



## **CERES PARTNERS**

**South Bend, Indiana**

LEADING HARVEST FARMLAND MANAGEMENT  
STANDARD 2020 AUDIT SUMMARY REPORT:  
2024 SURVEILLANCE II

**July 30, 2024**





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**Certification Audit**    **Re-Certification Audit**    **Surveillance Audit**    **Scope Extension**

## **CERES PARTNERS**

### **LH FMS AUDIT SUMMARY REPORT**

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## **INTRODUCTION**

This report summarizes the results of the surveillance audit conducted on Ceres Partners (Ceres) managed production agriculture properties. The audit was conducted by Matt Armstrong, Lead Auditor for Averum. Matt Armstrong has 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 the United States. Site visits were conducted by Nick Banach and Linnea Abel, Field Auditors. 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). The audit process and reports were independently reviewed by Holly Salisbury, who is a certified public accountant in the state of California and has expertise on multiple crop types in the United States.

## **SCOPE AND OBJECTIVE**

In 2024, Averum was engaged by Ceres to perform an audit of sustainability performance on 100,000–250,000 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 Michigan. There was no substitution or modification of LH FMS performance measures.

## **COMPANY INFORMATION**

Ceres is an independent agricultural investment firm. Farm operating tenants and management contractors are responsible for the day-to-day farmland management services for Ceres' properties. Ceres opted to enroll 100 percent of their agricultural properties for certification to the LH FMS in 2022 and meets requirements to engage in broader sampling to simplify the process of meeting and maintaining certification requirements.

During the surveillance audit, fourteen (14) sites in Michigan were selected, with two Portfolio Managers (PM) and two tenants included. Managers overseeing decision making and standard compliance for sample regions provided evidence and participated in interviews. The properties in these regions are a representative sample of current practices in place and management decision making. The primary agricultural production on sites is corn, soy, and blueberries.

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## AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. Ceres coordinators uploaded evidence and provided supporting documentation for auditor review. An opening meeting was held on June 21st, 2024, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in Michigan were examined on June 25th, 2024. A closing meeting was held on July 30th, 2024.

Throughout the audit engagement, information and communication technology (ICT) was employed for a variety of tasks. An online portal was provided and made available for clients to supply documentation for review, provide feedback on observation and notes, and for multiple levels of audit team reviews and signoffs. Throughout the audit engagement, conference calling technology (including Zoom, Microsoft Teams, etc.) was leveraged for meeting with clients, conducting management interviews, follow-up interviews, and Opening and Closing meetings. As LH FMS engagements are geographically decentralized, the use of ICT was deemed not only appropriate, but necessary.

### Opening Meeting: Conference Call

June 21, 2024

#### Attendees:

(Ceres) Nate Kaehler, Travis Alexander

(Audit Team) Matt Armstrong, Nick Banach, Jacques Werleigh, and Linnea Abel

#### 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

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#### Closing Meeting: Conference Call

July 30, 2024

**Attendees:**

(Ceres) Travis Alexander and Nate Kaehler

(Audit Team) Matt Armstrong, Nick Banach, and Linnea Abel

**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): 2
  - Notable Practices: 4
- Report timing and expectations: Matt Armstrong

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## MULTI-SITE REQUIREMENTS

Ceres maintains operations on properties across multiple states in North America, including Michigan. PMs are responsible for developing management action plans regarding LH FMS conformance. Ceres' current review and monitoring process is effective and ongoing.

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

Region	Crop	Properties Examined During Engagement
Michigan	Corn, soy, blueberries	Fourteen (14) sites visited during audit <ul style="list-style-type: none"><li>- Michigan farms represent 30% of enrolled acreage nationwide in the US.</li><li>- Management population: Two (2) PMs, two (2) tenant operators.</li><li>- Sites visited: Sauve, Godsey, Thrall, Keller, White, Nodruff, Krikke, Pursley, Book, Stamp-Boley, Stamp-Gano Pad, Stamp-Houdak, Stamp-Blough, and Covert Farms.</li></ul>



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## AUDIT RESULTS

Overall, Ceres' 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 fourteen operating sites in Michigan. Visits were post-planting and after heavy rainfall, so erosion management, drainage, and pest management were highlighted. Central and regional management representatives, as well as operating tenants, were present and interviewed to illustrate Ceres' conformance and policy implementation. Central office staff with roles that impact LH FMS conformance were interviewed to determine awareness of and support for LH FMS conformance, and to illustrate company practices and procedures not performed by farm managers. Ceres' PM served as guides and were available throughout the entire engagement, providing logistic support and honoring evidence requests wherever needed.

## 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):** Two (2) opportunities for improvement were identified during the audit.

1. 7.1.2 At-Risk Species

- a. Ceres does not have an at-risk species program in place. Tenants did not mention wildlife, outside than nuisance animals that are occasionally spotted on farm sites. Tenants become aware of species as they are witnessed onsite without a process to detect or anticipate potential at-risk species. Developing a process to proactively identify species worthy of protection may support healthy wildlife populations of at-risk species.

2. 8.1.2 Special Site Management

- a. Auditors were made aware of a site that potentially has a cemetery on the property. The site has not been identified by the USDA, is not registered on an historic registry, and did not appear in title research during the due diligence process. Since the property's acquisition, Ceres' management was made aware of the site and their approach is consistent with the treatment of other identified special sites. Further research or registration may avoid risks of mismanagement in the event the cemetery poses cultural or historic significance.

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

1. 1.1.2 Farmland Stewardship
  - a. Both tenants went out of their way to tell us how much they appreciated working with Ceres because they understand the value of making investments in farmland. Both tenants highlighted significant improvements made (or being made) while we were on site. Site improvements include extensive drainage tile, ditch maintenance, and new wells.
2. 1.2.1 Adapting to Critical External Factors
  - a. PMs partner closely with tenants to support improvement projects and advocate for projects to be implemented efficiently. PMs understand practical issues tenants may encounter during site improvements, including appropriate setbacks from roads for newly installed electric panels, and whether subsequent improvements to electric systems are necessary to support new pivots and wells.
3. 5.1.2 Renewable Energy
  - a. Ceres continues to prioritize renewable energy project development and active inclusion in property management strategies.
4. 12.1.3 Agricultural Innovation
  - a. Ceres' close relationships with tenants facilitates their ability to quickly initialize site improvement requests. PMs communicate frequently with tenants and justify capital improvement projects when a 10% ROI can be achieved.



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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.

**Objective 1: Sustainable Agriculture Management**

**1.1 Sustainable Agriculture Stewardship**

**Conformance Evidence**

- Sustainability and Governance Policy
- CAPEX plans
- Leading Harvest Sustainability Commitment
- Scoping document
- Site improvement contracts
- CRP Contract

**Auditor Notes**

- Ceres' Sustainability and Governance Policy provides a comprehensive written commitment statement and a list of goals that describe sustainable agricultural stewardship in adherence with the Leading Harvest Standard.
- Ceres' Leading Harvest Sustainability Commitment outlines response from previous years' certification and surveillance findings to guide continual improvement.
- Ceres' management demonstrates their understanding of the long-term value in making infrastructure investments on managed farmland to enhance its functionality and maximize yield potential. Ceres has granted capital expenditure requests with consideration for current market pressures, including inflation, increasing pressure from supply chains, overall higher prices, and targeted return on investments (ROI).
- Ceres works diligently to understand their tenants' needs and support them through every step of an improvement process. Site improvements observed during this surveillance include tile projects, well installation, and electric upgrades.
- Ceres works with state and local governments to conduct highest and best use analyses on properties that consider economic impacts. Ceres has built renewable energy projects on site within the portfolio.
- Ceres commits to maintaining farmland for long-term production. Ceres considers converting land from agriculture if it serves the local community, does not present negative environmental impacts, and addresses the highest and best use of the land.

**Result: In Conformance, Notable Practice**

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#### Objective 1: Sustainable Agriculture Management (Continued)

##### 1.2 Critical External Factors

###### **Conformance Evidence**

- Sustainability and Governance Policy
- Soil Tests
- CAPEX plans
- Farm maps

###### **Auditor Notes**

- Ceres' management communicates frequently with tenants to identify needs and address critical tenant concerns.
- Ceres conducts annual reviews of farm performance to revisit issues that were reported throughout the year.
- Ceres works with investors, tenants, and neighbors through certified mail, phone calls, and responses to website inquiries to remain informed of critical external factors and opportunities.
- Critical external factors are communicated with tenants using ShareFile. Documents are sent and received by Ceres on topics such as yield data, soil maps, capital expenditure suggestions, current issues on sites, and compliance with farm programs.
- Ceres assigns a Lead PM and a backup PM to each tenant. PMs travel extensively to conduct site visits, meet with tenants, inspect farms, and support farmland improvement and acquisitions.

**Result: Notable Practice**

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### Objective 2: Soil Health and Conservation

#### 2.1 Soil Health

##### **Conformance Evidence**

- Lease agreement
- Soil tests
- Ceres Partners Sustainability Commitment
- Tile project site photos
- Tillable Soil maps
- Site photos (cover crops, crop residue)
- Tile repair and maintenance records
- Lease agreement

##### **Auditor Notes**

- Tenants document all application rates and timing, work with certified crop advisors (CCAs) to determine if nutrient deficiencies present themselves during field inspections, and use conservation tillage practices (minimum till and no-till).
- Tenants use cover crops when economically feasible and with consideration for adverse fields conditions (i.e. wet fields causing late harvest of corn).
- Tenants maintain crop rotations of corn and beans, then plant rye, oats, and winter wheat cover crops in the fall.
- Tenants conduct soil tests every three or four years at a minimum. Soil health tests are conducted on 2-3 acre and 5-acre grids.
- Tenants are participating in a trial that uses weekly tissue samples to support nutrient uptake research.
- Tenants follow management calendars developed with CCAs.
- Tenants use soil maps and drainage tile maps to understand soil types, quality, and grades.
- Tenants use informal and documented Nutrient Management Plans, soil tests, historic application records, tissue tests, agronomist recommendations and CCA recommendations to guide planting and seasonal crop management.
- Tenants apply fertilizer based on crop availability and time-specific need, will use different methods (i.e. pre-emergent, side-dressing, foliar application) with consideration for soil conditions and concern for leaching.
- Tenants make annual potash amendments to increase nutrient uptake.
- Tenants leave crop residues and stubble after harvest on fields to increase soil organic matter and provide armor for the soil.
- Tenants plant directly into crop stubble or lightly incorporate using a disc the following spring.

**Result: In Conformance**

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#### Objective 2: Soil Health and Conservation (Continued)

##### 2.2 Soil Conservation

###### **Conformance Evidence**

- Tile repair and maintenance records
- Tile maps
- Site photos (tile projects)

###### **Auditor Notes**

- Tenants leave crop residues on field including wheat shafts (straw from cover crop) to provide soil armor after harvesting.
- Ceres management pulls available FSA maps and USDA information regarding highly erodible land (HEL) determinations prior to acquisition.
- Sites practice minimum and no-till to mitigate soil erosion.
- Tenant interviewed reported switching to chisel plow to reduce erosion.
- Tenant sites included buffers to roads and waterways to prevent additional erosion and water runoff.

**Result: In Conformance**

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## Objective 3: Water Resources

### 3.1 Water Use

#### **Conformance Evidence**

- Water Withdrawal Request
- Water Permits
- Protection of Waters Program
- Tile repair and maintenance records
- Tile maps
- Flow meter invoices
- Pivot invoices

#### **Auditor Notes**

- There are no active water usage restrictions in the Midwest.
- Ceres coordinates interactions with tenants and state water agencies that provide water usage oversight. Well usage records are maintained. Pivot water usage is estimated and submitted to the state.
- Tenants use irrigation software to control water usage remotely and compile water usage data. Software allows tenant to manage pivots remotely. Water records are shared annually with Ceres and the State of Michigan.
- Ceres works with geologists to determine the potential for water on sites where well installations are being considered. Ceres will complete preliminary well registration when required by state law, and the well driller assesses water quantity at various depths once drilling begins to drill to a depth necessary to appropriately irrigate crops.
- Sites selected during this year's audit are both irrigated with pivots and non-irrigated land.
- Tenants maintain irrigation records and provide them to Ceres management. Many wells are metered, but it is not a regional requirement.
- Sites that are prone to saturation are heavily tiled.
- Sites were visited after heavy rainfall. Sites had standing water in some areas. Ceres management provided tile maps and were aware of which sites will require maintenance and installation of drainage tile since acquisition.
- Site selected was in the process of installing a new well to maximize yield on acreage and enhance pivot performance. Pivot nozzles and flow rates were taken into consideration by tenant and PMs.

**Result: In Conformance**

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#### Objective 3: Water Resources (Continued)

##### 3.2 Water Quality

###### **Conformance Evidence**

- Lease agreement
- Site photos (cover crop)

###### **Auditor Notes**

- Site selected has significant drainage ditches throughout the property. Applicators do not spray near the drainage ditches, and tenants let native vegetation grow along the banks to prevent additional runoff.
- Soil testing, Crop Plans, agronomists' recommendations, and scouting support tenants' abilities to make informed decisions regarding applications and timing.
- Sites practice minimum till and no-till to minimize soil disturbances and increase soil moisture retention.
- Drainage ditches have grass strips and vegetative filters to mitigate nutrient infiltration. Drainage ditches ultimately flow to the St. Joseph and Dowagiac Rivers.
- Site selected had drainage ditches that had recently been cleared with a ditching bucket. Other areas of drainage ditches were slow flowing; additional maintenance was planned to improve flow. Ceres managers were aware and are in ongoing conversations with the tenant regarding scheduling maintenance.

**Result: In Conformance**

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#### Objective 4: Crop Protection

##### 4.1 Integrated Pest Management

###### **Conformance Evidence**

- Sustainability Policy
- Yield map

###### **Auditor Notes**

- Tenants scout sites regularly throughout the growing season. Sites are visited several times per week early in the growing season. Once plants become more established, scouting is reduced to weekly or biweekly visits.
- Tenants track all timing, rates, and products applied. Records are provided to Ceres management.
- Tenants adhere to spray schedules developed with CCAs.
- Nutrient Management Plans (NMPs) are adjusted to reflect hog manure applications and result in an overall reduction of synthetic fertilizer.
- Tenants practice 3- or 4-year rotations of corn, soy, and wheat to prevent buildup of pest pressure.
- Tenants report low pest pressure this year. Greatest pest concerns are white-tailed deer and corn rootworms.

**Result: In Conformance**

##### 4.2 Crop Protectant Management

###### **Conformance Evidence**

- Lease agreement

###### **Auditor Notes**

- Sites selected do not have chemical storage.
- Tenants maintain Restricted Materials Permits (RMPs) and applicators have Private Applicator licenses.
- Tenant of select site notifies neighbors during any aerial spray activities, which are infrequent.
- Leases require tenants to handle agrochemicals lawfully and in alignment with regional best management practices.

**Result: In Conformance**



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

### 5.1 Agricultural Energy Use and Conservation

#### **Conformance Evidence**

- Solar lease
- Wind lease agreements

#### **Auditor Notes**

- Tenants maintain equipment inventories and maintenance logs to ensure farm equipment is operating efficiently.
- Farm equipment uses real time kinematic (RTK) positioning, diesel exhaust fluid (DEF), and autosteer technologies.
- Tenant uses Precision Ag Technology.
- Ceres owns multiple properties with wind turbines and solar projects. Site selected will have solar project installed this fall.
- Renewable energy projects allow farmers to earn additional income. Easements to provide access are also beneficial to farmers and enable farm equipment to navigate.

**Result: In Conformance, Notable Practice**

### 5.2 Air Quality

#### **Conformance Evidence**

- Sustainability Policy
- Scoping Document: Diesel to Electric Conversion

#### **Auditor Notes**

- Ceres management worked with tenant to obtain a Rural Energy for America Program (REAP) grant that will be used to support solar installation.
- Autosteer technology and real time kinematic (RTK) facilitate equipment pass reductions.
- Ceres management confirmed that they are not financing new diesel generated pivots. PMs have worked to upgrade some properties to electric (either three-phase, or one-phase with three-phase converter).
- Ceres provided a scoping document for a well improvement project. The document provided a cost estimate from the local energy company for converting wells from diesel to electric.
- Airborne dust is not an issue on sites selected. Sites are easily accessible via paved public roads or gravel tracks and easements.

**Result: In Conformance**

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

##### 5.3 Climate-Smart Agriculture

###### **Conformance Evidence**

- Sustainability Policy

###### **Auditor Notes**

- Sites selected had electric wells.
- Ceres has converted wells from diesel to electric.
- Conservation tillage practices reduce soil disturbances and increase soil moisture retention.
- Sites selected had old fencerows removed to facilitate more efficient passes on farms.
- Tenants use varieties with shorter growing cycles to fit shorter growing periods.
- Sites selected had frost fans present to protect crops from potential frost damage in spring months.

**Result: In Conformance**

#### Objective 6: Waste and Material Management

##### 6.1 Management of Waste and Other Materials

###### **Conformance Evidence**

- Sustainability Policy

###### **Auditor Notes**

- Tenants maintain RMPs and Private Applicator licenses. Applications are conducted by appropriately licensed employees.
- Site selected has an opportunity to recycle drip irrigation from recently converted blueberry fields. Ceres management will work with tenant to identify recycling opportunities.
- Ceres will reuse pivots from farms that have dedicated agriculture production space to solar projects.
- Ceres helps coordinate efforts between appropriate vendors to recycle scrap metal from old grain bins that need to be removed from sites.
- Sites selected do not have chemical storage. Tenants maintain RMPs and applicators have Private Applicator licenses.
- Chemical containers are triple rinsed, slashed, and recycled with vendors.

**Result: In Conformance**

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## Objective 6: Waste and Material Management (Continued)

### 6.2 Food and Agricultural Waste Resource Recovery

#### **Conformance Evidence**

- Sustainability Policy
- Site photos (cover crop, crop residue)

#### **Auditor Notes**

- Properties visited had grain bins onsite to receive, dry, and store crops.
- Tenants interviewed reported no crop loss due to hail.
- Frequent scouting and appropriate fungicide applications support crop loss prevention.
- Tenant uses hog manure from their hog operation to fertilize crops. Residues are left on fields and used for livestock fodder.
- Tenants armor soil with wheat shafts and corn stubble.

**Result: In Conformance**

## Objective 7: Conservation of Biodiversity

### 7.1 Species Protection

#### **Conformance Evidence**

- Sustainability Policy
- Highly Erodible Land determination
- Certified Wetland Determination

#### **Auditor Notes**

- Ceres' due diligence process includes collecting historical information about a property from the tenant or landowner.
- The USDA will communicate the presence or possibility of endangered or at-risk species to Ceres upon property acquisition. The USDA will provide guidance on how to address threatened and endangered species.
- Tenants have not identified endangered or at-risk species on sites.
- Ceres properties are designated as production agriculture land by the USDA and due diligence on properties are appropriately conducted.

**Result: In Conformance, Opportunity for Improvement (OFI)**

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#### Objective 7: Conservation of Biodiversity (Continued)

##### 7.2 Wildlife Habitat Conservation

###### **Conformance Evidence**

- Leading Harvest Sustainability Commitment
- Sustainability Policy
- Highly Erodible Land (HEL) determination

###### **Auditor Notes**

- Ceres has designated staff to track and maintain conformance with Farm Service Agency (FSA) requirements, Conservation Reserve Program (CRP) requirements, and other applicable requirements for Ceres and tenants.
- Wetland determinations are appealed if necessary to appropriately conserve natural areas and production land.
- Ceres is establishing wetland mitigation banks (replacement of wetland functions through the creation or restoration of wetlands) on sites within their portfolio. Wetland mitigation banks will offset adverse impacts on newly defined wetlands.
- CRP areas have clearly defined borders.
- The Natural Resources Conservation (NRCS) provides wetland determinations and delineations as part of the purchasing process.
- Hunting leases support the Michigan Department of Natural Resources herd reduction goals.
- FSA maps and title work support ecologically important site identification. Several sites selected have wetlands determinations. Wetlands are left alone by tenants and farm operators.
- Ceres has wetland mitigation banks within its portfolio to offset loss of wetlands to development projects.
- Ceres' operators create wildlife habitat by leaving wooded acres undisturbed and observing setbacks from waterways.
- Sites selected contained drainage ditches, which are attractive to wildlife, especially in warmer late summer months.
- .Most land purchased within Ceres' portfolio was farmland prior to acquisition.

**Result: In Conformance**

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#### Objective 7: Conservation of Biodiversity (Continued)

##### 7.3 Avoided Conversion

###### **Conformance Evidence**

- Leading Harvest Sustainability Commitment
- Sustainability Policy
- HEL determination

###### **Auditor Notes**

- Environmental Site Assessment (ESA) Phase I assessments are conducted during property acquisition to determine which activities are allowed on investment properties.
- Ceres does not engage in farm development investments. Properties acquired are long-term farmland.
- Tenants interviewed are multi-generational farmers.
- Ceres' Sustainability Policy contains a commitment to avoiding deforestation.
- Ceres does not purchase natural forest acreage.

**Result: In Conformance**

##### 7.4 Crop Diversity

###### **Conformance Evidence**

- Sustainability Policy
- Cover Crop contract
- Site photo (cover crop)

###### **Auditor Notes**

- Sites selected grow several different varieties. Tenant interviewed had at least seven varieties being grown on farm.
- Crop rotations are two years of corn, soy, then wheat.
- Sites selected have permanent crops and commodity crops.
- Newly acquired site had several blueberry varieties. Varieties with no market value were removed and converted to grains.
- Sites within Ceres' portfolio grow several types of crops, including celery, watermelon, blueberries, tomatoes, potatoes, corn, soy, and carrots.
- Ceres' Sustainability and Governance Policy promotes crop diversity on its properties by collaborating with tenants to establish crop rotation plans throughout the duration of the lease.
- Tenants are required to use regional BMPs in leases and are encouraged to use cover crops to promote soil health and control airborne dust.

**Result: In Conformance**

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#### Objective 8: Protection of Special Sites

##### 8.1 Site Protection

###### **Conformance Evidence**

- Leading Harvest Sustainability Commitment
- Sustainability Policy

###### **Auditor Notes**

- Ceres has dedicated staff to pull title work prior to acquisition to review whether any special sites are identified on properties.
- Sites selected do not have culturally significant sites on properties.
- FSA 156EZs are used by Ceres to identify wetlands on sites. Operators avoid wetland areas.
- Regional Indigenous populations assist with special site identification. Cultural assessments must be conducted on land being considered for solar options.

**Result: In Conformance, Opportunity for Improvement (OFI)**

#### Objective 9: Local Communities

##### 9.1 Economic Wellbeing

###### **Conformance Evidence**

- Sustainability Policy
- Tax bill

###### **Auditor Notes**

- Office managers ensure local taxes are paid. Ceres' payroll is performed by a third-party payroll firm.
- Ceres engages Deloitte to audit Ceres' financial statements and provide K-1 tax forms for investors.
- Ceres has a financial controller who oversees the bookkeeping duties and financial reporting compliance.

**Result: In Conformance**

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#### Objective 9: Local Communities (Continued)

##### 9.2 Community Relations

###### **Conformance Evidence**

- Sustainability Policy
- Community Support and Engagement document

###### **Auditor Notes**

- Ceres supports local county fairs through monetary donations and purchasing farm animals.
- Tenants can bring local causes of concern to Ceres management and request financial support.
- Ceres works with regional governments to identify highest and best uses for agricultural conversion projects, including opportunities for renewable energy.
- Tenants interviewed donate several Christmas hams to home for dependent adults across the street from site selected each year.
- Ceres teaches or presents at universities and business development organizations (Economic Club) annually, and supports local youth sports teams.

**Result: In Conformance**

##### 9.3 Local Communities and Indigenous Peoples

###### **Conformance Evidence**

- Sustainability Policy
- Leading Harvest Sustainability Commitment

###### **Auditor Notes**

- Ceres maintains a written commitment to recognize and respect the rights of local communities and treaty rights of Indigenous Peoples.
- Ceres acreage is registered as production agriculture land with USDA and is not community or Indigenous owned.
- Ceres' website gives community members an avenue to submit inquiries. The Lead PM of the tenant who operates the farm in question will contact the party that submitted the inquiry.
- Community requests to tenants are received by tenants. Tenants work closely with PMs and escalate issues of concern to PMs, who take accountability and work toward a solution.

**Result: In Conformance**



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#### Objective 9: Local Communities (Continued)

##### 9.4 Public Health

###### **Conformance Evidence**

- Sustainability Policy

###### **Auditor Notes**

- Lease language clarifies tenant liability for injuries on or off the property.
- Ceres cautiously considers requests for public access to the properties. Permission is denied if an accident risk is identified, such as use of farms in the winter for snowmobiling.
- Bulletins are posted on sites by crop consultants to keep tenants informed of safety issues.
- Spray activities are closely controlled and neighbors are informed of aerial applications on sites.
- Ceres' website is able to receive complaints.
- Tenants escalate issues of concern to PMs if community concerns are raised. Tenant interviewed reported one complaint related to trucking and site access during harvest using public roads. The tenant kept their PM informed throughout the resolution and PMs were available if further support was needed.

**Result: In Conformance**

#### Objective 10: Employees and Farm Labor

##### 10.1 Safe and Respectful Working Environment

###### **Conformance Evidence**

- Sustainability Policy
- Leading Harvest Sustainability Commitment
- Policy and Ethics Employee Handbook

###### **Auditor Notes**

- Ceres' Policy and Ethics Employee Handbook demonstrates a commitment to creating an inclusive and respectful work environment, which aligns with the requirement for equal opportunity employee recruitment and occupations.
- Ceres provides anti-harassment and anti-discrimination training through a global advisory firm.

**Result: In Conformance**

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### LH FMS AUDIT SUMMARY REPORT

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

##### 10.2 Occupational Training

###### **Conformance Evidence**

- Policy and Ethics Employee Handbook

###### **Auditor Notes**

- Ceres maintains a continuing education policy.
- Staff are trained on safety plans and farm emergency plans that are kept on file for employee reference.
- Ceres' Policy and Ethics Employee Handbook provides guidance to health, safety, and occupational education, and performance review schedules. Formal reviews take place on an annual basis. Mid-year reviews may be written or conducted verbally to allow adjustments to annual goals and performance objectives as necessary.

**Result: In Conformance**

##### 10.3 Supporting Capacity for Sustainability

###### **Conformance Evidence**

- Leading Harvest Sustainability Commitment
- Policy and Ethics Employee Handbook

###### **Auditor Notes**

- Ceres maintains a commitment statement to LH FMS. Commitment statement aims to provide clarification of previous audit feedback and plan for continual improvement.
- Lease language includes LH FMS commitment and tenant expectations.
- Ceres has designated staff to be responsible for achieving LH FMS conformance.
- Ceres staff participates in industry conferences related to sustainable agriculture topics including renewable energy, wetland mitigation, organic conversion.
- Ceres works to understand emerging trends, technologies, and agricultural practices including regenerative agriculture prior to making formal commitments.

**Result: In Conformance**

## CERES PARTNERS

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

##### 10.4 Compensation

###### **Conformance Evidence**

- Management interview

###### **Auditor Notes**

- Ceres' staff are paid competitive wages and provided bonus structures and incentives.
- Salary reviews are conducted annually during compensation meetings.
- Ceres provides compensation levels based on conversations with peers in the financial field across the country.

**Result: In Conformance**

##### 10.5 Farm Labor

###### **Conformance Evidence**

- Policy and Ethics Employee Handbook

###### **Auditor Notes**

- Ceres does not use Labor Contractors.
- Tenant interviewed has one H2A employee.
- Ceres' Policy and Ethics Employee Handbook includes a disclosure which allows the company to investigate and report upon relevant operations, including contracted labor.

**Result: In Conformance**

## CERES PARTNERS

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#### Objective 11: Legal and Regulatory Compliance

##### 11.1 Legal Compliance

###### **Conformance Evidence**

- Lease agreement
- Policy and Ethics Employee Handbook

###### **Auditor Notes**

- Ceres' assistant controller is responsible for legal compliance documentation.
- Ceres has designated staff to coordinate with the USDA and other agricultural regulatory bodies to achieve compliance with appropriate laws, statutes, and regulations.
- Ceres' employees internally share relevant updates such as Supreme Court decisions that impact production agriculture and best practices.
- Ceres has designated legal counsel to provide guidance and address legal challenges.
- PM's monitor compliance with FSA and NRCS requirements.
- Required soil testing and water quality tests are submitted to Ceres.
- Every year, Ceres' employees attend a company-wide meeting and review Employee Handbook topics that address compliance with regulatory agencies such as the USDA and SEC.
- Ceres' financial statements are audited annually by qualified auditors and CPAs.

**Result: In Conformance**

##### 11.2 Legal Compliance Policies

###### **Conformance Evidence**

- Lease agreement
- Policy and Ethics Employee Handbook

###### **Auditor Notes**

- Ceres maintains a written policy demonstrating commitment to compliance with social laws that govern and support anti-harassment, anti-discrimination, and workers' compensation and rights to a living wage.
- Purchased acreage is long-term farmland designated by the USDA per the 1985 Food Security Act.
- Ceres' Sustainability Policy commits to uphold the social welfare of its employees and staff.
- Ceres' Employee Handbook supports the rights of workers in alignment with the International Labour Organization.
- Lease language secures tenants' right to peacefully and quietly hold, have, occupy, possess, and enjoy the property for the duration of the lease if rent is paid on time, and other lease obligations are fulfilled.

**Result: In Conformance**

## CERES PARTNERS

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## Objective 12: Management Review and Continual Improvement

### 12.1 Farm Review and Continual Improvement

#### **Conformance Evidence**

- Policy and Ethics Employee Handbook
- Soil tests
- Sustainability Policy

#### **Auditor Notes**

- Ceres PMs review operations with management and host biweekly meetings to review commitments and opportunities, external environmental factors, and upcoming activities.
- Ceres assigns tenant relationships to PMs. All tenants have a Lead PM and a backup PM and communicate frequently with Ceres.
- Annual performance reviews of PMs are supported by data collected from farms.
- Ceres' employees receive annual reviews. Employees review annual goals at the beginning of the year.
- Yield maps and soil tests support the lease renewal process, which happens every three years.
- Ceres uses an internal database system to organize farm data from tenants.
- Data is used to identify and support farm issues, production, and best management practices in place.
- PMs collect multiple supporting documents from tenants, including soil maps, topography maps, tile maps, harvest tickets, and yield maps.
- Ceres evaluates capital expenditure for each location. Successful practices are identified and shared with other tenants.
- Improvements projects on properties include electric pumps, generators, and irrigation systems that may be operated remotely.
- Ceres management frequently attends agricultural conferences to learn new techniques and solutions. Topics include land appraisal and management, building relationships with growers, and land-use opportunities such as solar projects.
- Tenant interviewed has a piece of property with seven different soil types over eighty acres. The tenant uses this property frequently to conduct seed trials. The tenant has discovered certain types of seed varieties that are resistant to rootworms and nematodes.
- Sites selected have drainage tile and further tile projects planned to remove standing water from fields.
- Ceres made a significant investment in a property with an inefficient grain bin elevator. Elevator was making unloading trucks inefficient and wasting time and fuel.
- Ceres calculates the return on investment of management practices in place to support continual improvement.
- Sites up for lease renewal are closely reviewed to ensure Ceres is cultivating sustainable partnerships with growers. Leases are renegotiated every three years.
- Ceres maintains goals that align with and support LH FMS conformance.

**Result: In Conformance, Notable Practice**

## CERES PARTNERS

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#### Objective 12: Management Review and Continual Improvement (Continued)

##### 12.2 Support for Sustainable Agriculture

###### **Conformance Evidence**

- Policy and Ethics Employee Handbook
- Community Support and Engagement document

###### **Auditor Notes**

- Tenants participate in farmer groups to share marketing opportunities and trends without divulging information to neighboring properties and losing competitive advantage.
- Ceres engages in capital expenditure conversations and arrangements with tenants to support sustainable land management and crop production.
- Ceres participates in programs endorsed by local conservation groups and universities.
- Sites selected use test plots to determine crop health and yields of seed varieties from dealers.

**Result: In Conformance**

#### Objective 13: Tenant-Operated Operations

##### 13.1 Leased-Land Management

###### **Conformance Evidence**

- Policy and Ethics Employee Handbook
- Leading Harvest Sustainability Commitment
- Lease agreement

###### **Auditor Notes**

- Ceres' commitment to LH FMS objectives and conformance expectations are included in lease agreements.
- Lease requires tenants to use regional best management practices.
- Reductions in soil health can result in termination of leases.
- Ceres maintains a Leading Harvest Sustainability Commitment and clearly defines sustainable agriculture goals.
- Lease language addresses tenant expectations to operate safely and in compliance with applicable federal, state, and local laws, statues and regulations.

**Result: In Conformance**

## CERES PARTNERS

### LH FMS AUDIT SUMMARY REPORT

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#### Objective 13: Tenant-Operated Operations (Continued)

##### 13.2 Leased-Land Monitoring

###### **Conformance Evidence**

- Policy and Ethics Employee Handbook
- Leading Harvest Sustainability Commitment
- Lease agreement

###### **Auditor Notes**

- Ceres' tenants are assigned to a Portfolio Manager who handles outreach and program participation with agricultural programs.
- PMs host calls to discuss practices in place and current issues throughout the year.
- Ceres management conducts farm visits at least once every year.
- Visits are scheduled more frequently when needed or during active improvement projects.
- Ceres uses project management software to track and organize projects. Property information, PMs, tenants, persistent concerns, and capital expenditures are tracked.
- Ceres and tenants use software to collect and share documents and facilitate collaboration.
- Tenants are required to upload documents such as field maps, applicable USDA documentation, and yield results.
- Managers discuss improvement processes with tenants who are not meeting performance expectations prior to lease renewal.
- Ceres tracks issues on farms and reviews and prioritizes mitigation strategies. Farm data including capital allocation is saved and used to conduct reviews and assessments prior to capital expenditure approval.
- Previous results of LH FMS audits support continual improvement and conformance.
- Tenant interviewed reported increasing harvested bushels/acre under Ceres management.

**Result: In Conformance**



## CERES PARTNERS

### LH FMS AUDIT SUMMARY REPORT

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## CONCLUSIONS

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

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**Review of Previous Audit Cycle:** Ceres Partners performed well during the previous year's surveillance audit with no nonconformances. Opportunities for improvement were identified and Ceres demonstrated further alignment in those areas during this surveillance. Monitoring threatened and endangered and at-risk species has been previously noted as an opportunity for improvement during this audit cycle.

# CERES PARTNERS

## LH FMS AUDIT SUMMARY REPORT

July 30, 2024

Summary of Audit Findings					
<b>Program User</b>	Ceres Partners				
<b>Audit Dates</b>	June 21, 2024 – July 30, 2024				
<b>Non-Conformances Raised (NCR):</b>	<table border="1"><thead><tr><th>Major</th><th>Minor</th></tr></thead><tbody><tr><td>0</td><td>0</td></tr></tbody></table>	Major	Minor	0	0
Major	Minor				
0	0				
<b>Follow-Up Visit Needed?</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <b>Date(s)</b>				
<b>Audit Report Executive Summary</b>					
<p>Ceres demonstrated their continued conformance to the Leading Harvest Farmland Management Standard. Ceres delivered an effective package of conformance evidence and provided the audit team with maps and relevant site information (including site improvements such as tile maps) prior to the site visit day. Tenant operators are well qualified and experienced on sites, take initiative when needed, and assume responsibility to address challenges and emerging issues. The tenants' and Portfolio Managers' willingness to share information and results from established and trial practices was a greatly appreciated benefit to the audit team. Documentation was illustrative and provided by responsible staff. Interview subjects were transparent and expansive in their responses. All parties have been extremely generous with their time.</p>					
Team Leader Recommendations					
<b>Corrective Action Plan(s) Accepted</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/> 07/30/2024				
<b>Proceed to/Continue Certification</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> 07/30/2024				
<b>All NCR Closed</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/> 07/30/2024				
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	Matt Armstrong, Nick Banach, Jacques Werleigh, and Linnea Abel				
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>	Averum-LHFMS-2022-0015				
<b>Proposed Date for Next Audit Event</b>	TBD				
<b>Audit Report Distribution</b>	Nathan Kaehler, nkaehler@cerespartners.com				