

PGIM REAL ESTATE FINANCE, LLC

Lisle, IL

LH FMS AUDIT SUMMARY REPORT: 2023 SURVEILLANCE

August 4, 2023





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INTRODUCTION

This report summarizes the results of the surveillance audit conducted on PGIM Real Estate Finance, LLC (PGIM) managed production agriculture properties. The audit was conducted by Matt Armstrong, lead auditor for Averum. Matt 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 Auditors Andrew Zetterberg and Jacques Werleigh. 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 PGIM to perform a surveillance audit of sustainability performance on 75,454 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 and Florida. There was no substitution or modification of LH FMS performance measures.

COMPANY INFORMATION

PGIM is an independent agricultural investment firm. Farm operating tenants and management contractors are responsible for the day-to-day farmland management services for PGIM's properties. PGIM opted to certify 100 percent of their permanent and row crop agricultural properties in 2021, allowing them to engage in broader sampling and simplifying the process of maintaining their certification in the future.

PGIM contracted with Averum to provide a surveillance audit. During the surveillance audit, six (6) sites in California and Florida were selected for observation. 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 include citrus and almonds.

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AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was established for PGIM coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held on June 15, 2023, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in California and Florida were examined on June 21 and July 13, 2023. A closing meeting was held on August 4, 2023.

Opening Meeting: Conference Call

June 15, 2023

Attendees:

(PGIM) Christopher Jay, Sarah Angus

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

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

August 4, 2023

Attendees:

(PGIM) Christopher Jay, Sarah Angus

(Audit Team) Matt Armstrong, Linnea Rash

Topics:

- Opening remarks: Matt Armstrong
- Statement of confidentiality: Matt Armstrong
- Closing summary: Matt Armstrong
- Presentation of the audit conclusion: Matt Armstrong
 - Major Non-Conformances: 0
 - Minor Non-Conformances: 0
 - Opportunities for Improvement (OFI): 3
 - Notable Practices: 11
- Report timing and expectations: Matt Armstrong

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MULTI-SITE REQUIREMENTS

PGIM maintains operations on multiple properties in California and Florida. PGIM 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 PGIM management. PGIM'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 / Pacific	Citrus, almonds	Three (3) sites visited during audit <ul style="list-style-type: none">- 29,158 gross acres in production- Pacific region represents 38% of all acreage- Sites visited: Delano 1500, Buccaneer Citrus, and East Valley Citrus
Florida / Southeast	Citrus	Three (3) sites visited during audit <ul style="list-style-type: none">- 6,327 gross acres in production- Southeast represents 8.4% of all acreage- Sites visited: Lorida, Holly Hill, and Lake Placid

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AUDIT RESULTS

Overall, PGIM'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 six operating sites, with three in California and three in Florida. Permanent crops in both drought prone and high rainfall areas were visited during the growing season, so irrigation and disease management were highlighted. Central and regional management representatives, as well as operating tenants, were present and interviewed to illustrate PGIM'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. PGIM'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.

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Objective 1: Sustainable Agriculture Management

1.1 Sustainable Agriculture Stewardship

Conformance Evidence

- ESG Debt Council meeting notes
- ESG Policy
- ESG Overview and Objectives
- ESG "Term of the week" communications
- ESG Mission Statement
- Leading Harvest - Master Template
- Net Zero Commitment Overview
- Real Estate Annual Report
- Primus audit certificate
- Primus audit report
- USDA Good Agricultural Practices Audit Verification
- PGIM ESG Primer
- ESG Weekly Learning
- Florida Department of Agriculture BMP Certification statement
- Leading Harvest Program Overview
- ESG Acquisition and Asset Management Checklist
- Annual Fund Review
- 2023 Annual Business Plans

Auditor Notes

- PGIM has overarching Environmental, Social, and Governance (ESG) mission statements and goals. ESG goals have been developed for PGIM's agricultural group.
- PGIM Real Estate is committed to reduce operational carbon emissions of their global portfolio of managed properties to net zero by 2050. This commitment aligns to the Urban Land Institute's (ULI) Greenprint Center for Building Performance Net Zero Carbon goal.
- PGIM's Master Template outlines sustainable agriculture investments and management practices that support LH FMS.
- Sustainability practices are evaluated using activity-based budgets. Cost benefit analyses consider economic returns and long-term value enhancements of agricultural assets. Budget changes are tracked.
- Risk assessments consider impacts to land values and risks associated with inaction regarding property improvements.
- PGIM acquires production agriculture properties. Acquisition checklists and due diligence process identifies properties classified as prime farmland.
- Production land is left in production agriculture whenever possible. Corrective action is provided when necessary to guide sustainable crop selection and production.

Result: In Conformance, Notable Practice

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Objective 1: Sustainable Agriculture Management (Continued)

1.2 Critical External Factors

Conformance Evidence

- Commodity Snapshot
- Florida Department of Agriculture and Consumer Services Grower/Caretaker Compliance Agreements
- PGIM operations reports
- Expense Summary

Auditor Notes

- PGIM conducts monthly operations and budget calls with site management. Calls include management concerns regarding on-farm practices and reviewing discretionary corrections made on-site.
- PGIM tracks and manages spot market prices.
- Factors impacting yield are identified and addressed regularly and documented in annual reporting.
- PGIM's actions and fiduciary responses to site conditions reflect a culture of continual improvement and productivity.

Result: In Conformance

Objective 2: Soil Health and Conservation

2.1 Soil Health

Conformance Evidence

- Soil tests
- Soil maps
- Annual business plans
- Activity based budgets
- Crop consultant recommendations
- Nutrient Budgets
- Conservation Management Practices Plan
- Irrigation and Nitrogen Management Plans
- Tissue sample and analyses
- Ranch Manager bio
- Operator Request for Proposal
- Acquisition proposals
- Soil amendment applications
- Fertilizer usage reports
- Budget worksheets

Auditor Notes

- Farm operators engage in no-till conservation practices as often as possible. When compaction becomes an issue, a deep rip is performed. California sites visited are 100% no tillage.
- Best management practices include soil testing and nutrient mapping for production properties. Soil testing and tissue sampling is regularly performed, and results are used to inform crop management decisions.
- Sites in Florida and California grow permanent tree crops citrus and almonds. No tillage is performed on permanent sites. Bermuda grass is planted as a cover crop between the rows in the groves to provide soil cover and is highly resistant to disease. Cover crops in California reduce dust, improve water drainage, and facilitate the passage of equipment through rows when it rains.
- Farm manager of selected sites in California attends regenerative agriculture classes to discover and implement farm management practices to sequester carbon.
- Almond orchards in California apply composted cattle manure to improve soil health. Select site in California uses an organic soil treatment called ReVive instead of synthetic fertilizers to boost soil microbial activity. Sap analysis is performed by a third-party to determine nutrient uptake and what applications almond trees need for optimum health.
- Salinity in California soils is combated with humic acid, seaweed, and wood vinegar applications. Salinity is an issue when rainfall is lacking and no-till practices are implemented.
- Farm operators maintain soil health plans to enhance or maintain appropriate nutrient balance.
- Internal farm operators maintain current Pest Control Advisor (PCA) and Certified Crop Advisor (CCA) licenses and often manage planning themselves. Site selected consults Agrian on their soil health plan. Plans are written and formalized in late winter or early spring.
- Nutrient Management Plans (NMPs) are derived from the Florida Citrus Production Guide developed by the University of Florida's Institute of Food and Agricultural Sciences. Results from soil and tissue tests inform remedies to address nutrient deficiencies.

Objective 2: Soil Health and Conservation (Continued)

2.1 Soil Health (Continued)

- Testing methodologies and crop applications may vary year to year depending on external factors including prior year results, weather, and soil health.
- Vegetative waste from annual pruning and crop residues such as trimming are shredded and reincorporated or are left on top of the soil to decompose.

Result: In Conformance

2.2 Soil Conservation

Conformance Evidence

- Conservation Management Practices Plan
- In-field demonstrations
- Drip lines demonstration
- Cover crop and soil armor practices
- Activity based budgets (land leveling projects and soil erosion measures)
- CSWA Certifications
- Lodi Rules Certifications

Auditor Notes

- Natural cover crops and Bermuda grass are planted between rows to combat erosion. When soil becomes compacted, a deep rip is performed to loosen the soil. There are no reported or observable concerns with water runoff on sites selected.
- Erosion is not an issue on California properties due to flat lands, no till practices and little rainfall.
- The oldest citrus tree groves on sites selected are about 30 years old. New trees are planted when older trees are no longer productive or decreased productivity is detected in a particular quadrant.
- Sun hemp provides cover during new planting to prevent erosion. After planting the hemp is disced back into the soil to improve organic matter and support soil health.
- There was no runoff evidenced in California when irrigation was being run. Drip lines and spray fans are used which are minimal in their usage and spread of water on orchards.
- Gypsum applications are used on sites in California to improve water retention in the soil, which prevents water from pooling on the surface and supports water uptake.
- Properties have been farmed long-term. No land has been fallowed or is resting due to soil mismanagement. Ground cover and grasses were present on sites visited.
- Cover crops mitigate soil compaction on the sites in California. Cover crop helps retain the moisture from rainfall and loosen the soil naturally.

Result: In Conformance

Objective 3: Water Resources

3.1 Water Use

Conformance Evidence

- Pump tests
- Irrigation installment invoice
- Phytech Sustainability Report
- Water and irrigation analysis
- Water and soil analysis
- Water due diligence
- Farm evaluation
- Irrigation report
- Aboveground Impoundment Certification Report
- Water samples
- AGI Inspection Certification
- Irrigation site photos
- South Florida Water Management District Compliance Report Forms
- Irrigation maps
- Water use permits
- Water use reports
- Well tests
- Consulting invoices
- Irrigation maps
- Mobile Irrigation Lab results

Auditor Notes

- Water usage and quality are major priorities on sites selected. Groundwater is pulled from metered wells in California. Water management districts have not placed water usage limits for all sites, but site operators prioritize water efficiency. South Florida and Southwest Florida Water Management Districts permit sites selected, and sites report water usage monthly to the districts.
- Dendrometers are used to monitor orchard health. Dendrometers are metal bands that encircle tree trunks and measure changes in circumference. Changes happen when the tree grows and when water is flowing from the roots to the branches. These fluctuations in circumference indicate whether water demand has been met and when water demand is highest.
- Site managers typically use less water than permitted. Reduced usage supports sustainable groundwater management and avoids depleting available groundwater resources for communities.
- Micro-jets and drip irrigation decrease the amount of water used by providing water directly to the roots. Irrigation schedules are informed by soil, rain, and other sensors that track evapotranspiration.
- Drip line irrigation is installed on select sites in California to water roots directly and prevent water from being wasted in spaces that don't need irrigation. Site selected found a decrease in water usage led to the ideal crop supply and quality. Wines have scored higher when less water is used.
- Pumps on sites are on electric power and most are equipped with variable frequency drives (VFDs) to regulate water pressure in the irrigation system. VFDs and micro-jet irrigation support water conservation and avoid excessive water use.

Objective 3: Water Resources (Continued)

3.1 Water Use (Continued)

- Water quality samples on the ground water are taken every year or two. PrecisionAg analyzes water samples for site selected.
- PGIM leaders are involved with local water coalitions, and water use boards. Property Manager from site selected in Florida is a member of several water advisory boards, and a Regional Manager from California is involved with water use boards in the San Joaquin Valley.
- Operators of site selected use a smart farming app to help conserve water. The app allows crop tissues to be analyzed without pressure bomb testing by using video technology. The video is analyzed and recommendations to address crop's health and water needs are provided within a few seconds.
- Wells are installed on sites visited as a backup for when district water is limited in drought years.
- Pumps on wells and reservoirs are equipped with VFD's to efficiently pump water across the ranch.
- Phytech water data management software is used in California. Phytech helps users increase water usage efficiency, optimize yields, and provides actionable recommendations.

Result: In Conformance, Notable Practice

3.2 Water Quality

Conformance Evidence

- South Florida Water Management District Permit
- Surface Water Management Permit

Auditor Notes

- Farm operators scout fields weekly and maintain PCA licenses. Scouts will closely monitor any trees or areas where disease or pest presence may be a concern.
- Some farms visited work with crop consultants from Nutrien, PrecisionAg, or Agrian for water, pest, and soil management advisory. Consultants may provide guidance on soil sampling, tissue sampling, pest monitoring and water control.
- Tissue tests results are used to identify pest presence and moisture level in crops.
- Sandy soils on sites visited in Florida do not hold nitrogen well. Applicators consider the movement of nitrogen and rainy weather before applying. When heavy rain is forecasted, fertilizer will not be applied.
- There is a wetland on site selected in California. The wetland is clearly defined with signage and employees are trained to avoid the area.
- No wetlands were located on sites visited in Florida, but two out of the three sites include reservoirs that cover 80 and 90 acres, respectively. Water channels move water throughout the site and into the reservoirs, where water percolates and is filtrated by native vegetation. Once full, water flows into local waterways.

Result: In Conformance, Notable Practice

Objective 4: Crop Protection

4.1 Integrated Pest Management

Conformance Evidence

- Pesticide reports
- Nematode samples
- Scouting reports
- Management agreements
- Leases and operating agreements
- Vertebrate Pest Control Report
- Property management invoices
- Chemical use records
- Product application summary
- OTC Invoices
- Pesticide recommendations

Auditor Notes

- Scouting is performed weekly to identify pest presence. Common pests are nematodes, mealybugs, rust mites, leaf miners, leaf hoppers, gophers and squirrels.
- Major pest concerns on sites visited in Florida are psyllids, which cause a citrus disease called "Citrus Greening", also known as Huanglongbing (HLB). HLB can be a difficult disease to manage and has caused major economic damage to the industry. Oxytetracycline hydrochloride (OTC) injection is a newer, promising treatment method to prevent and combat against HLB. Citrus trees on sites selected have been injected with OTC.
- Insecticide is used after more selective treatment processes to avoid pest prevalence have been unsuccessful.
- Frequent scouting, guidance from licensed PCAs, Integrated Pest Management (IPM) standards, and guidance from universities such as the University of California inform pest management and thresholds for chemical applications. PCAs are on staff at sites selected in California.
- PCAs determine chemical selection, timing and application. Treatments are variable and consider the type of plant analyzed, time of year, type of pest, and threat pest presents to crop health.
- Chemical applications are often the most effective pest control practice practiced on sites. Applications are performed by trained staff.
- PGIM management in California have found success with common regenerative practices including crop rotations, soil health support, and pest prevention. Selected sites support soil health with organic soil amendments such as ProVide and ReVive.

Objective 4: Crop Protection (Continued)

4.1 Integrated Pest Management (Continued)

- Crop protection strategies are informed by product application records and protectant usage. Non-chemical methods include the installation of owl boxes on farms to control rodent populations and pheromones to disrupt mating.
- Farm operators who apply chemicals are properly licensed, and staff is appropriately trained.
- Operators of select sites may use seed varieties and rootstocks that are resistant to disease and pest infestation to reduce pesticide use. Nets are used to protect crops from psyllid populations becoming established.
- Management groups visited in California maintain IPM plans. IPMs are designed to identify pest presence during the growing cycle, chemical applications to apply, and communication with neighboring farms and properties.
- Management teams of sites visited aim to apply crop protectants and spray schedules that are less likely to harm beneficial insect populations while targeting harmful pests.

Result: In Conformance

4.2 Crop Protectant Management

Conformance Evidence

- UC Statewide Integration Pest Management Program
- Commercial Applicator Licenses
- Restricted Materials Permit
- Pest Control Business License

Auditor Notes

- Empty chemical containers are kept in clearly marked fenced areas, are triple-rinsed, and sent to a local recycling center that specializes in pest control containers. All chemicals are kept in a locked shed with hazardous materials clearly labeled.
- Chemicals are applied and handled by trained handlers and certified applicators.
- Inventories of agrochemical storage are current and spill kits that include all necessary materials to clean up a spill are located in storage units. Safety data sheets (SDS) are located outside of storage units, and the storage site has an emergency shower and eye wash station.
- Agrochemical storage sites in Lake Placid contain rainwater from a slightly compromised roof.
- Farm Operators of site selected in California avoid the last three rows during spraying if the crop abuts a neighboring or adjoining farm. Homeowners and neighbors that share a property border with the farm are notified 24 hours in advance when a spray is scheduled.

Result: Opportunity for Improvement (OFI)

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

5.1 Agricultural Energy Use and Conservation

Conformance Evidence

- Fuel invoices
- Storage Tank Inspection Reports
- Compliance letters
- Solar site photo

Auditor Notes

- Sites selected save energy by irrigating during off-peak hours, planning efficient routes for farm implements during harvesting, and installing variable frequency drives (VFDs) on wells and pumps. Remote sensors and water management practices reduce pump energy use.
- Consultants from Wexen and FieldIn guide energy conservation at sites selected.
- Site selected has a mechanic on staff responsible for equipment maintenance. Spare engine parts are kept onsite to support speedy repairs and equipment efficiency.
- California sites selected save energy primarily through efficient irrigation practices, such as using drip line to water orchards. Drip line requires less water use and less energy from pumps by targeting the root zone directly.
- Solar power generated on sites selected in California is used to operate farm equipment. The remainder is sent to Southern California Edison and credited to the energy account on the site.
- Small solar panels power pumps and sensors on sites selected in Florida.
- Solar is installed on one site in California to offset all energy used on the property.

Result: In Conformance, Notable Practice

5.2 Air Quality

Conformance Evidence

- Conservation management plans

Auditor Notes

- Farm operators are conscious of peak hours implemented by their energy provider, and will irrigate during non-peak hours to conserve power. During harvest, employees are trained on efficient routes and equipment usage to help reduce passes. When farm operators need to burn organic matter, the proper air permits are received and fire stations are notified. Burnings are performed when permitted and approved by local air quality boards.
- Some tractors are equipped with more efficient Tier 4 Diesel Engines and use diesel exhaust fluid (DEF) to increase fuel efficiency. Tractors on sites selected are equipped with filters that meet National Institute for Occupational Safety and Health (NIOSH) standards.
- Management groups maintain equipment inventories and maintenance schedules to ensure equipment is operating efficiently.
- Florida sites visited water roads with water truck and apply a product called "Dust-Off" to solidify the dirt and mitigate dust. Cover crops and watering the roadways that border farms mitigate dust in California.

Result: In Conformance

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

5.3 Climate-Smart Agriculture

Conformance Evidence

- Conservation management plans
- Transfer of Right to an Indemnity
- Physical climate risk assessments
- Schedules of Insurance

Auditor Notes

- Farm operators maintain equipment inventory logs. Efficient routes are planned during harvest and staff are trained to efficiently operate machines. Diesel exhaust fluid (DEF) is in use in both California and Florida to reduce emissions generated from engines.
- Farms within PGIM's portfolio have achieved certification through the California Sustainable Winegrowing Alliance (CSWA) and are pursuing carbon sequestration strategies.
- Sites selected in Florida use Deutz tier 2 and 3 diesel motors. Reservoirs act as informal carbon sinks.
- Drastic temperature changes can have negative affects on crop health in California during the bloom season. Weather stations alert when there may be a chance of frost. Alerts allow farm operators to mitigate frost damage by using drip irrigation and sprinklers installed on the top rows of vines. Ground cover and grasses on sites mitigate soil degradation.
- PGIM ensures newly acquired properties are appropriately insured to mitigate climate-associated risks, such as hail.
- PGIM found heat stress, hurricanes, and water stressors pose the greatest threats to crop health through climate risk assessments.
- Florida site managers face more frequent storms, though citrus production is not always affected. Site managers often purchase additional crop insurance to protect against losses due to hurricanes. New rootstocks and more resilient varieties are used primarily in response to pest presence and HLB, but plants may also be more resilient to damage from extreme weather.

Result: In Conformance

Objective 6: Waste and Material Management

6.1 Management of Waste and Other Materials

Conformance Evidence

- Waste invoices
- Insurance confirmation
- Proper Disposal of Pesticide Waste from University of Florida extension

Auditor Notes

- Most waste produced on sites visited is organic. Organic waste is reincorporated into soil to increase organic matter on California sites. All chemical bins are triple-rinsed and stored in a protected area until recycled off site. Sites in Florida triple-rinse agrochemical containers and burn onsite. Bulk waste is picked up and sent to the landfill.
- California sites generate some plastic waste from netting on citrus trees to prevent bees from cross-pollinating, which may lead to inferior fruit production.
- Used oil is recycled locally.
- Protective netting on citrus trees, drip irrigation, and nozzles are reused whenever possible.
- Scrap metal is collected and recycled.
- Selected California sites return used chemical totes to suppliers after use.
- Sites selected in Florida store oil properly, and tanks are appropriately permitted and inspected if size requirements are met. Agrochemical containers are triple-rinsed before being burned.
- Chemicals were not stored on sites visited in California.

Result: In Conformance, Opportunity for Improvement (OFI)

6.2 Food and Agricultural Waste Resource Recovery

Conformance Evidence

- Pest control invoice
- Soil analysis
- Tissue analysis
- Soil maps

Auditor Notes

- Frequent soil monitoring, tissue sampling, weather alerts, and scouting for pests helps site managers prevent excessive crop loss. Harvested crops are not stored on site.
- Crop loss on sites selected in Florida is associated with Citrus Greening. Proactive pest management and treatment with OTC help prevent excessive crop loss.
- Organic residue from pruning citrus trees and diking sun hemp are reincorporated into the soil to improve organic matter.
- Selected sites in California apply composted manure at the base of trees to help improve soil health, quality, and water retention.

Result: In Conformance

Objective 7: Conservation of Biodiversity

7.1 Species Protection

Conformance Evidence

- Special Warranty Deed
- Due Diligence Checklist
- Phase I Environmental Site Assessment
- Acquisition Proposal
- Endangered and Threatened Species Overviews
- Soil analysis
- Title commitments
- Wetlands analysis

Auditor Notes

- PGIM's Due Diligence Checklist is based on LH FMS and the United Nations Principles for Responsible Investment (UN PRI). The checklist includes special status species assessments to be conducted upon acquisition.
- The Department of Fish and Wildlife Service's Explore program is used to guide initial research on threatened and endangered species and provide reference materials for the likelihood or known presence of protected species on sites. Likelihood and reference materials are shared with site managers, and best management practices are established for known occurrences.
- Primary special status species on sites selected in California are Monarch Butterflies. Managers plan to install milkweed and other pollinator plants on production sites. Manager updates include strategic planning and response to presence of known protected species on sites.
- No endangered species reported to be in local watershed on Florida sites selected.

Result: In Conformance, Notable Practice

Objective 7: Conservation of Biodiversity (Continued)

7.2 Wildlife Habitat Conservation

Conformance Evidence

- Wetland site photos
- Phase I Environmental Site Assessment
- Due Diligence Checklist
- Raptor nesting box site photos

Auditor Notes

- Due diligence reports and Environmental, Social, and Governance (ESG) acquisition checklists help identify native habitats and natural communities in areas not used for agricultural production.
- Florida sites selected have been mapped. Sites selected have 80 and 90 acre reservoirs on production land that host native flora and fauna.
- Due Diligence Checklist collect information on presence of ecologically important sites during property acquisition. PGIM determines level of involvement based on due diligence findings.
- Wetlands identified on sites selected in California are surrounded by buffer zones, setbacks, and avoided by staff.
- Reservoirs on sites selected in Florida provide 170 combined acres for native wildlife habitats and native vegetation.

Result: In Conformance, Notable Practice

7.3 Avoided Conversion

Conformance Evidence

- ESG Policy
- Endangered Species Information
- Leading Harvest - Master Template
- Acquisition and Asset Management Checklist

Auditor Notes

- No land has been retired on active production acreage. Some areas have been fallowed to create plots of production acreage to meet water usage limits.
- Sites have been long-term farmland, and farmed for thirty years or more.
- PGIM maintains a Zero Deforestation Policy in the Leading Harvest - Master Template.
- PGIM's acquisition reports show no existing areas with forest or timberland designations. Title research conducted prior to acquisition also shows no land is designated as forest or timberland.

Result: In Conformance

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Objective 7: Conservation of Biodiversity (Continued)

7.4 Crop Diversity

Conformance Evidence

- Crop maps
- Bee Program

Auditor Notes

- Rootstocks are selected for disease resistance and production capacity. Farm operators select diverse genomic species to support multiple revenue streams. Multiple varieties are selected for each site.
- Citrus is grown for juicing and for the fresh-market.
- PGIM participates in the Sun Pacific Bee Program. Participants adopt best practices in alignment with the Tulare Bloom Regulations regarding pest management and bee awareness. The program is designed to protect pollinator populations.

Result: In Conformance

Objective 8: Protection of Special Sites

8.1 Site Protection

Conformance Evidence

- Acquisition Policy
- Acquisition and Asset Management Checklist

Auditor Notes

- Special sites are identified in original due diligence reports at acquisition of a property.
- PGIM management have written a new policy and checked the national register for historical sites.
- No special site has been identified on any of the selected sites this year.
- Sites selected have farm maps with delineations. No sites of historic or cultural significance have been identified on production land.
- PGIM management maintains an Acquisition Policy to ensure unique qualities, or the presence of special sites are identified prior to property acquisition.

Result: In Conformance

Objective 9: Local Communities

9.1 Economic Wellbeing

Conformance Evidence

- Property tax accrual statements
- Property servicing statements

Auditor Notes

- Site managers supply from local suppliers and staff with local employees whenever possible.
- PGIM has an accounting team to make sure all taxes are paid appropriately.
- A combination of seasonal/part-time staff and H2A workers are hired during the harvest season through Farm Labor Contractors (FLCs).

Result: In Conformance

9.2 Community Relations

Conformance Evidence

- PGIM Agricultural Finance and Investments
- PAI Industry and ESG Activities
- Salute to Agriculture Breakfast documentation
- Donation letter
- Site overviews

Auditor Notes

- Farm operators collaborate with local high schools to provide crop management and farming education.
- Donations are made to local youth sports programs, 4H, and other local events.
- Internal projects competitively engage with historically underrepresented and minority populations to partner with universities to support agriculture engagement.
- PGIM sponsors work with the Center for Land Based Learning to partner with and mentor new participants.
- PGIM hosts a "Salute to Ag" breakfast with college seniors as they enter the agriculture industry in Illinois.
- PGIM leads an educational program with "Project Destined", which supports students to learn and navigate the agricultural real estate industry.

Result: Notable Practice

Objective 9: Local Communities (Continued)

9.3 Local Communities and Indigenous Peoples

Conformance Evidence

- Acquisition proposal
- Leading Harvest - Master Template
- Ranch safety signs

Auditor Notes

- PGIM maintains a written policy regarding the recognition and respect of the rights of local communities and treaty rights of Indigenous People.
- No overlap of sample sites with indigenous populations. Cultural reviews may be conducted when due diligence issues arise.
- PGIM acquired a property in 2023 that overlaid on Indigenous land. The due diligence process included discussions on how to respect Indigenous rights. There was no legal component to the purchase, but PGIM intends to reach out to the tribe to maintain a positive relationship.
- Shared wells and resources are managed with neighbors appropriately. PGIM managers address issues with neighbors in a timely manner.

Result: In Conformance

9.4 Public Health

Conformance Evidence

- Ranch safety signs
- Compliance Companion Guide
- Axonify compliance screenshot
- Axonify training options

Auditor Notes

- Signs are posted during spraying schedules to warn neighbors and passersby. Most spraying takes place at night to reduce disturbances, and neighbors are notified 24 hours in advance.
- Signage and flashing lights are posted during harvest times or any other time crews are out to protect crews and community members.
- Operating teams use best management practices (BMPs) provided by the State of Florida and technology such as "Tree-C" equipped sprayers, which minimize agrochemical application based on the presence and size of a tree.
- Staff are properly trained on equipment use and safe application practices that minimize chemical exposures to applicators and the environment.

Result: In Conformance

Objective 10: Employees and Farm Labor

10.1 Safe and Respectful Working Environment

Conformance Evidence

- Compliance Companion Guide
- Prudential Policies - HR, Business, Expense from Compliance Center
- Axonify compliance screenshot
- Axonify training options

Auditor Notes

- PGIM has Equal Opportunity Employment signage and Code of Conduct information posted in accessible locations on sites selected.
- PGIM maintains policies regarding workers' rights including anti-discrimination, anti-harassment, non-retaliation, and human trafficking and slavery. Trainings are frequent and required by all staff.
- Training includes guidance on how to conduct effective management meetings.

Result: In Conformance

10.2 Occupational Training

Conformance Evidence

- Talent Marketplace Screenshot
- Axonify compliance screenshot
- Axonify training options
- Compliance Companion Guide

Auditor Notes

- Farm operating staff post signage during activities when crews are present such as dust mitigation to protect crews and community members. Signage including appropriate contact information of management staff is present on sites.
- PGIM uses a workforce platform called Axonify to keep staff informed of compliance and regulatory requirements.
- PGIM provides training around ESG and Diversity, Equity, and Inclusion (DEI) initiatives company-wide. Staff are required comply with mandatory training.
- Staff of sites visited in Florida are trained and licensed to handle, use, and store agrochemicals.

Result: In Conformance

Objective 10: Employees and Farm Labor (Continued)

10.3 Supporting Capacity for Sustainability

Conformance Evidence

- PGIM Agriculture Investments Leading Harvest Program Overview

Auditor Notes

- PGIM maintains an LH FMS commitment statement.
- PGIM employs CCAs and PCAs on management staff.
- PGIM has designated leadership and appointed staff to lead sustainability efforts.
- Acquisition checklists include LH objectives.
- PGIM provides training on LH FMS objectives for all roles that support functions covered in the Standard.
- PGIM keeps CCAs and PCAs on staff to make informed application decisions and maintain a safe working environment.
- Consultants are qualified and many farm managers hold more than one degree in business and or agriculture.
- ESG and agricultural sustainability are included in the Axonify training system for staff.

Result: In Conformance

10.4 Compensation

Conformance Evidence

- Talent Marketplace screenshot
- Prudential compensation structure
- PGIM Real Estate Performance Objectives

Auditor Notes

- PGIM employees are salaried, have the ability to achieve bonuses, and offered benefits. Management is offered tenure as an incentive for long-term employment.
- PGIM's Human Resources department conducts salary surveys. Surveys are designed to review wage fairness and competitiveness.

Result: In Conformance

Objective 10: Employees and Farm Labor (Continued)

10.5 Farm Labor

Conformance Evidence

- Human Trafficking and Slavery Policy

Auditor Notes

- PGIM Farm Operators are audited to ensure payments to suppliers, staff and contractors are made in a timely manner.
- Managers of sites selected in Florida have developed longstanding relationships with FLCs who provide temporary staff, including H2A workers.

Result: In Conformance

Objective 11: Legal and Regulatory Compliance

11.1 Legal Compliance

Conformance Evidence

- Compliance Companion Guide
- Signage photos
- Prudential PACs View from Washington
- Citrus reports
- Axonify compliance screenshot
- Axonify training options
- Compliance Center screenshot
- Intranet screenshot
- Compliance Training List
- PGIM Welcome and HR Overview excerpts
- Broker Dealer Compliance Manual
- Primus audit certificate
- Primus audit report

Auditor Notes

- PGIM maintains an intranet accessible to staff that links to policies, regulations, and applicable relevant laws.
- Human Resources is appointed a representative specifically for the agriculture group who specializes in addressing specific agricultural issues.
- PGIM reviews existing compliance procedures annually, and will implement new compliance procedures if necessary to ensure compliance with federal, state, or local laws, statutes and regulations.
- Employees complete questionnaires on compliance activities and best management practices on sites. Questionnaires may lead to larger conversations such as board memberships, obtaining new licensure, and investments in sustainable agriculture.
- Employees in the Political Action Committee receive frequent updates on legislative changes that may impact sites.
- PGIM participates in Good Agricultural Practices (GAP) food safety audits. Participation supports continued compliance with relevant food safety regulations.
- Axonify system provides training daily on compliance, risk management and fraud awareness. Staff will receive a new quiz each day and must obtain minimum score thresholds. Failure to meet minimum scores or complete training will result in a call between management and staff. Axonify supports consistent training and compliance awareness.
- PGIM provides a hotline for complaints where callers may remain anonymous. Whistleblower protections are in place.
- Occupational Safety and Health Administration (OSHA) posters and workers rights signage is posted in accessible locations such as offices on farms.
- PGIM provides training on worker protection standards. Chemical storage tanks are properly registered and inspected.

Result: In Conformance

Objective 11: Legal and Regulatory Compliance (Continued)

11.2 Legal Compliance Policies

Conformance Evidence

- Prudential Policies - Human Resources, Business, Expense from Compliance Center
- Human Trafficking and Slavery Policy
- Anti-Discrimination, Anti-Harassment, and Non-Retaliation Policy
- Lease agreements

Auditor Notes

- Staff are required to include diversity, equity and inclusion (DEI) goals in their annual performance reviews and goal setting.
- PGIM frequently trains staff on DEI and social compliance issues such as harassment and retaliation. Policies are in place to protect workers.
- PGIM policies and Codes of Conduct have been reviewed by Human Resources and legal departments. Policies align with the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work concerning fundamental rights.
- Current lease language explicitly mentions tenants' right to "quiet enjoyment" of leased land. Leases that expire will be renewed with updated language.

Result: In Conformance

Objective 12: Management Review and Continual Improvement

12.1 Farm Review and Continual Improvement

Conformance Evidence

- PGIM U.S. Agriculture Fund LP Portfolio ESG Data Snapshot

Auditor Notes

- PGIM leadership holds weekly phone calls with site management teams to discuss operations and current issues on farms.
- Annual budget meetings are conducted with annual report review. Budgets include projected crop yields based on four to six year averages.
- Due Diligence and Acquisition checklists are used to identify challenges and opportunities. Results are used to guide decision making during capital expenditure and site planning.
- Site operators are audited to ensure payments to suppliers, staff, and contractors are made in a timely manner.
- PGIM Regional Managers meet with the Director of Agriculture monthly to discuss financials, crop yield results, and potential capital expenditure.
- PGIM staff review and commit to formal goals each year. These goals are revisited frequently throughout the year to drive continued improvement. Employees are asked to set an ESG goal that supports LH FMS alignment. PGIM has sustainability goals that directly relate back to LH FMS.
- PGIM maintains an ESG checklist and monitors each site using ESG criteria. The checklist guides budgeting decisions and management performance reviews, which occur annually.
- PGIM partnered with the Florida's Department of Agriculture to improve irrigation and redesign the flow of water on selected sites.
- Farm operators attend conferences to further education and discover new practices to use on sites that support sustainable operations.
- The Director of Agriculture and Regional Farm Directors discuss operations each month, including financial implications, yield results, projections, and improvements needed.
- Acquisition of an asset prompts a review of the site to identify opportunities for improvement. The due diligence process includes soil tests and environmental assessments. Activity-based budgeting may also spark an opportunity for site improvements, such as replacing old drip line newer, efficient drip lines.
- LH Objectives are included in acquisition checklists. Practices that support conformance to LH indicators are included in budgeting process.

Result: In Conformance, Notable Practice

Objective 12: Management Review and Continual Improvement (Continued)

12.2 Support for Sustainable Agriculture

Conformance Evidence

Membership in research programs
Attendance records at ag-tech conferences
Demonstration of autonomous sprayers
Policy and procedure document
CSWA Certifications
Lodi Rules Certifications
PAI Industry and ESG Activities

Auditor Notes

- Farm operators participate in trials on portions of their vines to support continued research on best management practices. Regional colleges and universities provide guidance on new crop products and vine trials. Some citrus trials are focused to prevent Citrus Greening, a serious citrus plant disease also known as HLB.
- Tenant of select site is working with a three year research study being conducted by Citrus Research and Development Foundation (CRDF). The study involves two varieties of citrus and three different rootstocks on a 220 acre plot of the site. Planting was mapped using GPS tech.
- PGIM is conducting research on the use of autonomous (unmanned) sprayers and testing them on sites in their portfolio. Arms of the spraying mechanism are equipped with cameras that identify and target weeds, which reduces the amount of chemicals used overall. The unmanned mechanisms also help staff avoid proximity to spraying seen in traditional applications.
- PGIM hosted an event in Florida to allow citrus growers to talk about disease pressure and best practices implemented to suppress disease in the region.
- PGIM is measuring the carbon footprint of row and permanent plantings.

Result: In Conformance, Notable Practice

Objective 13: Tenant-Operated Operations

13.1 Leased-Land Management

Conformance Evidence

- Lease language

Auditor Notes

- PGIM hosts an annual symposium with tenants to support collaboration and education on best management practices that support LH FMS objectives.
- The current lease language does not explicitly state sustainable agriculture goals to support LH FMS, but requires tenants to maintain well components, crops, and farmland in a "good and farmerlike manner and in accordance with usual and customary agricultural standards".
- Lease language requires tenants to adopt safe operating procedures, provide a safe working environment, and comply with applicable federal, state and local laws, statutes and regulations.

Result: In Conformance, Opportunity for Improvement (OFI)

13.2 Leased-Land Monitoring

Conformance Evidence

- Site visit documentation
- Production reports
- Product Usage Reports
- Lease agreements

Auditor Notes

- Farm managers visit new developments and established properties to review operating practices on a regular basis.
- Site visits are documented in weekly reports for clients. PGIM provides updates on relevant factors and communicates with tenants at least monthly.
- Qualitative reviews of tenant performance are conducted upon lease renewal or during budget review periods.
- Internal management meetings address tenant concerns and review how effectively tenants conduct their businesses.

Result: In Conformance

PGIM REAL ESTATE FINANCE, LLC

LH FMS AUDIT SUMMARY REPORT

August 4, 2023

KEY FINDINGS

Previous Non-Conformances: N/A

Major Non-Conformances: Zero (0) major non-conformances were identified during the audit.

Minor Non-Conformances: Zero (0) minor non-conformances were identified during the audit.

Opportunities for Improvement (OFI): Three (3) opportunities for improvement were identified during the audit.

1. 4.2.1 Application and Storage of Crop Protectants
 - a. Compromised roofing was observed at Agrochemical Storage for Lake Placid site. The nature of Leading Harvest certification audits is not to review the conditions of infrastructure, but rather to focus on management's control and corrective approaches to identified issues. If PGIM could provide corrective procedures for infrastructure needs and repairs, it would enhance demonstrating risk controls.
2. 6.1.1 Waste Disposal
 - a. Waste disposal appears to follow local legal requirements. However, an opportunity exists to identify or create alternatives to burning agrochemical containers, such as recycling.
3. 13.1.3 Communicating Leased-Land Objectives
 - a. Lease language succeeds at defining PGIM's sustainable agriculture goals. However, language could be adjusted to specifically reference Leading Harvest requirements and provide more robust expectations for tenants regarding ongoing sustainable growing practices.

Notable Practices: Ten (10) notable practices were identified during the audit.

1. 1.1.1 Farmland Stewardship Commitment
 - a. PGIM's net-zero commitment aligns with the Urban Land Institute Greenprint Center for Building Performance Net Zero Carbon goal.
2. 3.1.3 Water Conservation
 - a. Well recharge is in place on sites in California. Sites pull from district water up to their allotments when available but maintain well pump backups for periods when water is less available.
3. 3.2.2 Water Quality Protection
 - a. Reservoirs on Florida sites provide habitat for wildlife and naturally filter water runoff using native vegetation. Filtration improves water quality before water is returned to local waterways. Protection of wetlands and riparian areas was observed. Water quality is maintained through proper signage and practices to manage water runoff, including the presence of reservoirs and recharge points.

PGIM REAL ESTATE FINANCE, LLC

LH FMS AUDIT SUMMARY REPORT

August 4, 2023

4. 5.1.2 Renewable Energy
 - a. Solar is used on non-productive land in CA to help offset energy costs and provide energy to the grid.
5. 7.1.1 Threatened and Endangered Species
 - a. Top of class assessments for special status species identification and protections were provided.
6. 7.2.1 Native Habitats and Natural Communities
 - a. Conserving and maintaining the native habitats within and surrounding the reservoirs on production land was notable.
7. 7.2.3 Cropland for Wildlife Habitat
 - a. Reservoirs and wildlife habitat on Florida sites was of a notable quality. The welcome presence of native flora and fauna on production acreage was notable to auditors.
8. 12.1.1 Performance Review
 - a. The quality and regularity of management oversight, collaboration, and performance review was deemed notable by auditors.
9. 12.1.2 Monitoring Performance
 - a. 440 Documents were submitted for documentation review and consideration by auditors. This is an unprecedented amount of documentation and was an enormous benefit to illustrating PGIM's current management practices.
10. 12.2.1 Support for Agricultural Research
 - a. Outstanding partnership and dedication to research.

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Review of Previous Audit Cycle: Last year PGIM conducted their first surveillance audit. No major or minor non-conformities were found, and no follow-up visits were required.

PGIM REAL ESTATE FINANCE, LLC

LH FMS AUDIT SUMMARY REPORT

August 4, 2023

CONCLUSIONS

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

Summary of Audit Findings	
Program User	PGIM Real Estate Finance, LLC
Audit Dates	June 15, 2023 – August 4, 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	2021-0007
Proposed Date for Next Audit Event	TBD
Audit Report Distribution	Christopher Jay (christopher.jay@pgim.com)