



THE NEW ZEALAND MERINO COMPANY

# Quarterly Shareholder Update

**Dear shareholder,**

For many the holidays are a time to take stock, reflect on the year that's been and set their goals and intentions for the next to come. In that spirit, I wanted to connect with you, our shareholders, as we look back on the past year of NZM and what's to come in 2024 and beyond.

I've spent the last few months immersing myself in the business through face-to-face meetings with brand partners across eight countries, grower events throughout New Zealand and across the ditch and of course, in-depth sessions with the impressive NZM team.

ZQRX remains the cornerstone of our work, within this programme we can package, and generate value for, the social, environmental, and animal welfare data required by the global market. For growers, it allows them to track their progress and report material successes. For brands, it is a strong support as they navigate a quickly changing regulatory environment and, perhaps most importantly, answer to the expectations of highly informed consumers.

Today, the hot topic is carbon and 2023 has seen a number of successes in that arena. Brand partner Allbirds unveiled the world's first net-zero carbon shoe at this year's Global Fashion Summit, pioneering alongside NZM a new method of carbon accounting that proudly acknowledges the fact that we should include on-farm carbon removals in product footprints– not simply measure emissions.

For too long product carbon calculations have favoured synthetic materials, but this is changing. Behind the scenes our ZQRX team has been working to ensure that future standards will look at the whole picture. Most notably, the Greenhouse Gas Protocol's soon-to-be finalised Land Sector and Removals Guidance, which will give brands the confidence they need to report the true impact of natural fibre.

Of course, carbon is just one piece of the climate change puzzle and to stay ahead we must avoid tunnel vision. This is why we support projects that have multiple co-benefits including increased biodiversity, restoring native ecosystems and improving both water quality and soil health.

In 2020 six pilot farms had their baseline Ecological Health Index established using the Savory Institute's Ecological Outcome Verification (EOV). Subsequent monitoring not only gave those growers the confidence that their efforts



were having an impact, but also showed brands the value of the hard work happening at farm level. As a result, in FY23 VF Corporation agreed to invest in expanding the EOv monitoring programme across a further 30 properties.

NZM has also partnered with the Eco-Index, resulting in a report showing native ecosystems currently cover over 40% of the almost 2 million hectares farmed by ZQRX growers in New Zealand. We are now using this data to create an impact roadmap to encourage our brand partners to invest in native restoration and accelerate our collective success.

On the topic of brand partners, while many have been impacted by the global retail downturn our relationships remain strong. The end of Covid-19 border restrictions has brought global brand and supply chain partners flocking back to New Zealand to reconnect with our growers, celebrate milestones, write new contracts and talk to face-to-face about how we will face current and upcoming challenges together.

Our team has also continued to onboard a number of new brands including Rodd & Gunn, iconic Finnish design house Marimekko and quickly growing Chinese sportswear brand Outopia. This is on top of extending our business to new categories and wool styles with existing partners. IKEA is a wonderful example, its natural wool-based products continued to be in demand resulting in another record year of supply exclusively from NZM in New Zealand for its rug range.

We all know the current environment is challenging and that the next year and beyond will bring more obstacles. We are well-positioned to not only overcome these but transform them into opportunities. Both our growers and our brands are facing increased costs and rapidly evolving regulations. On the other side, consumers around the world are struggling with a cost-of-living crisis and constant, often conflicting messages about the best brands, products and fibres to buy.

Moving into the future NZM has a dual focus. We are still aiming to grow our market share within the sustainable and ethical wool market, but alongside that we'll also be working to seek scalable solutions to influence the growth of the market itself.

Our role is to bring everyone together and leave no room for doubt that our wool is the optimal quality, sustainable and ethical fibre to buy. Market research tells us that consumers care deeply about how their purchases impact the planet, people and animals. What comes next, is getting over the hurdle of paying a fair price for products that match their expectations. Our deep relationships throughout the supply chain mean that NZM is perfectly placed to tell this story, inspire consumers and enable our brands and growers to do the same.

On a personal note, I am so pleased to be in this role. The last few months have been full of discovery and each day I find new reasons to be excited about this company's future. I look forward to building on the whakapapa that has made NZM what it is today and driving new growth for our growers, brand partners and for you, our shareholders.

From myself, and the NZM team, have a very Merry Christmas. Thank you for your continued support on our journey and I look forward to sharing updates with you regularly in the year to come.

Regards,

A handwritten signature in black ink, appearing to be 'Angus Street', written over a light grey background.

**Angus Street**  
**Chief Executive**