

2020 Sustainability Report

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A Message to Our Investors Tom Eisenhauer, CEO

When we founded Bonnefield, we set out to build a company that puts responsible investing and sustainability at its core. Our model provides farmers with a long-term, alternative source of financing while also providing investors with stable, predictable, long-term returns. Both these goals depend on sustainability; sustainable farming practices preserve and enhance the profitability of the farmer's operations, which in turn ensures sustainable returns for our investors.

Given that sustainability is critical to long-term farm profitability and value creation for our investors, we developed Bonnefield's Standards of Care to ensure our farms are operated in a sustainable, responsible manner. Over the years, the market has caught up to our thinking and 2019 / 2020 highlighted the growing number of stakeholders focusing on Environmental, Social and Governance (ESG) factors and sustainability as core to longterm performance. As the investment community puts increasing emphasis on ESG, there have been significant improvements in data quality, reporting standards and benchmarks. This trend has created an opportunity for Bonnefield to build upon its existing practices and further enhance our processes around sustainability and ESG. This report is the first step in the development and application of an updated, formalized ESG reporting framework that we intend to roll out at Bonnefield. We are in the early stages of this process which will evolve as we enhance the amount and type of data that we capture at the asset level. We are also reviewing our broader corporate policies and philosophy around ESG.

Why then, publish a report while we are still developing our broader framework? Because it is important. ESG factors are increasingly acknowledged as critical drivers for long-term performance, and our investors value insight into Bonnefield's performance across various ESG metrics. This year's report offers a snapshot of key indicators that we can report on today. We see no reason to delay sharing this information while we continue to develop and expand our ESG benchmarking. You have chosen to partner with us and we believe that a critical part of our relationship is sharing information and learnings as we navigate this long-term ESG investment journey together.



Responsible Investing at Bonnefield Today

When founding Bonnefield, the company's principals established a set of corporate and social responsibility principles to guide its investing activities. These responsible investing ("RI") principles are rooted in a set of core operating guidelines that put farmers and farming first.

Bonnefield's ultimate goal is to promote sound farmland management practices, help improve operator efficiencies and protect the integrity of Canadian farmland, which we believe are core to protecting and enhancing long-term returns for our investors.

The core RI principles that govern Bonnefield's businesses are:

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

In accordance with the best practices of responsible investing guidelines, Bonnefield has adopted robust governance structures for its farmland funds. Our funds have investor advisory committees that, among other tasks, confirm net asset values based on independent third-party property appraisals. The advisory committees are also mandated to respond to any matter that may result in a conflict of interest, deviations from stated investment policies and / or distribution policies.

UN Principles for Responsible Investment (UNPRI)

In November 2014, Bonnefield was the first farmland investment manager and property manager in Canada to become a signatory to the United Nations-supported Principles for Responsible Investment ("PRI") Initiative. Adoption of the UNPRI initiative further evidences Bonnefield's commitment to incorporating responsible, sustainable investing practices in the Canadian agricultural sector.

The UNPRI annually reviews Bonnefield's compliance with its Responsible Investing Principles and has awarded Bonnefield an "A" rating for the last six years in a row¹.



Task Force on Climate-Related Financial Disclosures (TCFD)

Bonnefield publicly supports the Task Force on Climate-related Financial Disclosures (TCFD). In early 2020, our investment management team along with our CEO and other members of senior management completed TCFD-recommended scenario analyses to identify and understand Bonnefield's exposure to both transition and physical risks from future climate change scenarios, including the International Energy Agency's Sustainable Development Scenario and the PRI Inevitable Policy Response Forecast Policy Scenario. We plan to revisit this analysis on a regular basis and will work towards reporting in accordance with TCFD recommendations in the future.

Bonnefield Metrics

Sustainably Managed Land

Bonnefield has established a set of farming best practices aimed at promoting sustainable farming operations and environmental responsibility. These best practices, referred to as the Bonnefield Standards of Care, are included in every Bonnefield lease and cover a range of sustainable management practices including: (i) soil testing; (ii) tillage system; (iii) regular crop rotation; (iv) water course maintenance; (v) recordkeeping; (vi) professional crop planning; (vii) pesticide management; (viii) weed control; (ix) soil erosion control measures; and (x) maintenance and repairs.

Each farm operator (ie. tenant) is required to report annually to Bonnefield against his / her implementation of the Standards of Care. Each year, Bonnefield collects, updates, and reviews this data for each tenant. In addition to Bonnefield's internal review, an independent third-party agrologist also reviews this information and provides Bonnefield with a set of summary comments and recommendations for each tenant and property across Bonnefield's portfolio.

If a tenant fails to comply with the Standards of Care and their associated obligations, such failure is considered a default under the lease and provides Bonnefield with a full set of remedial actions, up to and including termination of the lease. In most cases, failure to comply with the Standards of Care is addressed through a remediation plan with Bonnefield's property management team in order to bring the operations and / or land up to the expected standards. However, should the tenant be unable or unwilling to comply then Bonnefield will pursue the option of finding another tenant for the lease.

In 2019, 98.8% of Bonnefield farmland was sustainably managed, as measured by passing a third-party agrology audit per Bonnefield's Standards of Care.

Sustainably Managed Farmland



Promoting Environmental and Climate Sustainability

Temperatures globally are increasing as greenhouse gases such as carbon dioxide linger in the atmosphere and trap heat around the earth's surface. The implications of global warming are experienced ubiquitously: melting glaciers, rising sea levels, increased desertification and heightened levels of weather volatility. Surface temperatures are already 1°C higher than levels in the 1950s and are set to increase another 2.5°C in the next 40 years². Since 2018, each of the last 20 years in Canada have been warmer than the 20th century average³.

Against this backdrop, Bonnefield believes that the agricultural industry will play an important role in mitigating future carbon emissions through farming practices that lead to greater carbon sequestration over the long term. Bonnefield is able to support this through ongoing monitoring of its farmland and the farming practices of its tenants.

Selected Ongoing Monitoring Metrics	2018	2019
Percentage of acreage owned longer than one year with annual property inspection completed by Bonnefield	100%	100%
Percentage of acreage used to grow a permanent crop, vegetable or berries certified under a third-party that verifies the farm is maintaining good management of fertilizer/pesticides	99%	96%

- The Canadian Agri-Food Policy Institute, 2019. - Environment and Climate Change Canada (2019) w

Water Usage and Water Quality

The global water supply is under threat due to climate change and increasing water usage resulting from the rise in global food demand and population growth. While Canada benefits from enviable access to fresh water, with only 12% of water usage for agriculture compared with 85% for the global average⁴, it is critical to utilize water management practices to conserve the water supply and protect water quality.

As owner, and not operator, of the farmland, Bonnefield does not determine water use on its properties. However, water access and the sustainability thereof are core tenets of our investment thesis. Provincial governments across Canada track and restrict water use through various water rights and access permits. Alberta, for example, has implemented water sustainability policies that are considered among the world's leading water management regimes. The province maintains a network of regional irrigation districts whereby the government grants water rights to farmers based on their need and size of operation. These policies restrict overuse and depletion of water resources.

Unlike many other agricultural geographies, excess water (rather than water scarcity) is a key consideration for Canadian farmers' water management practices. Drainage issues can arise when there is an excess of water at the soil surface or in the root zone. These issues, if left unaddressed, can hinder conditions for cultivation, planting and harvesting or prevent salts from being conveyed out of the soil in areas where salinity is a problem. Drainage issues can be compounded if pondings remain after rainfall or if the root zone is saturated but there is no water on the surface. Most crops prefer moist-but-unsaturated soils with more than 5% of the root zone volume filled with air, which allows roots to respire, grow and obtain nutrients from the soil. Over the years, Bonnefield has invested over \$6.6 million in sub-surface tile drainage to enhance water management across its acres of farmland in Canada. This represents approximately 50% of total capital investments made on Bonnefield farms historically.

Each year, third-party agrologists evaluate whether any parcels of Bonnefield's farmland are experiencing drainage issues. Those without are deemed to have passed Bonnefield's water quality test.

2019 Water Quality Test Results - Passed

94.9%

4 - World Bank (2016); Data based on most recent reported estimates for each country. Total water withdrawals defined as sum of water used for agriculture, industry and domestic purposes. Agricultural water defined as annual quantity of self-supplied water withdrawn for irrigation, livestock and aquaculture purposes.



A Visit to the Farm

In March 2020, Bonnefield completed an acquisition of 1,421 acres of farmland outside of Hayes, Alberta. The transaction was brought to Bonnefield by one of its network brokers and was a bare land deal, without an existing farm operator relationship in place. This opportunity allowed Bonnefield to work with its strong farmer network in selecting an operator that it believed was a good match with the farm.

Bonnefield has a long history with the selected operator, having rented land to him since 2015. With respect to this particular transaction, the operator sought to expand his operations and had been searching for premium land within the Hayes area. This land package fit well within his current operations, assisting him to move towards optimal scale in his operations and benefiting from certain operational synergies.

The farm itself is in the Southern Irrigation District of Alberta and has an irregular shape, rather than the typical quarter sections that are common for pivot irrigated farms in the district.



The farm sits on Class 1 soil, optimal for growing a variety of different crops including potatoes, beets, canola, corn, wheat, barley, edible beans, sweet corn, sugar beets, oats, yellow peas, and green peas. With some of the best quality soil in Canada, the area attracts many top farm operators but due to aging infrastructure and the uncommon shape of the farm, Bonnefield was able to purchase the farm at a discount to market value.

Through its diligence on the property, Bonnefield identified that the farm's current irrigation infrastructure would benefit from investment to upgrade the pumps, filters, and pivot systems. The infrastructure had been neglected for years and was running on a series of diesel-powered pumping stations. Investing in upgraded technology not only improved operational efficiencies but also allowed the irrigation pivots to run on electricity, a cheaper, cleaner solution to benefit both the environment and the farmer. Major investments in improved precision and control technologies enabled the farmer to have great control over the farm's water application and also resulted in enhanced water-efficiency, while increasing expected output and reducing production risks.

These investments are complete and Bonnefield's investment and asset management teams are monitoring the farm's performance. We anticipate seeing improved on-farm efficiencies as a result of the investment, that will directly impact the farm's productivity and enhance investor returns. Equally important, these investments were completed in a way that reduced the environmental impact of farm operations.



Crop Diversity

Crop diversity is essential to reducing worldwide hunger as a greater diversity of genetic resources in gene banks can help to safeguard a secure food supply at more stable prices. It provides the raw genetic material to breed a more nutritious and varied food supply and improves the access of the poor to more affordable and healthier food to fight malnutrition.

Canada is one of the most diversified growing regions in the world and Bonnefield supports farmers across varied growing regions and crop types.

The charts below provide an overview of how Bonnefield's farmland was used by farmers in 2018 and 2019⁵.



In 2019, Bonnefield's farms were used to grow 21 crop types, similar to the 25 crop types grown in 2018. Certain crops grown in one year may not be grown the following year as farmers regularly rotate the crop types they grow in order to maintain healthy soil quality. What this data does not capture are the numerous varietals / sub-types that are being grown (eg. identity-preserved soybeans vs. crush beans).



Total Land Cultivated

Bonnefield strives to preserve Canadian farmland for farming use. We do not buy land for non-agricultural redevelopment and all farmland is leased to farmers for the purpose of farming. In 2019, 98% of Bonnefield's farmland was non-fallow⁶.

Rural Farm Operator Clients

Unlike corporate farming practices in other geographies, farming in Canada largely remains a family business passed down from one generation to another. By striving to be a good long-term partner with farmers, Bonnefield is contributing to the economy and well-being of rural communities across Canada. Our roster of rural farm operator clients continues to increase, climbing from 86 clients in 2018 to 104 clients in 2019.

Bonnefield also supports the communities in which we operate through various donations and engagement opportunities. We have long been a proud supporter of Food and Water First, a citizen coalition dedicated to protecting Ontario's Class 1 farmland and source water region. To learn more about this organization visit www.foodandwaterfirst.com.



Lease Renewals

Bonnefield's programs assist Canadian farm operators to build or maintain scale, become more profitable, improve cash flow and/or reduce debt. Our high lease renewal rates illustrate our commitment to long-term partnership with our Canadian farm operator clients. More than half have been working with Bonnefield for over five years. In 2019, we saw a 100% renewal rate among those farmers with whom Bonnefield was renegotiating a lease renewal.

Respecting Existing Land and Resource Rights

As part of Bonnefield's due diligence process, a formal title search and review is conducted using each province's land registry. On rare occasions, certain owners such as ginseng growers could cause Bonnefield to conduct additional diligence by completing an environmental site assessment. This assessment allows for Bonnefield to take a complete look at the ownership history of the property and how this could affect the land's fertility. These procedures ensure good governance when purchasing each farmland parcel.



Percentage of total acreage with formal title search and review completed to verify chain of title/ownership for 2018 and 2019.

Methodology

The data presented in this report is collected by Bonnefield as part of the monitoring of our Standards of Care. Farmers submit information on their farms using Bonnefield's proprietary, online Farmer Portal.

Data is expected to be uploaded by year-end each year although farm operators are encouraged to input data as soon as the crop has been harvested. Bonnefield's property managers travel cross-country to visit each farm annually (typically early May to end of October). They verify information submitted by the farm operators and relay the information directly to the investment team. Additionally, third-party agrologists visit each farm to provide an additional layer of data verification. For the 2019 season, 88% of farm operators had submitted data for 2019.

Notes Related to Data Metric Calculations

Sustainably Managed Farmland

Defined as passing a third-party party agrology audit per Bonnefield's Standards of Care. Measured across individual farmland parcels.

Third-party Party Verification

That the farm is maintaining good management of fertilizer/pesticides.

Non-compliance is calculated as the percentage of farmland parcels that either (A) exhibit a soil fertility issue and / or (B) do not have two out of three of an adequate (i) weed control (ii) insect control or (iii) disease control program.

Water Quality

Farmland parcels will not pass if there are water drainage issues present.

