



Bonnefield

2021

Sustainability Report



Contents

- 3..... A Message to Our Investors
- 4..... Responsible Investing at Bonnefield Today
- 5..... Bonnefield Metrics
- 7..... Carbon Credits and Regenerative Agriculture
- 8..... Social Impact
- 9..... Methodology



A Message to Our Investors

Tom Eisenhauer, CEO

It is hard to believe that a year has passed since Bonnefield published its first annual Sustainability Report. During that time, the importance of agriculture has been highlighted with an increasing focus on the sustainability of food production and supply. Unsurprising to the team at Bonnefield and our investors, farmland's performance through the global pandemic has remained stable, reflecting the critical need for food production to support our global population.

Another thing that the pandemic has highlighted is the critical importance of wellness and resiliency. The safety and well-being of our employees is a priority at Bonnefield and while this report focuses on our investment portfolio activities, I do want to highlight the performance of our employees in supporting our farm partners and investors through this difficult time. Early in the pandemic, Bonnefield provided its employees with a stipend to invest in office equipment to support their ability to work from home. Additionally, we have promoted the mental wellness offering of our benefits plan and supplemented this with personal subscriptions to mindfulness and meditation apps. Finally, we have provided all staff with additional days off around statutory

holidays to extend the weekends and help everyone to “unplug” – something that has proven difficult for many of us working at home. We are now in the process of planning for a safe return to work over the coming months in accordance with local conditions, but our focus on employee engagement, health and resiliency will continue to be a priority.

One of our priorities at Bonnefield is to engage with our investors to support their ongoing sustainability reporting and investing requirements. For example, discussion on net-zero emission targets has increased significantly within the investor community over the last year. As a result, we are discussing best practice with multiple investors and peers in order to evaluate how we may be able to support changing investor reporting in this area among others.

ESG and the Bonnefield Portfolio

In the first quarter of 2021, Bonnefield engaged a third-party firm to assist us with an ESG materiality assessment. This work identified and helped prioritize material ESG factors that Bonnefield should consider in the oversight of our farmland investments and investor reporting. The focus of the assessment was on identifying inherent ESG-related risks and opportunities to feed into our roadmap for ongoing enhancement to our ESG activities.

Following the completion of the report, we have assembled a cross-functional ESG working group to ensure company-wide collaboration in driving our ESG initiatives forward. We have begun to incorporate feedback from the assessment into this year's Sustainability Report and anticipate a much larger change to next year's report as we implement enhanced data capture and analysis with respect to our farmland properties.

Just like many other market participants, Bonnefield's assessment and reporting of sustainability and ESG continue to evolve and we look forward to keeping you updated on our progress in this area.



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 partners 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. All funds have investor advisory committees are mandated to confirm any matter that may give rise to a conflict of interest, deviations from stated investment policies or distribution policies.

Bonnefield has been a UNPRI Signatory since 2014 and 'A' rated in each of its annual reviews to date.

Bonnefield publicly supports the Task Force on Climate-related Financial Disclosures (TCFD). Our team undertakes TCFD - recommended scenario analyses to identify and understand Bonnefield's exposure to both transition and physical risks from various future climate change scenarios and monitor these risks on an ongoing basis.

Following the materiality assessment of Bonnefield's ESG and responsible investing practices that was completed in Q2 2021, we will be reviewing our existing RI Policy with a view to publishing a revised policy in the coming year. This is part of our continuous commitment to leading sustainability and RI practices.



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.

In 2020, **99% of Bonnefield farmland was sustainably managed**, as measured by passing a third-party agrology audit per Bonnefield's Standards of Care.

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 2020, **100% of Bonnefield's farmland was productive**, as defined by being non-fallow.¹

Rural Clients

Central to Bonnefield's approach is establishing long-term relationships with leading growth-oriented Canadian farmers and providing these farmers with capital to help:

- Reduce debt, improve cash flow and improve return on assets;
- Finance expansion, growth, productivity and profitability;
- Facilitate succession and transition of farming operations from retiring farmers to a younger generation; and/or
- Secure long-term access to farmland on an ad-hoc basis; all while protecting farmland for farming.

We are pleased to have continued to increase the number of farmers with whom we operate in 2020.

86 in 2018

104 in 2019

114 in 2020

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

Water Usage and Water Quality

Canada contains 7% of the world's renewable freshwater². Among developed countries, it has the second-most renewable freshwater per capita behind Iceland, approximately twice as much as Russia and Brazil, and over eight times as much as the U.S.³.

While Canada has abundant renewable freshwater resources, many of the country's crop regions are rain-fed and do not rely solely on irrigation. In fact, only approximately 2% of Canadian cropland is irrigated⁴, largely for crops of higher value in regions with less consistent rainfall such as Southern Alberta. By comparison, the percentage of cultivated land that is irrigated in Australia, Brazil, and the U.S. is 7%, 8%, and 15%, respectively⁴.

Despite Canada's enviable access to freshwater, it is critical to ensure appropriate management of water resources as well as ensuring appropriate water drainage is maintained on farmland in order to prevent soil erosion and degradation of overall soil quality.

2020 Water Quality Test Results - Passed

95%

1 - The data reflects percentage of tillable acres that have been cultivated, per annual appraisal documents.

2 - Government of Canada, 2018 <https://www.canada.ca/en/environment-climate-change/services/water-overview/frequently-asked-questions.html>

3 - FAO Aquastat Database, 2017 <http://www.fao.org/aquastat/statistics/query/index.html?lang=en>

4 - World Resource Institute: Aqeduct Project, 2019 <https://www.wri.org/aqueduct>

Bonnefield Metrics *(continued)*

Promoting Environmental and Climate Sustainability

Selected Ongoing Monitoring Metrics	2018	2019	2020
Percentage of acreage owned longer than one year with annual property inspection completed by Bonnefield	100%	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%	99% ⁵	99%

Lease Renewals

In 2020, we saw a 100% renewal rate for our lease renegotiations.

Respecting Existing Land and Resource Rights

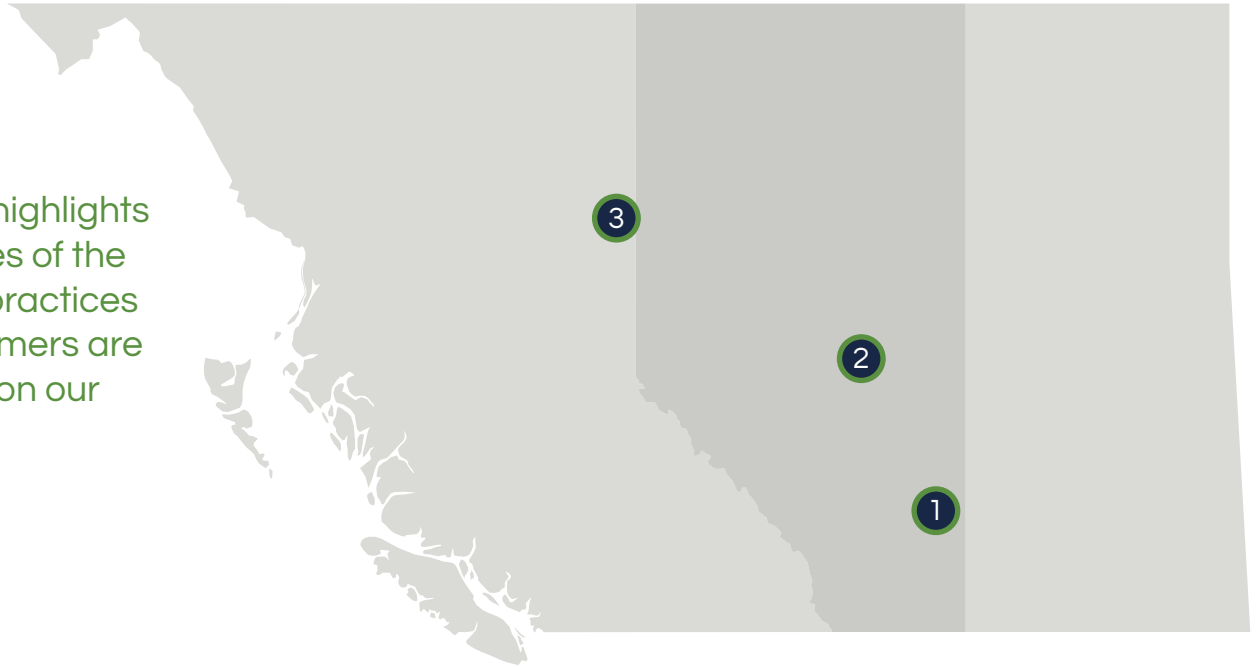
Metric	2018	2019	2020
Percentage of total acreage with formal title search and review completed to verify chain of title/ownership	100%	100%	100%

Carbon Credits and Regenerative Agriculture

Earlier this year, the Canadian government released draft regulations to create a domestic market for trading carbon credits. The final program details are expected this fall and Bonnefield has been actively monitoring developments as well as discussing with many of our farm partners the potential opportunities that this market could create.

While a federal carbon market will be a new development for Canada, certain provinces have already been participating in regional markets. Notably, Alberta has had an active carbon market since 2012, and multiple Bonnefield farmers have been incorporating regenerative farming practices on certain parcels of land in order to participate in the Alberta market.

The following highlights some examples of the regenerative practices Bonnefield farmers are incorporating on our farmland



1 One of Bonnefield's farm partners operating farmland investment properties held in LP III has participated in the Alberta carbon credit market since 2019. Over this time, the farm operator implemented conservation cropping protocols by increasing soil carbon levels through no-till management and reduction of greenhouse gas emissions from lower fuel usage. These actions ultimately sequestered approximately 158 metric tonnes of carbon dioxide (CO₂)⁶, equivalent to 410,000L of diesel use⁷, and allowed the farmer to secure carbon credits through his actions.

2 One of Bonnefield's newest tenants, who is operating a property held in LP III, is a young, progressive farmer who stresses the importance of efficiency and takes into consideration the environment when planning his farming practices. Examples of practices employed by this farmer include minimum tillage, annual soil testing incremental to Bonnefield's current testing protocol, usage of seeds best suited to the farming region, active soil moisture retention, utilizing technology to minimize waste of water and fertilizer, as well as cover cropping. While employing these positive environmental practices, he has been able to achieve 22% more in gross revenue as a result of higher yields when compared with the average within their region.

3 One of our most northerly farming regions is Peace River, British Columbia, where our farm tenant has put an emphasis on regenerative farming. The property is primarily used to grow canola, wheat, and forage (hay and alfalfa), however, the farmer does keep a limited number of animals on the property. A small portion of the property had been continuously grazed prior to Bonnefield purchasing the property, resulting in deterioration in the quality of soil in that particular area. To remedy this, the farmer implemented rotational grazing, allowing the grass to establish a root system and the soil to better retain moisture. This farmer utilizes minimal tillage to prevent soil compaction and uses little to no chemicals, choosing instead to feed the soil with nutrients and manure to boost biodiversity levels within the soil. Cover crop has also been planted on the property to boost soil diversity and soil organic matter, both of which are key elements of overall soil health.

6 - Calculated by multiplying the number of acres farmed by a rate of 0.057 tonnes per acre, applicable to dry prairie regions. <https://www.alberta.ca/agricultural-carbon-offsets-overview.aspx>
7 - Calculated based on an equivalency rate of approximately 2.6kg of CO₂ emissions per litre of diesel fuel use

Social Impact:

Examples of Bonnefield's Model Supporting Canadian Farmers

Keeping Farms Within the Family

In 2014, a farmer's son wanted to continue his late father's legacy of growing cash crops (corn, soybeans and edible dry beans) in Ontario. However, the 410-acre family farm that had supported his parents was no longer of large enough scale to generate long-term profits. As is often the case, the son was facing the need to seek full-time, non-farm, employment in addition to operating the farm to economically support him and his family. To avoid this, he explored alternative solutions to secure a land base of sufficient scale to make the farming operation profitable. Bonnefield's unique farmland sale-leaseback offering and partnership-based approach offered him a path to secure the additional land required to farm at an efficient size.

Following a successful six-year relationship with Bonnefield, our farm partner experienced some strained cash flow as a result of two years of poor growing conditions. Bonnefield and our farm operator worked collaboratively to create flexible lease payment terms, eventually being made whole, in order to strengthen the farm's financial position while he continued to farm the land.

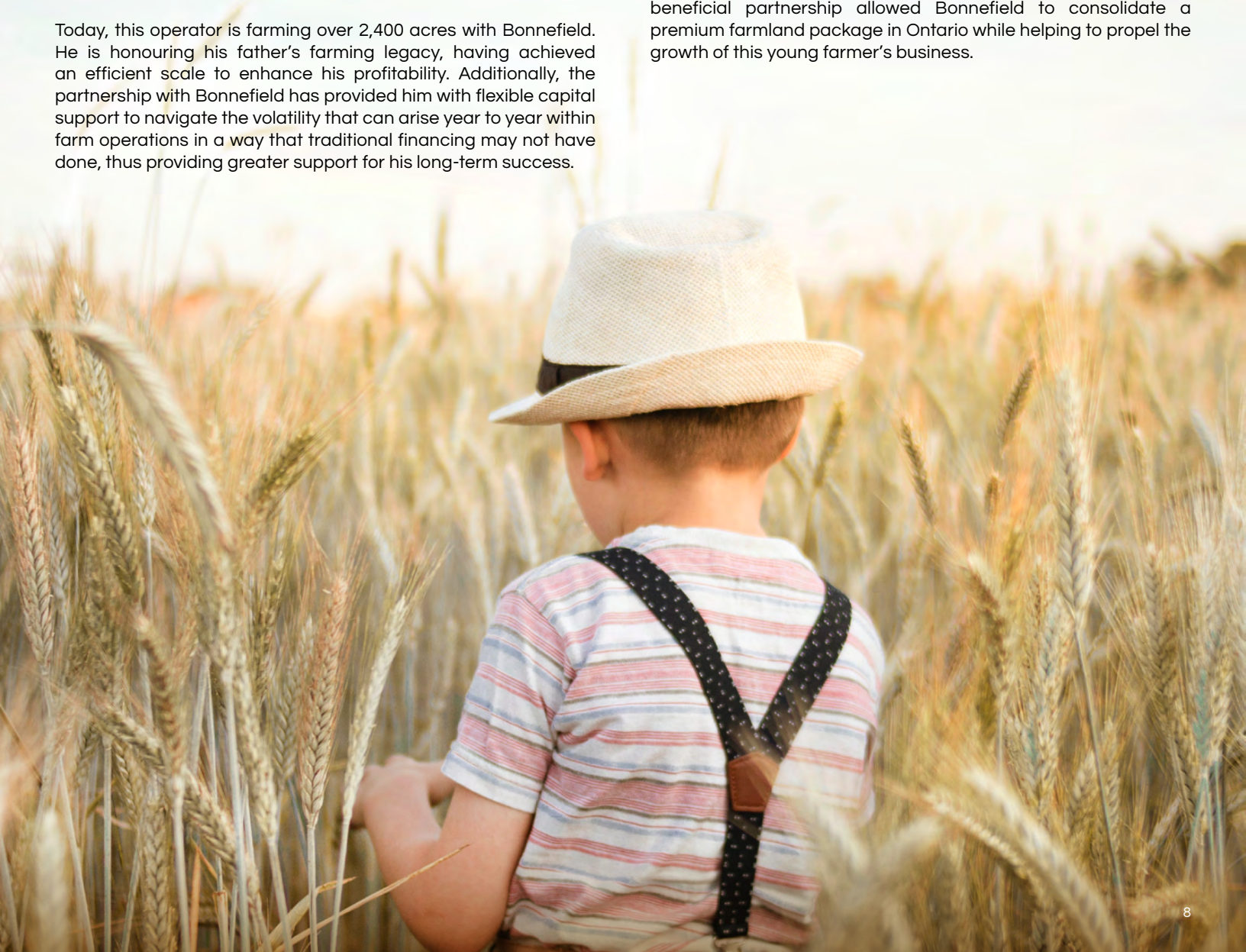
Today, this operator is farming over 2,400 acres with Bonnefield. He is honouring his father's farming legacy, having achieved an efficient scale to enhance his profitability. Additionally, the partnership with Bonnefield has provided him with flexible capital support to navigate the volatility that can arise year to year within farm operations in a way that traditional financing may not have done, thus providing greater support for his long-term success.

Propelling the Next Generation Forward

Bonnefield works to find options for the next generation of farmers as they pivot away from traditional debt financing that can hamper growth, particularly during turbulent times.

For example, at the age of 25, the son of a Canadian hog farmer saw an opportunity to grow and increase the profitability of his family's hog business by expanding into a complementary cash crop (corn, soybean and wheat) farming operation. This expansion would benefit from natural synergies with his existing family hog business which could provide highly desirable bio-waste as an environmentally-friendly fertilizer for the cash crops. Bonnefield worked closely with this farmer to secure 1,200 acres of cropland so that he could start this new endeavour at scale, which allowed his new cash crop operation to thrive quickly as he continued to express his passion for progressive farming.

Bonnefield has continued to grow with this operator by strategically acquiring attractive properties in the surrounding area to increase the overall land base he operates. This mutually beneficial partnership allowed Bonnefield to consolidate a premium farmland package in Ontario while helping to propel the growth of this young farmer's business.



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 annually by year-end, although farmers are encouraged to input data as soon as the crop has been harvested. Bonnefield's property managers travel cross-country to visit each farm as soon as planting starts each season (typically early May to end of October). They verify information submitted by the farmers and relay the information directly to the deal team through a Bonnefield-developed app that allows for immediate mobile reporting of geocoded data. Additionally, agrologists hired by Bonnefield visit each farm to provide an additional layer of data verification. As of June 2021, 93% of farmers had submitted data for 2020, this represents an increase from 88% participation the previous year.

Notes Related to Data Metric Calculations

Sustainably Managed Farmland

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

Third-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.

