AgIS Capital LLC
Turlock, CA
LH FMS AUDIT SUMMARY REPORT
August 26, 2021
<table>
<thead>
<tr>
<th><strong>Company Name</strong></th>
<th>AgIS Capital LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contact Person</strong></td>
<td>Jeff Hillberg</td>
</tr>
<tr>
<td><strong>Address</strong></td>
<td>P.O. Box 1332, Turlock, CA 95381</td>
</tr>
<tr>
<td><strong>Phone/Fax</strong></td>
<td>209.262.1997</td>
</tr>
<tr>
<td><strong>Email</strong></td>
<td><a href="mailto:jhillberg@agiscapital.com">jhillberg@agiscapital.com</a></td>
</tr>
<tr>
<td><strong>Certification Date</strong></td>
<td>August 26, 2021</td>
</tr>
<tr>
<td><strong>Recertification Due Date</strong></td>
<td>August 26, 2024</td>
</tr>
<tr>
<td><strong>Certification ID#</strong></td>
<td>2021-0005</td>
</tr>
</tbody>
</table>

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

This report summarizes the results of the first certification audit conducted on AgIS Capital LLC 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. Assistance during site visits was provided by auditor-in-training Jenna Pierce. The audit process and reports were independently reviewed by Kyle Rusten, who is a certified public accountant in the state of California and has expertise on multiple crop types in the United States. All senior members of the audit team hold training certificates in ISO 17021:2015 (Conformity Assessment), 14001:2015 (Environmental Management Systems), as well as IAF MD-1:2018 (Certification of Multiple Sites).

**SCOPE AND OBJECTIVE**

In 2020, Averum was engaged by AgIS Capital (AgIS) to perform an audit of sustainability performance on 21,798 acres of managed agricultural operations and determine conformance to the principles, objectives, performance measures, and indicators of the Leading Harvest Farmland Management Standard 2020 (LH FMS). LH FMS objectives 1 through 13 were covered during site visits on properties in California, Colorado, and Washington. There was no substitution or modification of LH FMS performance measures.

**COMPANY INFORMATION**

AgIS Capital is an independent, employee-owned and operated agricultural investment firm. Management company tenants and contractors are responsible for the day-to-day farmland management services for AgIS’s properties. AgIS opted to certify 100 percent of their agricultural properties in 2021, allowing them to engage in broader sampling and simplifying the process of maintaining their certification in the future.

AgIS contracted with Averum to provide a Stage 1 audit, or Readiness Review on properties in Yolo and Colusa counties in California. The audit was conducted on AgIS sole property in Colorado and properties in Grant, Benton, and Douglas counties in Washington state. Personnel overseeing safety and standard compliance for all regions were contacted for evidence requests and interviews. The properties in these regions are a representative sample of current practices in place and management decision making. The primary agricultural production on sites is Almonds, Walnuts, Apples, Cherries, Corn, and Alfalfa.
AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was established for AgIS coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held at 8:00 am on August 10, 2021, immediately preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. The field site in Colorado was examined on August 10, 2021, and sites in Washington were examined on August 11, 2021. A closing meeting was held at 12:30 pm on August 26, 2021.

Opening Meeting: Conference Call

August 10, 2021; 8:00 am

Attendees:
(AgIS) Jeff Hillberg, Carl Evers, Sean Edler
(Audit Team) Matt Armstrong

Topics:
- Introductions of participants and their roles: Jeff Hillberg
- Introduce audit team: Matt Armstrong
- Status of findings of the previous audits: N/A
- Audit plan: Matt Armstrong
- Work safety and emergency procedures: Carl Evers
- Expectations of program user staff: Matt Armstrong
- Method of reporting: Matt Armstrong

Closing Meeting: Teleconference

August 26, 2021; 12:30 pm

Attendees:
(AgIS) Jeff Hillberg, Carl Evers, Sean Edler
(Audit Team) Matt Armstrong, Jenna Pierce, Kyle Rusten

Topics:
- Opening remarks: Matt Armstrong
- Statement of confidentiality: Matt Armstrong
- Closing summary: Matt Armstrong
- Presentation of the audit conclusion: Matt Armstrong
  - Non-Conformances: 0
  - Opportunities for Improvement (OFI): 2
  - Notable / Exemplary Practices: 7
- Report timing and expectations: Matt Armstrong
MULTI-SITE REQUIREMENTS

AgIS maintains operations on multiple properties in California, Colorado, and Washington. AgIS qualifies for multi-site sampling since the volume of sites within the management system is centrally controlled and directed by regional management, with regular monitoring activities. Additionally, AgIS has dedicated resources overseeing risk and compliance across the organization that monitors operations on an ongoing basis. Regional managers are responsible for developing corrective action plans regarding LH FMS conformance and report them to the Director of Sustainability and central office. AgIS’s current review and monitoring process is effective and ongoing.

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Crop</th>
<th>Properties Examined During Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Almonds, Walnuts,</td>
<td>Four (4) sites visited during readiness reviews – not included in audit sampling</td>
</tr>
<tr>
<td></td>
<td>Wine Grapes</td>
<td>- 13,344 gross acres in production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- CA represents 61% of all acreage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Management population: 2 direct, 3 contract managers, 1 tenant</td>
</tr>
<tr>
<td>Colorado</td>
<td>Alfalfa, Corn</td>
<td>One (1) site visited during audit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 6,993 gross acres in production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- CO represents 32% of all acreage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Management population: 1 tenant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Site visited: Bent and Prowers</td>
</tr>
<tr>
<td>Washington</td>
<td>Apples, Cherries</td>
<td>Three (3) sites visited during audit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 1,461 gross acres production</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- WA represents 6.7% of all acreage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Management population: 4 contract managers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Sites visited: Douglas 97, Grant 4, Grant 10</td>
</tr>
</tbody>
</table>
AUDIT RESULTS

Overall, AgIS’s agricultural operations conform to the objectives of the Leading Harvest Farmland Management Standard 2020 (LH FMS). Interviews and document reviews were performed to determine procedural and documentation conformance to the LH FMS. Documentation of practices was continuously supplied throughout the audit when requested. Documentation from multiple sites was provided, as well as more detailed sets of data from single sites. Field visits were performed on four operating sites, with one in Colorado on a tenant site and three in Washington on contract management sites. Visits were mid growing season, so soil health practices and processes were observable. Central and regional management representatives, as well as contracted managers and tenants, were present and interviewed to illustrate AgIS 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. AgIS’s VP of Operations, Director of Sustainability, and Regional Manager served as guides and were available throughout the entire engagement, providing logistic support and honoring evidence requests wherever needed.

The following are summarized findings, per LH FMS performance measure. Specific non-conformances, opportunities for improvement, and exceptional practices are described in the Key Findings section of this report.

OBJECTIVE 1: SUSTAINABLE AGRICULTURE

Performance Measure (PM) 1.1 Sustainable Agricultural Stewardship

Conformance Evidence:

- ESG report
- Site reports
- Code of ethics
- Property assessments
- AIC reports on opportunities
- ESG policy
- Organic subsidy capital report
- Organic matter report

Auditor Notes: AgIS operates a mature agricultural management system. There is an awareness of and attention to sustainable agriculture present throughout the organization. All sites have preexisting certifications to a number of practice-based standards, such as organic and Global GAP. Properties with new plantings are established by conventional means for a number of years before converting to organic production and certification. AgIS has defined the tradeoffs and synergies and effects on yields, sustainability, and decision making on managed properties. No reported or discovered land use change to non-agricultural uses. Acreage is purchased and sold off to align portfolio holdings with client expectations. However, AgIS has performed land use conversion to agriculture production when it is deemed the best use for acreage.

Result: In Conformance, Exemplary Practices (See Key Findings)
OBJECTIVE 1: SUSTAINABLE AGRICULTURE (Continued)

Performance Measure (PM) 1.2 Critical External Factors

Conformance Evidence:
- ESG Report
- Due Diligence reports
- AIC reports on opportunities
- Investment overviews
- Food defense and fraud risk assessment
- Organic subsidy capital report

Auditor Notes: Site managers are on site nearly every day, and foremen on sites have histories on sites longer than AgIS has owned the property. Critical factors identified on sites are primarily low yields, premiums on organic produce, horizontal run offs on nut production, water consumption on cooling systems, and conversions to organic production on established plantings. Premiums on organic produce increase and decrease in cycles in response to commodity pricing. Organic production continues in order to avoid risking organic certifications.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation

Performance Measure (PM) 2.1 Soil Health

Conformance Evidence:
- Property assessment
- Organic matter report
- Soil health reports
- Tissue test results
- Food defense and food fraud risk assessment
- Environmental Site Assessments

Auditor Notes: Soil is conserved through a combination of conservation tillage, sowing, maintaining cover-crops, and the use of compost and other soil amendments. Research has been conducted on daikon radish and almond hulls in soil, in order to improve soil structure, erosion control, and attracting beneficial species. Soil testing is conducted annually for NPK and macro nutrients, and every two years on Hay. Nitrogen management plans are kept in AgIS’s Total Nutrition System (TNS). Bio-blend and chicken manure are applied as fertilizers on organic acreage. Ash is added to vineyards for soil pH corrections.

Result: In Conformance
### OBJECTIVE 2: Soil Health and Conservation (Continued)

#### Performance Measure (PM) 2.2 Soil Conservation

Conformance Evidence:
- Property assessments
- Environmental site assessments
- Ranch maps

Auditor Notes: Hull applications on orchards for earthworm attraction, cover crops and grasses for soil fixation and edge retention in place. Extensive composting is found on sites. Soil moisture monitoring on all sites. Cover crops on hundreds of acres – primarily Sudan and grasses. Crops are rotated with hay to reduce weed and pest pressures. Soil erosion is controlled through cover and hull integration as well as irrigation management. Irrigation timing is controlled to reduce run-off and erosion between rows of trees on orchards. Regional best management practices found in place include avoiding the disruption of organic matter, and drilled-in supplements. Sheep were found in fields for the purpose of weed control and organic matter additions.

**Result: In Conformance, Exemplary Practice (See Key Findings)**
**OBJECTIVE 3: Protection of Water Resources**

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

Conformance Evidence:
- Property Assessments
- Environmental Site Assessments
- Water association memberships
- Contributions to water conservation groups
- Water conservation district agreements
- Certificates from water districts

Auditor Notes: AgIS has worked with irrigation districts to begin using surface water provided by the district and reduce reliance on groundwater sources in high priority water basins. Irrigation district representatives attest that basins are in balance regarding withdrawal and discharge. Properties implement fans and blockades to prevent frost, rather than flooding. $800k in water system redesigns in place on properties, including drip and micro-sprinkler systems. Groundwater agreements are in place. Meters on wells and reservoirs are in place. Groundwater levels are monitored on non-critical as well as critical water basins. Washington sites that pull supply from the Columbia River report that the basin is currently at 85% capacity and sites are managed to avoid unnecessary water use.

AgIS representatives attend Groundwater Sustainability Agency and water district meetings. Site managers coordinate irrigation plans with neighbors to expand current infrastructure and increase the number of properties that can use water and reduce groundwater pumping.

Salinization risks are controlled primarily through nutrient plans and informed application. Water is currently measuring between 7.5-8 pH. Ammonium sulfate has been added to water to make it basic. Variable frequency drives (VFD) are on sumps. Irrigation demands are based on crop advisor recommendations, crop advisor is credentialed and appropriately qualified. Sprinklers on sites have remote on/off controls. Atomizing misters with lower water requirements are used for cooling.

*Result: In Conformance*
### OBJECTIVE 3: Protection of Water Resources (Continued)

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

Conformance Evidence:
- Property assessment
- Water testing results
- Environmental Site Assessments
- Tissue tests
- Water certificates

**Auditor Notes:** On sites there is an overall directive that “Nothing leaves the farm”. In practice, inputs and amendments should be planned and applied at a rate and precision that there is a minimal amount of product left to run off, and that run off should be controlled to further retain amendments and applications. Gypsum has been precision applied to enhance water retention. Applications are injected at the microrisal layer. No movement or run off was detected on sites. Product use is minimized through the Total Nutrition System and variable rate application on all properties. Extensive organic and Global GAP certifications are in place regarding chemical usage. Pesticide and herbicide use is further reduced through live animals (sheep) present on properties.

AgIS is active in the Irrigated Lands Program / Water Quality Coalition. AgIS engages in extensive Biological Resource Assessments (BRA) on each potential acquisition to identify potential wetland resources on sites.

**Result:** In Conformance, Exemplary Practices (See Key Findings)
## OBJECTIVE 4: Protection of Crops

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

<table>
<thead>
<tr>
<th>Conformance Evidence:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Property assessment</td>
</tr>
<tr>
<td>- Trap summary reports</td>
</tr>
<tr>
<td>- Scouting reports</td>
</tr>
<tr>
<td>- Alternative product considerations</td>
</tr>
<tr>
<td>- Codling moth reports</td>
</tr>
<tr>
<td>- Semios reports on pesticide</td>
</tr>
<tr>
<td>- PPE trainings notes and attendance</td>
</tr>
</tbody>
</table>

**Auditor Notes:** Semios (precision agriculture as a service) system is in place throughout properties. Video monitored pest traps are able to provide a more accurate count of pests and can predict mating patterns. The goal of the system is to reduce pests through mating disruption and reduce the need for chemical treatment. Product application when needed is planned throughout mating periods. Data is collected and discussed with crop advisor every two weeks. In person pest control advisors scout properties every week.

Treated wood is used on fences. Bait systems are in place for unwanted vertebrates. Virus, pheromone, and sterile release programs are in place for insects. Hawk stands and owl boxes are on all sites. Crops are rotated out for hay on a cycle to control weed and pest pressures. AgIS engages in research with UC Davis on bird studies related to rodent control methods. Live animals (Sheep) assist with weed and pest control through grazing.

**Result:** In Conformance, Exemplary Practices (See Key Findings)
**OBJECTIVE 4: Protection of Crops (Continued)**

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

Conformance Evidence:
- Pesticide / product usage reports
- Property assessments
- Site inspections and photos of storage

Auditor Notes: Pesticides are stored in line with regulations, including but not limited to security (secured and dedicated sheds), signage, Personal Protective Equipment availability and ventilation. Chemical storage is in line with the California Environmental Reporting System (CERS). Organic and Global GAP certifications on sites establish controls for the application and storage of crop protectants. Some air spraying is provided, appropriate consideration to weather and drift potential is given.

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

Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation

Conformance Evidence:
- Equipment proposals and invoices
- VFD invoices
- Property assessments and reports

Auditor Notes: Reduced emissions technologies are continuously assessed and adopted as part of an equipment replacement plan (Tier 4 engines, DEF, Regen filters, etc.), in-field efficiencies are developed, and opportunities to diminish the impact of energy used for farms are actively sought out. Electric equipment is prioritized, and pumps are almost all transitioned to electric motors. Variable frequency drives (VFD) and “soft start” technology is on lift pumps.

There is a focus on operating sites efficiently and reducing passes as much as possible. Site managers perform in-field engineering of customized equipment to help reduce equipment hours and emissions. A notable example of this in field engineering was a custom combination of a blower and sprayer that cleared rows while applying product, effectively cutting the number of passes in half.

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

Performance Measure (PM) 5.2 Air Quality

Conformance Evidence:
- Equipment proposals and invoices
- VFD invoices
- Property assessments and reports

Auditor Notes: Where pumps cannot be converted to fully electric, conversions are underway to convert engines to propane rather than diesel. This is considered a better alternative by the California Air Resource Board (CARB). Tier 4 engines, DEF, and Regen filters are equipped on sites to reduce emissions.

Mag chloride is utilized on roads during harvest, and gravel is added to roads for dust control. Water trucks are also utilized during active periods. Grasses are allowed to grow in rows. Dust is sprayed off of equipment when not in use. Sites overall were very clean and dust free.

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

Performance Measure (PM) 5.3 Climate Smart Agriculture

<table>
<thead>
<tr>
<th>Conformance Evidence:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Equipment proposals and invoices</td>
</tr>
<tr>
<td>- VFD invoices</td>
</tr>
<tr>
<td>- Property assessments and reports</td>
</tr>
<tr>
<td>- Root stock selection documentation</td>
</tr>
</tbody>
</table>

Auditor Notes: Potential impacts of climate change are considered while developing and operating vineyards. Techniques to enhance carbon sequestration in the soil are implemented, such as cover crops, minimized tilling, native grasses, and reincorporation of prunings. Fertilizer formulations and methods and timing for fertilizer applications are managed to minimize volatilization, and agricultural equipment is continuously updated to reduce GHG emissions.

Steps are taken to buffer orchards from the potential effects of climate change, including selecting drought tolerant root stocks, a range of varieties with varying maturation timing, grasses in rows and cover in surrounding areas, grassed buffers, developing protective structures and shade systems, training staff on temperature control and protection, designing efficient “atomizer” remote and manual irrigation systems, and adapting cultural practices to maintain productivity under higher ambient temperatures.

*Result: In Conformance*
OBJECTIVE 6: Waste and Material Management

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

Conformance Evidence:
- Property inspection reports

Auditor Notes: Chemical jugs are triple rinsed and slashed, then turned into Interstate Ag Plastics or other recycling providers. Waste oil is recycled through a contractor. Larger chemical containers are returned to dealers for reuse.

Infrastructure (fencing, trellis, tubing, etc.) is reused as much as possible. Drip hose is recycled during redevelopment. Trellis materials that cannot be reused are sold for repurposing during development. Irrigation mainlines are reused during development.

Chemicals are securely stored and well organized. Fertilizers and herbicides are clearly designated via color coding. Secondary containment on fuel storage is in place. Manure is applied on top of reintegrated residues. Organic and Global GAP certifications are in good standing and establish controls over chemical storage, use, and waste.

Result: In Conformance

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

Conformance Evidence:
- Property inspection reports

Auditor Notes: Harvest equipment operators are trained on equipment settings for efficient operation. Yields are closely tracked and analyzed in real time to alert harvesters to potential loss. Almond hulls are sold by hulling companies for animal feed. Harvest bins on sites stage crops for harvest efficiency. Water use is calculated and closely tracked (“Nothing leaves the farm” philosophy). Chicken manure is reused on sites for fertilizer. Trees are mulched and reused on and off sites.

Result: In Conformance
## OBJECTIVE 7: Conservation of Biodiversity

### Performance Measure (PM) 7.1 Species Protection

**Conformance Evidence:**
- Biological Resource Assessments (BRA)
- Phase I Environmental Site Assessments
- Wetlands and Special-Status Reviews

**Auditor Notes:** Surveys and biological resource assessments (BRA) are conducted to identify sensitive species prior to acquisition of farmland or in advance of operations that may disturb sensitive species. Awareness of potential special status species was displayed by managers on sites, and Worker Environmental Awareness Training is provided. Wildlife and Conservation plans done with the Dept. of Fish and Wildlife on apple sites in Washington. No special status species had been observed by managers or neighbors.

**Result: In Conformance, Opportunity for Improvement (see key findings)**

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

**Conformance Evidence:**
- Owl boxes and raptor stands
- Property assessment reports
- Due diligence reports
- Biological Resource Assessments
- Phase I Environmental Site Assessments

**Auditor Notes:** Easements from PG&E and Fiber companies are on sites. Wildlife habitats are set aside in buffers and difficult to farm areas. Wetland swales are maintained. Hedge rows are maintained to avoid sensitive areas. Total Nutrition System has approaches and considerations for sites designated as important.

Cover cropping and minimized tillage in orchards. Bird and owl boxes, hawk stands, and beehives are present throughout properties. Training is provided to staff to differentiate between pests and beneficial species on sites (i.e., rattle snakes vs. gopher snakes). Native plant and pollinator areas have been proposed for installation. Cover crops in corners of irrigated fields, with EQIP program funding for pollinator seed and wildlife attractants.

**Result: In Conformance**
OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.3 Avoided Conversion

Conformance Evidence:
- Property assessment reports
- Project assessments
- Phase I Environmental Site Assessments
- Biological Resource Assessments
- Deforestation policy

Auditor Notes: Conservation land is on sites where possible or when resting areas. Targeted land conversion in areas within water districts, had been a lemon orchard in the 1930’s and pasture most recently. Areas around the existing vineyard footprints have been redeveloped into production land after multi-year periods of rest. Biological Resource Assessments are conducted on properties during due diligence processes.

Production acreage has been long term farmland, and AgIS has not converted any forested areas into farmland. In certain circumstances, rangeland has been converted into prime farmland. A deforestation policy is in place and on file.

Result: In Conformance

Performance Measure (PM) 7.4 Crop Diversity

Conformance Evidence:
- Property assessment reports
- Site inspection reports

Auditor Notes: Cropland has crop diversity through rotating crops and varieties of permanent crops. Varieties of crops come from types of crops (apples, cherries, etc.) and varieties of single crops (types of apples, primarily). Minimal clone use on sites. Olives have been added to vineyards in areas that are too difficult to operate as vineyard due to slope. Crops are rotated out with hay to add diversity while maintaining production on resting acreage. Cover crops and Sudan grasses are found throughout sites.

Result: In Conformance
**OBJECTIVE 8: Protection of Special Sites**

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

**Conformance Evidence:**
- **Phase I Environmental Site Assessments**

_Auditor Notes: Special sites and ecological important sites are identified during due diligence and preserved in a manner consistent with regulations and requirements of Organic and Global GAP systems. During ground prep on new properties, a representative from local indigenous populations is invited to assess any potential cultural findings, and collect any items of interest (arrow heads, etc.).

**Result: In Conformance**

**OBJECTIVE 9: Local Communities**

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

**Conformance Evidence:**
- Property assessments
- Tax payment records
- Title documents
- Gifts and entertainment reports

_Auditor Notes: Employees are local talent with long histories in the region. Taxes are paid on time and fully. Supplies are procured from local dealers (within 250 miles).

**Result: In Conformance**
OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.2 Community Relations

Conformance Evidence:
- Donation and contribution receipts
- Membership certificates

Auditor Notes: Activity in the community was limited by the pandemic in 2020 and 2021. On sites with more outspoken neighbors, site managers address their concerns to stay ahead of issues and potential complaints. AgIS has had numerous schools on sites for field trips and education. AgIS donates to scholarship funds in Turlock (James W. Brabek Youth Legacy Fund). Site managers coordinate with UC Davis to research bird flying and hunting patterns. Site managers work with neighbors on drainage plans and surface water delivery infrastructure. AgIS representatives attend and engage in water district and groundwater meetings. Bird boxes are purchased from local Boy Scout troops. Students assist with pollinator habitats. Tenant in Colorado is president of the school board and member of local water boards.

Result: In Conformance

Performance Measure (PM) 9.3 Local Communities and Indigenous Peoples

Conformance Evidence:
- Indigenous Peoples Policy
- Phase I Environmental Assessment
- Title reports
- Ranch maps

Auditor Notes: AgIS has an Indigenous Peoples Policy reviewed and on file. The policy will be reviewed and updated as properties in other regions are added to the portfolio. Monitoring of properties is provided by indigenous representatives when the possibility of artifacts is present. The Middletown Rancheria Tribe partnered with AgIS on projects in the past.

Community members have reached out to site managers, most often to inquire about spray planning or land use on new plantings. Contact information is available to neighbors, and signage is posted at all Colorado and Washington sites. Some sites are identified publicly on GPS and navigation software. Offices are easy to access from main roads. Complaint boxes are found throughout properties including entrances for use by staff, labor, or neighbors. All complaint boxes were empty when checked.

Result: In Conformance
### OBJECTIVE 9: Local Communities (Continued)

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

<table>
<thead>
<tr>
<th>Conformance Evidence:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- ESG policy</td>
</tr>
<tr>
<td>- Lease agreements</td>
</tr>
<tr>
<td>- Total Nutrition System (TNS) records</td>
</tr>
<tr>
<td>- Soil / water / tissue testing results</td>
</tr>
<tr>
<td>- Illness and Injury prevention program (IIPP)</td>
</tr>
</tbody>
</table>

**Auditor Notes:** AgIS has worked with the community to cater to their opinions (example given, coordinating with neighbors to spray when they are out of town). Fences are upgraded to deer fences. Runoff is verified in Global GAP audits to not be occurring. Regular safety trainings occur for farm labor contractor employees. Spraying is planned and performed by PCAs and staff with Certified Applicator Licenses (CALs), to avoid drift and overspray. Signage is posted at locations during spray days, and restricted entry areas are clearly marked with signage. Complaint boxes are found throughout properties including entrances for use by staff, labor, or neighbors. All complaint boxes were empty when checked. AgIS staff coordinated with Quincy, WA community to support blood drives, COVID testing, and other public health events. Offices have large, comfortable facilities for trainings.

**Result:** In Conformance

### OBJECTIVE 10: Employees and Farm Labor

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

<table>
<thead>
<tr>
<th>Conformance Evidence:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- EEO Policy</td>
</tr>
<tr>
<td>- Annual training records</td>
</tr>
<tr>
<td>- Safe Handling Procedures (SHP) training records</td>
</tr>
<tr>
<td>- Anti-harassment policy</td>
</tr>
<tr>
<td>- COVID trainings and postings</td>
</tr>
<tr>
<td>- Farm Labor Contractor (FLC) and safety training certificates</td>
</tr>
<tr>
<td>- Code of safe practices</td>
</tr>
<tr>
<td>- Safety trainings</td>
</tr>
<tr>
<td>- Social Responsibility Policy</td>
</tr>
</tbody>
</table>

**Auditor Notes:** AgIS is an Equal Opportunity Employer. Safe work environment, anti-harassment, and anti-discrimination policies are in place in Employee Handbook. Onboarding and safety training is provided by a third-party training provider. Significant additional training is provided throughout the year for full and part time employees and contractors. FLCs have their own additional safety trainings and anti-discrimination policies. Staff on sites are made aware of reporting structure, and complaint boxes are distributed throughout sites. Social responsibility policy has been reviewed and is on file.

**Result:** In Conformance
### OBJECTIVE 10: Employees and Farm Labor (Continued)

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

<table>
<thead>
<tr>
<th>Conformance Evidence:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- FLC Licenses</td>
</tr>
<tr>
<td>- Annual training records</td>
</tr>
<tr>
<td>- Safe Handling Procedures (SHP) training records</td>
</tr>
<tr>
<td>- Anti-harassment policy</td>
</tr>
<tr>
<td>- COVID trainings and postings</td>
</tr>
<tr>
<td>- Farm Labor Contractor (FLC) and safety training certificates</td>
</tr>
<tr>
<td>- Code of safe practices</td>
</tr>
<tr>
<td>- Safety trainings</td>
</tr>
<tr>
<td>- Social Responsibility Policy</td>
</tr>
</tbody>
</table>

**Auditor Notes:** Employees are provided regular trainings to maintain current knowledge pertaining to professional roles and responsibilities. Heat safety and hydration practices observed. Staff has avoided COVID outbreaks in 2020 and 2021, due to established policies successful implementation (masks and hand washing protocols, scheduling workers in “groups” that already lived or carpoled together) reducing contamination threats. Safety refresher trainings are held throughout the year. FLCs conduct weekly tail gate trainings and refreshers. AgIS has established protocols for returning to work post-accident. Site managers receive and review FLC training records. Worksites are regularly inspected for safety violations and non-conformities.

*Result: In Conformance*
## OBJECTIVE 10: Employees and Farm Labor (Continued)

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

**Conformance Evidence:**
- ESG report
- Property assessments
- Training records
- Organic and Global GAP Certificates
- Applicators licenses
- Press releases

**Auditor Notes:** A commitment statement to LH FMS is documented and on file. Press releases have also been issued announcing AgIS enrollment to LH FMS. Jeff Hillberg, Carl Evers, and their team are tasked with demonstrating AgIS conformance to the LH FMS and understand the program fully with thorough exposure to program language and requirements. In ESG reports and interviews, sustainable performance is a core value to AgIS. AgIS has an ESG subcommittee that identifies material issues and make recommendations to management. 20% of bonus compensation for management is tied to ESG results.

Workers get site specific worker environmental awareness training (WEAT). AgIS has requested that FLCs provide additional training on hazardous waste handling. AgIS provides sustainability training for third party vendors. Annual meetings include sustainability briefings and training. AgIS has developed an internal Leading Harvest specific training. Professional designations on AgIS team include professional crop advisors (PCA), qualified applicator licenses (QAL), and accredited farm managers (AFM).

*Result: In Conformance*

### Performance Measure (PM) 10.4 Compensation

**Conformance Evidence:**
- Pay stubs
- Payroll records

**Auditor Notes:** Compensation is set at an appropriately competitive level in all regions. AgIS performs salary surveys annually to determine competitiveness of wages. Site manager wages are set at a minimum of $15/hr.

*Result: In Conformance*
OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.5 Farm Labor

Conformance Evidence:
- Site inspection reports
- FLC licenses
- FLC Audit checklists
- Pay stubs
- Payroll records

Auditor Notes: Piece rate on sites allow labor to earn well over $15/hr. at a minimum and is reviewed annually for hourly equivalents. Site manager wages are set at a minimum of $15/hr. Contract manager’s lowest paid wage is $26.65/hr. H2A workers and employees on WA sites minimum wage is $16.43/hr., over MIT established living wage in WA counties where sites are found. FLC’s training are monitored after they are uploaded to a shared server. On most sites, FLC wages are set by AgIS. Pay rates are reviewed by AgIS Management. Accuracy of FLC work and documentation (timecards, training records, and operations) is reviewed by AgIS Management. Ad Hoc inspections on FLC worker conditions are conducted by AgIS managers. WA sites maintain their own FLC to supply labor and is in good standing with state FLC regulators.

Result: In Conformance
OBJECTIVE 11: Legal and Regulatory Compliance

Performance Measure (PM) 11.1 Legal Compliance

Conformance Evidence:
- Site inspections
- Biological Resource Assessments (BRA)
- Anti-harassment policy
- Equal Opportunity Employer
- Human Resources policies
- Training records
- Capital Privacy Policy
- Code of Ethics
- Valuation policies
- Annual training records
- Register Investment Advisor (RIA) introductions for employees
- Social responsibility policy
- Organic regulations and certifications
- Global GAP requirements and certifications
- Illness and Injury Prevention Program
- Safety Manuals

Auditor Notes: Employees have access to all relevant legal and regulatory information, and newsletters are issued in relevant languages to inform employees of current issues. Appropriate signage is in place and clearly displayed. Signs posted on chemical storage and other required signage was posted inside of lunchroom. Trainings are conducted for employees to identify their rights as established by OSHA and CALOSHA.

Result: In Conformance
Objective 11: Legal and Regulatory Compliance (Continued)

Performance Measure (PM) 11.2 Legal Compliance Policies

Conformance Evidence:

- Human Resources Policies
- Anti-harassment policy
- EOE policy
- Health and safety trainings
- Capital privacy policy
- Code of ethics
- Valuation policies
- Social responsibility policy
- Lease agreements

Auditor Notes: Social responsibility policy reviewed and on file. Employee handbooks and manuals set code of conduct. Capital privacy policy and Valuation policies set codes of conduct for due diligence and valuation teams in protecting tenants' information. Covenants of quiet enjoyment are not explicitly stated, but lease language is in line with the covenant.

Rent reductions are available upon request from tenants, depending on critical factors such as shortages on water. For example, if a tenant has access to less than 75% of their required water over a 10-year average, tenants can request a reduction in land rent as disaster mitigation. AgIS has explained client circumstances to clients, with the stated goal to help keep tenants solvent in challenging times.

Result: In Conformance, Exemplary Practices (See Key Findings)
### OBJECTIVE 12: Management Review and Continual Improvement

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

**Conformance Evidence:**
- Operations updates and memos
- Consolidated budgets
- Property observation reports

_Auditor Notes:_ AgIS conducts monthly operations reviews on all sites, formal quarterly reviews of financials, audits financial statements from properties, and annual hold/sell evaluations. Budget reviews are every third Thursday of the month. Planning sessions are held quarterly, preceded by budget proposal meetings. ESG write-ups are added to budget proposals for special projects and certifications.

ESG factors have been added to property review write-ups on regular observations. Trainings regarding Leading Harvest conformance have been developed for managers.

Operations updates provide current events and activities on sites. Updates include the output from systems on sites like Semios and innovations like custom blower/sprayer equipment, highwire/high boxes on wine grapes, irrigation atomizers for apple cooling, and shredding trailers with magnets to remove wire and scrap from removed trellis and fencing.

*Result: In Conformance*

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

**Conformance Evidence:**
- Operations updates and memos
- Consolidated budgets

_Auditor Notes:_ AgIS is partnered with UC Davis on bird hunting pattern research. Organic and Global GAP certifications on CO and WA sites drive research into more efficient production. Research is being conducted into using atomizing misters for apple cooling. AgIS has provided support for chicken feed ingredient research, in order to provide feed for a pellet producer client.

*Result: In Conformance*
## OBJECTIVE 13: Tenant Operated Operations

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

**Conformance Evidence:**
- Lease documents
- ESG policy
- ESG reports
- Property reports
- Operations reports

*Auditor Notes: Vineyard tenants are bound by agreements which require adherence to regional best management practices (BMP). Sustainability goals for leased farmland are included in ESG policy. Tenant have signed Social Responsibility Commitments in leases.*

**Result: In Conformance**

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

**Conformance Evidence:**
- Lease documents
- Site inspection reports
- ESG policy

*Auditor Notes: Monthly (at a minimum) site inspection reports provide information on farm operations. ESG policy and lease documents address required practices on sites. Internal reviews and meeting cycles with tenants reenforce practice implementation. Letters and summary documents communicate current performance to tenants. Leases are for longer terms compared to most managers (7 years with an option to extend), in order to allow for the successful establishment of crop and conversion to organic production. Leases are reviewed annually for necessary amendment and correction.*

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

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

Major Non-Conformances: No major non-conformances were identified during the audit.

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

Opportunities for Improvement (OFI): Two (2) opportunities for improvement were identified during the audit.

1. 7.1.1 Threatened and Endangered Species &

2. 7.1.2 At-Risk Species:
   
a. AgIS Capital has demonstrated their approach to endangered, threatened, and at-risk species concerns and illustrated their risk approaches through a thorough implementation of Biological Resource Assessments, Environmental Site Assessments, and Wetland and Special-Status Species Reviews. However, management on sites did not have a clear understanding of AgIS procedures and approaches to special status species.

b. AgIS Capital could expand their conformance demonstration for this indicator by preparing concrete responses and standard operating procedures regarding special status species identification and responses and communicating them to site management, as opposed to relying on sites to develop responses themselves.
Exceptional Practices: Seven (7) exceptional practices were identified during the examination.

1. 1.1.2 Farmland Stewardship
   a. There is a high level of preexisting certifications on sites (Organic and Global GAP), and the agility with which managers added and changed certification programs to align with buyer demands is notable. The existing certifications were a great efficiency during field audits, and management was transparent with sharing scorecards and results from the different systems.

2. 2.2.2 In-field Soil Management

3. 3.2.1 Input Application and In-field Practices

4. 4.1.3 Pest Control Practices
   a. Grazing livestock was observed on sites in California. Integrated livestock on production sites is considered a difficult to implement aspect of regenerative practices. AgIS having this in place is worth replicating where possible and differentiates AgIS from most program users.

5. 5.1.1 Energy Conservations
   a. Auditors noted a creative application of in-field engineering, with staff on sites combining equipment to perform multiple tasks in a single pass. The clearest example to auditors was the combination of blower equipment in front of sprayers to remove debris before application. In addition to the innovative use of equipment, creative practices like these offer some energy conservation and emission reduction.

6. 11.2.3 Consistency with Farmland Tenant Law
   a. Auditors made note of AgIS’s openess to reducing land rent upon request from tenants. The consideration of critical factors such as water shortages over a 10-year average on tenants, and the assistance provided to tenants on disaster avoidance in less productive years is a comfort to tenants facing less predictable growing seasons. Furthermore, AgIS’s willingness to defend the position of tenants to landowners and clients was indicative of AgIS’s relationship with their tenants.

7. 13.2.1a Verifiable Monitoring System
   a. AgIS Capital’s process for organic transitions was found to be notable when comparing practices to other land managers, who may prefer to acquire organic sites that are already fully developed and operational. Entering into a 7-year or longer lease period with tenants in order to develop new plantings into fully certified organic sites in later years appears to be a very well-considered program, and realistic to the operator on the site.
AgIS Capital LLC  
LH FMS AUDIT SUMMARY REPORT  
August 26, 2021

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

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

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

**CONCLUSIONS**

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

AgIS Capital’s enrolled acreage is recommended for certification to the Leading Harvest Farmland Management Standard 2020.
### Summary of Audit Findings

<table>
<thead>
<tr>
<th>Program User</th>
<th>AgIS Capital LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Dates</td>
<td>August 9, 2021 – August 26, 2021</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Conformances Raised (NCR):</th>
<th>Major</th>
<th>Minor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Follow-Up Visit Needed?</th>
<th>Yes</th>
<th>No</th>
<th>Date(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Follow-Up Visit Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
</tr>
</tbody>
</table>

### Team Leader Recommendations

<table>
<thead>
<tr>
<th>Corrective Action Plan(s) Accepted</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proceed to/Continue Certification</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>08.26.2021</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>All NCR Closed</th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Standard(s) Audited Against

Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)

<table>
<thead>
<tr>
<th>Audit Team Leader</th>
<th>Audit Team Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matt Armstrong</td>
<td>Jenna Pierce</td>
</tr>
<tr>
<td></td>
<td>Kyle Rusten</td>
</tr>
</tbody>
</table>

### Scope of Audit

Management of production farmland on direct and tenant operated properties.

<table>
<thead>
<tr>
<th>Accreditations</th>
<th>Approval by Leading Harvest to provide certification audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Certificates</td>
<td>1</td>
</tr>
<tr>
<td>Certificate Number</td>
<td>2021-0005</td>
</tr>
<tr>
<td>Proposed Date for Next Audit Event</td>
<td>TBD</td>
</tr>
<tr>
<td>Audit Report Distribution</td>
<td>AgIS Capital: Jeff Hillberg (<a href="mailto:jhillberg@agiscapital.com">jhillberg@agiscapital.com</a>), Carl Evers III (<a href="mailto:cevers@agiscapital.com">cevers@agiscapital.com</a>)</td>
</tr>
</tbody>
</table>