

AGIS CAPITAL, LLC

Boston, MA

LH FMS AUDIT SUMMARY REPORT: 2023 SURVEILLANCE AUDIT

June 15, 2023





A SUBSIDIARY OF K-COE ISOM, LLP

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Certification Audit Re-Certification Audit Surveillance Audit Scope Extension

INTRODUCTION

This report summarizes the results of the 2023 surveillance audit conducted on AgIS Capital, LLC managed production agriculture properties. The audit was conducted by Matt Armstrong, lead auditor for Averum. Matt Armstrong has had experience with Leading Harvest Farmland Management Standard 2020 (LH FMS) 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. Site visits were assisted by Andrew Zetterberg, Field Auditor. 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 2023, Averum was engaged by AgIS to perform a surveillance of sustainability performance on 30,990 acres of managed agricultural operations and determine conformance to the principles, objectives, performance measures, and indicators of 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 is an independent agricultural investment firm. Farm operating tenants and management 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.

Five (5) sites in California were selected for the surveillance audit, with three tenant managers included in the sample. Managers overseeing decision making and standard compliance for sample regions were contacted for evidence requests and interviews. The properties in these regions are a representative sample of current practices in place and management decision making. The primary agricultural production on visited sites are wine grapes and almonds.

AUDIT PLAN

An audit plan was developed and is maintained on file 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 April 28, 2023, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in California were examined on May 8, 2023. A closing meeting was held on June 15, 2023.

Opening Meeting: Conference Call

April 28, 2023

Attendees:

(AgIS) Carl Evers, Jeff Hillberg, Jeff Crank

(Audit Team) Matt Armstrong, Andrew Zetterberg

Topics:

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

Closing Meeting: Conference Call

June 15, 2023

Attendees:

(AgIS) Carl Evers, Jeff Hillberg

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

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): 0
 - Notable Practices: 11
- Report timing and expectations: Matt Armstrong

MULTI-SITE REQUIREMENTS

AgIS maintains operations on multiple properties in California. AgIS qualifies for multi-site sampling since the properties within the management system are centrally controlled and directed by regional management, with regular monitoring activities. Regional managers are responsible for developing corrective action plans regarding LH FMS conformance and report them to AgIS management. 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	Wine grapes, almonds	Five (5) sites visited during audit <ul style="list-style-type: none">- 30,990 gross acres in production- California represents 53% of all acreage in portfolio- Selected sample represents 18% of total portfolio- Management population: One (1) regional manager, three (3) tenant operators- Sites visited: Yolo 12A, Yolo 89, N CA Nut Platform, Monterey Paraiso, and Yuba Beale.

AUDIT RESULTS

Overall, AgIS’s agricultural operations conform 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 to auditors. Field visits were performed on five operating sites in California. Visits were on mature and developed properties, so ongoing management were observable and highlighted. Central and regional management representatives, as well as operating tenants, were present and interviewed to illustrate AgIS’s conformance and policy 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 Regional Managers 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 Management

1.1 Sustainable Agriculture Stewardship

Conformance Evidence

- Code of Ethics
- ESG Policy
- ESG Report
- Monthly operations report
- Valley Farm audit checklist

Auditor Notes

- AgIS's commitment to Leading Harvest Standard objectives and sustainability goals are documented in Environmental, Social, and Governance (ESG) reports and referenced throughout materials available to tenants and stakeholders.
- AgIS may consider property sales to help a client meet property size requirements but has not sold property as a “highest and best use” conversion sale.
- New plantings are developed when needed to maximize production on properties.
- Redevelopment of production land includes considerations given to increasing productivity and designating land used for conservation.
- AgIS converted land to production farmland and conservation areas. Conversion is not uncommon, but it is not a set strategy. Everything within the portfolio is intended to remain in AgIS's ownership.

Result: In Conformance

Objective 1: Sustainable Agriculture Management (Continued)

1.2 Critical External Factors

Conformance Evidence

- Monthly operations report

Auditor Notes

- Site managers are on AgIS Capital sites most days.
- Crop yield variations and crop loss due to inclement weather indicate critical factors that need to be addressed to operate more sustainably.
- Labor availability is a seasonal concern for AgIs properties.
- Cash flows on properties are discounted during the due diligence process, and multiple options and strategies are developed for sites.

Result: In Conformance, Notable Practice

Objective 2: Soil Health and Conservation

2.1 Soil Health

Conformance Evidence

- California Sustainable Winegrowing Alliance certification
- Cover crops providing benefits in the orchards
- Valley Farm Management audit checklist
- Due diligence study - Paraiso Springs property
- Fertilizer actuals records
- Fertilizer budget records
- Irrigation and Nitrogen Management Plan implementation worksheet
- Report of tissue analysis
- Soil reports
- Tissue sample report
- Farm evaluation survey
- Nitrogen Management Plan implementation worksheet
- Tissue sample monitoring
- Cover crops - Providing benefits in the orchards

Auditor Notes

- AgIS works with the California Department of Food and Agriculture (CDFA) to apply compost to farmland in the spring. Compost includes tea, fish, fungi, and nematodes whose microbials benefit soil health and improves water retention.
- Soil tests are performed annually and are taken on custom grids based on soil profile, rootstocks, and topography of the site. AgIS works with Certified Crop Advisors (CCAs) and third-party agronomists who perform soil samples and monitor tissue sample results to identify nutrient needs for the trees.
- Cover crops include grasses for growing hay. Some green hay is sold to a local dairy (green chop), and the remainder is left to reincorporate into the soil to improve soil organic matter. Grain seeds in cover crops are carefully chosen to be used for hay eaten by dairy cattle. Native plant cover is left between the tree rows and mowed before harvest.
- AgIS is interested in working with third-party Carbon groups to measure and support efforts to measure carbon sequestration through farm management practices.
- Cover crops are implemented throughout the year, and grass is kept as long as possible to control erosion.
- Select sites use an informal nutrient management plan (NMP) informed by results from petiole samples. Nutrient amendments are dependent on vine health and any nutrient deficiencies evident in samples.
- Applications at selected sites are based on prior year applications and weather variations. Applications may differ significantly from one year to another. Fertilizer and nitrogen application rates and usage are recorded.

Result: In Conformance

Objective 2: Soil Health and Conservation

2.2 Soil Conservation

Conformance Evidence

- Beale levy repair
- Livestock grazing
- California Sustainable Winegrowing Alliance Certification
- Good agricultural practices article
- Legal memorandums
- Memo - Aquatic resources impacts
- Memo - Biological resources assessment
- Memorandum regarding Biological Resources Assessment
- Valley Farm Management audit checklist

Auditor Notes

- Site uses mini-canals and slope to allow rainwater to flow off the site into a catch basin.
- Selected site has a delineated area with leachable soil where chemical usage is limited.
- No reported or observable soil compaction or erosion on selected sites. Best management practices include minimum equipment usage through rows to avoid soil disturbance and reduce emissions. Mature trees and cover crops reduce threat of erosion caused by wind.
- Sheep are integrated on select sites to assist in weeding, topsoil improvements, and water retention.
- Selected site has been a vineyard since the 1970s and has been developed specifically for viticulture.
- Multiple sites are certified to California Sustainable Winegrowing Alliance and Valley Farm Management standards
- Food Safety and Best Management Plans are in place on olive, walnut, and other crop production sites
- Formal aquatic delineation reports are in place on properties with water resources identified in biological resource assessments (BRA).

Result: In Conformance

Objective 3: Water Resources

3.1 Water Use

Conformance Evidence

- California Sustainable Winegrowing Alliance Certification
- ILRP: Groundwater sustainability plan implementation report
- Site recharge photos
- Valley Farm Management audit checklist
- Yolo County FCWCD revenue focus group meeting
- Hungry Hollow Area Community Groundwater Subcommittee meeting minutes
- Water Leaders Program news advisory notice
- Automation in progress map
- AgMonitor - 2023 early season
- Irrigation map
- Irrigation monitoring
- Orchard irrigation system bid

Auditor Notes

- AgIS avoids depleting groundwater resources through drip irrigation lines at selected sites. Drip line irrigation allows water to be applied directly to the root level and avoid excess water in tree rows.
- Neutron soil probes are used on select sites to track water moisture levels. Probes measure moisture at 1, 2, 3, 4, and 5 feet for data points at different depths, and pressure-reducing valves are used to increase water use efficiency.
- Water withdrawal is reduced during times of heavy rainfall. Select sites have not needed to use groundwater so far this year.
- Crop amendments are applied through drip line to reduce inputs and excessive use.
- Selected sites use pressure compensated drip irrigation to facilitate irrigation over varying hillsides.
- Wells are compatible with a controller to allow water to be remotely managed during off-peak hours when necessary and are outfitted with variable frequency drives. Sprinklers are also used to irrigate vines to prevent frost damage.
- Highest yields correlate with watering during off-peak hours, not soaking the trees for 24-36 hours after watering, and watering in shorter sets.
- Select sites use AgMonitor app and integrated software to automate irrigation. These apps allow users to track the soil moisture probes, stop or start an irrigation set, and monitor weather for best times to water the crops.
- Irrigation is performed through wells, one of which was re-drilled in 2021 and converted to electric.
- Permitting and engineering for irrigation wells is provided via appropriate parties.
- Tenant is responsible for annual water quality and depth testing.
- Water usage is measured through flow meters on wells, pumps, and at the inlets of canals.
- Sites are allocated water limits through the local water districts. The current limit established by the local water district of a select site is 3 acre foot, and 1 acre foot will be able to fully support crop health this year.

Objective 3: Water Resources (Continued)

3.1 Water Use (Continued)

- Tenant and property manager work with the Salinas Valley Groundwater Basin (Forebay) and have submitted a groundwater sustainability plan. AgIS complies with State groundwater resources requirements in accordance with groundwater sustainability requirements.
- AgIS site selected works with Yolo Flood Water District and has a district water control pump station onsite. The pump station allows the tenant to pump water from a pond onto their sites for irrigation, and helps the Yolo Flood District manage the pond more effectively by controlling the water levels. Yolo Flood District is a part of the Golden State Water Company (GSWC).
- A levee in one of the canals suffered damage which created a risk of flooding the fields. The manager on site repaired the levee with a concrete wall, and hired an environmental company to ensure there were no species or environmental issues. AgIS worked with Army Corps of Engineers to get permits to perform the work as well. This project ended up saving the trees on site during heavy rains in the early year.
- AgIS management member serves on the Board of Directors for the CA Water Leaders Program.
- The site manager of a selected site hires Ceres Imaging to fly drones and scout for irrigation inefficiencies and water management issues. Drones are used four times per season to check the water stress on trees, and aerial images will color-code the image to portray "over-watered, under watered, lacking nutrients". Ceres Imaging is a Leading Harvest Program Supporter.
- Preloading is an effective soil improvement method used on site selected that enables the soil profile increase soil's water-bearing capacity.
- Water is mainly pulled from surface water from the water district, but groundwater is also available to use if there is a shortage or limit from the district.
- Variable frequency drive on the pump alters pressure of the irrigation system as needed to change the amount of water flowing from the pump to the trees.
- Weather stations measure temperature, humidity, and rainfall. This data informs farm managers of risks related to heat and cold for frost concerns and impacts irrigation practices.

Result: In Conformance, Notable Practice

Objective 3: Water Resources (Continued)

3.2 Water Quality

Conformance Evidence

- AgMonitor pilot results
- Butte-Yuba-Sutter Water Quality Coalition
- California Sustainable Winegrowing Alliance Certification
- Irrigation monitoring
- Nitrogen Management Plan implementation worksheet
- Nitrogen Management Plan
- Report of water analysis
- Valley Farm Management audit checklist
- Well water samples
- Bandy Reservoir water balance report
- Cover crop seed invoice
- Cover crops providing benefits in the orchards
- Site recharge photos

Auditor Notes

- Fields are scouted at least weekly by third-party Pest Control Advisors (PCAs), Agricultural Advisor consultants, or employees who are onsite nearly every day. Recommendations include solutions to irrigation leaks, improving areas that are not receiving enough water from irrigation, and changes to irrigation sets.
- Best management practices include minimum till to support cover crop health and reduce soil disturbance.
- There are no swamp or wetland areas on sites selected.
- Tenant of site selected reduces protectant usage near a creek and pond owned by the irrigation district neighboring the farm to avoid nutrient runoff.
- Treelines are maintained in low points where water can run off and pool.
- AgIS is working with the water reclamation district on a solution for a water flap gate issue nearby that almost caused flooding this past winter.

Result: In Conformance

Objective 4: Crop Protection

4.1 Integrated Pest Management

Conformance Evidence

- Agricultural Advisors Monitoring
- California Sustainable Winegrowing Alliance Certification
- Farm evaluation survey
- Pest scouting update
- Semios disease monitoring
- Semios pest monitoring
- Valley Farm Management audit checklist
- 2023 Treatment Plans
- Field history reports
- Wilbur-Ellis recommendation reports
- Spray reports
- Cumulative Application Report
- Due diligence report
- Agricultural Advisors walnut alert

Auditor Notes

- Peach twig borers, leaf-footed bugs, mites, chinch bugs, and squirrels are most persistent pests at selected sites. Mites are combated by pruning and spraying potash, which works effectively and also provides soil health benefits as a fertilizer.
- AgIS uses pheromone traps and mating disruption as low-risk best management practices for most pests. Weekly scouting helps farms prevent excessive harm to crops and prevent crop loss. Third-party PCA performs pest control and write crop amendment prescriptions based on variable factors such as soil amendments, weather, and time of year.
- Select sites uses Semios, which is a third-party crop management platform for tree nuts and vines to inform users of weather events, pest pressure, water management, and potential plant stress.
- Mealy bug virus is the main pest concern at a select site. Tenant intentionally keeps a leaf bug virus in the vine to kill mealy bugs.
- Tenant at a selected site only sprays after exhausting all other pest management options and follows UC Davis' Integrated Pest Management (IPM) principles. Documented IPMs are followed by third-party consultants.
- Property of a site selected borders an organic orchard. Tenant pays close attention to that area where pests can be more prevalent. A buffer zone is established on the side of the site bordering the organic neighbor where chemicals are not used.
- Visual observations, year-to-year knowledge of the area and crop, and time of year are considered by advisors and managers when determining application thresholds.
- Chemicals are applied by licensed and trained tenant staff upon PCA's recommendation or when established thresholds are met. Aerial sprays are performed by licensed third-party PCAs.

Result: *In Conformance*

Objective 4: Crop Protection (Continued)

4.2 Crop Protectant Management

Conformance Evidence

- California Sustainable Winegrowing Alliance Certification
- Product use report
- Valley Farm Management audit checklist

Auditor Notes

- Site selected has a chemical storage shed on site.
- Containers are triple-rinsed and sent to a county recycling vendor.
- Safety trainings are held annually unless a new material or practice is used.

Result: In Conformance

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

5.1 Agricultural Energy Use and Conservation

Conformance Evidence

- AgMonitor pilot results
- Pump test results
- Solar operations and maintenance services agreement
- Weekly solar reports
- Holt- Engine reports
- Pump efficiency test results

Auditor Notes

- Site selected currently uses minimum tillage practices but has committed to no-till beginning next year. Minimum tillage nearly halves diesel consumption compared to heavy tillage.
- Tenant of selected site tracks canopy size and water usage to keep canopy from overgrowing, which allows passes for vine pruning to be reduced and reduces energy use.
- Equipment maintenance schedule and harvest schedules are used to increase efficiency year-round. – GeoTag, FieldIn, and Fleet Tracker GPS software programs used on farm implements to track maintenance and map the most efficient paths for equipment to use.
- Pesticides are applied precisely to reduce number of passes.
- Selected site conserves energy by scheduling shorter irrigation sets that avoid peak power usage.
- Energy is saved on site selected by drawing water from the surface whenever possible before using well water. Surface water uses 25% less energy compared to pumping from wells.
- Wells are equipped with a variable frequency drives (VFD) to change the pressure flowing from wells to the irrigation system.
- Using caps on the irrigation lines reduces the spread of a jet from 13 feet to 3 feet, which enables lower water usage. Petiole (leaf stalk) samples show two hour irrigation sets are sufficient to support plant health.
- Solar power unit onsite generates 700kw/hr. The main well runs on electricity aggregated to the solar system. Credits from the solar funds the power pumped from the well.

Result: In Conformance, Notable Practice

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

5.2 Air Quality

Conformance Evidence

- APEP - Record of pump efficiency test
- California Sustainable Winegrowing Alliance Certification
- Pump performance datasheet
- Solar operations and maintenance services agreement
- Valley Farm Management audit checklist
- Weekly solar reports
- Farm evaluation survey
- Gravel invoice

Auditor Notes

- Trainings are held based off data collected through FieldIn software to operate machinery and equipment more efficiently and use the most efficient routes.
- One VFD is installed on a Tier 4 engine to improve pumping efficiency, with further improvements planned as they become available.
- Airborne dust on site selected is mitigated by cover crops in the tree rows and gravel placed on roads. Select site addresses airborne dust by watering roads on windy and dry days. Water trucks use water from the capture basin which controls dust and reduces groundwater usage.

Result: In Conformance, Notable Practice

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

5.3 Climate-Smart Agriculture

Conformance Evidence

- AgMonitor pilot results
- Cover crop seed invoice
- Livestock grazing
- Solar operations and maintenance services agreement
- Weekly solar reports
- Aboveground drip irrigation map
- LandMark irrigation bid
- Semios pest monitoring
- Yolo flood line map

Auditor Notes

- Maintenance schedules are kept on equipment to ensure implements are running most efficiently.
- Tractors and equipment use diesel exhaust fluid (DEF) and Tier 4 motors.
- FieldIn uses GPS to track equipment routes and usage for efficient route planning.
- Tenant sites track greenhouse gases, energy, and water use year to year.
- Wind, heat, and frost are the greatest regional climate concerns. Rootstocks are planted in areas with the best ability to combat wind and heat.
- Walnuts are planted in colder spots where almonds would freeze. Wine grape vines are all located near a frost fan to move the air when frost could occur.
- Frost is the biggest climate impact that can affect almonds. Irrigating with sprinklers helps prevent frost.
- Weather stations are installed to monitor the temperature in real time to ensure timely response.

Result: In Conformance

Objective 6: Waste and Material Management

6.1 Management of Waste and Other Materials

Conformance Evidence

- Almond debris shredding
- California Sustainable Winegrowing Alliance Certification
- CERS certification
- R & D Dumpsters Invoice
- Recology receipt
- Valley Farm Management audit checklist
- Green Waste Residue Recycling invoice
- Vines and Ovines article

Auditor Notes

- Plastics, organic, metal, and oil wastes are generated on sites. Farm managers have contracts with local recyclers to recycle plastics, metal and oils. Metal may be recycled with the county, and waste oil is picked up and recycled by Raymus Environmental.
- AgIS provides training regarding recyclable items and which bins to place them in.
- Smoke management plans are in place and include notifying the local fire department, air board, and taking precautionary measures when tree removals are burned
- Specified storage containers are present on sites selected and locked when not in use. Containment areas were well organized and clean.

Result: In Conformance, Notable Practice

Objective 6: Waste and Material Management (Continued)

6.2 Food and Agricultural Waste Resource Recovery

Conformance Evidence

- California Sustainable Winegrowing Alliance Certification
- Valley Farm Management audit checklist
- Almond debris shredding
- Green Waste Residue Recycling invoice
- Livestock grazing
- Vines and Ovines article addressing the roles that sheep can play on vineyards

Auditor Notes

- Frost within the last year significantly impacted crop production. The damaged limbs were cut off for production in the next year. All applicable sites are insured, and payouts were received for the loss.
- Weather stations are constantly transmitting weather information and being monitored by tenant staff during frost months.
- Chicken manure is applied at selected site to provide nutrients for crops.
- Cover crops seed selection includes hays that can be recovered as cattle forage.
- Waste management includes the practice of "whole orchard recycling", reusing, repurposing, and recycling all materials from sites.

Result: In Conformance, Notable Practice

Objective 7: Conservation of Biodiversity

7.1 Species Protection

Conformance Evidence

- Beale levy repair
- Federal and California Endangered and Threatened Species identification poster
- June 15th planning meeting
- Species of concern potential for occurrence poster
- Winter annual training agenda
- Biological Resources Assessment

Auditor Notes

- There are no endangered, threatened or at-risk species on the sites visited in California.
- AgIS keeps a printed photo of animals with a "Potential For Occurrence" on the walls inside of shops with animals in the area identified during the due diligence process.
- Memorandums are sent out to employees who will be on sites to help identify how to handle animal encounters and wildlife to look out for.
- Owl boxes are present on sites visited.
- The due diligence process performed when acquiring a property includes a Phase 1 Environmental Site Assessment (ESA).

Result: In Conformance, Notable Practice

Objective 7: Conservation of Biodiversity (Continued)

7.2 Wildlife Habitat Conservation

Conformance Evidence

- Beale levy repair
- Photo of Western Screech Owl - Owl boxes
- Species of concern potential for occurrence poster
- California Sustainable Winegrowing Alliance Certification
- Valley Farm Management audit checklist
- Yuba River Salmon Habitat
- Cover crop seed invoice

Auditor Notes

- There were no regulated or protected areas, native habitats, or natural communities, wetland delineations, forestland, or ecologically important sites noted on sites visited.
- Owl boxes are present on sites visited to help with owl populations and pest protection.
- A "Potential for Occurrence" poster with species in the area is posted in the shops on sites.
- AgIS management engages with water resource discussions at the industry level and provides thought leadership on ag management approaches to wetland and seasonal water resources. Water management discussions include proposing new voluntary practices to create shared responsibility for protecting water resources among all producers with property along a natural boundary.

Result: In Conformance

7.3 Avoided Conversion

Conformance Evidence

- Beale levy repair
- Federal and California Endangered and Threatened Species identification poster
- Memorandums Regarding Biological Resources Assessment
- Species of concern potential for occurrence poster
- Winter annual training agenda
- Anti-Deforestation Policy

Auditor Notes

- The sites visited have been production farmland for several years. No conversions have occurred under AgIS management.
- A zero-deforestation policy is reviewed and on file. The policy states that AgIS is committed to not contributing to loss of natural forests by its farmland investment management activities.
- The due diligence process when acquiring a property includes a Phase 1 ESA, helping delineate any areas and land classifications.

Result: In Conformance

Objective 7: Conservation of Biodiversity (Continued)

7.4 Crop Diversity

Conformance Evidence

- California Sustainable Winegrowing Alliance Certification
- Cover crop seed invoice
- Cover crops providing benefits in the orchards
- Valley Farm Management audit checklist
- Vines and Ovines article

Auditor Notes

- Crop rotation is not applicable since the sites visited were either vineyards or orchards.
- Crop variety on vineyards is selected to match the market, climate conditions and disease management of the location.
- Rootstocks are selected to help with drought condition and disease pressures that are likely to occur.

Result: In Conformance

Objective 8: Protection of Special Sites

8.1 Site Protection

Conformance Evidence

- Cultural Resource Inventory and Evaluation for the Tehama-Colusa Canal
- Memorandums Regarding Biological Resources Assessment
- Beale levy repair

Auditor Notes

- Special site identification is conducted during due diligence. Biological resource assessments are conducted during due diligence.
- Water resource assessments are conducted on properties with water issues identified during biological resource assessments.
- AgIS conducted a Phase 1 Environmental Site Assessment on properties to identify presence of special sites.
- During ground preparation, AgIS requested a representative from a local tribe to collect any native artifacts found, such as arrow heads.

Result: In Conformance

Objective 9: Local Communities

9.1 Economic Wellbeing

Conformance Evidence

- County Tax Statements

Auditor Notes

- AgIS sites buy from local suppliers whenever possible.
- AgIS makes federal, state, and local tax payments when they are due.

Result: In Conformance

9.2 Community Relations

Conformance Evidence

- Bird Boxes Invoice - BSA
- FieldIn Sustainability Report
- Heat and Illness Prevention Plan and Supervisor Anti-Harassment, Discrimination, Retaliation and Bullying Prevention Seminar
- Hungry Hollow Area Community Groundwater Subcommittee meeting minutes
- Water Leaders Program News Advisory

Auditor Notes

- AgIS hosted Future Farmers of America (FFA) on a walnut tour and makes donations to FFA.
- Employees have spoken at a local high school on the farming profession. Tenants sponsored local baseball teams.

Result: In Conformance

Objective 9: Local Communities (Continued)

9.3 Local Communities and Indigenous Peoples

Conformance Evidence

- Indigenous Peoples Policy
- Memorandums Regarding Biological Resources Assessment

Auditor Notes

- AgIS has a written policy that meets the requirements of the LH FMS regarding respecting the rights of Indigenous Peoples and local communities.
- Property title reports and reviews are conducted to ensure land tenure rights of local communities and Indigenous Peoples are being respected.
- AgIS contacts local Indigenous communities to provide guidance and invite them to be present when encountering Indigenous artifacts is a possibility.
- Community members have reached out to ask questions, no issues have been escalated.
- Indigenous communities have been well received. In the past AgIS has worked with indigenous groups on projects.
- Complaint boxes on Washington sites are available for staff and neighbors to issue concerns.
- AgIS has received inquiries from the community regarding land use and new plantings.

Result: In Conformance

9.4 Public Health

Conformance Evidence

- Injury and Illness Prevention Program
- Tailgate Safety Meetings Schedule
- Valley Farm Management Safety Training Matrix

Auditor Notes

- AgIS makes a concerted effort to take opinions of local individuals into consideration during operation. For instance, one site sprays when neighbors are out of town.
- Fences are upgraded to deer fences to keep deer populations out of production land.
- AgIS has not observed any signs of nutrient runoff to adjacent properties, tested through soil samples and water quality tests.
- Regular trainings are provided for Farm Labor Contractor employees
- AgIS has an Injury and illness protection plan (IIPP) on file, which is used to keep employees safe during operations.

Result: In Conformance

Objective 10: Employees and Farm Labor

10.1 Safe and Respectful Working Environment

Conformance Evidence

- Bonus Policy
- Human Resources Plan
- Spanish Version of Employee Manual
- Spanish-Employee Handbook Addendum
- Biometric Screenings Flyer
- Email to Employees re: New Regulation
- Heat and Illness Prevention Plan and Supervisor Anti-Harassment, Discrimination, Retaliation and Bullying Prevention Seminar
- Tailgate Safety Meetings Schedule
- Valley Farm Management Safety Training Matrix

Auditor Notes

- Equal Opportunity Employer (EOE) Statement included is in AgIS job postings.
- AgIS staff are informed of grievance reporting structure to maintain a safe, gender equitable and professional work environment.
- Hotlines for safety issues or workplace harassment are shared with staff.
- AgIS maintains an anti-harassment policy and provides harassment and anti-bullying training.
- Onboarding and safety training is provided through Ganaz's People Management Platform.

Result: In Conformance

Objective 10: Employees and Farm Labor (Continued)

10.2 Occupational Training

Conformance Evidence

- Employee Handbook
- Human Resources Plan
- Spanish-Employee Handbook Addendum
- Tailgate Safety Meetings Schedule
- Valley Farm Management Safety Training Matrix

Auditor Notes

- One large safety training refresher held annually.
- Farm Labor Contractors (FLCs) and employees receive weekly "tailgate" training refreshers to keep safety initiatives prioritized.
- AgIS has an established protocol for employees returning to work post-accident.
- Farm managers receive copies of FLC training records and review.
- Worksites are regularly inspected.
- Employee wellness initiatives are active on multiple sites. At Monterey Parizo the manager hosts healthy cooking classes, offers complimentary medical screenings and other wellness benefits to the farm employees free of charge. They have sponsored multiple continuing education efforts for employees that have asked for assistance. At Yuba Beale, the manager has given an up-and-coming employee a minority share in the business to assist in their career development.

Result: In Conformance, Notable Practice

Objective 10: Employees and Farm Labor (Continued)

10.3 Supporting Capacity for Sustainability

Conformance Evidence

- ESG Policy
- ESG Partner Meeting
- Leading Harvest Overview

Auditor Notes

- AgIS has a written policy regarding its commitment to the Leading Harvest Standard. Press releases have been issued sharing their commitment.
- AgIS employs consultants and service providers that are also LH FMS supporters to reinforce understanding of standard implementation across multiple aspects of the business.
- Jeff Hillberg and his team are tasked with demonstrating conformance to the standard. Carl Evers is Director of Sustainability and has experience working with the LH FMS.
- AgIS considers conformance with LH FMS standard a responsibility for everyone within the company, and considers conformance a core value.
- ESG subcommittee makes recommendations to management.
- Bonus compensation is tied to ESG results (20%)
- AgIS provides property-specific "Worker Environmental Awareness" training.
- Training is provided for some third-party vendors regarding recycling, waste management, and crop protectant safety.
- Training is tailored as often as possible to professional designations (PCA, Qualified Applicator License, Accredited Farm Manager, FLC) and considers how roles impact conformance with LH FMS Leading Harvest Standard.
- FLCs receive training on chemical safety and crop applications.

Result: In Conformance, Notable Practice

10.4 Compensation

Conformance Evidence

- Equal Employment Opportunity Policy

Auditor Notes

- AgIS pays some employees a piece rate, allowing staff earn higher than typical wages. The policy is reviewed annually to ensure competitive wages are given.
- Competition in labor continues to drive wage increases for agricultural employees.
- Site Manager wage is at least \$1 greater than California's minimum wage. Contract Manager's lowest wage is \$26.65 per hour.

Result: In Conformance

Objective 10: Employees and Farm Labor (Continued)

10.5 Farm Labor

Conformance Evidence

- AgIS Code of Ethics
- California Sustainable Winegrowing Alliance Certification
- Tailgate Safety Meetings Schedule
- Valley Farm Management audit checklist
- Valley Farm Management Safety Training Matrix

Auditor Notes

- Pay rates for FLC staff are reviewed by AgIS Management.
- Accuracy of FLC work and documentation including timecards, training records, and operations is reviewed by AgIS Management
- AdHoc inspections on FLC worker's living conditions are conducted to ensure safe and appropriate housing and transportation.

Result: In Conformance

Objective 11: Legal and Regulatory Compliance

11.1 Legal Compliance

Conformance Evidence

- AgIS Code of Ethics
- AgIS Property Management Training Agreement
- Injury and Illness Prevention Program
- Employee Handbook
- Risk and Compliance Manager Hire
- Spanish-Employee Handbook Addendum
- Tailgate Safety Meetings Schedule
- Valley Farm Management Safety Training Matrix

Auditor Notes

- Signs pertaining to workers' rights and safety are posted on chemical storage sheds and inside lunch rooms to ensure staff have access to relevant information.
- Injury and Illness Prevention Plan (IIPP) and Safety Manual provided.
- Safety training for employees and FLCs support compliance with Federal, State, and Local laws and regulations.
- AgIS shares newsletters with staff to provide current information on safety topics.
- AgIS's absence of regulatory issues reflects its commitment to legal compliance and the efficacy of its Injury and Illness Prevention Program.

Result: In Conformance

Objective 11: Legal and Regulatory Compliance (Continued)

11.2 Legal Compliance Policies

Conformance Evidence

- AgIS Code of Ethics
- Annual Training Sign In Sheet
- Anti-Harassment Policy
- AgIS Property Management Training Agreement
- Equal Employment Opportunity Policy
- Lease Agreements

Auditor Notes

- AgIS has a Social Responsibility Policy on file to address compliance with social laws, such as those addressing civil rights, equal employment opportunities, anti-discrimination and anti-harassment measures, wages, and health and safety.
- Employee Handbooks and manuals include the Code of Conduct.
- Fundamental rights are covered under legal compliance.
- AgIS's lease language does not explicitly state that tenants have the right to "quiet enjoyment", but the rights of farmland tenants are consistent with the covenant.
- Rent reduction requests from tenants are considered by AgIS management and may be granted depending on critical factors such as inclement weather. Water shortages that result in less than a 50% average water availability over 10-year span result in a 25% rent reduction as disaster mitigation.

Result: In Conformance, Notable Practice

Objective 12: Management Review and Continual Improvement

12.1 Farm Review and Continual Improvement

Conformance Evidence

- AgMonitor - ESG decision support software for Managers
- AgMonitor Leading Harvest presentation
- ESG Partner Meeting
- Monthly Operations Report
- Agenda for WA AgMonitor training - AgIS and Columbia Farm Services
- AgIS Capital Sustainability Report
- AgMonitor software early season report
- AgMonitor software sustainability reporting
- FieldIn sustainability report
- Turlock groundwater workshop

Auditor Notes

- AgIS conducts monthly operation reviews, formal quarterly reviews of financials, and annual "Hold/Sell" analyses. Financial statements are audited.
- AgIS uses AgMonitor, which is a farm management platform that allows farmers insights into their farming operations and allows users to quantify farming improvements based on data provided.
- Budgets are reviewed monthly to support increased resource efficiency.
- Quarterly planning sessions include budget proposals and accompanying ESG feedback.
- LH FMS objectives are included in manager trainings.
- ESG behaviors are included in property review write-ups.
- Operation reviews provide current practices and site activity.
- AgIS is participating in voluntary microbe tests on some sites to see whether certain microbes may be beneficial for future crops.
- Results and outcomes of monthly operation reviews, quarterly review of financials, and "Hold/Sell" analyses are reviewed annually to guide determination of which improvements are necessary to increase efficiency and farm conformance with the Leading Harvest Standard.
- LH FMS Objectives have been included in the Budget Review Process since 2020.

Result: In Conformance

Objective 12: Management Review and Continual Improvement (Continued)

12.2 Support for Sustainable Agriculture

Conformance Evidence

- AgIS Capital Sustainability Report

Auditor Notes

- AgIS is conducting research to determine whether implementation of wetland support acres, increased water recycling, pollinator seeds, and various cover crop types and timing would have a beneficial impact on crop yields or efficiency improvements.
- AgIS management cooperated with University of California, Davis to conduct a study on rodenticides and application methods and the potential effects on predatory birds at Yolo 12a. Management is following the findings to apply the crop protectants in a way that minimizes the effect on birds, since they are plentiful on the property.

Result: In Conformance, Notable Practice

Objective 13: Tenant-Operated Operations

13.1 Leased-Land Management

Conformance Evidence

- Lease Agreements
- Leading Harvest Memorandum - AgIS Tenants
- California Sustainable Winegrowing Alliance Certification
- Employee Handbook
- Valley Farm Management audit checklist

Auditor Notes

- Results from previous years' Leading Harvest Audit process are used to guide updates to the farmland management system.
- AgIS's lease language includes expectations for alignment with best management practices.
- AgIS educates tenants on the LH FMS. Tenants expressed awareness and comfort with the program.
- AgIS's has a Sustainability Policy which enumerates sustainable agriculture goals.
- AgIS leases are available upon request.
- Lease signatures from tenants signify agreement to operating safely and responsibly, providing a safe work environment and compliance with applicable laws and regulations.

Result: In Conformance

Objective 13: Tenant-Operated Operations (Continued)

13.2 Leased-Land Monitoring

Conformance Evidence

- Monthly operations report
- NorCal Nut Notes
- Energy, Water, and GHG report
- Memo regarding Risk and Compliance Manager hire

Auditor Notes

- Tenant activities are monitored through monthly reports. Practice implementation is enforced through ongoing monthly reporting cycles.
- Sustainability policy addresses best management practice implementation expectations.
- AgIS leases require lessees to comply with lease contents. Letters and summary documents sent to tenants require conformance with LH FMS.
- Evaluations of monthly reports are communicated and enforced during monthly meeting cycles.
- Lease review cycle includes review farming practices and opportunities for improvement.

Result: In Conformance

KEY FINDINGS

Previous Non-Conformances: N/A

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): No opportunities for improvement were identified during the audit.

Notable Practices: Eleven (11) notable practices were identified during the audit.

1. 1.2.1 Adapting to Critical External Factors: Management has relocated their family to an actively developing property in order to oversee operations and increase the visibility of AgIS Capital's management with operations.
2. 3.1.2 Regional Water Conservation: AgIS Capital has invested heavily in reservoirs and infrastructure in areas with increased pressure on groundwater basins to convert properties to utilize surface water when available. Since conversion to surface water, groundwater resources both in their own wells and neighboring community have been observed stabilizing and increasing recharge rates.
3. 5.1.2 Renewable Energy: Transition to solar power production on sites where possible continues to expand. Some key equipment is partially operating on solar power.
4. 5.2.1 Air Emissions: Transitions on properties to all surface water have allowed select sites to avoid using well pumps altogether.
5. 6.1.2 Resource Recovery: AgIS Management employs creative approaches for managing equipment. Several pump engines on the Yolo properties are being sourced from a vendor from oil fields and having them rebuilt. Identifying a secondary market for these engines reduces significant waste and manufacturing impact.
6. 6.2.2 Resource Recovery of Agricultural Waste: Integration of some regenerative practices on sites, livestock (sheep) are rotated through select properties assist in site cleanup and topsoil improvements. Management includes leaders in the practice of "whole orchard recycling", reusing, repurposing, and recycling all materials from sites.
7. 7.1.1 Threatened and Endangered Species: Memorandums are sent out to employees who will be on sites to help identify how to handle animal encounters and wildlife to look out for.
8. 10.2.1 Personnel and Contract Worker Training: Employee wellness initiatives are active on multiple sites. At Monterey Parizo, the tenant manager hosts healthy cooking classes, offers complimentary medical screenings and other wellness benefits to farm employees free of charge. Tenants have sponsored multiple continuing education efforts for employees that request assistance. At Yuba Beale, the manager has given an up-and-coming employee a minority share in the business to assist in their career development.

AGIS CAPITAL, LLC

LH FMS AUDIT SUMMARY REPORT

June 15, 2023

9. 10.3.1 Sustainability Policy Commitment: AgIS employs consultants and service providers that are also Leading Harvest Program Supporters to reinforce understanding of standard implementation across multiple aspects of the business.
10. 11.2.3 Consistency with Farmland Tenant Law: Protections against negative impacts of water shortages are in place for tenants. Water shortages that deliver less than a 50% average of water over 10-year span result in a 25% rent reduction as disaster mitigation.
11. 12.2.1 Support for Agriculture Research: AgIS management cooperated with UC Davis to conduct a study on rodenticides and application methods and the potential effects on predatory birds at Yolo 12A. Management is following the findings to apply the crop protectants in a way that minimizes the effect on birds, since they are very plentiful on that property.

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Review of Previous Audit Cycle: 25,544 acres of AgIS Capital managed properties in the U.S. are currently certified as being managed in conformance with objectives 1 through 13 set forth in the Leading Harvest Farmland Management Program 2020. AgIS Capital successfully completed a Surveillance Audit in 2022. No major or minor non-conformities were identified in 2022.

CONCLUSIONS

Results of the audit indicate that AgIS has implemented a management system that continues to meet the requirements of, and is in conformance with, the Leading Harvest Farmland Management Standard 2020. AgIS's enrolled acreage is recommended for continued certification to the Leading Harvest Farmland Management Standard 2020.

Summary of Audit Findings		
Program User	AgIS Capital, LLC	
Audit Dates	April 28, 2023 – June 15, 2023	
Non-Conformances Raised (NCR):	Major	Minor
	0	0
Follow-Up Visit Needed?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Date(s)	
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"/>	
Proceed to/Continue Certification	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	
All NCR Closed	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
Standard(s) Audited Against		
Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)		
Audit Team Leader	Audit Team Members	
Matt Armstrong	Andrew Zetterberg, Linnea Rash, Jacques Werleigh, 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	AVERUM-LHFMS-2021-0005	
Proposed Date for Next Audit Event	TBD	
Audit Report Distribution	Attn: Jeff Hillberg, jhillberg@agiscapital.com	