



# Peoples Company

Clive, Iowa

LH FMS AUDIT SUMMARY REPORT

June 25, 2021





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|                                 |   |
|---------------------------------|---|
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| <b>Certification Date</b>       | June 25, 2021                                   |
| <b>Recertification Due Date</b> | June 25, 2024                                   |
| <b>Certification ID#</b>        | 2021-0003                                       |

Certification Audit     Re-Certification Audit     Surveillance Audit     Scope Extension

# Peoples Company

## 2021 LH FMS AUDIT SUMMARY REPORT

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### INTRODUCTION

This report summarizes the results of the first certification audit conducted on Peoples Company 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. The audit process and reports were independently reviewed by Kyle Rusten, who is also 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 2020, Averum was engaged by Peoples Company (Peoples) to perform an audit of sustainability performance on 43,826 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 Iowa. There was no substitution or modification of LH FMS performance measures.

### COMPANY INFORMATION

Peoples Company is an agriculture property manager and is responsible for managing tenant operators. These operators oversee the day-to-day farmland management decisions on client owned properties in seven states (Iowa, Nebraska, Minnesota, Missouri, Oregon, Illinois, and Arkansas). Sample selections alternate depending on unique criteria in the given year, but in the preliminary year our efforts focused on Iowa.

Peoples client's properties span a wide variety of terrain, from the arid prairies and buttes of Nebraska, to the Arkansas delta, to the drift plains and lobes of the American corn belt. The audit was conducted in Iowa as the majority of properties, acreage, and managers are within the state. Additionally, personnel overseeing LH FMS implementation and conformance were contacted for evidence requests and interviews. The properties in these regions are a satisfactory representative sample of current practices in place and management decision making. The agricultural production consists primarily of commodity crops (corn and soybeans).



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### AUDIT PLAN

Audit activities were impacted by the ongoing COVID-19 pandemic. Site visits and meetings were made virtual where possible and rescheduled multiple times to ensure the safety of all involved parties. An audit plan was developed and is maintained on file by Averum. An online portal was established for Peoples Company coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held at 10:00 am central time on May 21st, 2021, via conference call. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in Iowa were examined on May 24<sup>th</sup> and 25<sup>th</sup>, 2021. A closing meeting was held at 10:00 am on June 25<sup>th</sup>, 2021.

#### Opening Meeting: Conference Call

May 21, 2021; 10:00 am

**Attendees:**

(Peoples Company) Mollie Aronowitz, Peter Isaacson, Kyle Walker, Bennett Haynes, Paul Anderson

(Audit Team) Matt Armstrong, Kyle Rusten

**Topics:**

- Introductions of participants and their roles: Mollie Aronowitz
- Introduce Audit Team: Matt Armstrong
- Status of findings of the previous audits: Matt Armstrong
- Audit Plan: Matt Armstrong
- Work Safety and emergency procedures: Mollie Aronowitz
- Expectations of program user staff: Matt Armstrong
- Method of reporting: Matt Armstrong

#### Closing Meeting: Teleconference

June 25th, 2021; 10:00 am

**Attendees:**

(Peoples Company) Mollie Aronowitz, Kyle Walker, Bennett Haynes, Paul Anderson, Cathy Holman, Peter Isaacson

(Audit Team) Matt Armstrong, Kyle Rusten

**Topics:**

- Opening Remarks: Mollie Aronowitz
- Statement of Confidentiality: Matt Armstrong
- Closing Summary: Matt Armstrong
- Presentation of the audit conclusion: Matt Armstrong
  - Non-Conformances: 0
  - Opportunities for Improvement (OFI): 2
  - Notable / Exemplary Practices: 8
- Report Timing and Expectations: Matt Armstrong

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## MULTI-SITE REQUIREMENTS

Peoples Company maintains operations in seven states, with multiple sites within each state. Peoples qualifies for multi-site sampling since the volume of sites within the management system is centrally controlled and directed by regional managers, with regular monitoring activities. Additionally, Peoples has dedicated resources overseeing risk and compliance across the organization that monitors on an ongoing basis. Regional managers are responsible for developing corrective action plans regarding LH FMS conformance and report them to the Stewardship Coordinator and central office. Peoples Company'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   |
|-----------|----------------|---|
| Arkansas  |                |   |
| Illinois  |                |   |
| Iowa      | Corn, Soybeans | Sharp Farms, Middlebrook, Sigler Ackworth, Teamwork Warren, BMG 422, Hebbel 64, Godbersen Lucas County 1, Teamwork Madison 14, Rebik Farm, Guilliams, Stander, Cownie – Stonehaven, Naylor, Sargent – Berwick <ul style="list-style-type: none"><li>- 14 of 179 properties</li><li>- 7.8% of total properties</li><li>- 9.8% of regional properties</li></ul> |
| Nebraska  |                |   |
| Minnesota |                |   |
| Missouri  |                |   |
| Oregon    |                |   |

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### AUDIT RESULTS

Overall, Peoples Company’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, as well as more detailed sets of data from single sites. Field visits were performed on fourteen operating sites, on a variety of commodity crops. Visits were early in the growing season, so soil health practices and processes were observable. Central and regional management representatives as well as tenants were present and interviewed to illustrate Peoples Company policy creation and implementation. Central office staff with roles that impact LH FMS conformance were interviewed to determine awareness of and support for LH FMS conformance, and to illustrate company practices and procedures not performed by farm managers. Peoples Company’s stewardship coordinator 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: White Paper - Socially Responsible Farmland Investment, Company memo on sustainable agriculture, 2021 Peoples Goals and Objectives, Annual report, Farmland Stewardship Commitment, Management Handbook.

*Auditor Notes: Peoples Company operates a mature agricultural management line of business. There is an awareness of and attention to sustainable agriculture is present throughout the organization. Recently there has been focus within the company on how to “get big but stay small”. Peoples has defined the qualities they look for in a quality operator and have documented them in their management handbook. Peoples plays an active role in workshops normalizing change for tenants and landowners with Iowa State. Many conservation practices are addressed in statewide programs that Peoples keeps track of for tenants and landowner clients.*

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

**OBJECTIVE 1: SUSTAINABLE AGRICULTURE (Continued)**

**Performance Measure (PM) 1.2 Critical External Factors**

Conformance Evidence: Farm inspection reports, yield reports, operator inputs worksheet, property business plans, Due diligence reports, 2021 Site Visit Binder.

*Auditor Notes: Annual business plans are developed for each farm under Peoples Company management, with multiple LH FMS indicators addressed. The most reported material management issues are soil health, increasing yield, and removing water from sites. Peoples Company has systems and policies in place to support regional managers in navigating issues as they arise. Annual yield records are reviewed and compared with planned yields.*

**Result: In Conformance**

**OBJECTIVE 2: Soil Health and Conservation**

**Performance Measure (PM) 2.1 Soil Health**

Conformance Evidence: FSA Compliance on Highly Erodible Land (HEL) soils, Site business plans, yield records, lease language, farm inspections, organic soil sample results, soil sample results, nutrient management plans, fertilizer application records.

*Auditor Notes: Properties test soil health and leaf tissues and maintain nutrition plans that hold soil productivity and health as the primary concerns. Nutrition management plans (NMP) are informed and modified through testing and professional crop consultant analysis, then amendments are calculated from yield and removal amounts at harvest. Peoples Company supports tenants in the development of NMPs. Crop consultant recommendations are reviewed for lack of care or attention. Chemical company representatives make recommendations and give usage guidance but are not allowed to write NMPs. Consultant recommendations and product use reports are prepared and stored. Residue is left out after corn harvest, with no-till beans planted into residue on the majority of sites. Sites with HEL designations are banned from tilling or removing residues in order to remain in compliance with local Farm Service Agencies (FSA). Appropriately sized equipment is used to avoid unwanted soil compaction.*

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

**OBJECTIVE 2: Soil Health and Conservation (Continued)**

**Performance Measure (PM) 3.1 Water Use**

Conformance Evidence: Aerial maps, field scouting reports, direct observation of practices, soil loss reports, lease language, farm inspection reports, FSA Compliance on HEL soils, Site business plans, CSR records, soil loss reports.

*Auditor Notes: Appropriately sized equipment is used to protect soil against compaction. Sites are monitored with drones, with minimal soil compaction noted. 8-10 years of continuous no-till practices were in place on sites. Exact emerge planters are used to determine if crops are planted into hard spots. Organic matter is trending up on most sites. No-till is required by sites with HEL designations by Iowa FSA. Residues are left out and knifed in during the fall. Cover crops are used when feasible, with support programs and purchase support from Peoples Company. Terraces and grassed waterways control water movement off of properties and catch runoff from neighboring fields. Erosion control straw blankets ("Nancy's Blanket") are used in waterways. Contour farming and end rows are utilized to further control water runoff.*

**Result: In Conformance**

**OBJECTIVE 3: Protection of Water Resources**

**Performance Measure (PM) 3.1 Water use**

Conformance Evidence: FSA Compliance, collaboration on water barrier terraces and stopping run-off and run-on from neighboring properties, farm inspection reports, lease language.

*Auditor Notes: There is no withdrawal of water on sites in Iowa, as they are all rain irrigated. Drain tile, grassed waterways, and other grassed areas control the infiltration of water both onto and away from sites. Peoples Company has provided information to tenants and landowners on the costs and benefits of water conservation. GPS Autostart RTK can read where waterways are and navigate around them.*

**Result: In Conformance**

**Performance Measure (PM) 3.2 Water Quality**

Conformance Evidence: Verbal description of application of regional BMPs to protect groundwater from agricultural inputs, verbal description of application of regional BMPs to protect wetlands and resources from runoff, visual confirmations of practices, Fertilizer records and usage, site business plans, lease language, aerial photos of water barriers, lease language, farm inspection reports.

*Auditor Notes: Water quality testing is rare in the region. Business plans report on wetland determinations, HEL soils, CRP contracts, fertilizer applications, crop protections, goals for the year, Corn Suitability Ratings (CSR) of soils, and Peoples Company's Sustainable Management Cycle. Terracing and waterways are primary water conservation tools in use. Spraying is banned near wetlands or riparian areas. Tenants are permitted to farm through wetland but cannot tile through it or drain the area. No fungicides stored on sites.*

**Result: In Conformance**



**OBJECTIVE 4: Protection of Crops**

**Performance Measure (PM) 4.1 Integrated Pest Management**

Conformance Evidence: Lease language, Manager's handbook, inspection templates, farm operator reporting worksheet, summer inspection templates.

*Auditor Notes: PCAs scout fields and are qualified, local, independent, and make recommendations on pest management. GMO seeds with control measures built in are used on some sites. Spray timing and amounts are managed to maximize effectiveness and minimize chemical loss and drift. Chemical applications are driven by consultant reports, which are verified by a third party and a representative from chemical suppliers. Economic considerations have a notable impact on chemical use, as the motivation to lower costs can in effect keep chemical use to a minimum.*

**Result: In Conformance**

**Performance Measure (PM) 4.2 Crop Protection Management**

Conformance Evidence: Applicator's license (required in lease), lease language, farm inspection reports.

*Auditor Notes: Business plans report on fertilizer application, crop protection, and Peoples Company's Sustainable Management Cycle. Chemicals are not stored on farms, per the lease. Some managers with CALs provide their own mixing of prescriptions. Inspections are carried out on tenant home offices and headquarters. Lease requires no more than one year of chemical storage on home office sites and following label instructions strictly.*

**Result: In Conformance**

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

**Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation**

Conformance Evidence: Lease language, verbal descriptions of practices from tenants and managers.

*Auditor Notes: New construction on sites is all energy efficient. Equipment is kept clean and well maintained on sites that have new equipment. No renewable energy is available in the power mix to the area yet. Highest and best use of land analysis finds that crop production benefits outweigh renewable power generation. However, some sites reported interest in solar, as the rates in leases have become more attractive.*

**Result: In Conformance**

**Performance Measure (PM) 5.2 Air Quality**

Conformance Evidence: Verbal descriptions of low emission technology upgrades and maintenance with lower emissions as a stated goal, lease language.

*Auditor Notes: Most tenants prefer to keep newer equipment on sites, with Tier 4+ engines, DEF fluid, and ReGen filters. Some tenants reported a preference for keeping older equipment on sites, to reduce equipment costs (see key findings). Observed equipment is all well maintained and modern. Dust generations is not a concern on sites in Iowa.*

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

**Performance Measure (PM) 5.3 Climate Smart Agriculture**

Conformance Evidence: Verbal description of application of regional BMPs to minimize greenhouse gas emissions (GHG), verbal description of Climate-Smart BMPs, discussion with employees regarding potential impacts and risks of climate change to agriculture in regions, visual confirmation of practices, lease language.

*Auditor Notes: New automated equipment is implemented to reduce passes and increase efficiency. Newer equipment is high efficiency, with Tier 4+ engines, ReGen filters, and DEF fluid. Heat resistant crop varieties are employed, and cover crops (rye, oats, wheat) are leveraged where possible. Peoples Company has partnered with groups such as Practical Farmers of Iowa (PFI) to promote the use of cover crops and operate a cost share program for seeds. Climate change adaptations include reduced tillage, compaction detection, climate smart crop varieties and rotations, and water retention and control structures (terraces). Some sites reported experimenting with carbon sequestration systems (CIBO, Indigo, and Corteva). Peoples Company recently pledged 20,000 acres to enroll in CIBO's soil carbon platform.*

**Result: In Conformance**

**OBJECTIVE 6: Waste and Material Management**

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

Conformance Evidence: Lease language, managers handbook, farm inspection templates, verbal descriptions of practices in place, visual confirmations of practices.

*Auditor Notes: Waste is not stored on sites, per lease requirements. Jugs are triple rinsed and slashed, then returned to chemical companies for recycling. Third parties and dealers handle waste removal and disposal for the most part. Some waste may be burned, which managers ensure is performed appropriately during inspections. Storage on sites was clean and organized.*

**Result: In Conformance**

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

Conformance Evidence: Verbal description of efforts to prevent losses of food crops during harvest and storage, verbal description of practices to reuse, repurpose, and recycle product, crop residues, and agriculture waste, visual confirmation of practices, images of extensive crop residue use, lease language.

*Auditor Notes: Extensive crop residue left in place, knifed into soil before corn planting. Leases with tenants ban the removal of forage or crop residues. Grain bins located on sites for harvest staging and efficient transport.*

**Result: In Conformance**

**OBJECTIVE 7: Conservation of Biodiversity**

**Performance Measure (PM) 7.1 Species Protection**

Conformance Evidence: Site maps, verbal descriptions of processes during due diligence to confirm species locations, due diligence documents.

*Auditor Notes: Manager's handbook covers awareness of threatened / endangered species on properties. Mapping of species territory is performed in some areas. Summer reports provide resources regarding special sites and biodiversity on sites.*

**Result: In Conformance**

**Performance Measure (PM) 7.2 Wildlife Habitat Conservation**

Conformance Evidence: Verbal descriptions of efforts to assess native habitats and natural communities, verbal descriptions of practices for managing native habitats and natural communities, verbal descriptions of programs and practices for managing Ecologically Important Sites, verbal description of application of regional BMPs on cropland to create wildlife habitats, visual confirmation of practices, site business plans, farm inspection reports, lease language.

*Auditor Notes: Beneficial and non-invasive wildlife is allowed access to properties. While production is primarily "fence to fence" on properties, wildlife habitats on some sites are set aside and tenants engage in CRP. Cover crops on sites provide habitat for smaller wildlife and birds. No-till and minimized tillage is integrated into FSA requirements in Iowa. Prairie buffers were found on multiple sites. Native grasses and pollinator mix on sites, put into use with the assistance of native grass experts. Extremely well integrated multi-use property at the Stonehaven location with hunting leases, agritourism, production agriculture, conservation outreach, dog training, and event spaces all on a common site.*

**Result: In Conformance, Exemplary Practice (See Key Findings)**

**Performance Measure (PM) 7.3 Avoided Conversion**

Conformance Evidence: Verbal description of practices and decision making to avoid land use conversion and fragmentation of Natural Communities and Ecologically Important Sites, identified sites on maps, lease language, due diligence reports, internal memos and handbooks, deforestation policy.

*Auditor Notes: Properties are long term farmland with no history of forested areas. Lease language specifies no plowing, converting, or live tree cutting. Development practices avoid unnecessary conversion when acquiring new clients. Standalone deforestation policy has been created. Some NRCS projects are underway on properties without HEL soils (the presence of HEL soils would trigger required FSA conservation practices).*

**Result: In Conformance**

**OBJECTIVE 7: Conservation of Biodiversity (Continued)**

**Performance Measure (PM) 7.4 Crop Diversity**

Conformance Evidence: Verbal descriptions of varieties of crop species and companion crops, verbal description of crop species alternatives and changes, lease language, farm inspection reports, site business plans.

*Auditor Notes: Crop species are varied and rotated based on specific criteria, including soil health and responses to market conditions. Repeated rotations (corn to corn) are avoided even when markets would recommend otherwise. Seed dealers make recommendations based on forecasts and newly available options. Cover crops on sites add diversity to soil profiles.*

**Result: In Conformance**

**OBJECTIVE 8: Protection of Special Sites**

**Performance Measure (PM) 8.1 Site Protection**

Conformance Evidence: Verbal description of procedures to access information from natural heritage data or use of experts that identify special sites, due diligence procedures, site business plans, soil surveys, site maps.

*Auditor Notes: Protected sites requiring special consideration are identified during due diligence. When archeological sites have been identified and disclosed by tenants, regional management contacted the University of Iowa, zoned the area and surrounding pasture, and worked with the University to research and probe the site. Some farms have ceremonial activities on sites and provide an easement to indigenous groups.*

**Result: In Conformance**



**OBJECTIVE 9: Local Communities**

**Performance Measure (PM) 9.1 Economic Well-Being**

Conformance Evidence: Lease language, direct observation and narratives, press coverage of Peoples Company.

*Auditor Notes: Peoples Company and tenants buy from local suppliers in a 20-30 mile radius, make donations to local groups and fundraisers, and support a shared purchasing co-op to give tenants access to collective bargaining on seed and chemicals that they otherwise would not have access to.*

**Result: In Conformance, Exemplary Practice (See Key Findings)**

**Performance Measure (PM) 9.2 Community Relations**

Conformance Evidence: Direct observation, press coverage of Peoples Company, managers handbook, internal memos, Leading Harvest Company Policy Update Memo, Indigenous Peoples Policy, Social Responsibility Policy.

*Auditor Notes: Peoples Company is engaged with their local communities, sponsoring events, participating in state level research, putting on speaking events and the Land Investment Expo annually, and identifying local talent to operate properties. Peoples Company has also started an integrated "Agrihood", where a community is interwoven into a working farm site. Agritourism is welcomed at the Agrihood, with a trust-based commerce system, education about professional farming as well as personal gardening, and providing farm tours and public showcases. Peoples Company clients have begun to experiment with production agriculture areas that are integrated into business parks to supply materials from the farm for local business and buildings.*

**Result: In Conformance, Exemplary Practice (See Key Findings)**

**Performance Measure (PM) 9.3 Local Communities and Indigenous Peoples**

Conformance Evidence: Direct observation, press coverage of Peoples Company, managers handbook, internal memos, Leading Harvest Company Policy Update Memo, Indigenous Peoples Policy, Social Responsibility Policy.

*Auditor Notes: Peoples Company's social responsibility policy meets the requirements of the LH FMS. Peoples Company avoids overstepping their tenants' responsibilities, since some clients have relationships with tenants that were in place before Peoples Company took over management of the property. Title research is performed during due diligence to confirm ownership status and history of the property. Peoples Company's indigenous peoples statement addresses the rights of indigenous populations explicitly. Peoples Company is an active presence in their local communities, with numerous examples of outreach. Contact information on farms is posted publicly.*

**Result: In Conformance**

**OBJECTIVE 9: Local Communities (Continued)**

**Performance Measure (PM) 9.4 Public Health**

Conformance Evidence: Verbal descriptions of health and safety regional BMPs, visual confirmations of health and safety BMPs, Social Responsibility Policy, safety trainings, lease language.

*Auditor Notes: Most properties are managed by families, with no farm labor or farm labor contractors (FLCs) on sites. There are small numbers of employees on special sites, such as the Agrihood. The Agrihood is operated in a manner to demonstrate to the public how safe production agriculture can be. During sprays, signs are posted by roads in the public's view.*

**Result: In Conformance, Exemplary Practice (See Key Findings)**

**OBJECTIVE 10: Employees and Farm Labor**

**Performance Measure (PM) 10.1 Safe and Respectful Working Environment**

Conformance Evidence: Verbal descriptions of hiring, interviewing, and onboarding practices, job listings, employer reviews, new employee orientation materials, policy manual.

*Auditor Notes: W-2 employees are full-time and well experienced. Peoples Company is an Equal Opportunity Employer (EOE). Staff on farms are either family or extremely small. Peoples Company has a diverse staff at their home office and appears gender equitable from interviews with staff. Operators at times become emotional when discussing their appreciation of Peoples Company.*

**Result: In Conformance**

**Performance Measure (PM) 10.2 Occupational Training**

Conformance Evidence: HR policies related to safe work environment, management handbook, lease language, site business plans, 2021 addendum to management handbook, policy manual, Farmsafe materials added to reports.

*Auditor Notes: Safety is covered in lease language and policy manual. Tenants reflect an understand of safety requirements and report safety as a top priority. Cover crop education programs are provided, along with three years' worth of supplies if a certain brand of seed is purchased.*

**Result: In Conformance**

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#### OBJECTIVE 10: Employees and Farm Labor (Continued)

##### Performance Measure (PM) 10.3 Supporting Capacity for Sustainability

Conformance Evidence: Management handbook, lease language, site business plans, socially responsible white paper, 2021 Goals and Objectives, business plans, 2021 Site visit binders, org chart.

*Auditor Notes: A commitment to LH FMS is documented in the 2021 Goals and Objectives, and leadership of Peoples Company has spoken publicly regarding the LH FMS. Managers check on farm conformance 3-4 times per year, or more during capital improvement projects. Molly Aronowitz has been tasked with overseeing LH FMS conformance and certification, and fully understands the process and requirements of the LH FMS. Manager handbook has job descriptions and listed expectations for managers. Conservation amendments for tenants and owners assign roles and responsibilities as well as cost shares. Cover crop education and cost share programs exist for tenants. Accredited Farm Manager (AFM) and other trainings are sponsored by Peoples Company. Multiple sustainability consultants are contracted with on certain sites. Staff are required to become AFM and real estate brokers to maintain employment with Peoples Company.*

**Result: In Conformance**

##### Performance Measure (PM) 10.4 Compensation

Conformance Evidence: Verbal description of wage setting procedures, 2020 Salary ranges, Interview responses on wages, local pay averages.

*Auditor Notes: Compensation is set at an appropriately competitive level in all regions.*

**Result: In Conformance**

##### Performance Measure (PM) 10.5 Farm Labor

Conformance Evidence: Evidence: N/A.

*Auditor Notes: N/A, no temporary labor on farms.*

**Result: N/A**

**OBJECTIVE 11: Legal and Regulatory Compliance**

**Performance Measure (PM) 11.1 Legal Compliance**

Conformance Evidence: Verbal descriptions of methods by which employees have access to legal information, interviews with managers and risk management regarding legal compliance, site business plan, farm inspections, lease renewals, FSA compliance documents.

*Auditor Notes: Staff in Clive office manage legal compliance. Conservation plans reflect HEL compliance and wetland determinations. Neighbors can report out of compliance farms to crop insurance companies. Multiple years of FSA compliance and conservation requirements on record. Commitment to legal compliance is reflected in annual business plans for sites. Currently there are no existing workplace complaints or complaints from neighbors.*

**Result: In Conformance**

**Performance Measure (PM) 11.2 Legal Compliance Policies**

Conformance Evidence: Manager’s handbook, site business plans, lease language, Social Responsibility Policy, EOE status, Indigenous Peoples Policy, Company Policy manual, interview responses and confirmations.

*Auditor Notes: Crops are certified to 156EZ farm records. Business plans for the upcoming year include a commitment to compliance. A social responsibility policy is in place. Peoples Company is an EOE. Indigenous Peoples Policy is in place. Company policy manual collects policies and provides context and guidance on their use. Peoples Company is in compliance with International Labor Organization (ILO) Conventions to the full extent of US law. Lease language reflects a tenant’s right to operate in the manner they see fit (“Quiet Enjoyment”) while in conformance with the requirements of the lease.*

**Result: In Conformance**

**OBJECTIVE 12: Management Review and Continual Improvement**

**Performance Measure (PM) 12.1 Farm Review and Continual Improvement**

Conformance Evidence: Verbal descriptions of performance review systems, site business plans, annual reporting on site performance, inspection reports, white paper on sustainable agriculture.

*Auditor Notes: The design and implementation of internal controls related to continuous improvement and management review was reviewed with leadership responsible for enforcement. The control environment was determined to be well designed and planned. Monitoring is continuous on sites. The LH FMS has been integrated into standard operations, with corrective action plans descriptions, assignments to personnel, and timelines estimated. Managers perform regularly scheduled inspections on sites and tenant operations. Monitoring and performance records are maintained and utilized by managers in planning discussions with tenants. Sustainable Management Plans are submitted to review for LH FMS appropriateness.*

*Employees generate their own performance and business plan, then have a mid-year review schedule. Employees pay for AFM and Real Estate Broker testing if they do not pass. Managers are members of the American Society of Farm Managers and Rural Appraisers (ASFMRA), with staff in leadership roles. Ethics and legal reviews happen every three years.*

*White papers on sustainable agriculture provides language on support for Iowa Agricultural Development Division and has been integrated into management handbooks. Managers are encouraged to join boards and panels on a variety of topics that advance thinking in agriculture. Peoples Company is a supporter of Practical Farmers of Iowa (PFI) and engages in partnership on cover crop programs. A \$20,000 donation was made to an ag innovator group with Iowa State University.*

**Result: In Conformance**

**Performance Measure (PM) 12.2 Support for Sustainable Agriculture**

Conformance Evidence: Staff interviews, PFI materials, white paper on sustainable agriculture, press coverage of Peoples Company.

*Auditor Notes: Peoples Company is a supporter of Practical Farmers of Iowa (PFI) and engages in partnership on cover crop programs. Peoples Company produces the Land Investment Expo annually, with multiple workshops and group sessions. Yield trials are conducted on farms. White paper produced in 2020 detailed the benefits of sustainable agriculture.*

**Result: In Conformance, Exemplary Practice (See Key Findings)**



**OBJECTIVE 13: Tenant Operated Operations**

**Performance Measure (PM) 13.1 Leased Land Management**

Conformance Evidence: Lease language, site business plans, management handbook and addendums, 2021 Goals and objectives.

*Auditor Notes: Peoples Company engaged in a preliminary readiness review of their LH FMS conformance before engaging in certification audits. Written documents were supplied for review and satisfactory. Sustainable ag white paper content is integrated into manager handbooks. Lease language address commitment to agricultural best practices. Conservation amendment for new tenants is specific on conservation practices and has owner / farmer responsibility columns to clarify roles. Formalized business plans report on CRP contracts, goals for the year, and Peoples Company's Sustainable Management Cycle. Materials from tenants regarding operations, safety, and legal compliance are submitted annually to assist in business plan creation.*

**Result: In Conformance, Exemplary Practice (See Key Findings)**

**Performance Measure (PM) 13.2 Leased Land Monitoring**

Conformance Evidence: Site business plans, farm inspection reports, lease language, management handbook.

*Auditor Notes: Business plans serve as the primary function of the verifiable monitoring system. Business Plans report on Wetland determination, HEL designations, CRP contracts, certified acres, fertilizer application, crop protection, soil testing, goals for year, soil testing, commodity pricing, regional Corn Suitability Ratings (CSR), USDA information (on geographies, special sites, soil health), and the sustainable management cycle. Managers engage in regular informal meetings with tenants regarding a variety of current issues. Quarterly inspections, worksheets, and reporting formalize the review process. Farmer tenants file annual reports on sustainable management practices. Farm inspection reports record progress and implementation of management plans. The creation of the annual business plan demands identifying areas of improvement for each farm in the sustainable management cycle. The annual business plan is prepared for client use and are required to reflect current situations and conditions.*

**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 examination.

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

**Opportunities for Improvement (OFI):** Two opportunities for improvement were identified during the audit.

1. Indicator 5.2.1 Air Emissions:
  - a. In many tenant visits, it became apparent that Peoples Company holds a unique position not only as a manager, but also as an educator and influencer for helping tenants improve their sustainability and conservation practices while increasing production efficiency and maximizing yield. In a few interviews, the preference for older, less efficient equipment was expressed. There could be an opportunity to assist hesitant tenants in taking advantage of some newer equipment. Newer equipment may run more efficiently, either through more modern engines and implements, or through more automated operations.
  
2. Indicator 13.2.1b Leased Land Monitoring:
  - a. Similar to the previous note, multiple tenants expressed frustrations and challenges regarding the use of cover crops. The challenges tenants face are related to timing cover crops with soybean growth, and managing cover crops at soybean harvest. There could be an opportunity, possibly through one of Peoples Company's many partnerships to provide insight and management advice on the appropriate use of cover. Education and enlightenment on the benefits of cover to yield could be beneficial and compelling to tenants.

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**Exceptional Practices:** Eight exceptional practices were identified during the examination.

1. Indicator 1.1.2 Farmland Stewardship
  - a. Auditors were impressed during document reviews how well defined the Qualities of a Good Operator were in the management handbook. This clarity of thought shows that Peoples Company has identified the approach the company takes to farm management, and it is reflected in the quality of management Peoples Company employs on their teams.
2. Indicator 2.1.4 Crop Residues
  - a. While the program is assisted by the FSA in Iowa on HEL Soils, the extensive implementation of residues left in field was impressive to auditors. Residues are left out after corn harvest even on sites that are not designated HEL soil.
3. Indicator 7.2.3 Cropland for Wildlife Habitat
  - a. The property at Stonehaven was a well-integrated multi-use property. Hunting leases, agritourism, production agriculture, conservation research, dog training, event destinations, and neighboring homes all integrated into common tracts of land was impressive. Management of the site was very involved, with managers going out of their way to find the least intrusive access areas to tillable acres.
4. Indicator 9.1.1 Economic Contributions
  - a. On top of multiple donations to public groups, Peoples Company has formed a shared purchasing co-op for seed and chemicals. This allows operators and tenants access to collective bargaining on prices that otherwise they would not have access to.
5. Indicator 9.2.1 Community Engagement
  - a. Peoples Company engages in a number of public outreach initiatives, community engagements, and sponsorships. Among the more unique programs that Peoples Company takes part in were balloon festivals, research and grant projects, hosting the Land Investment Expo every year, the "Agrihood" and other agritourism, integrated ag / business parks, as well as farm tours and public showcases. Peoples Company is recognized and respected by the ag community in Iowa by other influential agriculture professionals.
6. Indicator 9.4.1 Public Health and Safety
  - a. On the Agrihood project location, homes and neighborhoods are integrated into an active working farm. This is an interesting exercise in showing the public how farms can be safely operated in close proximity to the public.
7. Indicator 12.2.1 Support for Agricultural Research
  - a. Peoples Company engages in a number of research projects. Besides the company's heavy involvement with Practical Farmers of Iowa (PFI), there are yield trials on farms, research groups active on test plots, field visits and field days, and yield trials on select sites.
8. Indicator 13.1.3 Communicating Leased-Land Objectives
  - a. Communicating Leading Harvest objectives and principles is not a challenge for Peoples Company. Leading Harvest content is integrated into farm visits by managers, and annual reporting for each farm.

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**Review of Previous Audit Cycle** N/A

## CONCLUSIONS

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

Peoples Company's enrolled acreage is recommended for certification to the Leading Harvest Farmland Management Standard 2020.

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| Summary of Audit Findings   |   |
|---|---|
| <b>Program User</b>   | Peoples Company   |
| <b>Audit Dates</b>  | May 21, 2021 – June 25, 2021 (HQ – Remote)<br>May 24, 2021 – May 25, 2021 (Iowa)  |
| <b>Non-Conformances Raised (NCR):</b>                                       | <i>Major</i> <span style="margin-left: 150px;"><i>Minor</i></span>  |
|   | 0 <span style="margin-left: 150px;">0</span>  |
| <b>Follow-Up Visit Needed?</b>  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <i>Date(s)</i>                                      |
| <b>Follow-Up Visit Remarks</b>  | N/A   |
| Team Leader Recommendations   |   |
| <b>Corrective Action Plan(s) Accepted</b>                                   | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/> <i>Date</i>            |
| <b>Proceed to/Continue Certification</b>                                    | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> <i>Date</i> 06.25.2020 |
| <b>All NCR Closed</b>   | Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/> <i>Date</i>            |
| Standard(s) Audited Against   |   |
| Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13) |   |
| <b>Audit Team Leader</b>  | <b>Audit Team Members</b>   |
| Matt Armstrong  | Kyle Rusten   |
| Scope of Audit  |   |
| Management of production farmland on direct and tenant operated properties. |   |
| <b>Accreditations</b>   | Approval by Leading Harvest to provide certification audits   |
| <b>Number of Certificates</b>   | 1   |
| <b>Certificate Number</b>   | 2021-0003   |
| <b>Proposed Date for Next Audit Event</b>                                   | TBD   |
| <b>Audit Report Distribution</b>  | Peoples Company: Mollie Aronowitz (mollie@peoplescompany.com)   |