RI principles include:

- preserving Canadian *farmland for farming* use;
- we do not buy land primarily for non-agricultural redevelopment;
- agronomic standards must balance exemplary farmland stewardship, sustainable farming practices and profitable farming operations;
- we aspire to become a long-term partner with Canadian farm families;
- our farmland lease programs must assist Canadian farm operators to build or maintain scale, become more profitable, improve cash flow and/or reduce debt;
- we do not dictate to our partners how to operate their farms; and
- farmland lease programs must create an "as-if-owned" relationship with the leased land for the farm operator.

ENVIRONMENT

Bonnefield is committed to maintaining the long-term health of soil in its farmland investments.

While Bonnefield does not dictate to farmers how to operate their farms, we are an active owner.

Bonnefield's Standards of Care—a prescribed set of farming best practices aimed at promoting sustainable farming operations and environmental responsibility—form a fundamental part of all Bonnefield leases. Each tenant is required to comply and report annually on the implementation of the Standards of Care. In addition to Bonnefield's internal review, an independent third-party agrologist inspects each farm annually and submits a report which becomes the basis for our property management activities for that given year.

Bonnefield also follows certain other principles that help protect the environment.

- Bonnefield will not pursue investments which require extensive clearing of lands which have not previously been used in agriculture, because we believe mature forests are important carbon sinks, provide erosion control, and are a source of biodiversity.
- Bonnefield manages its forest assets in conjunction with professional foresters, following management programs which improve the long-term health of these forests.
- Bonnefield will invest in farmland that has become neglected or overgrown; restore the productivity of such lands and provide an economic benefit to farm families and their communities.
- As part of our due diligence for every investment, Bonnefield undertakes a detailed agronomic review and, where appropriate, commissions an independent third-party environmental report

to review quality of soil, irrigation, etc, and to identify potential agronomic and environmental issues for which remediation may be required.

- Bonnefield will invest in farmland improvements such as sub-surface to surface drainage improvements, irrigation systems, farm access and erosion control measures, with a view to reducing surface runoff, erosion and soil compaction.

SOCIAL

Farm-family focus

Bonnefield aligns its investing activities with the best interests of Canadian farm families. Transactions are customized to fit the circumstances of our farm family partners and are generally aimed at facilitating one or more of the farmer's individual objectives including:

- reduce debt and strengthen the balance sheet to ensure the farm operator has a sound and sustainable business platform;
- improve operating cash flow to ensure stable farm operations;
- plan for retirement;
- plan for succession to a younger generation;
- ensure long-term secure access to land that is currently being leased to the farmer from another land owner on a short-term or insecure basis; and
- expand farming operations for Canadian farm operators.

Community focus

Where an investment includes house assets of reasonable quality, Bonnefield will return these assets to the community, such that they can support local families and build rural communities.

Through Bonnefield's Good Neighbour program we undertake activities to stimulate open communication with farm communities and to give back through local sponsorships and donations.

GOVERNANCE

Bonnefield has adopted best practices for the transparent governance of its funds, including the use of investor advisory committees, annual independent appraisals of all properties in its portfolios, independent annual agrology reports of all its properties, the use of third-party payment certifiers for capital expenditures, detailed quarterly reporting to investors, independent audits of financial statements, and transparent disclosure policies. Bonnefield's investment committee ensures that all investments align with the company's core values and maximize value for investors and our farm family partners.

Reporting

Bonnefield provides an annual report on its responsible investing practices which is included in the annual reports of each LP. Bonnefield also submits an annual report of its responsible investing activities to the UN-PRI for review. This report is made available to investors and other key stakeholders and is made public through the Bonnefield website and is publicized by means of a news release which is disseminated nationally.