



SILVER
FERN[®]
FARMS

CO-OPERATIVE LTD

Farming For Value

Silver Fern Farms Co-operative
2021

An aerial photograph of a lush green field with a large flock of sheep grazing. The sheep are scattered across the field, with a higher concentration on the right side. The field is vibrant green, and the sheep appear as small white and grey specks. The overall scene is peaceful and rural.

2021 Annual Meeting of
Silver Fern Farms Co-operative
Limited Shareholders

Wednesday 11 May 2022, 2PM,
Distinction Hotel Dunedin

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About our reporting suite

The following information covers the results for Silver Fern Farms Co-operative Limited, and a summary of results for its investment, Silver Fern Farms Limited. Silver Fern Farms Co-operative Limited and Shanghai Maling Aquarius Limited (Shanghai Maling) are the equal joint owners of Silver Fern Farms Limited.

Silver Fern Farms Co-operative has a 50% share in Silver Fern Farms Limited, alongside its 50% partner investor Shanghai Maling.

Silver Fern Farms Limited is a leading producer and global marketer of grass-fed red meat.

In addition to the business of the Co-operative, this report describes Silver Fern Farms Limited's management strategy, and the relevant performance and achievements for the year that ended 31 December 2021.



Co-operative Highlights



5

successive years of dividend payments and/or patronage rewards to shareholders

Delivery of an enhanced shareholder benefits programme for fully shared suppliers

\$18.4M

distribution declared to shareholders

Over 100

participants in shareholder governance development programmes over the past 6 years

We have a big focus on developing successors for our Governance. Our *To the Core*, *TTC Extension* and recently established *EDG* programmes are putting a stronger cohort of potential governance candidates in front of you as shareholders

Now over **\$30 million** in livestock premium payments paid out to our farmer partners with **\$6.9 million** in 2021

184

New Livestock Supplying Shareholders during 2021

An additional 1 million shares receiving Patronage Reward

Chairman's Review

The Board has been focused on ensuring the Operating Company provides stability to farmers through times of uncertainty and continues to invest in a number of areas critical for the long-term sustainable benefit of shareholders.

Rob Hewett



The Board of the Co-operative is conscious that our role is not to simply duplicate the efforts of the Board of the Operating Company, but to focus our efforts specifically on helping ensure the activities of Silver Fern Farms Limited continue to deliver for our shareholders. We're also heavily focused on developing successors for our governance through talent identification, acquisition and development.

Our focus in 2021 can be summarised across two key areas. The first is providing stability to farmers through a continued period of change and uncertainty, and the second is ensuring the Operating Company continues to make the most of its current favourable financial position to increase investment consistent with our strategy in sustainability, technology, and capital expenditure for the long-term benefit of shareholders.

The theme for this Annual Report is Farming for Value. Our activity in 2021 highlighted a growing recognition amongst consumers and the broader public that there's more to farming than economic value – there's sustainable nutritional, environmental and social value as well. It also reflects the



Co-operative's ongoing focus of ensuring that the value that our farms and farmers bring to Silver Fern Farms is both recognised and appropriately rewarded.

Silver Fern Farm Limited's market-led approach is about understanding where the consumer sees value and is prepared to pay for it. The focus from there is on rewarding those farmers who are delivering on these consumer's requirements.

Prosperity – Stability through Change

In the times we are in it is becoming somewhat of a cliché to refer to years as having unprecedented levels of disruption. However, 2021 proved this and 2022 seeks to challenge us even further.

Through this all, it is incredibly pleasing that Silver Fern Farms Limited, the Co-operative's investment, continues to keep performing and delivering benefits for shareholders. The business continues to adapt well and deliver, despite global challenges and the current complexity of processing and getting product into market. While the whole business has

performed exceptionally well in these challenging times, a special acknowledgement in particular is due to the logistics team of Silver Fern Farms Limited who are managing to navigate a myriad of global challenges, including continual delays and disruptions in shipping.

The Board also hasn't lost sight of the fact that farmers are feeling the impact of change and disruption inside the farm gate as well, whether that's the downstream impacts of any processing or supply chain challenges, the challenges of climate or the breadth of change facing the sector around issues such as water reform or from emissions pricing considerations (He Waka Eke Noa).

We will continue our focus of not just keeping farmers informed but by supporting any changes by turning to our greatest strength: securing and passing through stronger in-market premiums. We believe firmly in the merits of the carrot over the stick, and delivering a compelling shareholder value proposition through alignment of grower behaviour to consumer demands will continue to be a major priority for the Board of your Co-operative.

Planet – Enduring Investment

Just down the road from my own farm the Century Farm Awards are held in Lawrence. These Awards celebrate farms which have been held in the same family ownership for 100 years, many of them Silver Fern farmers. What stands out from these Awards are the black and white photos of our proud but humble, stoic and determined farming forebears and the decisions and actions they took to shape the land into a valued asset that could be passed down to successive generations, leaving it better for the next generation than when they took it on.

The Board has taken a similar approach to our role for the Co-operative by thinking forward to the attributes of farms 100 years from now. What are the decisions that we need to make now which means our successors will look back on us in a favourable light?

Net Carbon Zero and Regenerative Agriculture are two examples of initiatives which leverage New Zealand pastoral farming techniques and create world-class sustainable farming practices led by evolving consumer preferences. The beauty of these initiatives is that not only are they market-led signals which support farmers to invest in their operations, they are also in part a celebration of some of the inherent qualities and characteristics of our pastoral-based farming system which perhaps up until this point have not been fully recognised, appreciated, and rewarded.

Sustainability isn't just about the environment, it's about building enduring businesses that ensure the next generation of farmers can flourish. While there are still many challenges and difficult decisions ahead, it's important that we continue to show leadership as we transition towards low carbon production across both processing and farming.

People – Continually improving our Long-term Governance

Good Governance is always important but particularly given the current environment we are operating in it is critical to ensuring the continued performance of the organisation. The Board's strategy is to instil a culture of best-in-class governance and we are now delivering three extension programmes for sitting and up-and-coming governors.

To the Core has been running for six years and now in conjunction with Farmlands and more recently in association with LIC. We also have our To the Core Extension Programme which runs every second year and is running for the second year in 2022. Finally, our Extended Development Group is focused on working with a small group of shareholder suppliers who have exhibited potential and desire to be Directors of your Co-operative and possibly Silver Fern Farms Limited.

Our focus is to ensure the strongest possible cohort of directors is put in front of shareholders for their consideration. The duties required of a Director in today's economic, geo-political and digital climate have never been more complex, and we need to ensure we have talent to deliver against these issues.

Acknowledgements

We are very grateful for the performance of the Operating Company, and in particular the Executive Leadership team led by Simon Limmer, in steering the ship through choppy waters this year. The performance of the business against its strategic plan has been exceptional. In particular, that repeated record performance has been delivered year on year, in spite of the domestic and global tensions and uncertainties facing us is notable and worth reflecting on with a lot of pride. Silver Fern Farms performance in recent years has offered a bright light in the sector and I think it likely there would have been more farms going into carbon farming without it. Well done to all and we hope you keep on knocking it out of the park.

The Co-operative Board would also like to pay special acknowledgement to Tony O'Boyle who has announced he is retiring this year after six years around the Board table. OB's North Island farming insight and dry sense of humour around the Board table will be missed.

At the same time, we welcome Anna Nelson from Aria in the King Country as a new appointed farmer Director to the Co-operative Board. She replaces Gabrielle Thompson in this role who was elected to the Co-operative Board at the 2020 AGM last year, leaving the position vacant. Anna was appointed for a three year term in August 2021.

Finally, the board would like to acknowledge you – our suppliers of livestock and the owners of our business. Farming has never been more challenging, yet never has the future looked so bright if we get it right. The Co-operative is committed to ensuring Silver Fern Farms Limited keeps delivering against strategy, and having courage and vision to set bold goals and then knocking them off much in the same way our forebears that came before us did.

Thanks for sticking by us.

Rob Hewett

Chairman

Silver Fern Farms Co-Operative



Our Strategy

Long-term Sustainable Value
Creation through our Investment
in Silver Fern Farms Limited



Purpose

Leading progressive food producers committed to a sustainable future

Vision

A proud collective of consumer-focused farmers innovating to meet the highest possible standard of sustainable farming practice



Planet

- World-class sustainable farm practices led by evolving consumer preferences
- Leadership and transitioning towards low-carbon production across our sphere of influence.

People

- Instill a culture of best-in-class Governance
- Deliver effective Governance extension for sitting and up-and-coming Governors
- Offer scholarship opportunities that support our people and their communities.

Prosperity

- Delivering a compelling shareholder value proposition
- Transparent and authentic relationships with all stakeholders
- Delivering consistent returns on equity
- Ensure intention and integrity of the partnership with Shanghai Maling is maintained in accordance with its founding documents.

Co-operative Financial Results

Your Co-operative has reported a net profit before tax of \$51.3m for the 12-month period from 1 January 2021 through to 31 December 2021.

The after-tax result for the period was a net profit of \$51.5m. At balance date, 31 December 2021, our Total Shareholder Equity rose to \$369m (up from \$327m FY20).

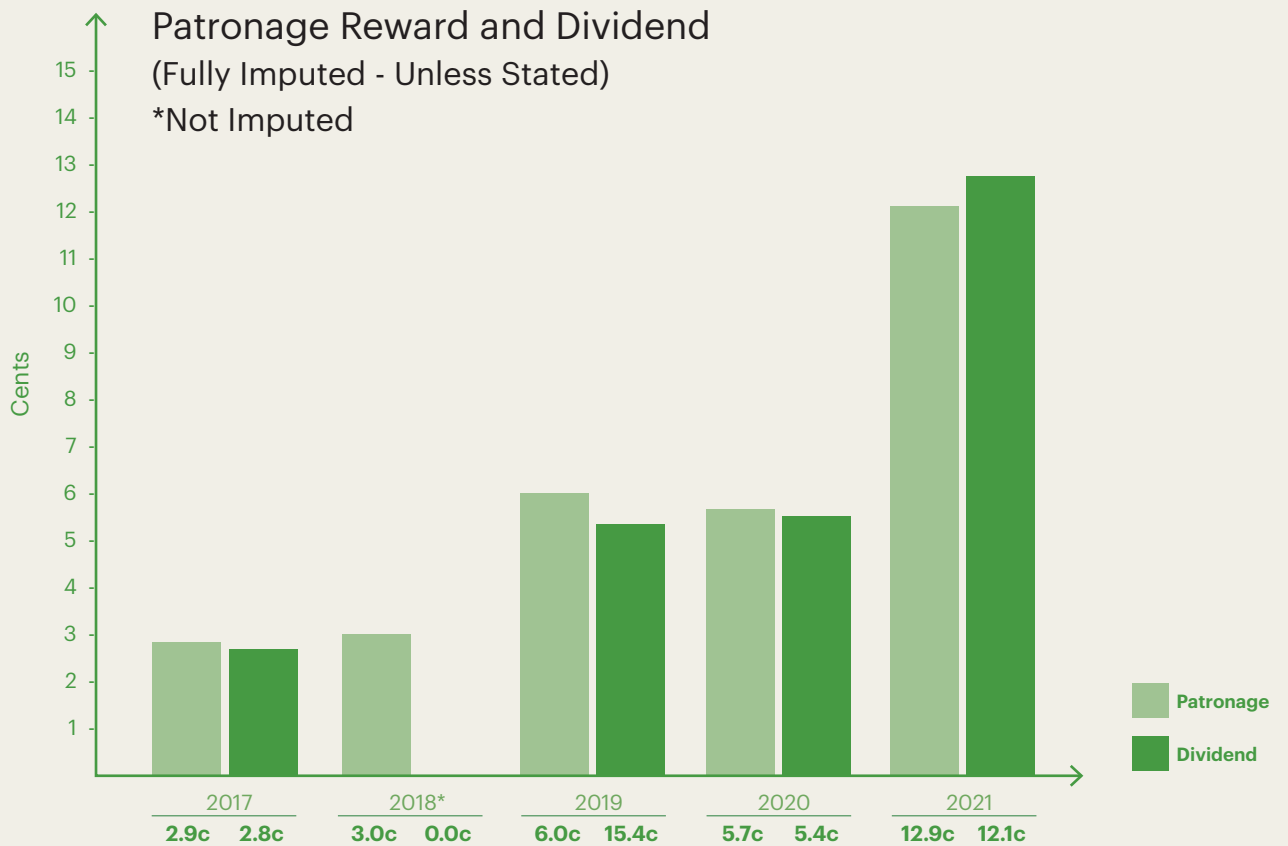
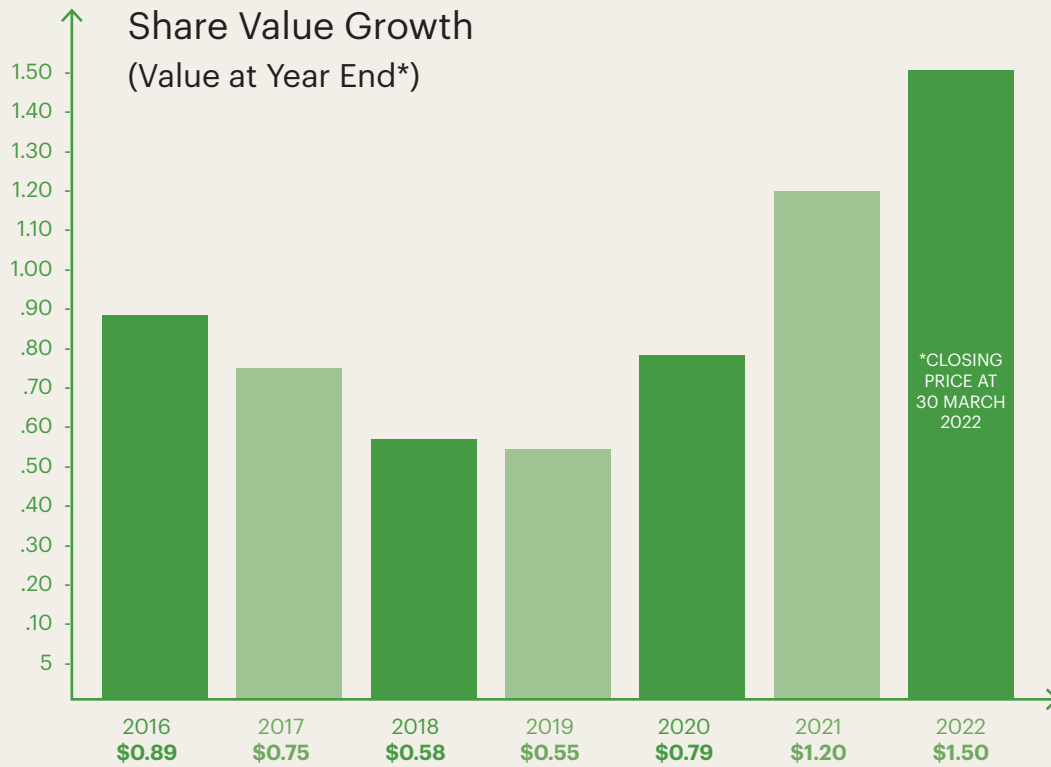
The administrative overhead for the Co-operative for the 12-month period was \$0.5m. This cost was met by Silver Fern Farms Limited as agreed under the terms of our partnership agreement with Shanghai Maling.

Under the founding partnership we have a targeted range for a dividend payment to the two shareholders of a minimum 30% of Silver Fern Farms Limited's Net Profit After Tax.

The Board of Directors of Silver Fern Farms Limited agreed to pay a dividend of \$46.7m representing 45% of the operating company's Net Profit After Tax for the year ending 31 December 2021. The Co-operative and our partner Shanghai Maling each receive a 50 percent share of this dividend. This represents a fully-imputed dividend receivable by the Co-operative of \$23.4m.

This distribution out of tax paid profits represents a fifth consecutive year of returns and has been the biggest end of year distribution the Company has made.

	2021	2020	Movement
Share of Earnings	\$51.9m	\$32.7m	\$19.2m
Dividends Received	\$13.1m	\$13.3m	(\$0.2m)
Net Profit before Tax	\$51.3m	\$32.4m	\$18.9
Net Profit after Tax	\$51.5m	\$31.6m	\$19.9m
Total Equity	\$369.0m	\$327.4m	\$41.6m



Co-operative Outlook

While 2021 and 2022 have thrown many challenges our way, we're incredibly optimistic about the ability of the Co-operative to continue supporting our suppliers and about the outlook for grass-fed red meat farming.

—

Rob Hewett

While this Report covers the 2021 Reporting Period, many of the challenges we faced have carried over in 2022 – not the least the ongoing impact of the Covid-19 pandemic.

The 2022 season is looking to be one of the longer ones in memory in terms of the volumes of animals on farm later in the season. The Operating Company's ability to continue navigating the impact of supply chain disruption will be critical, and our challenges in this space look to have no sign of abating soon.

The whole primary sector has been challenged in their inability to access the right levels of skilled labour but the 550 staff shortfall across Silver Fern Farms processing sites has had a serious impact on the time to process livestock and also our ability to focus on quality cuts over throughput.

The solution to this will be two-fold: the first will be a continued focus on Silver Fern Farms being an employer of choice for New Zealanders, and the second will be ongoing engagement with

Government around striking the right immigration settings for the country.

Inflation and farmer confidence will also remain a priority for the Board's consideration in 2022. Despite record high protein prices and strong company performance, we know that the breadth of change, disruption, and input cost facing farmers is causing concern.

At the direction of the Co-operative, Silver Fern Farms will continue to drive consumer-led solutions to support farmers through this change. These changes include not only helping farmers to navigate change through extension programmes and workshops, but linking efforts through to in-market premiums.

While 2021 and 2022 have thrown many challenges our way, we're incredibly optimistic about the ability of the Co-operative to continue supporting suppliers and about the outlook for grass-fed red meat farming in this country.



Robbie Burnside

The Board would like to formally acknowledge Robbie Burnside for his formative role in developing the governance programmes which support the next generation of Directors for your Co-operative.

Robbie joined the former PPCS Board in his late thirties and remembers a time where the majority of the Board were all under 40 years of age. He served for 17 years as Chairman of PPCS, and has remained dedicated to supporting the Co-operative ever since. He is a Distinguished Fellow of the Institute of Directors.

Robbie's background in primary sector governance started at an early age when he set up a local Young Farmers Club (YFC) at South Otago High School before eventually moving to the role of National President of YFC. Robbie went on to have involvement with many community groups and businesses.

A core role of the Regional Office of YFC was running competitions with local clubs to see how well their meetings were governed, including chairmanship, agendas, the taking of minutes, and balancing the books.

"There was a time when most farmers had exposure to governance experience through their local community clubs and farming groups although I witnessed a decline in this from the 1980's – it was this issue which drove me to make my contribution," says Robbie

Robbie has been instrumental in the development of the To the Core and the Burnside Hart programmes – two programmes which he believes are critical to the continued success of the Co-operative.

"To the Core was deliberately named as it was about helping participants understand the critical governance considerations of how a business operates rather than have them trying to do the management's job for them," says Robbie.

Robbie believes that shareholder suppliers should consider putting their hand up to run for governance roles more often, even if that meant just starting with a local sports club or school committee.

"Many farmers can be somewhat reluctant to try for governance positions but they don't realise that many of the characteristics of running a farming business actually make for being a good director," says Robbie.

Shareholder Suppliers interested in taking part in the Co-operatives Governance programmes can express their interest by contacting Clark Taylor – 029 914 5060.

About our Partnership

Our partnership with Shanghai Maling is now into its sixth year.

When announced in December 2016, we said the new arrangement would be a 'game-changer' for the Co-operative, delivering a strong and sustainable capital structure, an acceleration of our plate to pasture strategy, and the capital to invest in optimising our production facilities and capability.

Those predictions have borne out, and this annual report sets out just how far the operating company has come since this time.

Our partnership hasn't been without its challenges, with the impact of Covid in limiting our ability to meet face-to-face with our Shanghai-based colleagues as an example. However, we have grown in our understanding of one another, and in respect for the different perspectives which are brought to the Board table.

What has been noticeable is the effort and emphasis Shanghai Maling directors place on understanding the perspectives of Co-operative farmer shareholders and suppliers. Likewise, Co-operative directors have grown in their understanding of Chinese business and the dynamics of the Chinese economy and consumers.

Dunedin and Shanghai have officially been sister cities since 1994. It's fitting to have one of New Zealand's largest primary sector companies which embodies this special bond.

We are grateful to the Co-Chairmanship of Mr Wu and all other Shanghai Maling directors, and we look forward to many more prosperous years ahead.



“What has been noticeable is the effort and emphasis Shanghai Maling directors place on understanding the perspectives of Co-operative farmer shareholders and suppliers.”

–

Rob Hewett
Chairman
Silver Fern Farms Co-operative



“On behalf of Shanghai Maling, I would like to express my sincere respect for the history of Co-operative, and my sincere gratitude to the farmers who are the key suppliers of Silver Fern Farms.”

—
Wu Jian
Chairman
Shanghai Maling

Shanghai Maling and the Co-operative represent great strengths of Silver Fern Farms at both ends of the Plate to Pasture strategy. Since 6 December 2016, the two shareholders have gone through a 5-year journey.

Silver Fern Farms plays a significant role in Shanghai Maling’s ‘Double High’ (high quality high protein) strategy. We have a long-term vision for Silver Fern Farms to be a ‘green, borderless, sustainable’ international meat company and I believe this vision is in-line with the Co-operative’s ‘Planet, People, Prosperity’ strategy.

Based on this, the two shareholders support Silver Fern Farms to invest in environmental-friendly operations and safe production and supporting farmers’ green farming practices.

The shareholders are also encouraging Silver Fern Farms to explore new frontier/concept products and develop new models to diversify our business model.

Shanghai Maling speaks highly of the Co-operative’s special role in maintaining the good relationship between Silver Fern Farms, and shareholders and suppliers.

On behalf of Shanghai Maling, I would like to express my sincere respect for the history of Co-operative, and my sincere gratitude to the farmers who are the key suppliers of Silver Fern Farms, and thank you for your contribution to the company.

We strongly believe that building on the foundation of the governance document, our communication based on mutual respect, transparency and goodwill will lead us to tackle any challenge that we may face.

Where we've made a difference

762,574

Meals donated by New Zealand farmers to vulnerable kiwis since May 2020.

One cow or a few sheep could keep a rural foodbank going for an entire year. Your donation can make a massive difference.



1 cow can help feed a hungry New Zealand family for 6 months. Farmers, New Zealand needs you.



DONATE TO MEAT THE NEED NOW
MEATTHENEED.ORG



**SILVER
FERN
FARMS**

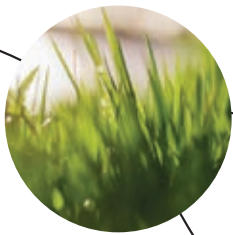
100% MADE OF NEW ZEALAND



Value through Change

Creating Sustainable Value

Our Plate to Pasture Strategy remains the core approach to our business model by identifying and linking consumer needs back to our farmers. We also consider how our business model takes our capital inputs and transforms them into outputs with outcomes for our customers, our organisation, our stakeholders, society and the environment.



Natural

We create value from and respect the natural environment of our farms, processing environments, animals.

Relationship

Our interactions and connections with our communities and stakeholders underpin our reputation.

Financial

Our revenue and financial capital is used to support our farmer suppliers, pay our staff, and invest in our business to ensure long-term success.



Human

We draw on the skills and dedication of our over 6,000 employees and 15,000 farmer partners.



Manufactured

We continue to invest in our 14 processing sites across the country and work closely with all our third party partners.



Intellectual

We draw from the wealth of knowledge and expertise of our people in market insights, innovation, processing, leadership, and marketing.

Consumer and Market Intimacy

We get closer more intimate connections to our customers and markets. We listen to their signals and communicate their direction back through our supply chain.



A Nature-Positive Future

By connecting our farmers to the world we build a sustainable future which allows our natural resources to thrive.



A Safe and High Performing Workforce

We enrich our people's lives by building a safe, supportive and engaging work environment that supports diversity, equity, inclusion, and learning and development.



Creating Thriving Communities

We respect and support our communities through our work and contribute to community projects of significance to New Zealand.



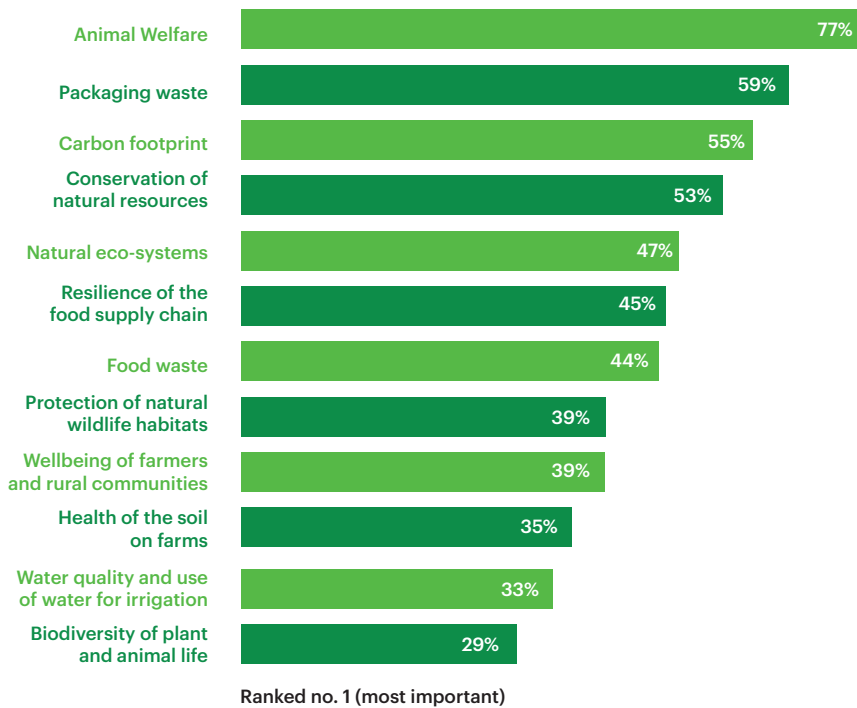
Building Enduring Partnerships

We build meaningful partnerships with all our partners through trust, transparency and communication.



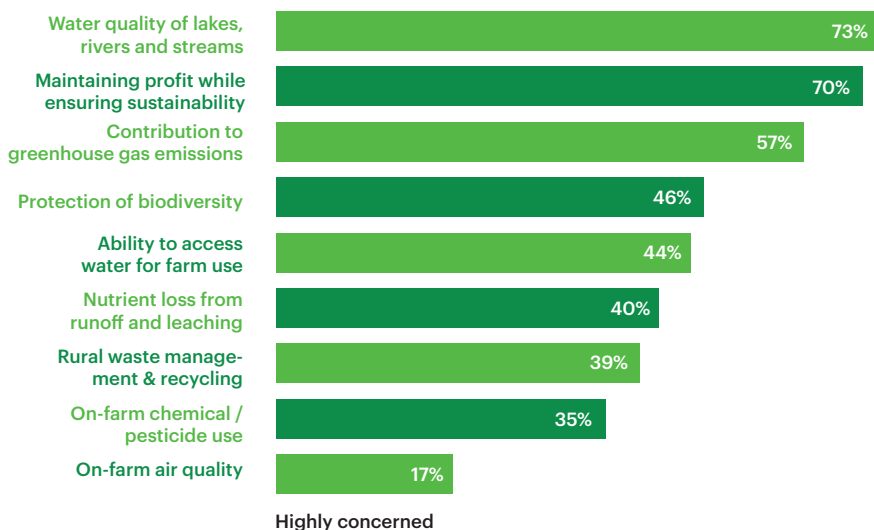
What is sustainability to our stakeholders?

Our Plate to Pasture market-led strategy remains unchanged, and sustainability is becoming a core focus embedded into everyday decision-making. We're making sure we do the right thing by our customers and the wider community, who increasingly want to know that their red meat is sustainably produced.



What matters to our customers?

We've surveyed our customers and have weighted the key results. Animal welfare, carbon footprint, the overall health of our ecosystems and supply chain resilience are the most important sustainability aspects to our customers.

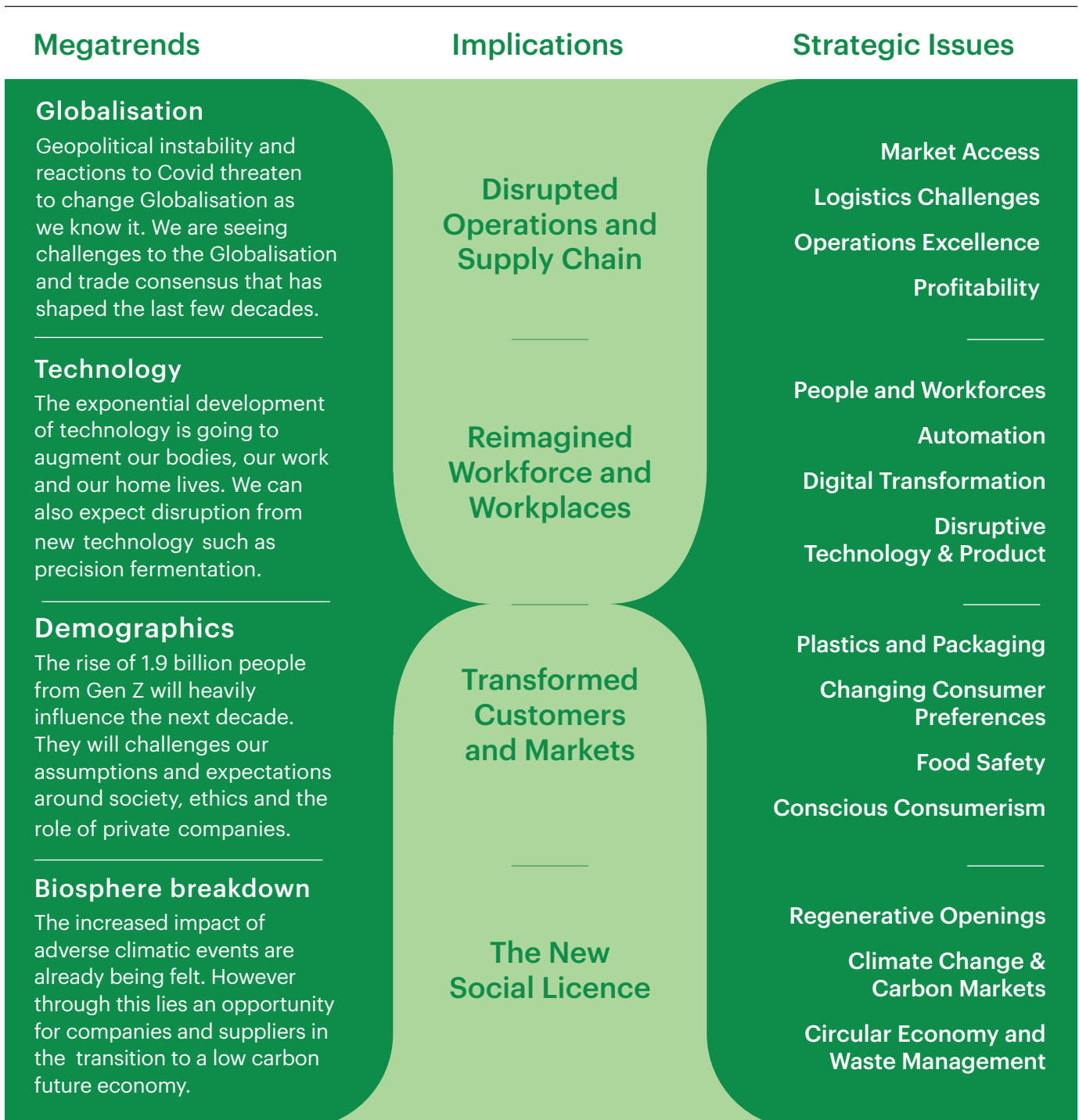


What matters to our farmers?

Equally our farmers have shared with us a range of key sustainability issues of concern to them – particularly water quality, farm emissions, biodiversity and balancing profit with sustainability.

What are the implications for us?

We live in a world in flux, with the pace of change greater than ever before. This change gives rise to a range of trends, implications and strategic issues relevant to our organisation. To navigate this environment successfully requires new thinking and leadership from all of us.



Our Material Issues



Climate Innovation

Creating a climate positive future

- Operations Initiatives
- On Farm Initiatives
- Supply Chain
- Products



Enhancing Nature

When nature thrives, we thrive

- Sustainable Future for Farmers
- Connecting Farmers to the World
- Regenerative Agriculture
- NZ Farm Assurance +
- Operations (Water & Biodiversity)



Circular Future

Creating value – the path to zero waste

- Reducing our consumptions
- Waste to energy
- Waste to value
- Plastics & Packaging



People & Wellbeing

Enriching people's lives through work

- Health & Wellness
- Diversity & Inclusion
- Social Equity
- Learning & Development



During 2021 we revised our material issues and built clarity around our sustainability goals, and while we are still early in this journey, we are accelerating Silver Fern Farms’ transition to a nature-positive red meat brand, that incentivises low emissions and regenerative farming practices.

This work is encapsulated in our Sustainability Action Plan which will provide the framework for how we report our progress going forward.



Community & Belonging

Together we are stronger

- Our local site communities
- Our farming/regional communities
- Community projects of significance to New Zealand



Trust & Connection

Most Trusted Partner

- Market Access
- Food Quality & Safety
- Animal Welfare
- Food Provenance – Traceability
- Supplier Responsibility



Disruptive Innovation

Creating Options for Value and Growth

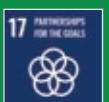
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| <ul style="list-style-type: none"> • Sustainable Products • R&D & Innovation Strategies • Diversification Strategy | <ul style="list-style-type: none"> • Redefining Value • New Partnerships • Digitisation/automation |
|---|---|



Te Ao Māori

Respecting our Unique Aotearoa/New Zealand Identity

- Te Tiriti O Waitangi
- Iwi Partnerships
- Te Ara Huri Māori Development Framework



Performance Snapshot



35+

Staff now based in market

\$103.8m

Net Profit after tax in 2021



\$6.9m

Premium payments to suppliers in 2021. Now over \$30 million accumulative.

\$400m+

Wages and salaries for 6000+ staff



\$60.5m

Record Capital Expenditure Spend



52%

The Honest Burger Range

The burger category was something we felt has been underdone and that's why last year we launched our Honest Burger range. Over the last 12 months there has been a 15.5% increase in the burger category in New Zealand, much of which can be attributed to our range. What's more is that we're seeing flow-on effects to our other retail products with a 52% growth in total Silver Fern Farms Retail Brand in New Zealand.

Chief Executive Review

Predicting, managing, and mitigating change has now become the new business-as-usual for our organisation.

Simon Limmer

The benchmark Silver Fern Farms Limited have set for ourselves is not simply to get through periods of disruption unscathed but to take periods of disruption as a given and ensure we continue delivering on the aspirations we have set for ourselves.

	2021	2020	MOVEMENT
Revenue	\$2,749.6m	\$2,490.1m	\$259.5m
EBITDA	\$179.7m	\$125.7m	\$54.0m
Profit before Tax	\$143.4m	\$90.2m	\$53.2m
Net Profit after Tax	\$103.8m	\$65.4m	\$38.4m
Dividends to be Paid	\$46.7m	\$26.2m	\$20.5m
Total Equity	\$683.6m	\$609.5m	\$74.1m
Return on Equity	16.05%	10.7%	+5.35pp

We can take great heart with how the business is tracking. We now have five consecutive years of profits under our belts, and we have ticked off many milestones in cementing the financial stability of the organisation. However we know we still have more to make of the opportunity to turn our favourable position into more investment into infrastructure, systems, and growth in market to secure our longer-term success.

Our theme for 2021 can best be summarised by Value through Change. This reflects our focus on identifying and capturing the value in a changing world, and continuing to deliver value to shareholders through the constant change of disruption.



Our Direction of Travel

Communities, consumers, buyers and Governments expect companies to go well beyond compliance and to articulate how they're addressing major global challenges, from climate change to the treatment of animals.

As an industry leader we need to continue to be open about the challenges we face as a sector, and carefully explain the important work we are doing to address complex social and environmental issues.

By communicating our efforts authentically, we will demonstrate credibility, and earn greater trust and recognition.

One of the most pleasing aspects of last year is the clarity we've built around our sustainability goals. While we are still early in this journey, we are accelerating Silver Fern Farms' transition to a nature-positive red meat brand, that incentivises low emissions and regenerative farming practices. While we still have some way to go yet, we're confident that the direction we are travelling in will translate into higher returns for what we produce and a more positive outlook on the sector for our farmer suppliers.



Navigating Disruption

Two statistics really epitomised the lengths of disruption to our supply chain in 2021.

The first was an over 50 percent increase in global container costs, and the second was a drop in vessels arriving at port on time from 90 percent integrity to 20 percent. This impacted not only our ability to get product into market but required us to change the way we planned back upstream including the configuration of our products, our cool storage capacity, and ultimately when we could process livestock.

Closer to home, our inability to access sufficient skilled labour to run our processing facilities continues to have an impact, and this season has not been helped by record low unemployment levels, stringent immigration rules which have applied under the phased reopening of the border, and the ongoing impacts on Covid in the communities in which our sites operate.



Investing in our Infrastructure

To ensure our success continues across a longer-term horizon we have made another record \$60.5 million investment in our organisation. The bulk of this goes into our infrastructure, particularly across our sites which in some instances have a history of infrastructure going back over 100 years. Highlights from the last year include our over \$17 million investment in the Pacific Marshalling Floor which is now operational and adding greater chilled capacity in the region. This investment gives us both more processing optionality in market, particularly in China, and of course more options of supply for our local farmers.

We have also shaped our capital investment programme to support our sustainability goals. This includes investment in transitioning from using coal to using electricity and biomass, smart lighting, hot water system management and overall water use reduction.

Transformation and Technology

Similarly we are investing strongly into our capability building, this includes systems and technology to support traceability and digitalization that are making our business run more smoothly and efficiently. Transformation and Technology is a big focus for the business and we are heavily investing in improving our digital technology landscape.

We have 12 large scale digital technology-based projects in-flight that will improve all areas of our supply chain from better supplier experiences, efficiencies in our plants, through to closer connections with our customers. These projects not only create efficiency gains and optimisation today, they also enable greater choices we can make tomorrow.

Acknowledging our People and Capability

We couldn't talk about our results without an acknowledgement of the efforts of our people right across the organisation. From our site staff across our 14 sites, to our hubs, to our livestock team across the breadth of the country, in a year of significant disruption our people have stood up a delivered. Thank you.

From our Frontline Leadership Programme on site through to our Graduate Programme in our hubs, we'll continue to invest in our people and our leaders of the future.

While it's great to be able to reflect on another positive financial performance, we remain with our shoulder to the wheel, and our eye to the future.

Simon Limmer
Chief Executive
Silver Fern Farms Limited

The benchmark we have set is not simply getting through periods of disruption unscathed but taking disruption as an inevitability and ensuring the organisation continues delivering on the aspirations we have set for ourselves.

Simon Limmer



2021 Timeline

Honest Burger launch

Our new Honest Burger range launches into New Zealand supermarkets aimed at premium consumers. The range successfully expanded the burger category, attracting customers who weren't already buying burgers.



Pacific Marshalling Floor

Construction began on the \$17m Marshalling Floor at our Pacific site in Hawke's Bay to enable expansion of our high-value attributed beef programmes.

Venison Brick USA launched

Our 1lb Ground Venison 'brick' became the best performing individual Venison item in the USA by volume.



Finegand and Belfast pumps

EECA co-funding announced to eliminate coal at our Finegand and Belfast sites. These two projects alone will halve our coal use.

Calf Booking app

New app launched to improve user experience and animal welfare outcomes for Bobby Calf suppliers.



meat the need
WITH SILVER FERN FARMS

Meat the Need

Celebrated first anniversary of helping NZ farmers feed NZ families.

On-farm Sustainability Field Days

Three farms hosted SFF and local suppliers to learn about carbon removals, biodiversity and the incoming NZFAP Plus programme.

Plate to Pasture judging

Allen and Jo Johnstone of Wallace Johnstone, Te Kuiti, were judged Silver Fern Farms Supplier Awards National Winners for 2021.



January

February

March

April

May

June

Grass curve

Scholarships

Plate to Pasture Scholarships awarded to six aspiring professionals looking towards careers in the red meat industry.

Conference Commitments

Announced four key commitments: a range of Toitū Net Carbon Zero Certified Beef in the US, ending coal use in processing by 2030, our commitment to regenerative agriculture and joining the International Science Based Targets initiative (SBTi).

Level 4 Lockdown

Processing continued almost at normal levels during a return to Level 4.

Toitū

Earned Toitū Enviromark Diamond accreditation – the highest environmental standard for businesses in New Zealand.



Muster Your Mates referral programme launches



GIDI partnership

\$2.6m heatpump conversion project announced for our Pareora site, with \$1m co-funding from the GIDI fund.

HWEN workshops

Know Your Number workshops for farmers in collaboration with B+LNZ.

Virtual roadshow

Broadcast three interactive Virtual Roadshows to offer a company update and farmgate outlook.

Rapid Antigen Test trial begins

Silver Fern Farms asked to take part in trial with 30 other businesses to pilot use of RAT tests on site.

Pacific Marshalling Floor commissioned



Shanghai Restaurant Awards

Reserve Beef named 'Ingredient of the Year' in the Shanghai Best Restaurant Awards.

Toitū awards

Toitū Enviromark awards Silver Fern Farms two Brighter Future Awards, for 'Top Reducer By Volume', and 'Climate Action (>50,000 tonnes organisation)'.

July

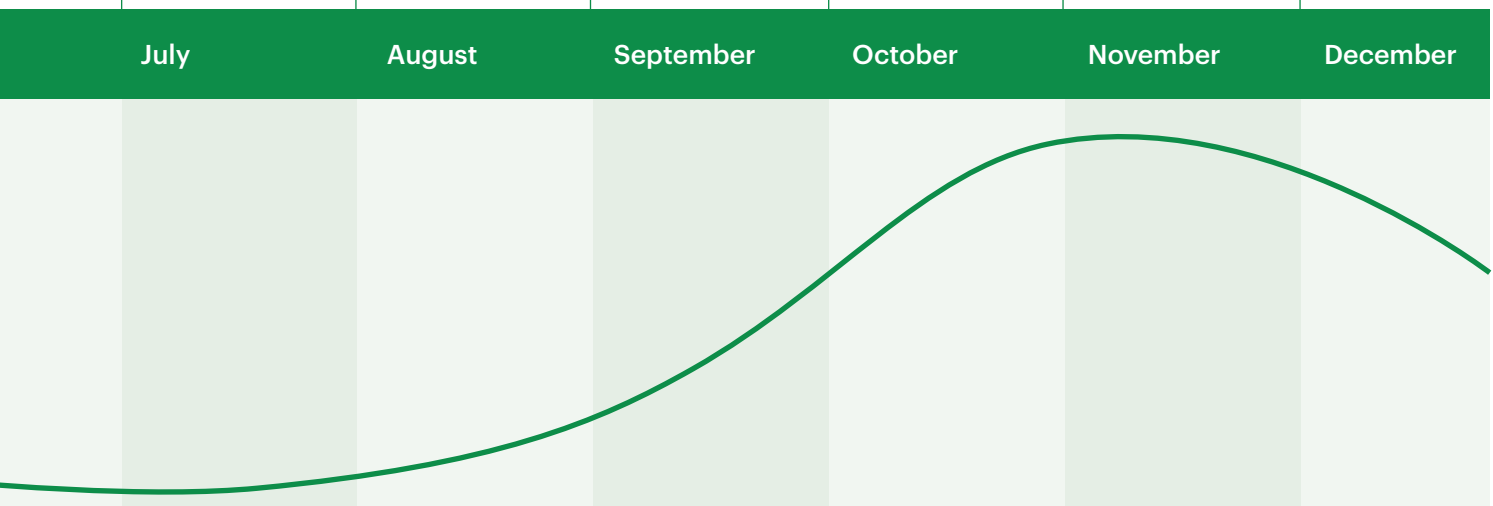
August

September

October

November

December



Operational Excellence

Thank you to all our site staff who have continued to work hard and deliver despite the disruption that 2021 threw at us.

Our 2021 results can be put down to the efforts of all our staff who have continued fronting to work under the challenging conditions presented through Covid and other disruptions.

We have always taken a precautionary approach to our operations in light of Covid. We're incredibly grateful for the way our site staff took on our stringent health and safety protocols and procedures to keep our sites safe for our people, including using Rapid Antigen Testing at all our sites, and extensive use of PPE, physical distancing and temperature testing.

Despite the disruption, it was also pleasing to still be making strong inroads into improving our operational capacity across our network.

We know our success has to continue across a longer-term horizon, and that's why we made a record \$60.5 million investment in the business last year. The bulk of this has gone into upgrading our processing sites which in some instances have a history of over 100 years.



Guardian Bandsaw

The final sets of our new Guardian Bandsaws were installed at our Finegand site in 2021. This is cutting-edge technology that uses optical and electrical sensors to prevent any accidents. It's another investment in our efforts to provide safe working environments for our staff.

"The new saws are great. They provide a safe environment for the operator and are safeguarding my safety. I can access the data to better understand how I can improve my technique and records the number of stops. We've etched lines into the table tops to ensure we attain the correct dimensions for the product lines we are processing. It's great that Silver Fern Farms have invested in these units as it demonstrates their commitment to providing a safe environment for their employees."

Robert – Dargaville Site Team Member



↑ **8.0m**

A record \$60.5 million investment in the business last year

Processing Technology (Eymdex)

Last year we went live on the first stage of a new system which upgrades the technology we use to track and document our processing activity.

This investment is part of a broader programme of work modernising all our sites by upgrading the computer systems which record the data in each stage of processing.

The new technology is a step change in the way our site systems will operate and it will deliver improved traceability, improved product control, increased ability to respond to customer requirements, and better reliability.

One end-to-end system means we have better oversight from animal arrival, throughout the processing rooms, to finished meat products in their final packaging.

De-carbonising sites

We welcomed \$1 million co-funding from the Government Investment in Decarbonising Industry (GIDI) Fund for a \$2.6 million coal-out project at our Pareora processing site.

This is a significant boost to achieve our commitment to end all coal use by 2030.

The Pareora heat-pump conversion project is our third successful project including at our Belfast site, under the GIDI fund and represents another important step in our commitment to playing a leadership role in driving sustainability in the red meat sector.



Pacific Marshalling Floor

2021 saw the commissioning of our new Marshalling Floor in our Pacific site, infrastructure which greatly increases our chilled capacity. It features automated rails which sort carcasses by specification, grade and market on a scale not previously possible.

This investment will increase our capability to grow processing numbers in the off-peak season which raises the level of minimum guaranteed supply year-round.

It's a key part of our strategy to grow our attributed programmes, which attract higher premiums in market and flow more value back to farmers. It's a major investment in our beef farmers who will have more options to supply the market year-round.

Market Intimacy

PURE Burger Development

On the back of our hugely successful Honest Burger retail launch in early 2021 Silver Fern Farms' in-house innovation team set to work to develop our first frozen retail product – PURE Burgers. In response to consumer preferences these have been developed as keto friendly and gluten free, with no nasty artificial ingredients.



Net Carbon Zero

In response to market opportunities for verifiably sustainable product Silver Fern Farms committed at our 2021 Farmer Conference to launching a Toitū Certified Net Carbon Zero Beef range in the US. Emissions were calculated for the lifecycle of product from participating suppliers of our 100% Angus range, and offset by carbon removals on those same farms.

The programme is unique in that the emissions and sequestration are from within the same system, as opposed to other products where the emissions are often offset by purchasing carbon credits from an unrelated industry.

Silver Fern Farms currently has six Net Carbon Zero Angus Beef retail products available in US supermarkets and the product is currently being sold across supermarkets in Los Angeles and New York.

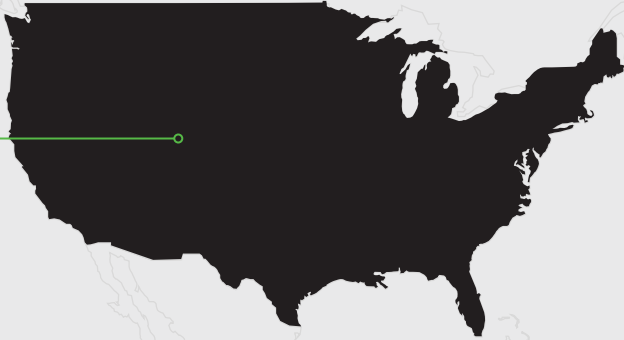
Venison Recovery

The effects of Covid were most keenly felt by Venison, resulting in Silver Fern Farms' Venison Recovery Plan, which included the introduction of new Venison retail SKUs into over 600 US supermarkets.

In March 2021 the Venison 1lb Ground 'Brick' became the best performing venison product in the US by volume – a reflection of the significant work in market around changing preferences, and education for consumers around venison as an alternative protein.



Spotlight on the United States



The United States is our second-largest market and we have some really exciting propositions for US customers. Net Carbon Zero beef is now in market. Given the enormous amount of work that has gone into this programme to date it's incredibly exciting that US consumers can now experience this category leading product in-market. The range includes Net Carbon Zero By Nature branded Angus Ribeye, New York Strip Steaks, Ground Beef and other beef products.

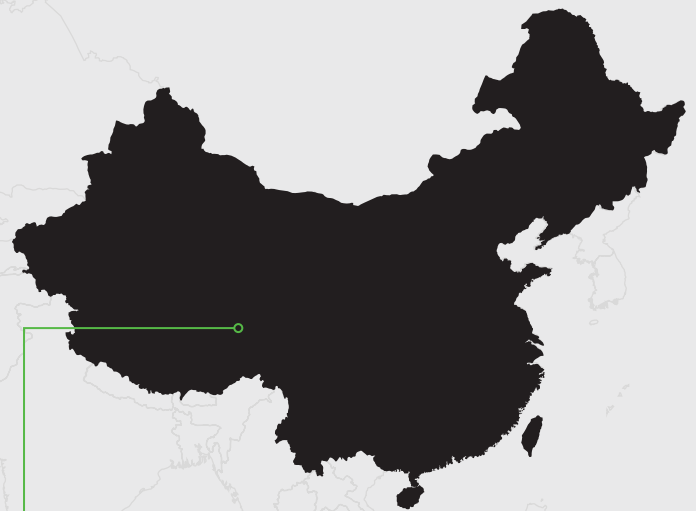
Pleasingly, because of the unique "insetting" approach to carbon removals, the value from this product is being passed back through the farm-gate.

Our eCommerce channel in the US also continues to build strongly from its launch in late 2020. The benefits of this direct-to-customer engagement is not just revenue, it's also about the consumer insight and data that can inform our broader sales strategy in an omni-channel environment that takes in both digital sales and bricks and mortar.

2021 saw continued investment and capability building in our in-market team in Shanghai, and our in-market team now numbers over 20 staff.

The benefits of this in-market presence is staff who are in the same time zone, speak the same language, and have a greater intimacy with the market and our customers. We are working towards transacting 100 percent of our China sales through our Shanghai office.

Our Shanghai-based team has really enabled us to keep connections with customers with Covid preventing the NZ based team from travelling. This includes successfully leading our presence at the 4th China International Import Expo which typically attracts over 400,000 people and thousands of businesses from across the globe.



Spotlight on China



Supply Partnerships

Anyone working in logistics deserves a medal for their efforts these last two years, and they will be deserving another medal to get through the next 12 months.

The global supply chain remains just as problematic as ever, and we're at the point where the disruptions we face every day are nearly the new BAU for most exporters here.

Shipping capacity, vessel schedules, port productivity and landside infrastructure remain congested and disrupted in every country and across every trade lane globally.

Anyone working in logistics deserves a medal for their efforts these last two years, and they will be deserving of another medal to get through the next 12 months.

We're also incredibly grateful to the efforts of our livestock team and our transport partners who have continued adapting and adjusting to volatility from the markets right back here to the farm gate.

While farmgate pricing has been strong we haven't lost sight of the extent and pace of change farmers are confronted with. While it's important the business continues passing through the value in the market at the moment, we are also equally focused on investing in the initiatives to build longer-term confidence in the outlook for pastoral red meat farming.



Kotahi

Supply Chain Collaboration

At times during last year where we'd normally expect around 90 percent of boats to be arriving at port on time to take product to market, we only had 20 percent arriving on time due to supply chain disruption.

Our arrangement with Fonterra through Kotahi puts us in a stronger position to manage the impacts of any disruption.

Calf App (Transformation and Technology)

The new Calf Booking App empowers suppliers to book their own bobbies for collection. This gives our processing sites greater visibility, and minimises risks around animal welfare and missed bookings, while providing an excellent digital experience for suppliers. The Calf Booking App is nominated for a B+LNZ Technology Award in 2022.

↓ **70%**

Drop in boats arriving on time due to supply chain disruption.



Regenerative Agriculture

Also at our 2021 Farmer Conference Silver Fern Farms committed to a Regenerative Future.

Two years of social listening research points to growing momentum in this space with all the hallmarks of a trend or movement, rather than a fad.

Consumers have identified their concerns, and Silver Fern Farms has adopted 8 regenerative principals to guide our work in this space and keep the customer voice at the forefront of what we do.

We will be building on this programme of work in 2022.

On-farm Sustainability Extension

At the conclusion of our SFF Funded Carbon Pilot the Livestock Team hosted three On-Farm Sustainability Workshops around the country.

This included the introduction of NZFAP Plus, a further standard in Farm Assurance, and conversations around the development of our market-led sustainability initiatives.

We also hosted farmers, alongside B+LNZ, for 'Know Your Number' workshops, enabling farmers to meet their GHG emissions obligations under He Waka Eke Noa.

Plate to Pasture Awards

Allen and Jo Johnstone of Wallace Johnstone Ltd were the Plate to Pasture Supplier Awards winners for 2021.

The Johnstones produce lamb and beef on their Te Kuiti property, and were specifically recognised for the excellent systems, processes and policies on display.



Looking Ahead

The context we face into over the next year is complicated, however we remain confident that the Plate to Pasture strategy that we are deploying is still the right one. We will continue to be market-led. We will continue to listen to the consumer, and to share those market signals back with you.

To drive sustainable growth and resilience, while enhancing stakeholder trust, we must anticipate, articulate, and respond to risks affecting both our strategic objectives and our operations. Through the application of robust risk management practices across our business, we seek to achieve an appropriate level of risk, commensurate with the returns expected.

Our Enterprise Risk Management (ERM) framework is centred on both creating and protecting value. Based on the principles of the global risk management standard, ISO 31000:2018, it sets out the disciplines that can be embedded in day-to-day business operations and decision-making processes. At the framework's core is the process for promoting the effective identification, assessment, treatment, and reporting of risk, which is underpinned by Silver Fern Farms' risk assessment tools. These tools, which incorporate the Board's risk appetite, support a consistent, company-wide approach, and ensure that risk appetite is embedded into the regular decision making of the business each time a risk assessment is conducted.

We will continue to monitor the changing economic and societal landscape, and assess the influence of global trends on our operating environment. There are a number of headwinds that we're facing into over the next year including heightening geopolitical

tensions, our labour shortage challenges, increasing inflation, and Covid as examples. These all present risk and challenges for the business going forward, but we go into this period with renewed confidence and optimism about our ability to manage these.

A spotlight on our climate change risks and response

One of the most pleasing aspects of last year is the clarity we've built around our sustainability goals. We are accelerating Silver Fern Farms' transition to a nature-positive red meat brand, that incentivises low emissions and regenerative farming practices. Initiatives we announced include:

- Launching our first range of Toitū Net Carbon Zero Certified* Beef in the United States
- Committing to a 'Regenerative' future
- Ending coal use in our processing plants by 2030
- Joining the international Science Based Targets initiative (SBTi) by the end of 2021.

We are optimistic about the role our company, our farmers and our customers can play in keeping warming below 1.5 degrees, and the role we can, and are, playing in system change as we transition to a low carbon global economy. We are reducing our own emissions as fast as we can, adopting science-based targets and extending these right across our value chain including on farm.

While many of the risks we faced in 2021 still remain in our outlook for the next few years, we go into this period with renewed optimism and confidence around the value of our core proposition to market.

Simon Limmer



Silver Fern Farms Co-operative

Your Board of Directors



Rob Hewett

Chairman, Shareholder
elected Director

Rob became the Chairman of Silver Fern Farms Ltd in December 2013. He is the current Co-Chair of Silver Fern Farms Ltd. He was elected to the Board in February 2008. Rob currently farms 9,250 stock units, on a 960 hectare sheep and beef breeding and finishing unit in Manuka Gorge, South Otago. He is the Chairman of Farmlands Co-operative, Pioneer Energy, as well as a Director of T&G Global, Pulse Energy, Hilton Haulage and Chair of the Strong Wool Action Group. He is a member of the Lincoln University Council. A chartered fellow of the Institute of Directors, Rob is a Graduate of Lincoln University, holding an M.Com in marketing and a B.Com (Ag) in Economics.



Tim Gibson

Independent

Tim joined the board in April 2020. He is also a director of Livestock Improvement Corporation (LIC), Miraka, Port Otago, ManageMyHealth, Skills Consulting, and Omnieye.

Tim is a graduate of the University of Otago (Law and German) and has many years of international executive experience with a strong focus on food and agriculture, starting his career at Donaghys in Dunedin.



Dan Jex-Blake

Shareholder elected
Director

Dan was elected to the Board in 2013. He is the Managing Director of Mangapoike Ltd, a 24,000 stock unit pastoral farming company near Gisborne. He was invited to take part in the 2014 Rabobank Global Farmers Masterclass and has completed the 2014/15 Fonterra Governance Development Programme. He is a Director of FarmIQ Systems Ltd.



Anna Nelson

Board Appointed Farmer
Director

Anna runs a 1450ha breeding and finishing block in Aria with husband Blair (Munta), and in-laws Jon and Kaye.

Anna is originally from Cheviot and has a veterinary degree from Massey University. As well as 10 years at a vet practice in central Waikato, she has also been an Associate Director at Beef + Lamb and is currently a catchment coordinator at King Country River Care.



Tony O'Boyle
Shareholder elected
Director

Tony O'Boyle was elected to the Silver Fern Farms Board in December 2015. He is a Wairarapa sheep and beef farmer. Tony is a past director of Farmlands and is a past Chairman of the Fonterra Shareholders Council. Tony is also Co-operative Chairman of the Remuneration and Appointments Committee.



Jane Taylor
Independent

Jane was appointed to the Board in June 2013 and is Chair of the Audit, Risk Assessment and Mitigation Committee. She is a professional director with extensive commercial, legal, regulatory and governance experience.

Jane is currently Deputy chair of the External Reporting Board (XRB), a director of OTPP New Zealand Forest Investments and the Aspen Institute of New Zealand, and a Guardian of the Aotearoa Circle. She has recently retired as the Chair of Orion New Zealand and Manaaki Whenua Landcare Research.



Gabrielle Thompson
Shareholder elected
Director

Gabrielle graduated from Massey University with a Veterinary degree in 2000. Gabrielle developed her own companion animal clinic in 2004, growing to five clinics around the lower South Island over a 10-year period before selling these clinics to a nationwide company.

Gabrielle and her family, own and operate a 530ha arable and store lamb farm at Dorie, Mid Canterbury. She is a chartered member of the Institute of Directors. She is a member of the Lincoln University Council.



Richard Young
Shareholder elected
Director

Richard operates a 300ha sheep and cropping property at Tapanui, West Otago. He was elected to the Board in 2013. He is also a Chairman of the Primary Wool Co-operative and a director of Wools of New Zealand LP and Telford Farms. He has a Bachelor of Commerce in Economics from Otago University.

Richard is a Chartered member of the Institute of Directors and completed the Institute of Directors company directors' course in 2014 and audit and risk committees course in 2016. He also completed the Kellogg Rural Leaders Programme in 2011.

Your Shareholder Relations Manager



Clark Taylor

Clark ensures all aspects of the Co-operative's business requirements are fulfilled. One of his critical functions is to work closely with the Board and the Silver Fern Farms Executive Team to ensure that our fully shared suppliers are receiving the level of access to our Shareholder Benefits Programme they deserve.

Clark joined the Co-operative in August 2017, following a 37 year career with Bank of New Zealand, in senior leadership roles including leading the agribusiness, commercial banking and private banking sectors across the Otago/Southland region.

Governance

Silver Fern Farms Co-operative Limited's governance policies are reviewed to ensure they are consistent with best practice.

Silver Fern Farms Co-operative Limited is a limited liability company registered under the New Zealand Companies Act 1993 and the Co-operative Companies Act 1996. The company is a co-operative owned primarily by suppliers of livestock to the group.

The company has a class of shares called New Ordinary Shares which are traded under the code "SFF" on the Unlisted Securities Exchange (USX). USX is a cost efficient trading facility and is not a registered stock exchange under the Securities Markets Act 1988.

The constitution of Silver Fern Farms Co-operative Limited is available on the company's website or on request.

Role of Board of Directors

The Board of Directors is responsible for the company's corporate governance and strategic direction. The Board is committed to undertaking this role in accordance with best practice appropriate to the company's business. The Board is responsible for determining the company's policies and objectives, managing risk, developing major strategies, and monitoring the performance of management. The Board has delegated certain powers to committees of the Board and the day-to-day management of the company to the Shareholder Relations Manager.

Policies

Silver Fern Farms Co-operative Limited's policies are designed to enhance overall performance and assist the company in reaching its objectives.

Director Independence

Silver Fern Farms Co-operative currently has two Independent Directors.

Board Composition

The Co-operative's Constitution determines that:

- a. Silver Fern Farms Co-operative Limited will have a Board of between six and nine directors;

- b. up to five directors are to be elected by shareholders who are suppliers of livestock to the Company. Shareholder-elected Directors must also be an eligible person (supplying shareholder);
- c. up to four directors may be appointed by the Board ('Independent Directors'). If there are more than three Independent Directors, one must be an eligible person (supplying shareholder).

To qualify for election or appointment, a director must not be an employee of Silver Fern Farms Co-operative, Silver Fern Farms Limited or any of their subsidiaries.

The Board at 31 December 2021 comprised, five supplier-elected Directors, two Board-appointed Independent Directors and one Board-appointed farmer Director as follows:

Tim Gibson	Independent
Rob Hewett	Shareholder-elected, Chairman
Dan Jex-Blake	Shareholder-elected
Tony O'Boyle	Shareholder-elected
Anna Nelson	Board appointed farmer director
Jane Taylor	Independent
Gabrielle Thompson	Shareholder-elected
Richard Young	Shareholder-elected

Biographies of current Directors are set out in the Board of Directors section of this report.

Director Nominee Process

Director nominees must be nominated by two current shareholder suppliers. The Director nominee process involves an independent evaluation of those nominated, against a range of skill set requirements for the business, with the independent evaluator advising shareholders of each candidate's fit against that framework.

The Board establishes the framework and appoints an independent evaluator. An independent director also chairs the candidate evaluation process. No other members of the Board are involved in this process. The Directors believe in encouraging the creation of a pool of director capability relevant to the business, particularly among the share-holder-elected constituents. In addition to working with organisations such as the Co-operative Business New Zealand and the Institute of Directors and Fonterra to encourage director training, during 2008/2009 the company established the Burnside-Hart Co-operative Education Trust to further such an outcome. Applications for funding should be addressed to:

The Trustees, Burnside-Hart
Co-operative Education Trust
c/o Shareholder Relations Manager
PO Box 941
Dunedin 9054

Committees

The Board has appointed two committees, established to work on behalf of the board on specific issues, reporting back to the Board. The Audit, Risk Assessment and Mitigation Committee assists the Board in matters relating to auditing, reporting and risk. It provides the Board with oversight regarding the credibility of financial reporting and oversight regarding the discharge of its responsibilities related to financial reporting and regulatory compliance.

The Remuneration and Appointments Committee reviews the performance of the Shareholder Relations Manager and recommends remuneration of Directors to the shareholders. In addition, the Committee oversees the Elected Director process and the process for appointment of Independent Directors.

Operation of the Board

The Silver Fern Farms Co-operative Board meets formally 4 times each year, and as otherwise required. The Board's Audit, Risk Assessment and Mitigation Committee is scheduled to meet two to three times a year or as otherwise required. The Remuneration and Appointments Committee meets at least once a year.

The Chairman and Shareholder Relations Manager establish the agenda for each Board meeting. The Shareholder Relations Manager prepares a quarterly management report that includes a summary of the company's activities together with financial and other reports. The Board also receives regular briefings on key strategic issues from management.

New Directors receive induction training which includes written and oral presentations by the Chairman, Shareholder Relations Manager, Silver Fern Farms Limited's Chief Executive and senior management team on the key strategic and operational business issues facing Silver Fern Farms. External training providers are also utilised.

The Board has established a Board Capability Matrix that outlines the ideal competencies and skills required by Directors to operate effectively on the Silver Fern Farms Co-operative Board. This matrix is used to assess performance of the Board collectively and the performance of Directors individually. An independent consultant has been used to establish the Competency Matrix and complete the Board and Director Effectiveness reviews. Reviews are generally completed every two years.

Auditor Independence

The company requires its Auditor to maintain independence in accordance with best practice. The Audit, Risk Assessment and Mitigation Committee reviews the independence and objectivity of the Auditor.

Directors' Fees

The current total Directors' fee pool is 824,012 per annum.

Public release of material information

Silver Fern Farms Co-operative Limited has developed processes for release of material information to Unlisted and for the public release of information and the publication of information on the company's website.

Attendance at meetings

During the year ended 31 December 2021, the Board met five times as follows:

Director	Board	Annual	Committee#
Tim Gibson	5	1	2
Fiona Hancox*	3	1	1
Rob Hewett	5	1	3
Dan Jex-Blake	5	1	2
Anna Nelson*	1	-	1
Tony O'Boyle	5	1	2
Jane Taylor	5	1	2
Gabrielle Thompson	5	1	2
Richard Young	5	1	2

Board committee meetings include Audit, Risk Assessment & Mitigation / Remuneration & Appointments

* Fiona Hancox retired on 29 April 2021 and Anna Nelson was appointed on 19 October 2021

Statutory Information

Directors

The Directors of Silver Fern Farms Co-operative Ltd as at 31 December 2021 are:

- Robert James Hewett (Chairman)
- Timothy Dunlop Gibson
- Dan Charles Jex-Blake
- Anthony Michael O'Boyle
- Anna Gioia Nelson
- Deborah Jane Taylor
- Gabrielle Jane Thompson
- Richard George Young.

Directors' Interest in Transactions

For the period ended 31 December 2021, no Director caused to be entered in the company's interest register any transaction or proposed transaction with the company. Also, no director of any subsidiary of the company disclosed any such interest.

Co-operative Status

The following resolution was unanimously passed by the Board on 25 January 2022:

"In the opinion of the Board, Silver Fern Farms Co-operative Limited has throughout the period ended 31 December 2021 been a "co-operative company" as defined in the Co-operative Companies Act 1996 ("Act") for the following reasons:

- More than 60% of the shareholders of the Company entitled to vote are transacting business with the Company and are transacting shareholders as set out in Section 4 of the said Act;
- The Company carries on a co-operative activity as set out in Section 3 of the Act."

Information Disclosure

For the period ended 31 December 2021, no Director requested to use Company information received by them in their capacity as Directors.

Remuneration and Appointments Committee

The Committee comprises Tony O'Boyle – Chair, Richard Young and Tim Gibson.

Audit, Risk Assessment and Mitigation Committee

The Committee comprises Jane Taylor – Chair, Anna Nelson, Dan Jex-Blake, Gabrielle Thompson.

Directors' Insurance

Directors' and officers' liability insurance is taken out and paid for by Silver Fern Farms Limited, the operating company. In the event of a claim, the Directors may benefit under the terms of these policies.

Donations

During the period ended 31 December 2021, Silver Fern Farms Co-operative made no donations (2020: \$nil).

Auditor

KPMG were appointed as auditors of both the Co-operative and Silver Fern Farms Limited, the operating company. Audit fees for the period are disclosed in the notes to the financial statements.

Directors' Interests in Silver Fern Farms Shares

The shares held in Silver Fern Farms Co-operative Limited by each director as at 31 December 2021 are set out in the following table:

Director	Holding as at 31 December 2021
Tim Gibson	-
Rob Hewett	70,000
Dan Jex-Blake	120,000
Tony O'Boyle	24,000
Anna Nelson	79,314
Jane Taylor	-
Gabrielle Thompson	65,031
Richard Young	30,768

Tim Gibson and Jane Taylor do not have any share ownership – directly or via another entity.

Directors' Fees

Consistent with the terms of the Shareholders' Agreement between the Co-operative, Shanghai Maling and the operating company, the Co-operative Board appoints five directors to the Board of the operating company, including a Co-chair. The Co-operative is responsible for all remuneration of directors in connection with their appointments to the Board of the Co-operative, the Board of the operating company and to the Committees of those Boards. No Director of the Company has, since the end of the previous period, received or become entitled to receive a benefit other than Directors' fees and insurances. The total pool for directors' fees was \$824,012.

		Co-operative	Operating Company	Total
Director	Positions	Year ended 31 December 2021	Year ended 31 December 2021	Year ended 31 December 2021
Tim Gibson	Chair of the Remuneration and Appointments Committee of the Operating Company	29,909	91,090	120,999
Rob Hewett	Chair of the Co-operative, Co-chair of the operating company	49,242	207,058	256,300
Fiona Hancox	Director of the Co-operative	7,909	-	7,909
Dan Jex-Blake	Director of the Co-operative and operating company	29,909	90,756	120,665
Anna Nelson	Director of the Co-operative	5,500	-	5,500
Tony O'Boyle	Director of the Co-operative, Chair of Remuneration and Appointments Committee of the Co-operative	32,033	-	32,033
Jane Taylor	Director of the Co-operative and operating company, Chair of Audit, Risk Assessment and Mitigation Committee of the Co-operative	32,033	94,090	126,123
Gabrielle Thompson	Director of the Co-operative	29,909	-	29,909
Richard Young	Director of the Co-operative and operating company	37,818	86,756	124,574
Total Directors' fees		254,262	569,750	824,012

Remuneration of Employees

One employee of Silver Fern Farms Co-operative Limited received remuneration and other benefits in excess of \$100,000 in the year ended 31 December 2021 (\$140,000 – \$150,000).

Directors' Statement

This Annual Report is dated 23 March 2022 and is signed on behalf of the Board by:



R J Hewett
Chairman



D J Taylor
Chairman – Audit, Risk Assessment and Mitigation Committee

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

NZD IN THOUSANDS (\$000)	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Share of earnings of Silver Fern Farms Limited	2(b)	51,900	32,717
Interest income		342	430
Total income		52,242	33,147
Operating expenditure		(944)	(744)
Total expenses		(944)	(744)
Profit before tax		51,466	32,403
Tax benefit/(expense)	3	168	(773)
Profit after tax		51,466	31,630
Other comprehensive income			
Share of Silver Fern Farms Limited other comprehensive income	2(b)	(1,731)	(226)
Total comprehensive income		49,735	31,404
Earnings per share attributable to shareholders of the parent		Cents	Cents
Basic earnings per share	4	51.98	31.99
Diluted earnings per share	4	51.27	31.51

The consolidated statement of comprehensive income above should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2021

NZD IN THOUSANDS (\$000)	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents		213	365
Short term deposits		23,170	21,970
Trade and other receivables	5	31,508	19,980
Equity receivable	7(b)	765	902
Current tax receivable		284	-
Total current assets		55,940	43,217
Non-current assets			
Equity-accounted investment in Silver Fern Farms Limited	2	357,242	320,173
Total non-current assets		357,242	320,173
TOTAL ASSETS		413,182	363,390
LIABILITIES			
Current liabilities			
Trade and other payables	6	33,360	21,807
Current tax payable	3	-	663
Members' rebate shares	7(a)	10,799	13,562
TOTAL LIABILITIES		44,159	36,032
NET ASSETS		369,023	327,358
EQUITY			
Ordinary share capital	7(b)	136,495	136,495
Foreign currency translation reserve		1,460	1,231
Cash flow hedge reserve		(1,960)	-
Retained earnings		233,028	189,632
TOTAL EQUITY		369,023	327,358

The consolidated balance sheet above should be read in conjunction with the accompanying notes.

For and on behalf of the Board



Robert Hewett
Chair

23 March 2022



Jane Taylor
Chair – Audit, Risk Assessment and Mitigation Committee

23 March 2022

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

NZD IN THOUSANDS (\$000)	Notes	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance as at 1 January 2020		136,495	-	1,457	165,869	303,821
Profit for the year		-	-	-	31,630	31,630
Other comprehensive income						
Share of Silver Fern Farms Limited other comprehensive income	2(b)	-	-	(226)	-	(226)
Total comprehensive profit		-	-	(226)	31,630	31,404
Transactions with owners in their capacity as owners:						
Dividends paid	7(c)	-	-	-	(7,867)	(7,867)
Balance as at 31 December 2020		136,495		1,231	189,632	327,358

NZD IN THOUSANDS (\$000)	Notes	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance as at 1 January 2021		136,495	-	1,231	189,632	327,358
Profit for the year		-	-	-	51,466	51,466
Other comprehensive income						
Share of Silver Fern Farms Limited other comprehensive income	2(b)	-	(1,960)	229	-	(1,731)
Total comprehensive profit		-	(1,960)	229	51,466	49,735
Transactions with owners in their capacity as owners:						
Dividends paid	7(c)	-	-	-	(8,070)	(8,070)
Balance as at 31 December 2021		136,495	(1,960)	1,460	233,028	369,023

The consolidated statement of changes in equity above should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

NZD IN THOUSANDS (\$000)	Notes	2021	2020
Cash flows from/(used in) operating activities			
Payments to suppliers and directors		(924)	(800)
Dividends received from Silver Fern Farms Limited	2	13,100	13,250
Interest received		347	446
Income taxes paid		(779)	(196)
Net cash flows from/(used in) operating activities	8	11,744	12,700
Cash flows from/(used in) investing activities			
Proceeds from short term deposits		3,400	-
Investment in short term deposits		(4,600)	(5,000)
Net cash flows used in investing activities		(1,200)	(5,000)
Cash flows from/(used in) financing activities			
Dividends paid	7(c)	(8,069)	(7,867)
Deferred proceeds from issue of ordinary shares	7(b)	136	197
Members' rebate shares redeemed	7	(2,763)	(348)
Net cash flows used in financing activities		(10,696)	(8,018)
Net (decrease) in cash and cash equivalents		(152)	(318)
Cash and cash equivalents at the beginning of the financial year		365	683
Cash and cash equivalents at end of year		213	365

In addition to cash and cash equivalents, the Co-operative held short term deposits of \$23,170,000 at balance date (2020: \$21,970,000).

The consolidated statement of cash flows above should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

GENERAL INFORMATION AND SUMMARY OF ACCOUNTING POLICIES

1. General information and summary of accounting policies

The consolidated financial statements of Silver Fern Farms Co-operative Limited (the 'Co-operative'), for the year ended 31 December 2021, comprise the Co-operative, its subsidiary and its equity-accounted investment in Silver Fern Farms Limited (the 'Operating Company'). The Co-operative is registered under the Companies Act 1993 and the Co-operative Companies Act 1996. The Co-operative is a reporting entity under the Financial Markets Conduct Act 2013 (FMC Act). Under the FMC Act, parent company numbers are not required to be presented in the consolidated financial statements.

The Co-operative is domiciled in New Zealand and the Operating Company's principal place of operations is New Zealand. The Co-operative's primary activity is the management of its investment in the Operating Company (also domiciled in New Zealand), which is involved in the processing, marketing and distribution of beef, sheepmeat, venison and related products.

Where applicable, certain comparatives have been reclassified to comply with the accounting presentation adopted in the current year.

At 31 December 2021, the Co-operative had one dormant New Zealand subsidiary, SFFC Sub Limited.

The ordinary shares of the Co-operative are traded on the Unlisted Securities Exchange (USX).

The consolidated financial statements were authorised for issue by the directors on 23 March 2022.

a. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with NZ IFRS requires directors to exercise their judgement in the process of applying the Co-operative's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Consideration of impairment of associate investment

The Co-operative considers whether its equity accounted investment in the Operating Company might be impaired at each reporting date, firstly, by understanding if there are indicators of impairment under NZ IAS 28. If indicators of impairment exist, an evaluation of the current fair value of the investment is required. No indicators of impairment were identified at 31 December 2021.

Impact of COVID-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of Covid. The pandemic led New Zealand and many countries to whom the Operating Company's exports into a series of lockdowns and enforced trade restrictions, impacting on the Operating Company's ability to trade with its customers. The Operating Company is a provider of an essential service. The additional requirements for plants to have social distancing and protective equipment for workers led to increased costs of production, and having production spread over a longer time period. The Operating Company exports products into over 60 countries from a network of 14 operating plants, and as the impact of Covid-19 impacted different markets, operating plants, supply chains and customers at different times over the course of 2021 the Operating Company was able to leverage this network and market spread to optimise returns.

As the pandemic continues to cause widespread disruption to many countries and global supply chains, it is acknowledged that there is uncertainty in how the global pandemic will impact the New Zealand and global economies in the future.

2. Equity accounted investment in Silver Fern Farms Limited



Accounting policy

Significant influence

With effect from 6 December 2016, the Co-operative has equity accounted for its investment in the Operating Company as an associate. The Co-operative owns 50% of the shares in the Operating Company; the other 50% is owned by Shanghai Maling Aquarius Co. Limited ('Shanghai Maling'). The directors have concluded that the Co-operative has significant influence over the Operating Company, due to its appointment of five of its ten directors, including a co-chairperson, and other terms of the Shareholders' Agreement. However, it does not control the Operating Company, as defined by NZ IFRS 10 Consolidated Financial Statements, due to the casting vote rights of the Shanghai Maling appointed co-chairperson on certain specific matters.

Measurement

The Co-operative's investment in the Operating Company was recorded at its fair value on initial recognition. Fair value was determined by reference to the subscription price paid by Shanghai Maling. Subsequent to initial recognition, the consolidated financial statements include the Co-operative's share of profit or loss and other comprehensive income.

Consideration of impairment

The directors consider whether any objective indicators of impairment exist in relation to its investment in the Operating Company, by reference to NZ IAS 28 Investments in Associates and Joint Ventures, at each reporting date. Per NZ IAS 28, indicators of impairment might include significant financial difficulty, a need for financial reorganisation, the disappearance of an active market or significant adverse effects from changes to the technological, market, economic or legal environment in which the Operating Company operates. When indicators of impairment exist, an assessment of the fair value of the associate investment is required. An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. Goodwill was recognised by the Co-operative upon initial recognition of its associate investment.

a. Carrying amount of investment in Silver Fern Farms Limited

The Co-operative equity accounts for its 50% investment in the Operating Company as an associate. The Co-operative holds no other investments in associates.

NZD IN THOUSANDS (\$000)	Notes	2021	2020
Opening balance		320,173	300,932
Share of profit after tax	2(b)	51,900	32,717
Share of other comprehensive income	2(b)	(1,731)	(226)
Dividend received		(13,100)	(13,250)
Closing balance		357,242	320,173

The directors have assessed that there are no objective indicators of impairment at 31 December 2021, noting the strong financial performance of the Operating Company in 2021. Economic circumstances and events which are outside of the control of the Operating Company are expected to continue to give rise to some variation in results year to year but forecasts indicate continued strong underlying demand globally for grass fed red meat.

b. Co-operative's share of total comprehensive income of Silver Fern Farms Limited

NZD IN THOUSANDS (\$000)	2021	2020
Revenue	2,752,650	2,496,803
Share of profit of associates	8,878	3,139
Interest income	193	284
Raw materials and consumables used	(1,930,759)	(1,782,160)
Employee benefits expense	(436,958)	(411,245)
Finance costs	(2,873)	(3,607)
Other operating expenses	(214,288)	(181,151)
Depreciation and amortisation	(33,396)	(31,838)
Profit before tax (100%)	143,447	90,225
Income tax expense	(39,648)	(24,792)
Profit after tax (100%)	103,799	65,433
Other comprehensive income (100%)	(3,461)	(452)
Total comprehensive income (100%)	100,338	64,981
Co-operative's share (50%)		
Co-operative's share of profit after tax (50%)	51,900	32,717
Co-operative's share of other comprehensive income (50%)	(1,731)	(226)
Co-operative's share of total comprehensive income (50%)	50,169	32,491

c. Co-operative's share of net assets of Silver Fern Farms Limited

Net assets of Silver Fern Farms Limited (100%)

NZD IN THOUSANDS (\$000)	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	13,678	11,038
Trade and other receivables	342,739	245,712
Derivative financial instruments	1,250	14,364
Inventories	284,387	254,489
Tax receivable	19	12
Total current assets	642,073	525,615
Non-current assets		
Property, plant and equipment	350,968	320,319
Intangible assets	3,093	3,787
Investments in associates	25,390	21,881
Shares in unlisted companies	101	101
Right-of-use assets	14,319	18,059
Total non-current assets	393,871	364,147
TOTAL ASSETS	1,035,944	889,762
LIABILITIES		
Current liabilities		
Trade and other payables	174,481	141,415
Interest bearing loans and borrowings	92,011	64,392
Tax provision	32,443	26,617
Provisions	6,941	6,888
Derivative financial instruments	11,941	156
Lease liabilities	4,971	6,577
Total current liabilities	322,788	246,045
Non-current liabilities		
Provisions	10,485	12,392
Deferred tax liabilities	9,055	9,848
Lease liabilities	9,974	11,973
Total non-current liabilities	29,514	34,213
TOTAL LIABILITIES	352,302	280,258
Net assets of Silver Fern Farms Limited (100%)	683,642	609,504
Co-operative's share of net assets (50%)	341,821	304,752
Goodwill on initial recognition	15,421	15,421
Equity accounted investment in Silver Fern Farms Limited	357,242	320,173

A copy of the financial statements of Silver Fern Farms Limited can be obtained from the Companies Register in New Zealand at <https://companies-register.companiesoffice.govt.nz/>.

3. Income tax



Accounting policy

The income tax expense or credit for the period comprises current and deferred tax. Income tax is recognised in the income statement except when it relates to items recognised directly in other comprehensive income (in which case income tax is recognised in other comprehensive income). Income tax is based on tax rates and regulations enacted in the jurisdictions in which the entities operate.

The Co-operative's main source of income is its share of associate income from the Operating Company. The share of associate income is not directly taxable in the Co-operative and an adjustment is made in the note below. Dividends received from the Operating Company are taxable and are recognised as taxable income, as indicated in the note below.

NZD IN THOUSANDS (\$000)	2021	2020
INCOME TAX EXPENSE		
Current tax		
Current tax on profits for the year	(168)	773
Income tax expense	(168)	773
Numerical reconciliation of prima facie tax payable to tax expense		
Profit before income tax expense	51,298	32,403
Income tax @ 28%	14,364	9,073
Tax effects of:		
• Non-assessable earnings from Silver Fern Farms Limited	(14,532)	(9,161)
• Dividends from Silver Fern Farms Limited	5,094	4,818
• Imputation credits attached	(5,094)	(3,957)
Tax (benefit) expense recognised in profit or loss	(168)	773

4. Earnings per share

a. Earnings used in calculating earnings per share

NZD IN THOUSANDS (\$000)	2021	2020
Profit attributable to the ordinary equity holders of the Co-operative used in calculating basic and diluted earnings per share	51,466	31,630

b. Weighted average number of shares

NUMBER OF SHARES IN THOUSANDS (000)	2021	2020
Weighted average number of ordinary shares for basic earnings per share	99,005	98,869
Effect of dilution – partly paid ordinary shares	1,374	1,510
Weighted average number of ordinary shares for diluted earnings per share	100,379	100,379

There have been no transactions involving ordinary shares that would significantly change the number of ordinary shares outstanding between the reporting date and the date these financial statements have been signed

OPERATING ASSETS AND LIABILITIES

5 Trade and other receivables



Accounting policy

Trade and other receivables are amounts due from other entities in the ordinary course of business. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment on trade receivables is considered by taking into account the expected future credit losses.

NZD IN THOUSANDS (\$000)	Notes	2021	2020
Livestock receivables from the Operating Company	13	31,142	19,807
Other receivables from the Operating Company	13	9	7
Other receivables		357	166
Total trade and other receivables		31,508	19,980

The largest component of receivables relates to amounts owed by the Operating Company for livestock supplied by Co-operative shareholders in the last 14 days of the financial year. Note 13 includes further details of the transactions between the Co-operative and the Operating Company during the year.

6. Trade and other payables



Accounting policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NZD IN THOUSANDS (\$000)	Notes	2021	2020
Livestock payables to shareholder suppliers	13	31,142	19,807
Other payables		2,218	2,000
Total trade and other payables		33,360	21,807

The payables balance mostly relates to amounts due to Co-operative shareholders for livestock supplied to the Operating Company in the last 14 days of the financial year. Note 13 includes further details of the transactions between the Co-operative and its shareholders during the year.

As at 31 December 2021, other payables include amounts owed to shareholders of \$2,100,000 (2020: \$1,995,000). This represents \$1,423,000 (2020: \$1,293,000) of dividends and \$680,000 (2020: \$702,000) of Supplier Investment Share redemptions which were unable to be distributed to shareholders as incomplete details were held by the Co-operative's third party share registrar. Some of the unclaimed amounts arose in connection with the payment of a special dividend and the redemption of Supplier Investment Shares in 2017. Unclaimed funds were held in trust until 2019, when, following legal advice, \$1,970,000 was returned to the Co-operative. These funds are held on deposit by the Co-operative and interest earned will be used for the benefit of shareholders. The share registrar continue to hold the balance of \$130,000 in trust, which is included within other receivables, disclosed in note 5.

FUNDING

7. Members' rebate shares and ordinary shares



Accounting policy

Ordinary share capital is classified as equity.

Members' rebate shares are hybrid financial instruments as they have characteristics of both equity and financial liabilities. The equity component has a nominal value of \$nil. Since members' rebate shares are redeemable, a financial liability component is recognised, measured at fair value; fair value is the redemption amount of \$1 per share. Accordingly, a financial liability component of \$10,799,000 (2020: 13,562,000) is recognised.

Since the payment of dividends on members' rebate shares is discretionary and there is no contractual obligation, dividends on members' rebate shares are accounted for as a deduction from equity.

Patronage rewards are a component of the overall dividend paid to qualifying shareholders. Whilst the calculation of patronage rewards is connected to the volume of livestock supplied within the qualifying period, payment of patronage rewards is discretionary. Accordingly, patronage rewards paid to holders of both ordinary and members' rebate shares are accounted for as deductions from equity.

NZD IN THOUSANDS (\$000)	Members' Rebate Shares	Ordinary Shares
At 31 December 2019	13,910	136,495
Shares redeemed	(348)	-
At 31 December 2020	13,562	136,495
Shares redeemed	(2,763)	-
At 31 December 2021	10,799	136,495

a. Members' rebate shares

All members' rebate shares have a nominal value of one dollar per share. Under the Co-operative Companies Act 1996, the Co-operative has a right to defer redemption but not to withhold payment.

Members' rebate shares carry full voting rights subject to the shareholder being a current supplier (as defined in the constitution of the Co-operative) at the time of voting. Members' rebate shares participate equally on winding up.

The maximum shareholding for members' rebate shares is 17,500 (2020:17,500).

During 2021 Directors approved the redemption of all shareholder rebate shares where shareholding was less than a \$1,000 to reduce ongoing share registry costs.

b. Ordinary share capital

(i) Partly paid shares

As part of a change in capital structure in 2009, shareholders could elect to exchange rebate shares and supplier investment shares for ordinary shares on a one for one basis; no cash was payable on exchange. In addition to the exchange of shares, shareholders could elect to participate in a two for one rights issue. Under the terms of the rights issue, shareholders were entitled to subscribe in cash for two ordinary shares for every one ordinary share issued to them under the exchange offer.

The rights issue price per ordinary share of \$1.00 was payable either in full on application or under a deferred payment option, over a period of approximately three years by way of deduction from proceeds of the sale of livestock. Some shares remain partly paid and the balance receivable is \$765,000 (2020: \$902,000). During the year, \$136,000 was received in respect of partly paid shares (2020: 197,000).

(ii) Authorised and issued shares

At 31 December 2021, there were 100,378,874 authorised and issued shares. The average issue price per share was \$1.36 and the total carrying value of issued share capital was \$136,495,000.

c. Dividends

During the year ended 31 December 2021, an ordinary dividend was paid of 5.5 cents per share to shareholders (2020: 5.4 cents per share). This year, eligible shareholder suppliers were rewarded with a patronage reward of 5.7 cents per share (2020: 6.0 cents per share), with the total distributed amounting to \$8,069,324 (2020: 7,867,000).

8. Reconciliation of profit after tax to net cash flow from operating activities

NZD IN THOUSANDS (\$000)	2021	2020
Profit for the period	51,466	31,630
Share of earnings of Silver Fern Farms Limited	(51,900)	(32,717)
Dividends received from Silver Fern Farms Limited	13,100	13,250
Movement in working capital		
Increase in receivables	(11,528)	(3,319)
(Decrease)/increase in tax payable	(947)	577
Increase in payables	11,553	3,279
Net cash inflow from operating activities	11,744	12,700

9. Risk management

The Co-operative is exposed to financial risks, which are outlined in summary below, together with the Co-operative's approach to managing these risks, to protect its financial position and financial performance.

Credit risk

As detailed in the note 5, the Co-operative is exposed to credit risk in respect of trade and other receivables and equity receivable.

The Co-operative is able to manage risk in respect of trade and other receivables by maintaining visibility over the solvency of the Operating Company through reports received as a 50% shareholder and the directors it appoints to the Operating Company's board.

The Co-operative has several options to manage credit risk in connection with equity receivable, including the right to acquire partly paid shares where balances remain unpaid. The Co-operative would expect no impact on the statement of comprehensive income from any unrecoverable balances.

Interest rate risk

The Co-operative is currently exposed to interest rate risk as it has funds invested in bank deposits at major New Zealand banks with approval from the Co-operative board. The Co-operative has outsourced its day to day treasury management to the Operating Company treasury function. The Co-operative has treasury policies and procedures in place to optimise the interest returned on these deposits and has not identified any significant interest rate risk on current bank deposits. Treasury policies include investing no more than \$10,000,000 with any one bank.

Foreign currency risk

The Co-operative is not directly exposed to foreign currency risk. The Co-operative is only exposed to foreign currency risk through its investment in the Operating Company. The Operating Company exports most of its goods which exposes it to foreign currency risk. The Operating Company has treasury policies and procedures, including the use of hedging instruments, to mitigate foreign currency risk.

Liquidity risk

The Co-operative is exposed to liquidity risk from the redemption of member's shares outstanding. These shares are subject to redemption at \$1 per share which could result in a significant portion of cash reserves being drawn down. The Co-operative mitigates this risk by retaining cash and term deposits in excess of the maximum liability and by retaining the right to defer redemption under the Co-operative Companies Act 1996 and shareholder constitution. The Co-operative is not permitted to accept the redemption of any shares unless it is able to satisfy the solvency test immediately after doing so.

10. Contingencies

As at 31 December 2021, the Co-operative had no contingent liabilities or assets (2020: \$Nil).

11. Commitments

As at 31 December 2021, the Co-operative had no capital commitments (2020: \$Nil).

12. Events occurring after the reporting period

Subsequent to balance date, the board of the Operating Company resolved to pay a dividend in respect of the year ended 31 December 2021. The Co-operative expects to receive a fully imputed dividend from Silver Fern Farms Limited of \$23,350,000.

13. Related party disclosures**Operating Company**

Under the terms of the Co-operation Memorandum between the Co-operative, Shanghai Maling and the Operating Company, the Co-operative purchases all livestock supplied to Silver Fern Farms processing plants by shareholders of the Co-operative, and immediately on-sells this to the Operating Company at the same price. Under NZ IFRS 15 Revenue from Contracts with Customers, the Co-operative has concluded that this is an agency relationship. As a result, the amount received from the Operating Company for livestock is offset against the amount paid to shareholder suppliers. No revenue or expense is recognised by the Co-operative in connection with these transactions. The Co-operative does not physically take control of the livestock and no commission is received on this transaction. The Co-operative purchases no livestock from non-shareholder suppliers. All prices for both shareholder and non-shareholder supplies are determined by the Operating Company. The total amount of purchases from shareholder suppliers and the total amount invoiced to the Operating Company are disclosed below.

- During the year \$1,106,464,000 (2020: \$1,010,547,000) was invoiced to the Operating Company in respect of livestock. \$1,106,464,000 (2020: \$1,010,547,000) was invoiced from shareholder suppliers in connection with livestock supplied for the year.
- At 31 December 2021 \$31,142,000 (2020: \$19,807,000) was receivable from the Operating Company and \$31,142,000 (2020: \$19,807,000) was payable to shareholder suppliers in connection with livestock supplied.
- Other receivables from the Operating Company amounted to \$9,000 as at 31 December 2021 (2020: \$7,000) payable from the Operating Company. Other payables to the Operating Company amounted to \$94,000 as at 31 December 2021 (2020: nil).

In accordance with the Shareholders' Agreement between the Co-operative, Shanghai Maling and the Operating Company, administrative services are provided to the Co-operative by the Operating Company. Administrative services include the maintenance of records, the preparation and audit of financial statements, taxation returns, the maintenance of bank accounts, share registry services, the conduct of shareholder meetings and director elections and the payment of dividends. The Operating Company undertakes to pay all reasonable costs of the Co-operative that relate to its governance and administration, excluding directors' fees, and all reasonable costs of engagement with its shareholders, up to a maximum of \$500,000 in any accounting period.

Governance and administration costs totalled \$500,000 in the year ended 31 December 2021 (2020: \$500,000).

Directors and their trading entities

The Co-operative purchased livestock and made other livestock related payments to the farming businesses of the Co-operative and Operating Company directors on the same terms and conditions as other suppliers.

- During the year purchases totalled \$8,083,500 (2020: 9,420,000).
- At 31 December 2021, \$127,000 was payable to directors and their trading entities (2020: \$272,000).

Key management personnel

Key management personnel of the Co-operative, as defined by NZ IAS 24, comprise the board of directors only. The Co-operative is responsible for paying fees to directors of the Co-operative and paying fees to directors of the Operating Company who have been appointed by the Co-operative. Fees for the year, which are externally benchmarked, amounted to \$823,000 (2020: 743,000). The 2021 fees also included additional costs for the newly formed Risk and Sustainability Committee (RSC) for the Operating Company.

14. Auditor's remuneration

In accordance with the Shareholders' Agreement described in note 13, audit fees in respect of the Co-operative are paid by the Operating Company.

NZD IN THOUSANDS (\$000)	2021	2020
Audit fees	36	35



Independent Auditor's Report

To the shareholders of Silver Fern Farms Co-Operative Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Silver Fern Farms Co-Operative Limited (the 'company') and its subsidiary (the 'group') on pages 48 to 61 present fairly in all material respects the group's financial position as at 31 December 2021 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided audit, audit related and other services in relation to climate change & sustainability to the equity accounted investee, Silver Fern Farms Limited. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements was set at \$4.2m determined with reference to a benchmark of group total assets. We chose the benchmark because, in our view, the value of the investment in Silver Fern Farms Limited (which represents the majority of the group's assets) and the movement in this investment are the most important indicators of the group's performance. Materiality represents approximately 1% of the selected benchmark.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter

How the matter was addressed in our audit

Equity accounted investment in Silver Fern Farms Limited

As disclosed in Note 2 to the consolidated financial statements, the company holds an equity accounted investment for its 50% share in Silver Fern Farms Limited. The investment is carried at \$357.2 million having accounted for the Cooperative's share of profits made during the year of \$51.9 million and distributions received of \$13.1 million.

The equity accounted investment is a Key Audit Matter because:

- The investment is significant to the group's position and performance (representing 86% of total assets and 99% of total income in the current year); and
- Management is required to assess whether there are any indicators of impairment relating to the investment in Silver Fern Farms Limited. The investee operates in a highly competitive market which is subject to fluctuations in livestock procurement, operating efficiency and selling prices. The financial performance can fluctuate in any given year. Consequently, the performance is considered over a longer horizon when considering whether any indicators of impairment exist.

Our audit procedures included:

- Reconciling the movement in the investment in associate to the audited accounts of Silver Fern Farms Limited;
- Challenging management's assessment of the impairment indicators. This included an independent assessment of the indicators which are noted in the relevant accounting standards and a comparison of current performance and outlook to management's historical and current valuation models.

Overall, we found the judgements and assumptions used in assessing whether any indicators of impairment existed in relation to the equity accounted investment to be balanced.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, disclosures relating to corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Ian Proudfoot.

For and on behalf of

A handwritten signature of the KPMG firm, written in blue ink, appearing as 'KPMG.' with a period at the end.

KPMG
Auckland

23 March 2022



Directory

Board of Directors

Rob Hewett – Chairman
Tim Gibson
Anna Nelson
Dan Jex-Blake
Tony O'Boyle
Jane Taylor
Gabrielle Thompson
Richard Young

Management

Clark Taylor – Shareholder Relations Manager

Office

Silver Fern Farms Co-operative Limited
283 Princes Street
PO Box 941, Dunedin 9054
New Zealand
T: +64 3 477 3980
F: +64 3 474 1087
E: info@silverfernfarms.coop
www.silverfernfarms.coop

Shareholder Enquiries

For enquiries regarding Silver Fern Farms Co-operative Limited's Ordinary Shares and Rebate Shares, contact:

Silver Fern Farms Co-operative Limited
PO Box 941, Dunedin 9054
New Zealand
T: 0800 362 362
F: +64 3 474 1087

Listed Securities

Unlisted
PO Box 5422
Lambton Quay
Wellington 6145
T: 0508 UNLISTED (0508 865478)

Share Registrar

Link Market Services
PO Box 91976
Auckland 1142
T: +64 9 375 5993
F: +64 9 375 5990

Bankers

- Kiwibank Limited
- Westpac New Zealand Limited

Auditor

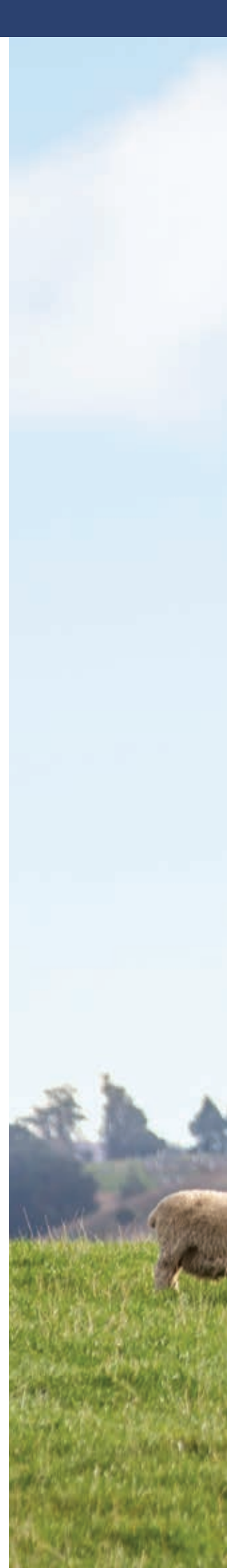
KPMG

Tax Advisors

PwC

Legal Advisors

Harmos Horton Lusk











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FERN
FARMS**

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