

Ceres Partners

South Bend, IN

LH FMS AUDIT SUMMARY REPORT

May 31, 2022





A SUBSIDIARY OF K-COE ISOM, LLP

8801 Renner Blvd, #100

Lenexa, KS 66219

Phone: 913.643.5087

Company Name	Ceres Partners
Contact Person	Nate Kaehler
Address	806 Howard Street, Suite 200, South Bend, IN 46617
Phone/Fax	(855)242-3737
Email	nkaehler@cerespartners.com
Certification Date	May 31, 2022
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Certification ID#	Averum-LHFMS-2022-0015

Certification Audit Re-Certification Audit Surveillance Audit Scope Extension

Ceres Partners

LH FMS AUDIT SUMMARY REPORT

MAY 31, 2022

INTRODUCTION

This report summarizes the results of the first certification audit conducted on Ceres Partners 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. Site visits were assisted by Field Auditor 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 2021, Averum was engaged by Ceres Partners (Ceres) to perform an audit of sustainability performance on 144,671 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 Indiana and Michigan. There was no substitution or modification of LH FMS performance measures.

COMPANY INFORMATION

Ceres Partners is an independent agricultural investment firm. Farm operating tenants and management contractors are responsible for the day-to-day farmland management services for Ceres's properties. Ceres opted to certify 100 percent of their agricultural properties in 2022, allowing them to engage in broader sampling and simplifying the process of maintaining their certification in the future.

Ceres contracted with Averum to provide a Stage 1 audit (or Readiness Review) on properties in multiple sites with various tenants in Indiana. Results of the readiness review were shared with Ceres. On the certification audits, twenty-five (25) sites in Michigan and Indiana combined were selected, with four tenant managers included. 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 sites is corn, soybeans, and potatoes.

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AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was established for Ceres coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held at 10:00am on May 6th, 2022, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in Michigan and Indiana were examined on June 10th, 2022, and June 11th, 2022. A closing meeting was held at 3:00 pm on May 31st, 2022.

Opening Meeting: Conference Call

May 6th, 2022; 10:00 am

Attendees:

(Ceres) Nate Kaehler, Grant Otte, Hunt Stookey

(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: N/A
- Audit plan: Matt Armstrong
- Expectations of program user staff: Matt Armstrong
- Method of reporting: Matt Armstrong

Closing Meeting: Teleconference

May 31st, 2022; 3:00pm

Attendees:

(Ceres) Nate Kaehler, Grant Otte, Hunt Stookey

(Audit Team) Matt Armstrong, Andrew Zetterberg

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): 5
 - Notable Practices: 2
- Report timing and expectations: Matt Armstrong

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MULTI-SITE REQUIREMENTS

Ceres maintains operations on multiple properties in Arkansas, Georgia, Illinois, Indiana, Kentucky, Michigan, New York, Ohio, Tennessee, and Wisconsin. Ceres 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 Ceres management. Ceres'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
Michigan	Specialty, Corn, Soybean	Eight (8) sites visited during audit <ul style="list-style-type: none">- 42,245 gross acres in production- MI represents 29.20% of all acreage- Management population: One (1) regional manager, two (2) tenant operators- Sites visited: Coffman North, Coffman South, Rice, Klingaman, Tomsu, Phelps, Gaglio, Bizik
Indiana	Specialty, Corn, Soybeans	Seventeen (17) sites visited during audit <ul style="list-style-type: none">- 46,785 gross acres in production- IN represents 32.34% of all acreage- Management population: One (1) regional manager, four (4) tenant operators- Sites visited: Bellinger, Bierly, Bradford, Connolly, Davis, DePoy, Elmer Gumz, Podell, Ruiz, Sebasty, Totzke St. Joseph, Blad, Fish Lake, Hartman, Sheneman, Newman, Turner

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AUDIT RESULTS

Overall, Ceres'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 twenty-five operating sites, with eight in Michigan and seventeen in Indiana. Visits were pre-planting or just planted, so planting efficiencies and soil management were highlighted. Central and regional management representatives, as well as operating tenants, were present and interviewed to illustrate Ceres'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. Ceres'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 exceptional 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:

- *Ceres Partners Sustainability policy*
- *Leading Harvest Sustainability Commitment V2*
- *Lease agreements*
- *Portfolio Summaries*
- *Management interviews*

Auditor Notes: Ceres operates an established agricultural management system. There is an awareness of and attention to best management practices present throughout the organization. Ceres offers longer leases to encourage growth and relationships. The highest and best use on farmland is most important for Ceres, which may be based on economic standpoints. Ceres managers interact with tenants continuously on challenges related to properties during reviews and update meetings, or as needed when issues emerge. Properties are long-term farmland, multigenerational, or owned by investors that are motivated to remain in production agriculture.

Result: In Conformance

OBJECTIVE 1: SUSTAINABLE AGRICULTURE (Continued)

Performance Measure (PM) 1.2 Critical External Factors

Conformance Evidence:

- *Management interviews*

Auditor Notes: Periodic and continuous conversations with tenants identify needs. Tenants report critical areas of concern to Ceres directly. Annual review of farm performance reinforces issues that have been reported. Investors do not have discretion over new investments, nor can they report issues to Ceres. The line of communication is open, from either certified mail, phone calls, and website inquires.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation

Performance Measure (PM) 2.1 Soil Health

Conformance Evidence:

- *Soil test records*
- *Tile records*
- *Cover crop records*
- *Soil designations (HEL) Tenant*
- *Interviews and observation*

Auditor Notes: Ceres splits attention on soil quality between chemical and biological management. All tenants interviewed maintain a Nutrient Management Program Tenants work with consultants from various companies (Bayer, BnM, ShallerAg, Next Level Ag). Cover crops are planted for erosion control and soil health. Main cover crops planted are rye, oats, and winter wheat. No-till practices are used on more erodible soils and highly erodible land (HELs), strip till on the flats and less erodible areas. Residues are left out on no-till and min-till areas and reincorporated into soil profile. It is mostly used on crop rotational fields. Residue practices are included in lease language.

Soil sampling changes from tenant to tenant. Testing is done at minimum every 3-4 years, and sometimes every year. Tenants work with Next Level Ag on nutrient analysis and carbon extraction. Fields are divided into groups and picking fields at each level (A, B, C; graded according to productivity); Tissue testing during the growing season on A, B, and C level fields. A level fields are tissue tested weekly. Tenants test soil on a grid pattern. Weekly testing is conducted on Potato fields.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation (Continued)

Performance Measure (PM) 2.2 Soil Conservation

Conformance Evidence:

- *Cover crop records*
- *CRP acreage*
- *Tile design and install documents*
- *Management interviews*
- *Tenant interviews and practice observations*

Auditor Notes: Tenants plant cover crops (cereal rye on beans, rye and clover on corn, applied with V-tillage) to prevent erosion, reduce compaction, and build soil health. One tenant uses cover crops on every property except after soybeans are harvested. No and minimized (strip) tillage performed to reduce erosion. Residues are reincorporated into the soil profile. No signs of significant erosion were detected.

Ph of water in product mix is measured, Ph of soil is actively tracked and corrected with micronutrients. Over application of amendments is prevented through tissue sampling throughout season. No farmland conversions from any tenants. Some acreage is enrolled in CRP due to water accumulation.

Result: In Conformance

OBJECTIVE 3: Protection of Water Resources

Performance Measure (PM) 3.1 Water use

Conformance Evidence:

- *Rain logs*
- *Tile design and install records*
- *Water registrations*
- *Water withdrawal reports*
- *FieldNet invoices*

Auditor Notes: In an area of excess water availability, there is minimal regulatory agency in Indiana or Michigan. Ceres coordinates interactions with tenants in states with regulatory agencies and requires records on well usage in area with regulatory agencies. Irrigation systems are used since it is not difficult to get ground water. Tenants are required to report water usage to DNR and every well is registered. Tenants use FieldView software for easy control of water usage and data. Soil probes (tensiometers) are used on sites. Soil moisture readings are reinforced via shovel tests and daily grading.

Pivots were observed in the field, water use records are taken from the pivot, and water flow is remote controlled with the most modern nozzles. Pivots can be controlled by phones remotely and monitored. Electronic monitoring on all new pivots installed by Ceres. No concerns with water quality coming up from wells. Some pivots were rusting and looked older but were told the type of metal used becomes discolored in a non-harmful way. Chemistry use is down due to improved treatment options.

Result: In Conformance

Performance Measure (PM) 3.2 Water Quality

Conformance Evidence:

- *Tile design and install records*
- *Well water assessments*
- *FieldNet invoices*

Auditor Notes: Fields are scouted every day by farmers on site. Weekly scouting is done by crop consultants. Water testing is done every year. Soil probes are in place to sample moisture levels. Water tests are done on the pivots as well.

There are riparian areas surrounding a few sites, tenants are aware and prevent runoff from reaching the area. Nutrient management plan created by crop consultants account for wetlands as well. Buffer areas in place to avoid runoff. Water quality is tested at new wells and pumps.

Result: In Conformance

OBJECTIVE 4: Protection of Crops

Performance Measure (PM) 4.1 Integrated Pest Management

Conformance Evidence:

- *Global GAP certification and records*
- *Field yields and fertility records*
- *Management interviews*
- *Tenant interviews and observations*

Auditor Notes: Weekly pest scouting is officially done by crop consultants. Tenants are also in the fields daily and actively looking for pest issues. If animals are noticed on the farmland, tenants will try to shoo them away. No lethal force used on mammals. Animal traps are put in place on certain fields, along with pesticide use as recommended by crop consultants. All applications are done by properly licensed professionals, both tenant employees and crop consultants. All tenants participate in annual safety training.

Documented integrated pest management (IPM) put in place by crop consultants and updated annually. A new technique named Proven Biological is being tested by one tenant on a personal farm, with the potential to be used on Ceres-owned land. The designated sprayer of chemicals documents all sprayings in a detailed way, with amount used and type of solution spread. Applications are recorded and reported to food grade buyers for suitability.

Result: In Conformance

Performance Measure (PM) 4.2 Crop Protection Management

Conformance Evidence:

- *Lease agreement*
- *Commercial Applicator Licenses (CAL)*
- *Private Pesticide Licenses (PPL)*
- *Auditor Observation*

Auditor Notes: Most spraying done by crop consultants based on weekly scouting trips, and detailed IPM created. When chemical containers are stored on site, they are fenced off with clear warning signs. All empty containers are triple washed and stored in a fenced off area, where they are picked up by the chemical company or dropped off at the chemical company.

Result: In Conformance

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

Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation

Conformance Evidence:

- *Legal requirements commitment policy*
- *Solar energy equipment leases*
- *Wind energy equipment leases*
- *Management interviews*
- *Tenant interviews*
- *Site inspections*

Auditor Notes: New buildings on sites are built to green codes. No solar on sites visited in certification year but Readiness Review sites did have solar installed on some sites. Tenants noted they are open to solar and are looking into installation on fields or on buildings to help generate renewable energy.

Granular system is used to record and report energy usage on sites. Autosteer and equipment's sensors assist with efficient implement usage. High efficiency dryers are installed in grain bins/silos. VFDs are installed on well pumps, if possible.

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

Performance Measure (PM) 5.2 Air Quality

Conformance Evidence:

- *Interviews with tenants*
- *Interviews with management*
- *Lease agreements*
- *Auditor Observation*

Auditor Notes: Newer equipment with Tier 4 with DEF fluid. Some equipment does not have DEF. Equipment is upgraded with efficiency being a top priority on a regular basis, typically on a yearly basis. GPS is installed on tractors and equipment to help create efficient routes and tracking.

No dust control issues in Indiana or Michigan.

Result: In Conformance

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

Performance Measure (PM) 5.3 Climate Smart Agriculture

Conformance Evidence:

- Interviews with tenants
- Interviews with management
- Lease agreements
- Auditor Observation

Auditor Notes: Drought tolerant seeds on non-irrigated farms, heat tolerant on irrigated, cover crops and min/no till practices in place with residue. Newer equipment with Tier 4 with DEF fluid, no regen filters. GPS is installed on tractors and equipment to help create efficient routes and tracking. Main issue is wind and some wetness in late spring.

Result: In Conformance

OBJECTIVE 6: Waste and Material Management

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

Conformance Evidence:

- Interviews with tenants
- Interviews with management
- Lease agreements
- Auditor Observation

Auditor Notes: The county recycles jugs (triple rinsed and slash), totes are reused or returned. Recyclable waste is separated on site and recycled by tenants. Metal scraps and non-waste equipment is disposed of properly as well. All chemical bins are disposed of properly by triple washing and recycled. No storage facilities on Ceres owned sites.

Result: In Conformance

OBJECTIVE 6: Waste and Material Management (Continued)

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

Conformance Evidence:

- *Interviews with tenants*
- *Interviews with management*
- *Lease agreements*
- *Auditor Observation*

Auditor Notes: Scouting fields daily and weekly by crop consultants to minimize loss to pests. When crop is damaged, there is an attempt to dehydrate and sell it as feed or repurpose into organic matter for soil health.

Reels are used to pick up and restore fallen corn crops. Harvests are organized to follow planting order to promote efficient collection. Soft potatoes are reused for seed.

Some residue is repurposed as animal feed for local dairy farms (silage). Residue is also left out for soil protection. Manure is used on farmland - not food grade crops.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity

Performance Measure (PM) 7.1 Species Protection

Conformance Evidence:

- *Special Status Species protection policy*
- *Permit documents with environmental reviews*
- *Due diligence process*
- *Management interviews*

Auditor Notes: Assessments are included in FSA conformance. All properties are designated production ag by the USDA. NRCS provides bat audits, and threatened species in the area.

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

OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.2 Wildlife Habitat Conservation

Conformance Evidence:

- *Cover crop contracts*
- *Wetlands determinations*
- *CRP Acreage*
- *Due Diligence process*
- *Management interviews*

Auditor Notes: Army corps is engaged on wetland determinations. Trees, ditches, and newly determined wetland are reviewed and appealed if necessary and approached correctly post review. Conservation Reserve Program (CRP) areas have specified borders.

Tenants are considering setting up a wetland mitigation bank in the case that Ceres has new determinations. Inland wetlands are expected to become a more prominent issue with the EPA. Wetland delineation on each farm, Wetland determination is requested upon purchase of a new property to review wetland designations.

Wooded acres and nonproductive acres, setbacks from waterways, pollinator habitats are present on some sites. Low marshy areas are set aside for habitat - no farming. Ceres does not pursue exclusively conservation opportunities. Most of the land purchased is long-term farmland.

Result: In Conformance

Performance Measure (PM) 7.3 Avoided Conversion

Conformance Evidence:

- *Deforestation policy*
- *Farm maps*
- *Delineation maps*
- *Management interviews*
- *Tenant interviews*
- *Yield records*

Auditor Notes: No greenfield investment in the portfolio. Wetland determinations and reviews determine what is allowed. Written policy submitted and reviewed. No production farmland in areas with biome or geography specific protocols. No practice of purchasing wooded/forest acreage.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.4 Crop Diversity

Conformance Evidence:

- Deforestation policy
- Farm maps
- Delineation maps
- Management interviews
- Tenant interviews
- Yield records

Auditor Notes: Crops are on well informed rotations that maintain soil profiles and health. Corn, seed corn, soybeans, clover, rye, cereal rye, other cover, tomatoes, potatoes on sites.

Result: In Conformance

OBJECTIVE 8: Protection of Special Sites

Performance Measure (PM) 8.1 Site Protection

Conformance Evidence:

- *Special Site Protection Policy*
- *Farm maps*
- *Delineation maps*
- *Environmental review / permitting documents*
- *Wetland determinations*
- *Due diligence process*
- *Management interviews*

Auditor Notes: Special sites are identified during due diligence/title research by state records or by prior operator/owners, cultural assessments are performed on NRCS and Solar site diligence. No special sites identified on properties.

Upon identification of a special site, appropriate authorities are contacted to manage the site. No sites have been identified while under Ceres management. Indigenous populations around the area help with identifying sites. On solar option land, a cultural assessment must be performed.

Result: In Conformance

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OBJECTIVE 9: Local Communities

Performance Measure (PM) 9.1 Economic Well-Being

Conformance Evidence:

- Tax bills
- Management interviews

Auditor Notes: Office managers handle local taxes, payroll is handled by an outside payroll firm, Deloitte produces K-1s for investors.

Result: In Conformance

Performance Measure (PM) 9.2 Community Relations

Conformance Evidence:

- Community Engagement Policy
- Management interviews
- Tenant interviews

Auditor Notes: Tenants purchased animals and sponsorships at county fair, on an individual level. Working with regional governments to identify the highest and best use for ag conversion. Focus on displaying tenants as experts.

Local sponsorships for football and little league, no cobranding.

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

Performance Measure (PM) 9.3 Local Communities and Indigenous Peoples

Conformance Evidence:

- Local Community and Indigenous Peoples Policy
- Farm maps
- Delineation maps
- Property map comparison with Native Lands
- Signage on sites
- Websites with property information
- Management interviews
- Tenant interviews

Auditor Notes: Ceres has an Indigenous Peoples Policy reviewed and on file. Ceres does not currently own or operate on any Indigenous land. A local tribe approached Ceres with requests to purchase land for casino expansion. Community requests from tenant operators are considered when possible.

Result: In Conformance, Exemplary Practices (See Key Findings)

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.4 Public Health

Conformance Evidence:

- Lease language
- Tenant interviews

Auditor Notes: Safe operations regarding farm labor and neighbors is required by insurers and the lease agreement. Tenant operators maintain appropriate licensing for maintaining safe operations. Weather and spray safe systems are monitored before engaging in spraying activities.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor

Performance Measure (PM) 10.1 Safe and Respectful Working Environment

Conformance Evidence:

- Equal Opportunity Employer statement
- Employee Handbook
- Management Interviews

Auditor Notes: Ceres Partners is an Equal Opportunity Employer. Ceres holds training courses on anti-harassment, anti-discrimination, and Duff and Phelps training. Rules are tailored to fit each applicable states' standards.

Result: In Conformance

Performance Measure (PM) 10.2 Occupational Training

Conformance Evidence:

- Ag Conference records
- Management interviews

Auditor Notes: Ceres holds training courses on anti-harassment, anti-discrimination, and Duff and Phelps training. Rules are tailored to fit each applicable states' standards.

Ceres responded promptly to manage access and safety from COVID. Staff are trained in safety plans and farm emergency plans. Plans are kept on file for reference.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.3 Supporting Capacity for Sustainability

Conformance Evidence:

- *Leading Harvest Farmland Management Standard Commitment statement*
- *Management interviews*
- *Ag conference records*

Auditor Notes: Ceres is listed as a founding member for LH FMS. Internal communications regarding LH membership have been shared and reviewed.

Ceres participates in industry conferences on direct and related topics (sustainable ag, renewable energy, wetland mitigation, organic conversion, etc.). They are currently determining routes of action on emerging topics like carbon and regenerative ag. Ceres wants to be educated on topics before committing.

Result: In Conformance

Performance Measure (PM) 10.4 Compensation

Conformance Evidence:

- *Management interviews*
- *Living wage commitment statement*

Auditor Notes: Ceres staff are competitively compensated with bonus structures and incentives. Salary reviews are conducted annually in compensation meetings.

Result: In Conformance

Performance Measure (PM) 10.5 Farm Labor

Conformance Evidence:

- *N/A*

Auditor Notes: N/A – No farm labor contractors on sites.

Result: In Conformance

OBJECTIVE 11: Legal and Regulatory Compliance

Performance Measure (PM) 11.1 Legal Compliance

Conformance Evidence:

- *Employee handbook*
- *Water registrations*
- *Due diligence process*
- *Wetlands determinations*
- *Management interviews*

Auditor Notes: Ceres' assistant controller documents legal compliance and maintains accurate bookkeeping records. Occupational Safety and Health Administration (OSHA) posters are posted in break rooms for employees to view. Property managers monitor the compliance with the Farm Service Agency and Natural Resource Conservation Service. Ceres is also audited by the Financial Industry Regulatory Authority and Securities and Exchange Commission. Financial statement audits are performed by Deloitte.

Result: In Conformance

Performance Measure (PM) 11.2 Legal Compliance Policies

Conformance Evidence:

- *Living wage commitment policy*
- *Local Community and Indigenous Peoples Policy*
- *Employee Handbook*
- *Legal requirements policy*

Auditor Notes: Reviewed the Employee Handbook for Ceres for language on their anti-discrimination policy and anti-harassment policy. Information on salary surveys, annual compensation reviews, bonus structure reviewed as well. All purchased acreage is long term farmland designated by the USDA in the 1985 Food Security Act.

Legal requirements policy covers rights to work topic and follows standard US employment law. Tenants are at liberty to operate under their own decisions, not explicitly "quiet enjoyment" in the lease.

Result: In Conformance

OBJECTIVE 12: Management Review and Continual Improvement

Performance Measure (PM) 12.1 Farm Review and Continual Improvement

Conformance Evidence:

- *Annual review and Improvement Policy*
- *Ag conference records*
- *Soil test records*
- *Management interviews*
- *Tenant interviews*

Auditor Notes: Ceres holds operational reviews for managers and portfolio managers, biweekly property manager meetings to review commitments and opportunities, external environmental factors, and upcoming activities. Backup personnel are in place for all PMs. Annual performance of PMs is tied to collected data from farms. Soil maps, topography maps, tile maps, harvest tickets, and yield maps are all collected by PMs.

Capital expenditures are assessed per location, successful practices are identified and shared with other clients. Improvements are installed along with capital expenditures on properties (electric pumps and generators when new remote controlled irrigation system). Research plots are in place on multiple sites, including research into PROVEN technology from Pivot Bio.

Sites up for lease renewal are reviewed more in depth, changes and decisions are pushed out to the entire portfolio. Ceres employs services (Granular) that report out ROI of practices in place.

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

Performance Measure (PM) 12.2 Support for Sustainable Agriculture

Conformance Evidence:

- *Soil test records*
- *Cover crop records*
- *Management interviews*
- *Tenant interviews*

Auditor Notes: Ceres participates in water table research for water quantity and quality. There is support in programs endorsed by local conservation groups and universities. Ceres also participates with Notre Dame on sustainability research with control farm and tenants. Tenants are at liberty to engage in research opportunities they are presented with on sites.

Result: In Conformance

OBJECTIVE 13: Tenant Operated Operations

Performance Measure (PM) 13.1 Leased Land Management

Conformance Evidence:

- Lease agreements
- Tenant review cycles
- Management interviews
- Tenant interviews

Auditor Notes: Ceres' leases require "best efforts" and "best practices". Soil health reductions can result in terminations of lease. LH FMS is directly referenced in standard leases. Language in lease covers liability insurance by farm operator. Language in lease addresses safety and legal compliance explicitly.

Result: In Conformance

Performance Measure (PM) 13.2 Leased Land Monitoring

Conformance Evidence:

- Annual review and improvement policy
- Tenant review cycles
- Management interviews

Auditor Notes: LH FMS audits will support the findings of internal operation reviews in the future. 125 tenants in portfolio, each tenant is assigned a portfolio manager (PM) that handles outreach and program participation (FSA, etc.). PMs reach out to tenants at least monthly to cover practices in place and results of programs. Drive-by and in-person visits occur regularly (with varying frequency). Lists are compiled on issues on farms and mitigation strategies are reviewed and prioritized. Information from farm results is stored for review and assessments. Necessary actions are reviewed, and capital allocations are assessed and reviewed before Capex is approved.

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

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KEY FINDINGS

Previous Non-Conformances: As this is the initial year auditing conformance to the LH FMS, there are no previous non-conformances.

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): Five (5) opportunities for improvement were identified during the audit.

1. 7.1.1 Threatened and Endangered Species
2. 7.1.2 At-Risk Species
 - a. Biological assessments were provided on cases where permitting had triggered the need for reviews. A more proactive conservation effort as part of due diligence leading to purchases would reinforce this indicator.
3. 9.2.1 Community Engagement
 - a. Positive relations are in place with neighbors and in communities, but neither directly by Ceres nor regarding Sustainable Agriculture. Ceres could explore cobranding opportunities and support tenants in their local outreach or enact their own community outreach initiatives to reinforce this indicator.
4. 12.1.4 Annual Review and Improvement
 - a. Sites up for lease renewal are reviewed more in depth, changes and decisions are pushed out to the entire portfolio. Including Leading Harvest performance measures and indicators in annual reviews and hold/sell decision making would reinforce conformance to this indicator.
5. 13.2.1b Leased Land Monitoring
 - a. The frequency and schedule of tenant site reviews were evident, but not entirely predictable. The frequency of site visits could be standardized across portfolio managers (PM). Additionally, the number of farms per PM was reported to be high at times; this could be reviewed and corrected if there are too many farms per PM to manage efficiently.

Exceptional Practices: Two (2) exceptional practices were identified during the examination.

6. 5.1.2 Renewable Energy
 - a. Solar and wind options are in place on existing farms, some renewables are included in the power mix in the region. There are impressive amounts of solar power in the area (residential, private, business) and tenants are very welcoming to the concept.

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7. 9.3.3 Local Communities' and Indigenous Peoples Inquiries

- a. It was reported that a local indigenous population approached Ceres with requests to purchase land for a casino expansion. PMs reported that community requests to tenant operators are considered when possible.

Leading Harvest Logo Usage: Program users in good standing who are enrolled in the Leading Harvest Farmland Management Program 2020 for all, or a portion of their operations may use the Leading Harvest logo. Any express or implied claim that a program user is in conformance with the Leading Harvest Farmland Management Standard 2020 must be substantiated by a current, valid certification by a certification body recognized by Leading Harvest.

The Leading Harvest logo cannot be used on product labels. The use of the Averum logo is not allowed without expressed permission from Averum.

Review of Previous Audit Cycle: N/A

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May 31, 2022

CONCLUSIONS

Results of the audit indicate that Ceres Partners has implemented a management system that meets the requirements of and is in conformance with the Leading Harvest Farmland Management Standard 2020.

Ceres Partners' enrolled acreage is recommended for certification to the Leading Harvest Farmland Management Standard 2020.

Summary of Audit Findings				
Program User	Ceres Partners			
Audit Dates	May 6, 2022 – May 31, 2022			
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"/>	Date
Proceed to/Continue Certification	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	Date 5.31.2022
All NCR Closed	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>	Date
Standard(s) Audited Against				
Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)				
Audit Team Leader	Audit Team Members			
Matt Armstrong	Andrew Zetterberg			
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-2022-0015			
Proposed Date for Next Audit Event	TBD			
Audit Report Distribution	Ceres Partners: Nate Kaehler (nkaehler@cerespartners.com)			