

SUMMARY

KEY ACHIEVEMENTS AND CHALLENGES DURING THIS QUARTER

In many ways, this last quarter was a pivot point in the W3 programme. Key achievements, most notably the contracting of nearly 15,000 bales in forward contracts, were huge success stories to be celebrated. It provided confidence within our team that our approach and programme is truly gaining momentum. However, the end of this quarter also saw the global response to Covid-19 and the start of its impacts, the full extent of which will not be known for some time.

Social Licence to Operate

- As part of our work to understand what regenerative means in a NZ context, we worked with a group of six growers to roll out an internationally recognised ecological outcomes assessment. The assessment involved establishing a series of short-term and long-term monitoring sites which are re-assessed at one-year and five-year intervals, respectively. This was a key piece of work to establish a baseline on these six properties and provides one option to credibly measure changes in soil health, including soil carbon, as these farmers go down a regenerative path.
- Through our work with leading scientists in NZ, we were able to complete indicative research on the current state of carbon (mainly soil carbon) in NZ vs. other geographies as well as gain a better understanding of carbon sequestration potential across NZM properties vs. other parts of NZ. This research enables us to quantify the opportunity of NZM farms to remove carbon from the atmosphere. This is becoming increasingly important to demonstrate the role that farming and natural materials can play in solving climate change.

- In the first week of March, NZM hosted a Regenerative Agriculture Summit. An event that brought together leading growers, key brand partners and leading regenerative thinkers to explore the opportunities of regenerative principles in our value chain. We were able to align all groups on what regenerative means in the NZ context and gained consensus to develop a roadmap for a pilot project.
- Our continuous improvement framework continues to develop. This quarter the scoring for the Animals metrics (Nutrition, Health, Behaviour, Physical Environment & Mental State) was tested with the Production Science Grower Group. Both the Environment and Animals sections have now had grower feedback, ensuring the requirements are workable and relatable for growers to complete self-assessment. The ZQRX framework will be a key tool to enable and measure the shift to regenerative across the entire farm system (animals, environment & people).
- The Social Licence to Operate workstream is guided by what the market is demanding. Now, more than ever, we are reminded of how important it is to build healthy,

resilient systems that are kinder on the planet. We believe consumers will be expecting and rewarding leadership from businesses that innovate and deliver to this new paradigm and as such we will be reweighting resources to place greater focus on carbon research and the application of regenerative principles. We want to secure the position of strong wool in a world that recognises the value of natural fibres.

Crossing the Chasm

- New multi-year contracts were confirmed in this quarter with key brand partners. These contracts totalled almost 15,000 bales for delivery between 2020-2023. This reinforces our approach of focusing on building strong relationships with key players.
- While some of these contracts have been/may still be impacted by Covid-19, it is contracts such as these that provide the proof points and economic incentives that will entice more strong wool growers to supply through NZM contracts. We continue to work closely with both our brand partners and growers to get through this time.

- It is important to also recognise the strength of the relationships we have with our brand partners. Our team have been in regular contact with our strong wool brand partners, on at least a weekly basis. This has proved to be extremely valuable in order to glean key insights from the market, especially from those brand partners who are retailers themselves.

Blue Ocean Opportunities

- Significant progress with our novel invention. The patent has been commissioned and is going ahead at pace. A market trip to explore potential collaborators has resulted in being shortlisted for the top biotechnology incubator in the world. It is estimated that successful commercialisation could bring in 8 NZD per kg of strong wool sold.
- Given increasing demand, three separate strongwool based mask solutions are being developed which utilises spinning technology. These masks will be rapidly commercialised.
- New opportunities with strong wool continues to progress with key collaborators continue to progress with new opportunities with strong wool.
- While some testing and prototyping has been disrupted by the Covid-19 lockdown, we see this time as an opportunity to double down on intellectual property and to plan out the end-to-end manufacturing processes.

Primary Sector Extension

- The Primary Sector Council (PSC) have developed their vision for the future food, fibre and agriculture sectors of New Zealand into a draft report for impending distribution to the government and leaders within the primary industries.
- NZM has recently placed a high emphasis on communication, specifically via digital platforms over the months of March/April. We are utilising this new technology to connect leaders across the primary industries and share insights and learnings.
- We are also developing a narrative thought piece of our strategic vision for New Zealand circa 2030 and how we can get there through collaboration across the wider sectors. This will paint a picture of New Zealand as an exemplar for the world in terms of their food, fibre and regenerative agriculture and lay out the necessary steps to achieving this across the primary industries.
- We recognise the opportunity that this time of crisis could bring to transform industry to assist with economic and social recovery post-Covid-19. We believe that the wider strategy of the W3 programme can support the fundamental rewiring of the sector in partnership with other Primary Industry bodies to leverage

synergies and create more value from our raw materials.

W3 Programme Review

- During this quarter, MPI and NZM had the W3 Programme independently reviewed by Nimmo-Bell / Vantage Group. This included interviews with key NZM and MPI staff, growers, and brand partners as well as a broader assessment of the programme against its objectives. The PSG will meet in Quarter 4 to discuss findings.
- *NZM will be challenging itself to take new, innovative approaches to how we tell our story, how we communicate with and deliver value back to brand partners and growers.*
- *Relationships are key, and now more than ever we will work with our brand partners to tailor our approach to their individual situations.*
- *We will review and refine the remaining Year 5 milestones for each workstream, before looking forward to shaping Year 6.*
- *The bale volume targets and projections will need to be reviewed, and we will do so as more information becomes available.*

SUMMARY

CONTINUED

Investment

Investment period	Industry contribution	MPI contribution	Total investment
During this Quarter	\$0.48m	\$0.48m	\$0.96m
Programme to Date	\$5.77m	\$5.77m	\$11.54m

