



AgIS Capital LLC

Turlock, CA

LH FMS SURVEILLANCE AUDIT SUMMARY REPORT

June 10, 2022



A SUBSIDIARY OF K-COE ISOM, LLP





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AgIS Capital LLC

LH FMS SURVEILLANCE AUDIT SUMMARY REPORT

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INTRODUCTION

This report summarizes the results of the first surveillance audit conducted on AgIS Capital LLC (AgIS) managed production agriculture properties. The audit was conducted by Matt Armstrong, lead auditor for Averum. Mr. Armstrong has had experience with Leading Harvest throughout its development, is an assurance provider for multiple sustainability programs, and has expertise in production agriculture on multiple crop types in North American regions. Assistance during site visits was provided by auditor-in-training Andrew Zetterberg. The audit process and reports were independently reviewed by Kyle Rusten, who is a certified public accountant in the state of California and has expertise on multiple crop types in the United States. All senior members of the audit team hold training certificates in *ISO 17021:2015 (Conformity Assessment)*, *14001:2015 (Environmental Management Systems)*, as well as *IAF MD-1:2018 (Certification of Multiple Sites)*.

SCOPE AND OBJECTIVE

In 2022, Averum was engaged by AgIS Capital (AgIS) to perform a surveillance audit of sustainability performance on 25,544 acres of managed agricultural operations and determine conformance to the principles, objectives, performance measures, and indicators of the Leading Harvest Farmland Management Standard 2020 (LH FMS). LH FMS objectives 1 through 13 were covered during site visits on properties in California. There was no substitution or modification of LH FMS performance measures.

COMPANY INFORMATION

AgIS Capital is an independent, employee-owned and operated agricultural investment firm. Management company tenants and contractors are responsible for the day-to-day farmland management services for AgIS's properties. AgIS opted to certify 100 percent of their agricultural properties in 2021, allowing them to engage in broader sampling and simplifying the process of maintaining their certification in the future.

AgIS contracted with Averum to provide a Surveillance Audit on properties in Stanislaus, Sutter, Colusa, and Tehama counties in California. Personnel overseeing safety and standard compliance for all regions were contacted for evidence requests and interviews. The properties visited are a representative sample of current practices in place and management decision making. The primary agricultural production on sample sites is almonds, walnuts, peaches, prunes, and olives. Additionally, a portion of AgIS's enrolled acreage include rangeland with active cattle grazing.

AUDIT PLAN

An audit plan was developed and is maintained by Averum. An online portal was established for AgIS coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held on May 18, 2022, immediately preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. The field sites in California were examined on May 18-19, 2022. A closing meeting was held on June 10, 2022.

Opening Meeting: AgIS Central Office, Turlock, CA

May 18, 2022

Attendees:

(AgIS) Jeff Hillberg, Carl Evers, Jeremy Olden

(Audit Team) Matt Armstrong, Andrew Zetterberg

Topics:

- Introductions of participants and their roles: Carl Evers
- Introduce audit team: Matt Armstrong
- Status of findings of the previous audits: Matt Armstrong
- Audit plan: Matt Armstrong
- Work safety and emergency procedures: Carl Evers
- Expectations of program user staff: Matt Armstrong
- Method of reporting: Matt Armstrong

Closing Meeting: Teleconference

June 10, 2022

Attendees:

(AgIS) Jeff Hillberg, Carl Evers

(Audit Team) Matt Armstrong, Andrew Zetterberg, Kyle Rusten

Topics:

- Opening remarks: Matt Armstrong
- Statement of confidentiality: Matt Armstrong
- Closing summary: Matt Armstrong
- Presentation of the audit conclusion: Matt Armstrong
 - Non-Conformances: 0
 - Opportunities for Improvement (OFI): 1
 - Notable Practices: 4
- Report timing and expectations: Matt Armstrong

MULTI-SITE REQUIREMENTS

AgIS maintains operations on multiple properties in California, Colorado, and Washington. AgIS qualifies for multi-site sampling since the volume of sites within the management system is centrally controlled and directed by regional management, with regular monitoring activities. Additionally, AgIS has dedicated resources overseeing risk and compliance across the organization that monitors operations on an ongoing basis. Regional managers are responsible for developing corrective action plans regarding LH FMS conformance and report them to the Director of Sustainability and central office. AgIS's current review and monitoring process is effective and ongoing.

Field visits and observations are conducted based on a sample of regions each year. Sampling methodology is provided in the LH FMS. In accordance with International Accreditation Forum Mandatory Documents (IAF-MD) methodology, all sites were initially selected at random with consideration of any preliminary examinations and then coordinated to ensure representative coverage of the complexity of the portfolio, variance in sizes of properties, environmental issues, geographical dispersion, and logistical feasibility.

Region	Crop	Properties Examined During Engagement
California	Almonds, Walnuts, Peaches, Prunes, Olives	Four (4) sites visited during surveillance audit <ul style="list-style-type: none">- 25,544 gross acres in production- CA represents 62.7% of all acreage- Sites Visited: Stanislaus Keyes, Sutter 99, Colusa Maxwell, Tehama 5- Sample sites represent 26.4% of all acreage
Colorado	Alfalfa, Corn	None examined
Washington	Apples, Cherries	None examined

AUDIT RESULTS

Overall, AgIS's agricultural operations continue to demonstrate conformance to the objectives of the Leading Harvest Farmland Management Standard 2020 (LH FMS). Interviews and document reviews were performed to determine procedural and documentation conformance to the LH FMS. Documentation of practices was continuously supplied throughout the audit when requested. Documentation from multiple sites was provided, as well as more detailed sets of data from single sites. Field visits were performed on four operating sites in California. Visits were mid growing season, so soil health practices and processes were observable. Central and regional management representatives, as well as contracted managers and tenants, were present and interviewed to illustrate AgIS policy creation and implementation. Central office staff with roles that impact LH FMS conformance were interviewed to determine awareness of and support for LH FMS conformance, and to illustrate company practices and procedures not performed by farm managers. AgIS's VP of Operations, Director of Sustainability, and Regional Manager served as guides and were available throughout the entire engagement, providing logistic support and honoring evidence requests wherever needed.

The following are summarized findings, per LH FMS performance measure. Specific non-conformances, opportunities for improvement, and notable practices are described in the Key Findings section of this report.

OBJECTIVE 1: SUSTAINABLE AGRICULTURE

Performance Measure (PM) 1.1 Sustainable Agricultural Stewardship

Conformance Evidence:

- ESG report
- Site reports
- Code of ethics
- Property assessments
- AIC reports on opportunities
- ESG and supporting policies
- Organic subsidy capital report
- Organic matter report
- Sustainability postings
- Lease documents
- Meeting agendas
- Fertilizer records
- Code of Ethics

Auditor Notes: AgIS operates a mature agricultural management system. There is an awareness of and attention to sustainable agriculture present throughout the organization. AgIS has defined the tradeoffs and synergies and effects on yields, sustainability, and decision making on managed properties. No reported or discovered land use change to non-agricultural uses. Acreage is purchased and sold off to align portfolio holdings with client expectations. However, AgIS has performed land use conversion to agriculture production when it is deemed the best use for acreage.

Result: In Conformance

OBJECTIVE 1: SUSTAINABLE AGRICULTURE (Continued)

Performance Measure (PM) 1.2 Critical External Factors

Conformance Evidence:

- ESG Report
- Due Diligence reports
- AIC reports on opportunities
- Investment overviews
- Food defense and fraud risk assessment
- Organic subsidy capital report
- Meeting agendas

Auditor Notes: Site managers are on site nearly every day, and foremen on sites have histories on sites longer than AgIS has owned the property. Critical factors identified on sites are primarily yield variations and loss due to weather events. Labor availability is identified as a seasonal concern. Cash flows on properties are discounted during the due diligence process, and multiple options and strategies are developed for each site.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation

Performance Measure (PM) 2.1 Soil Health

Conformance Evidence:

- Property assessments
- Organic matter report
- Soil health reports
- Tissue test results
- Fertilizer records
- Food defense and food fraud risk assessment
- Environmental Site Assessments
- Nutrient management plans
- Erosion control plans
- Phase 1 assessments

Auditor Notes: Soil is conserved through a combination of conservation tillage, sowing, maintaining cover-crops, and the use of compost and other soil amendments. Research has been conducted on daikon radish and almond hulls in soil, in order to improve soil structure, erosion control, and attracting beneficial species. Soil testing is conducted annually to test soil quality and make up.

Nitrogen management plans are kept in AgIS's Total Nutrition System (TNS). Tenants apply enzymes and nitrogen at the discretion of their crop advisor, who collects annual soil samples. Tenants have begun using compost on sites. Bio-blend and chicken manure are applied as fertilizers on organic acreage. Ash is added to vineyards for soil pH corrections. Select tenants enroll in the Healthy Soils program from the California Department of Food and Agriculture.

Deviations from nutrient management plans are kept and developed further by crop advisors. In addition to soil samples, tissue samples are taken every June. Nutrient management plans include variable rate applications and is tailored each year, with very rare cases of straight rate application.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation (Continued)

Performance Measure (PM) 2.2 Soil Conservation

Conformance Evidence:

- Property assessments
- Environmental site assessments
- Fertilizer records
- Ranch maps
- Replant records
- Erosion control plans
- Triple A soil records

Auditor Notes: Hull applications, cover crops and grasses are used on orchards for soil fixation and edge retention in place. Extensive composting is found on sites. Soil moisture monitoring on all sites. Soil erosion is controlled through cover and hull integration as well as irrigation management. Irrigation timing is controlled to reduce run-off and erosion between rows of trees on orchards. Water movement off site has been improved with a new drainage system and plan. No land has been retired due to overproduction. Disruption of organic matter is avoided when possible, and drilled-in supplements are used instead of broad application.

Result: In Conformance

OBJECTIVE 3: Protection of Water Resources

Performance Measure (PM) 3.1 Water use

Conformance Evidence:

- Property Assessments
- Environmental Site Assessments
- Water association memberships
- Contributions to water conservation groups
- Water conservation district agreements
- Certificates from water districts
- Well drilling permits and reports
- Irrigation logs
- Drought policy
- Water pumping maintenance schedule

Auditor Notes: Tenants have drip irrigation installed, and water on a short irrigation plan instead of long watering. Water quality is tested annually and there have not been issues with the quality. The Maxwell site had water recycling through drainage ditches that flowed downhill back into the canal on site. There are moisture probes at varying levels to accurately see soil moisture depths. Farms are all pulling groundwater from wells.

Water use is heavily restricted in California. Since tenants are pulling from wells and not using districts, there is an effort to conserve as if they were pulling from a district. One pump is on a water recycle program and there is water recycling from drainage ditches that flow downhill. AgIS management participates on local water district boards. Semios is used as a water monitoring software on the Maxwell farm. Tenants participate in the development of the GSP development process.

Ag solution platform Semios is used by select tenants to help with water management as well as pest management. There is a water recycling pump on one tenant farm, and drainage ditches moving water back into the canal on the Maxwell farm. Water use varies from year to year based on the rainfall and snowpack from the prior year. Managers at Colusa Maxwell report water meter readings to water districts, the 3rd largest water district with only 3% metered.

Result: In Conformance, Opportunity for Improvement (See Key Findings)

OBJECTIVE 3: Protection of Water Resources (Continued)

Performance Measure (PM) 3.2 Water Quality

Conformance Evidence:

- Property assessment
- Water testing results
- Environmental Site Assessments
- Tissue tests
- Water certificates
- Irrigation logs
- Nitrogen management plans
- Moisture sensor reports
- Good agricultural practices report

Auditor Notes: On sites there is an overall directive that "Nothing leaves the farm Fields are scouted every day by either tenants or the crop advisor. Scouting is done to inspect nutrient deficiencies, pest monitoring, or irrigation issues. Soil and tissue tests are performed to maintain soil moisture levels, soil quality, and tree nutrient health.

There is one wetland that flows through the Keyes farm. Signage barring entrance was clear all around the wetland and the wetland appeared in good care. No trees or other plantings are planned in wetland areas or buffers.

Result: In Conformance

OBJECTIVE 4: Protection of Crops

Performance Measure (PM) 4.1 Integrated Pest Management

Conformance Evidence:

- Property assessment
- Trap summary reports
- Scouting reports
- Alternative product considerations
- Pest reports
- Semios reports on pesticide
- PPE trainings notes and attendance
- Tissue analysis
- Good agriculture practices report

Auditor Notes: The Pest Control Advisor (PCA) hired by tenants does all pest monitoring. There is also a pheromone dispenser on the Semios probes planted on the Maxwell sites. There isn't crop loss due to pests, as scouting is done weekly and tree health is constantly monitored.

The PCA performs scouting of the farm, and supply tenants with product use reports and invoices. Chemical selection is handled by the PCA and varies, based on time of year, the crop being grown, threats, and other factors. Treated wood is used on fences. Bait systems are in place for unwanted vertebrates. Virus, pheromone, and sterile release programs are in place for insects. Hawk stands and owl boxes are on sites. AgIS engages in research with UC Davis on bird studies related to rodent control methods. On select sites live animals (sheep) assist with weed and pest control through grazing.

IPM practices are established and used on sites to reduce chemical use. Mating disruptions are on site at the farms to prevent pests from mating. Semios uses a pheromone disruptor. The PCA keeps a IPM for the tenants. Records of sprayings are kept by the PCA.

Result: In Conformance

OBJECTIVE 4: Protection of Crops (Continued)

Performance Measure (PM) 4.2 Crop Protection Management

Conformance Evidence:

- Property assessments
- Site inspections and photos of storage
- Spray activity reports
- Good agricultural practices report

Auditor Notes: Pesticides are stored in line with regulations, including but not limited to security (secured and dedicated sheds), signage, Personal Protective Equipment availability and ventilation. Chemical storage is in line with the California Environmental Reporting System (CERS). Chemical application is performed by the tenants and staff. There are annual trainings and all staff that spray are licensed to do so. Empty chemical containers are stored properly in a fenced-off area after being triple washed. The containers are then recycled by the county or the chemical provider. Voluntary tests are underway on microbe use.

Result: In Conformance

OBJECTIVE 5: Energy Use, Air Quality, and Climate Change

Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation

Conformance Evidence:

- Equipment proposals and invoices
- VFD invoices
- Property assessments and reports
- Site inspections

Auditor Notes: Reduced emissions technologies are continuously assessed and adopted as part of an equipment replacement plan (Tier 4 engines, DEF, Regen filters, etc.), in-field efficiencies are developed, and opportunities to diminish the impact of energy used for farms are actively sought out. Electric equipment is prioritized, and pumps are almost all transitioned to electric motors. Variable frequency drives (VFD) and "soft start" technology is on lift pumps. Select tenants have solar power on site, powering some of the well pumps. Tissue testing is done to determine when running irrigation is necessary, cutting back on pumping. Harvesting and other vehicle use is planned to use efficient routes, reducing the number of passes made. EV vehicles have continued to gain use on sites. FieldIn deployment tracks key equipment metrics.

Result: In Conformance

Performance Measure (PM) 5.2 Air Quality

Conformance Evidence:

- Equipment proposals and invoices
- VFD invoices
- Property assessments and reports
- Site inspections
- Almond debris shredding report
- Gravel dust control records
- Carbon measurements
- Road oil application records
- Ranch summaries

Auditor Notes: All equipment and vehicles being used are run on efficient schedules. An equipment inventory is kept making sure outdated equipment is not being used, and maintenance schedules are also kept. An aspirator is used to help separate crop from rocks and other debris. Tier 4 engines, DEF, and Regen filters are equipped on sites to reduce emissions.

Mag chloride is utilized on roads during harvest. Gravel and walnut shells are also added to roads for dust control. Water trucks are also utilized during active periods. Grasses are allowed to grow in rows. Dust is sprayed off equipment when not in use. Sites overall were very clean and dust free.

Result: In Conformance

OBJECTIVE 5: Energy Use, Air Quality, and Climate Change (Continued)

Performance Measure (PM) 5.3 Climate Smart Agriculture

Conformance Evidence:

- Equipment proposals and invoices
- VFD invoices
- Property assessments and reports
- Site inspections
- Consulting agreements

Auditor Notes: Potential impacts of climate change are considered while developing and operating properties. Techniques to enhance carbon sequestration in the soil are implemented, such as cover crops, minimized tilling, native grasses, and reincorporation of prunings. Fertilizer formulations and methods and timing for fertilizer applications are managed to minimize volatilization, and agricultural equipment is continuously updated to reduce GHG emissions. Maintenance logs on equipment and vehicles are kept. GPS is used on vehicles for efficiency tracking and route making.

Steps are taken to buffer orchards from the potential effects of climate change. Hail and frost are the main weather items of concern for tree farmers in California. Frost is combatted by allowing growth in the tree rows, which helps lock in moisture to keep the ground warmer. White paint is applied to the bottom of walnut trees too, to help with warmth and as a growth deterrent.

Result: In Conformance

OBJECTIVE 6: Waste and Material Management

Performance Measure (PM) 6.1 Management of Waste and Other Materials

Conformance Evidence:

- *Almond debris shredding records*
- *Scientific method observations*
- *Mating disruption records*
- *Property inspection reports*

Auditor Notes: There are marked and clearly defined areas for chemical storage, and used containers are kept in a fenced off area. Chemicals are securely stored and well organized. Secondary containment on fuel storage is in place. Chemical jugs are triple rinsed and slashed, then turned over to recycling providers. Larger chemical containers are returned to dealers for reuse. Infrastructure (fencing, trellis, tubing, etc.) is reused as much as possible. Drip hose is recycled during redevelopment. Trellis materials that cannot be reused are sold for repurposing during development. Irrigation mainlines are reused during development.

Overall, mostly organic waste is produced. Organic waste is sometimes burned, but permits are acquired, and the fire department is notified when burning. Fallen trees or branches are shredded to wood chips and recycled into crop rows or on roads as part of AgIS' "Whole Orchard Recycling" efforts. Waste oil drainage is also recycled.

Result: In Conformance

Performance Measure (PM) 6.2 Food and Agricultural Product Waste Resource Recovery

Conformance Evidence:

- *Property inspection reports*
- *Almond debris shredding records*
- *Ranch summaries*

Auditor Notes: Harvest equipment operators are trained on equipment settings for efficient operation. Yields are closely tracked and analyzed in real time to alert harvesters to potential loss. Almond hulls are sold by hulling companies for animal feed. Wood chips are repurposed into crop rows and onto roads. Other prunings are sent to local dairies for cow bedding. Water use is calculated and closely tracked ("Nothing leaves the farm" philosophy). Trees are mulched and reused on and off sites.

Excessive crop loss was noted (up to 70-80% on almond trees in Maxwell) as a result of frost events early this year. Frost events occurred during the bloom stage, resulting on crop loss this year. Foundations to maintain soil moisture and retain warmth will be reviewed for effectiveness in the case practices can be revised to reduce risk in the future.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity

Performance Measure (PM) 7.1 Species Protection

Conformance Evidence:

- Biological Resource Assessments (BRA)
- Due diligence reports
- Phase I Environmental Site Assessments
- Wetlands and Special-Status Reviews
- Property assessments
- Training videos

Auditor Notes: There are no observed threatened or endangered species on site. Species of note in the area are listed on shop walls with local animals that are in the area. Trainings are held to inform on how to handle situations with animals. Caution is taken with pest control due to the risk of Tiger Salamanders residing in squirrel holes.

Management staff engaged in independent research and put up poster boards around each office for workers to review. Due diligence processes include appropriate biological reviews and are followed when purchasing a property. Owl boxes and some raptor perches are on the property.

Result: In Conformance, Notable Practice (See Key Findings)

Performance Measure (PM) 7.2 Wildlife Habitat Conservation

Conformance Evidence:

- Property assessment
- Due Diligence report
- Biological Resource Assessments
- Phase I Environmental Site Assessments
- Training videos
- Owl house maps
- Seeds for bees cover crop record

Auditor Notes: Easements from PG&E and Fiber companies are on sites. Wildlife habitats are set aside in buffers and difficult to farm areas. Wetland swales are maintained. Hedge rows are maintained to avoid sensitive areas. Total Nutrition System has approaches and considerations for sites designated as important. There are wetlands that run through some of the farms. Clear signage is provided to avoid the wetland area, and employees are trained on the areas and to avoid them. Native wetlands are given a wide berth, and previously disturbed wetlands are repaired.

Cover cropping and minimized tillage in orchards. Bird and owl boxes, hawk stands, and beehives are present throughout properties. Training is provided to staff to differentiate between pests and beneficial species on sites (i.e., rattle snakes vs. gopher snakes). Tenant mangers will plant grass with seed load to keep food on sites for the following year.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.3 Avoided Conversion

Conformance Evidence:

- Anti-deforestation policy
- Property assessment reports
- Project assessments
- Phase I Environmental Site Assessments
- Biological Resource Assessments
- Due diligence memos

Auditor Notes: Farmland well over 40 years. Nothing has been redeveloped as far as the tenants and ownership know. Additional acreage is retired from production around water runoff and wetland areas to expand the conservation area. A deforestation policy is in place and on file. AgIS' due diligence process and site assessments review for land classifications and delineation markings. Biological Resource Assessments are conducted on properties during due diligence processes.

Result: In Conformance, Notable Practice (See Key Findings)

Performance Measure (PM) 7.4 Crop Diversity

Conformance Evidence:

- Property assessment reports
- Site inspection reports

Auditor Notes: No crop rotation on orchards. Market prices determine replanting schedule. Companion crops and cover is present in rows and swales to reduce weed pressures.

Result: In Conformance

OBJECTIVE 8: Protection of Special Sites

Performance Measure (PM) 8.1 Site Protection

Conformance Evidence:

- Phase I Environmental Site Assessments
- Site plans

Auditor Notes: Special sites and ecological important sites are identified during due diligence and preserved in a manner consistent with regulations and requirements of the standards applicable to the property. During ground prep on new properties, a representative from local indigenous populations is invited to assess any potential cultural findings, and collect any items of interest (arrow heads, etc.).

Result: In Conformance

OBJECTIVE 9: Local Communities

Performance Measure (PM) 9.1 Economic Well-Being

Conformance Evidence:

- Property assessments
- Tax payment records
- Title documents
- Gifts and entertainment reports

Auditor Notes: Employees are local talent with long histories in the region. Taxes are paid on time and fully. Supplies are procured from local dealers (within 250 miles).

Result: In Conformance

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.2 Community Relations

Conformance Evidence:

- Donation and contribution receipts
- Membership certificates

Auditor Notes: AgIS has had numerous schools and Future Farmers of America (FFA) on sites for field trips and education. AgIS donates to scholarship funds in Turlock (James W. Brabek Youth Legacy Fund). Site managers coordinate with UC Davis to research bird flying and hunting patterns. Site managers work with neighbors on drainage plans and surface water delivery infrastructure. AgIS management attends and engages in water district and groundwater meetings.

Result: In Conformance

Performance Measure (PM) 9.3 Local Communities and Indigenous Peoples

Conformance Evidence:

- Indigenous Peoples Policy
- Phase I Environmental Assessment
- Title reports
- Ranch maps

Auditor Notes: AgIS has an appropriate Indigenous Peoples Policy reviewed and on file. Monitoring of properties is provided by indigenous representatives when the possibility of artifacts is present.

Community members have reached out to site managers, most often to inquire about spray planning or land use on new plantings. Contact information is made available to neighbors. Some sites are identified publicly on GPS and navigation software.

Result: In Conformance

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.4 Public Health

Conformance Evidence:

- ESG policy
- Lease agreements
- Total Nutrition System (TNS) records
- Soil / water / tissue testing results
- Illness and Injury Prevention Program (IIPP)

Auditor Notes: Fences are maintained and upgraded when needed. Runoff is verified in Global GAP audits to not be occurring. Regular safety trainings occur for farm labor contractor employees. Spraying is planned and performed by PCAs and staff with Certified Applicator Licenses (CALs), to avoid drift and overspray. Signage is posted at locations during spray days, and restricted entry areas are clearly marked with signage.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor

Performance Measure (PM) 10.1 Safe and Respectful Working Environment

Conformance Evidence:

- EOE Policy
- Annual trainings
- Safe Handling Procedure (SHP) training records
- Anti-harassment policy
- FLC and safety training certificates
- Code of safe practices
- Safety trainings
- Social Responsibility Policy
- New employee checklist
- I9 Forms
- Employee notices
- Training listings
- House inspections

Auditor Notes: AgIS is an Equal Opportunity Employer. Safe work environment, anti-harassment, and anti-discrimination policies are in place in Employee Handbook. Onboarding and safety training is provided by a third-party training provider. Significant additional training is provided throughout the year for full and part time employees and contractors. FLCs have their own additional safety trainings and anti-discrimination policies. Staff on sites are made aware of reporting structure in trainings. Social responsibility policy has been reviewed and is on file.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.2 Occupational Training

Conformance Evidence:

- FLC Licenses
- Annual training records
- Safe Handling Procedures (SHP) training records
- Anti-harassment policy
- COVID trainings and postings
- Farm Labor Contractor (FLC) and safety training certificates
- Code of safe practices
- Safety trainings
- Social Responsibility Policy

Auditor Notes: Employees are provided regular trainings to maintain current knowledge pertaining to professional roles and responsibilities. Heat safety and hydration practices are observed. Safety refresher trainings are held throughout the year. FLCs conduct weekly tail gate trainings and refreshers. AgIS has established protocols for returning to work post-accident. Site managers receive and review FLC training records. Worksites are regularly inspected for safety violations and non-conformities.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.3 Supporting Capacity for Sustainability

Conformance Evidence:

- ESG report
- Property assessments
- Training records
- Sustainable agriculture management certifications
- Applicators licenses
- Press releases

Auditor Notes: A commitment statement to LH FMS is documented and on file. Jeff Hillberg, Carl Evers, and their team are tasked with demonstrating AgIS conformance to the LH FMS and understand the program fully with thorough exposure to program language and requirements. In ESG reports and interviews, sustainable performance is a core value to AgIS. AgIS has an ESG subcommittee that identifies material issues and make recommendations to management. 20% of bonus compensation for management is tied to ESG results.

Workers get site specific worker environmental awareness training (WEAT). AgIS has requested that FLCs provide additional training on hazardous waste handling. AgIS provides sustainability training for third party vendors. Annual meetings include sustainability briefings and trainings. AgIS has developed an internal Leading Harvest specific training. Professional designations on AgIS team include professional crop advisors (PCA), qualified applicator licenses (QAL), and accredited farm managers (AFM).

Result: In Conformance

Performance Measure (PM) 10.4 Compensation

Conformance Evidence:

- Pay stubs
- Payroll records

Auditor Notes: Compensation is set at an appropriately competitive level in all regions. AgIS performs salary surveys annually to determine competitiveness of wages. Site manager wages are set at a minimum of \$15/hr. Piece rate for harvest labor is reviewed annually to maintain a competitive point. Current wages surpass livable wage levels for communities around production sites.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.5 Farm Labor

Conformance Evidence:

- Site inspection reports
- FLC licenses
- FLC Audit checklists
- Pay stubs
- Payroll records

Auditor Notes: FLC's training are monitored after they are uploaded to a shared server. On most sites, FLC wages are set by AgIS. Pay rates are reviewed by AgIS Management. Accuracy of FLC work and documentation (timecards, training records, and operations) is reviewed by AgIS Management. Ad Hoc inspections on FLC worker conditions are conducted by AgIS managers.

Result: In Conformance

OBJECTIVE 11: Legal and Regulatory Compliance

Performance Measure (PM) 11.1 Legal Compliance

Conformance Evidence:

- Site inspections
- Biological Resource Assessments (BRA)
- Anti-harassment policy
- Equal Opportunity Employer
- Human Resources policies
- Training records
- Capital Privacy Policy
- Code of Ethics
- Valuation policies
- Annual training records
- Registered Investment Advisor (RIA) introductions for employees
- Social responsibility policy
- Due diligence forms
- New employee checklist
- Illness and Injury Prevention Program
- Safety Manuals

Auditor Notes: Employees have access to all relevant legal and regulatory information, and newsletters are issued in relevant languages to inform employees of current issues. Appropriate signage is in place and clearly displayed. Signs posted on chemical storage and other required signage was posted inside of meeting areas. Trainings are conducted for employees to identify their rights as established by OSHA and CALOSHA.

Result: In Conformance

OBJECTIVE 11: Legal and Regulatory Compliance (Continued)

Performance Measure (PM) 11.2 Legal Compliance Policies

Conformance Evidence:

- Human Resources Policies
- Anti-harassment policy
- EOE policy
- Health and safety trainings
- Capital privacy policy
- Code of ethics
- Valuation policies
- Social responsibility policy
- Due diligence forms
- Lease agreements

Auditor Notes: Social responsibility policy reviewed and on file. Employee handbooks and manuals set code of conduct. Capital privacy policy and valuation policies set codes of conduct for due diligence and valuation teams in protecting tenants' information. Covenants of quiet enjoyment are not explicitly stated, but lease language is in line with the covenant.

Rent reductions are available upon request from tenants, depending on critical factors such as shortages on water. For example, if a tenant has access to less than 75% of their required water over a 10-year average, tenants can request a reduction in land rent as disaster mitigation. AgIS has explained tenant circumstances to clients, with the stated goal to help keep tenants solvent in challenging times.

Result: In Conformance

OBJECTIVE 12: Management Review and Continual Improvement

Performance Measure (PM) 12.1 Farm Review and Continual Improvement

Conformance Evidence:

- Operations updates and memos
- Consolidated budgets
- Property observation reports
- Carbon measurements
- Seeds for Bees records
- Podcasts with management staff

Auditor Notes: AgIS conducts monthly operations reviews on all sites, formal quarterly reviews of financials, audits financial statements from properties, and annual hold/sell evaluations. Budget reviews are every third Thursday of the month, with Leading Harvest aspects included. Planning sessions are held quarterly, preceded by budget proposal meetings. ESG write-ups are added to budget proposals for special projects and certifications. All other reviews are included in a summary year-end review.

ESG factors are included with property review write-ups on regular observations. Trainings regarding Leading Harvest conformance have been developed for managers. Operations updates provide current events and activities on sites.

Result: In Conformance, Notable Practice (See Key Findings)

Performance Measure (PM) 12.2 Support for Sustainable Agriculture

Conformance Evidence:

- Operations updates and memos
- Consolidated budgets

Auditor Notes: AgIS has contributed to research into wetland support acres and voluntary acreage retirement, water recycling, pollinator seeds on orchards, cover crop types, and timings for cover crop implementation.

Result: In Conformance

OBJECTIVE 13: Tenant Operated Operations

Performance Measure (PM) 13.1 Leased Land Management

Conformance Evidence:

- Lease documents
- ESG reports
- Property reports
- Operations reports
- Leading Harvest management materials

Auditor Notes: Tenants are bound by agreements which require adherence to regional best management practices (BMP). Sustainability goals for leased farmland are included in ESG policy. Tenant have signed Social Responsibility Commitments in leases.

Result: In Conformance

Performance Measure (PM) 13.2 Leased Land Monitoring

Conformance Evidence:

- Lease documents
- Site inspection reports
- ESG policy

Auditor Notes: Monthly site inspection reports provide information on farm operations. ESG policy and lease documents address required practices on sites. Internal reviews and meeting cycles with tenants reinforce practice implementation. Letters and summary documents communicate current performance to tenants. Leases are for longer terms compared to many land managers (7 years with an option to extend), to allow for the successful establishment of permanent crops and conversions to specific practices. Leases are reviewed annually for necessary amendment and correction.

Result: In Conformance

KEY FINDINGS

Previous Non-Conformances: There were no previous non-conformances identified in previous audits.

Major Non-Conformances: No major non-conformances were identified during the audit.

Minor Non-Conformances: No minor non-conformances were identified during the audit.

Opportunities for Improvement (OFI): One (1) opportunity for improvement were identified during the audit.

1. 3.1.2 Regional Water Conservation:
 - a. A water recycling system was discussed on the Stanislaus Keyes property tour, and the difficulty of maintaining and implementing the system was mentioned by the tenant. This system has been identified as a notable practice when successfully implemented. While the challenged system is not in itself a sign of non-conformance, AgIS may consider expanding or improving the implementation of this system to capture a best-in-class practice while they have a head start.

Notable Practices: Four (4) notable practices were identified during the examination.

1. 7.1.1 Threatened and Endangered Species
 - i. Notable restraint was observed by the audit team in controlling against pests, specifically squirrels on Stanislaus Keyes. This practice was elevated to the Notable classification when the reservation was explained by the site manager that the potential for Tiger Salamander (a vulnerable species in decline) could potentially be present in abandoned squirrel burrows.
2. 7.1.2 At-Risk Species
 - i. Special status species were clearly identified and illustrated at meeting areas and offices. This program, and the biodiversity research that supports it, demonstrates a high level of commitment and risk mitigation.
3. 7.3.1 Habitat Conversion
 - i. Notable restraint and sacrifice was noted regarding setbacks from seasonal wetland areas. Additional acreage is retired from production in order to provide wider than required conservation areas around water recharge areas. Furthermore, the creative thinking displayed regarding conservation strategies was an exemplary demonstration of conformance to the LH FMS and beyond.
4. 12.1.3 Agricultural Innovation
 - i. The staff at AgIS, particularly Carl Evers and Jeremy Olday are notably recognized in their field as leaders in sustainable agriculture production. Besides the materials supplied for documentation, it is easy to find podcasts, articles, events, and research efforts that they have participated in, often at the request of others specifically seeking their input.

AgIS Capital LLC

LH FMS SURVEILLANCE AUDIT SUMMARY REPORT

June 10, 2022

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Review of Previous Audit Cycle In 2021, AgIS engaged Averum to perform their initial certification audit and issue their inaugural certificate. AgIS successfully demonstrated conformance to the LH FMS standard, with no nonconformances found, two opportunities for improvement, and seven notable practices noted. Opportunities for improvement from the previous cycle were followed up on during the surveillance audit interviews, site visits, and documentation reviews.

CONCLUSIONS

Results of the audit indicate that AgIS Capital has implemented a management system that continues to meet the requirements of and has maintained conformance with the Leading Harvest Farmland Management Standard 2020.

AgIS Capital's certification to the Leading Harvest Farmland Management Standard 2020 is recommended to remain in good standing.

AgIS Capital LLC

LH FMS SURVEILLANCE AUDIT SUMMARY REPORT

June 10, 2022

Summary of Audit Findings				
Program User	AgIS Capital LLC			
Audit Dates	May 18, 2022 – June 10, 2022			
Non-Conformances Raised (NCR):	<i>Major</i>			<i>Minor</i>
	0			0
Follow-Up Visit Needed?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	<i>Date(s)</i>	
Follow-Up Visit Remarks	N/A			
Team Leader Recommendations				
Corrective Action Plan(s) Accepted	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>	<i>Date</i>
Proceed to/Continue Certification	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	<i>Date</i> 06.10.2022
All NCR Closed	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>	<i>Date</i>
Standard(s) Audited Against				
Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)				
Audit Team Leader	Audit Team Members			
Matt Armstrong	Andrew Zetterberg Kyle Rusten			
Scope of Audit				
Management of production farmland on direct and tenant operated properties.				
Accreditations	Approval by Leading Harvest to provide certification audits			
Number of Certificates	1			
Certificate Number	2021-0005			
Proposed Date for Next Audit Event	TBD, 2023			
Audit Report Distribution	AgIS Capital: Jeff Hillberg (jhillberg@agiscapital.com), Carl Evers III (cevers@agiscapital.com)			