PGIM Real Estate
Lisle, IL

LH FMS AUDIT SUMMARY REPORT

October 29, 2021
<table>
<thead>
<tr>
<th><strong>Company Name</strong></th>
<th>PGIM Real Estate</th>
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<td><strong>Certification Date</strong></td>
<td>October 29, 2021</td>
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<td><strong>Recertification Due Date</strong></td>
<td>October 29, 2024</td>
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<td><strong>Certification ID#</strong></td>
<td>2021-0007</td>
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- [ ] Certification Audit
- [ ] Re-Certification Audit
- [ ] Surveillance Audit
- [ ] Scope Extension
INTRODUCTION

This report summarizes the results of the first certification audit conducted on PGIM Real Estate (PGIM) 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 auditors-in-training Jenna Nichol and Andrew Zetterberg. The audit process and reports were independently reviewed by Kyle Rusten, who is a certified public accountant in the state of California and has expertise on multiple crop types in the United States. All senior members of the audit team hold training certificates in ISO 17021:2015 (Conformity Assessment), 14001:2015 (Environmental Management Systems), as well as IAF MD-1:2018 (Certification of Multiple Sites).

SCOPE AND OBJECTIVE

In 2020, Averum was engaged by PGIM to perform an audit of sustainability performance on 13,368 acres of managed agricultural operations in California 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 12 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

PGIM is a real estate management group and the investment management business of Prudential Financial, Inc. Contract management company operators are responsible for the day-to-day farmland management services for PGIM’s properties. PGIM opted to certify the California portion of their agricultural properties in 2021.

PGIM contracted with Averum to provide a Stage 1 audit, or Readiness Review on properties in Kern, King, Tulare, and Fresno Counties in California. The audit was conducted on an extensive sample of PGIM properties throughout Kern County. Personnel overseeing safety and standard compliance for all sites were contacted for evidence requests and interviews. The properties selected are a representative sample of current practices in place and management decision making. The primary agricultural production on sample sites is navel / Valencia oranges, almonds, and pistachios.
AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was established for PGIM coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held at 8:00 am on October 13, 2021, preceding site visits. The field sites in California were examined immediately after. Following the site visits, a document review of the provided evidence was conducted by Averum. A closing meeting was held at 2:00 pm on October 29, 2021.

Opening Meeting: Conference Call

October 13, 2021; 8:00 am

Attendees:
(PGIM) Christopher Jay, Jason Pucheu
(Audit Team) Matt Armstrong, Jenna Nichol, Andrew Zetterberg

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

Closing Meeting: Teleconference

October 29, 2021; 2:00 pm

Attendees:
(PGIM) Christopher Jay
(Audit Team) Matt Armstrong, Jenna Nichol, 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): 7
    - Notable / Exemplary Practices: 6
- Report timing and expectations: Matt Armstrong
MULTI-SITE REQUIREMENTS

PGIM maintains operations on multiple properties in California. PGIM 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, PGIM has dedicated resources overseeing risk and compliance across the organization that monitors operations on an ongoing basis. Farm managers are responsible for developing corrective action plans regarding LH FMS conformance and report them to the Executive Director of Agricultural Finance and Investments. PGIM’s current review and monitoring process is effective and ongoing.

Field visits and observations are conducted based on a sample of farms 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>
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<th>Region</th>
<th>Crop</th>
<th>Properties Examined During Engagement</th>
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| California| Almonds, Pistachios, Navel Oranges | Five (5) sites visited during certification audits  
|           |                               | - 13,368 gross acres in production  
|           |                               | - Sample represents 22.2% of all acreage |

AUDIT RESULTS

Overall, PGIM’s agricultural operations conform to the objectives of the Leading Harvest Farmland Management Standard 2020 (LH FMS). Interviews and document reviews were performed to determine procedural and documentation conformance to the LH FMS. Documentation of practices was continuously supplied throughout the audit when requested. Documentation from multiple sites was provided, as well as more detailed sets of data from single sites. Field visits were performed on five operating sites in California managed by contracted management companies. Visits were mid and post-harvest activities. Central and regional management representatives, as well as contracted managers, were present and interviewed to illustrate PGIM 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. PGIM’s Executive Director of Agricultural Finance and Investments served as guide and remained 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 Mission Statement
- ESG Initiatives report
- Org Chart
- ESG annual report
- 2022-2024 Improvement Plan
- Policy and Procedures document (Master Template)
- Environmental Assessments
- Development plans
- Operations reports
- Fund Plans and annual results
- Acquisition proposals
- Annual business plans
- Auditor observations

**Auditor Notes:** PGIM operates a mature agricultural management system. Sustainable agriculture is a key strategic aspect present throughout the organization. Across multiple functions within the company, sustainability is a top priority. Formal policy regarding sustainable operations has been developed at the central management level, and is constantly being refined for regional sites and management. Changes and adaptations to practices are tracked directly to operations budgets and available supplies are compared to their estimated cost scenarios. Estimated scenarios are based on the previous years, and in the case that estimations do not match actual results corrections are made and costs are re-estimated.

All properties are intended for production agriculture. PGIM’s due diligence process identifies whether farmland is classified as prime or sub-prime farmland, and strategies to improve sites are budgeted accordingly. PGIM is risk averse when acquiring properties, and trends towards purchasing and operating long-term, well-established farmland.

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

Performance Measure (PM) 1.2 Critical External Factors

Conformance Evidence:
- ESG annual reports
- Acquisition proposals
- Operations reports
- Annual plans
- Annual fund
- Auditor observations

Auditor Notes: Weekly operations calls are held between senior management to discuss current issues and management approaches. Monthly operation and budget calls are held with operations and senior management teams to discuss designated approaches to identified management issues. Spot market prices on production crops are tracked and managed by site management and reported to senior management. Call to senior management include items that site managers are watching as well as corrections where they have discretion. On some sites, lower yields are being seen on properties than estimated. Contributing factors are identified and addressed in annual reporting. Capital Expenditure (Cap Ex) is higher than expected on some sites due to establishing practices on newer properties. On citrus sites, market influences are balanced by controlling how much is harvested each day.

Result: In Conformance
OBJECTIVE 2: Soil Health and Conservation

Performance Measure (PM) 2.1 Soil Health

Conformance Evidence:
- Soil test results
- Tissue test results
- Sap testing results
- Water testing results
- Soil maps
- Annual business plans
- Activity based budgets
- Crop consultant recommendations
- Management approaches to Nutrient Management Plans (NMP)
- Nitrogen Management Plans
- Product Summary Reports
- Auditor observations

Auditor Notes: Soil is conserved through a combination of conservation tillage, establishing cover-crops, and the use of reintegrated residue, compost, and other soil amendments. Corrective actions are in place for establishing desirable pH levels and soil composition, such as applications of gypsum, potash, sulfate, and additional nitrogen. Certified Crop Advisors (CCA) make recommendations based on soil testing results and maps. NMPS are based on 6 year averages of soil sampling and tissue testing. Sap testing for micro nutrients is a new process to PGIM and is being incorporated into decision making. Fertility is primarily managed via irrigation. Existing nitrates in surface water are addressed in NMP. NMP contents and formats are based on land grant university research and direction. Trees producing under requirements are removed, chipped, and hauled for bio-mass. Residues from prunings are mulched in place.

Result: In Conformance

Performance Measure (PM) 2.2 Soil Conservation

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

Auditor Notes: Native vegetation is allowed between rows. Orchards are tilled for original plantings and never again. Cover and grasses are present on some sites, but official strategies are still being developed for established orchards. Traffic is minimized and drip irrigation is used to reduce compaction threats. Composting is conducted on sites once per year. PGIM management is very cautious of managing organic matter in soil profiles. Orchard floors are maintained to assist in harvest efficiency. Crop waste and prunings are reincorporated into soil to increase soil moisture retention and structure. After tree removal, soil is left to rest for 12 months to stimulate microbe growth and reduce nematode pressures.

Result: In Conformance, Opportunity for Improvement (see key findings)
OBJECTIVE 3: Protection of Water Resources

Performance Measure (PM) 3.1 Water use

Conformance Evidence:

- Due diligence reports on aquifer health
- Groundwater quality reports
- Groundwater quantity reports
- Drainage and well permits
- Staff representation on regional water boards
- In-field demonstrations of water management
- Water and activity based budgets
- Auditor observations

Auditor Notes: Dual drip lines on young trees to encourage symmetrical root development. Drip systems earn a 85-95% efficiency rating. Irrigation schedules are determined by third-party Professional Crop Advisors (PCAs) and agronomists based on soil samples, tissue samples, and water samples. Adjustments to water allocations results in a visit from agronomists to determine how much PGIM can stress the trees. PGIM “banks” water when they have access to extra water for use in lean periods.

Groundwater access is allocated by water districts. PGIM is in conformance with California’s Sustainable Groundwater Management Act (SGMA) and receiving credits. Properties are strategically located at the end of water districts in order to receive preferential water treatment. Water use is tracked to prevent water theft. Irrigation systems are automated in order to reduce demand during peak hours. Backflush water recovery systems with filtration are in place on sites. Fan jets are run to increase evapotranspiration rates during high heat events. Reservoirs are lined to retain water for future use and enable quick access.

Result: In Conformance, Exemplary Practice (see key findings)
OBJECTIVE 3: Protection of Water Resources (Continued)

Performance Measure (PM) 3.2 Water Quality

Conformance Evidence:
- Activity based budgets
- Process walkthroughs
- Auditor observation

Auditor Notes: Inputs and amendments are planned and applied at a rate and precision that there is a minimal amount of unused product to run off. Gypsum has been precision applied to enhance water retention. Applications are applied via drip lines. No movement or run off was detected on sites. Product use is minimized through the shorter and more frequent applications, increasing capillary action in the soil and maintain soil moisture at optimal root depths.

PGIM utilizes a blackflush water recovery system to capture tail water and reuse water until it is consumed. The system has a filtration system to reduce the potential for algae bloom due to fertigation in recovered water.

Result: In Conformance
## OBJECTIVE 4: Protection of Crops

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

**Conformance Evidence:**
- Trap counts
- Pest Control Recommendations
- Applied product summaries
- Owl boxes
- Management agreements
- Auditor observations

**Auditor Notes:** Semios (precision agriculture as a service) system is in place throughout many 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. In person pest control advisors scout properties at least weekly. Virus, pheromone, and sterile release programs are in place for insects. Owl boxes are on multiple sites.

An integrated pest management (IPM) plan is in place on properties. Decisions to apply pest control products are determined in part by evaluating max return on investment on a long-term scale. If economic thresholds are hit, the decision to spray is made. Accounting teams audit chemical use to ensure that products used are only used on PGIM properties. Weather and moisture are measured and recorded to track disease potential. Orchard floors are maintained to reduce pest pressures. Mummy shakes are conducted post-harvest to reduce pest pressures. Biocontrols are preferred by far over mechanical methods.

**Result: In Conformance**

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

**Conformance Evidence:**
- Process walkthroughs
- Containment structure engineering
- Auditor observation

**Auditor Notes:** Spraying is avoided, if possible, to maintain beneficial species on sites. Chemicals are rotated in order to avoid emerging tolerances to products. Fungicide ethical guidelines by UC Davis are followed. Chemical storage is avoided if possible, and attempts are made to have chemicals on site only on spray days. On multi-day sprays, chemical storage is in line with the California Environmental Reporting System (CERS). Secondary containment structures are on sites for sulfuric acid.

**Result: In Conformance**
### Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation

**Conformance Evidence:**
- Activity based budgets
- Cap Ex proposals

**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. Some adoption of electric vehicles (small vehicles) has been observed. Variable frequency drives (VFD) and “soft start” technology is on lift pumps (“boosters”) at well sites.

There is a focus on operating sites efficiently and reducing passes as much as possible. There is a preference for smaller, lighter equipment. Equipment is on a 10-year replacement plan. Maintenance is supplied on sites by staff mechanics. Improved pruning practices have led to reduced chemical applications.

Solar panels are proposed to run gas engines on water filtration systems.

**Result:** In Conformance

### Performance Measure (PM) 5.2 Air Quality

**Conformance Evidence:**
- Conservation management plans
- Activity based budgets
- Cap Ex proposals
- Policies and procedures document (master template)

**Auditor Notes:** PGIM relies on California air emissions regulations for operational guidance. Pumps have been converted to electric engines. More efficient equipment with higher tier engines and DEF fluids are in place. Some small vehicles, like all terrain vehicles, have been converted to electronic vehicles.

PGIM’s Conservation management plan addresses dust control policies. Water trucks are implemented for dust control, with some coverage in orchard rows. On more established roads, oil is used to control dust.

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

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

Conformance Evidence:
- Conservation management plans
- Activity based budgets
- Cap Ex proposals
- Process walkthroughs
- Four Twenty Seven Risk assessments
- Crop Insurance documents

Auditor Notes: Potential impacts of climate change are considered while developing and operating orchards. Techniques to enhance carbon sequestration in the soil are implemented, such as 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.

Climate change mitigation practices are tracked through Four Twenty Seven, an affiliate of Moody’s that provides market intelligence and risk assessments on physical climate risk. The Four Twenty Seven program pulls climate change risk models for potential acquisitions.

*Result: In Conformance, Opportunity for Improvement (See Key Findings)*
## OBJECTIVE 6: Waste and Material Management

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

Conformance Evidence:
- Onsite manager agreements
- Container design documents
- Policy and procedure documents (master template)
- Activity based budgets
- Auditor observations

**Auditor Notes:** Chemical totes are triple rinsed and slashed, then returned to chemical dealers. Jugs are collected in enclosed areas and disposed of properly. Plastics are shredded by other parties offsite.

Trees that are no longer producing are removed, chipped, and hauled offsite for biomass. Residues from pruning are reincorporated into the soil. Wastewater is captured for reuse by backflush water recovery system. Trellis posts from vineyard operations are repurposed for fence posts.

*Result: In Conformance*

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

Conformance Evidence:
- Onsite manager agreements
- Policy and procedure documents (master template)
- Activity based budgets
- Repurposed vineyard posts for fencing
- Annual business plans for capital improvements
- Crop consultant recommendations
- Auditor observations

**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. Gibberellic acid is applied to hold fruit on trees at a high quality. On nuts, trees are shaken and swept instead of catching to avoid losses. On citrus sites, harvest crews are tasked with only harvesting what the market demand will accept at the time.

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

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

Conformance Evidence:
- Critical habitat for special status species assessments reports (USFWS)
- Wetlands delineation reports
- Title research processes

Auditor Notes: Critical habitat analyses are conducted to identify sensitive species prior to acquisition of farmland or in advance of operations that may disturb sensitive species. PGIM determines involvement on sites or initial investments based on potential presence of any special status species. On a single site where an endangered species habitat was identified, areas were fenced off and all activities were kept out of area until a biological resource assessment was conducted.

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

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

Conformance Evidence:
- Wetlands delineation reports
- Title reports
- Farm maps
- Policy and procedure document (master template)
- Acquisition checklist
- Owl boxes
- Activity based budgets

Auditor Notes: Owl boxes provided on sites. Wildlife habitats are set aside in buffers areas. Thorough assessments of habitats are performed prior to acquisition. PGIM determines involvement on sites or initial investments based on potential native habitats on properties. Pollinator habitat is provided where deemed feasible.

*Result: In Conformance, Opportunity for Improvement (see key findings)*
## OBJECTIVE 7: Conservation of Biodiversity (Continued)

### Performance Measure (PM) 7.3 Avoided Conversion

**Conformance Evidence:**
- *Policy and procedure document (master template)*
- *Wetland delineation reports*
- *Farm inspection reports*
- *Acquisition reports*

*Auditor Notes:* Acquisition process and wetland delineation reports provide insights into farmland designations and historic use of property. Current acquisition reports show no existing areas with forest or timberland designations. Property history discovered during title research determine no issues. Deforestation policy requires that no areas designated as forest will be used as or converted into farmland. A deforestation policy has been reviewed and is on file.

**Result:** In Conformance

### Performance Measure (PM) 7.4 Crop Diversity

**Conformance Evidence:**
- *Block maps*
- *Activity based budgets*
- *Auditor observation*

*Auditor Notes:* Acreage has crop diversity primarily through varieties of permanent crops. Crop mixes are determined based on ease of management and potential yield. Most blocks have at least two varieties of permanent crops active. Root stocks are clones, determined by market opportunities. Multiple varieties are placed on sites to enhance cross pollination.

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

### Performance Measure (PM) 8.1 Site Protection

**Conformance Evidence:**

- Due diligence process documents
- Title research documents
- Farm maps
- FSA form 156 (Farm Survey)
- Policy and procedure document (master template)
- Stakeholder contact policy

Auditor Notes: Special sites and ecologically important sites are identified during due diligence. PGIM determines engagement based on the results from initial surveys. Stakeholders in properties are contacted to assess cultural impacts of production agriculture on sites before investment decisions are made. No identified sites of historic, cultural, or natural heritage are identified in PGIM’s currently enrolled acreage.

**Result: In Conformance**

## OBJECTIVE 9: Local Communities

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

**Conformance Evidence:**

- Policy and procedures document (master template)
- Site invoices
- Tax receipts
- Contract manager agreements

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 whenever possible.

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

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

**Conformance Evidence:**
- Management statements regarding community engagement
- Policy and procedure document (master template)

**Auditor Notes:** Activity in the community was limited by the pandemic in 2020 and 2021. Site managers on almond sites represent PGIM and properties on water district boards. Managers on citrus sites represent PGIM and properties on citrus boards, and the Citrus Disease Council. Site managers support Boys and Girls Club events, farm leagues, county fairs, and engage with multiple community boards.

**Result:** In Conformance

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

**Conformance Evidence:**
- Policy and procedure document (master template)
- Delineation maps and identified boundaries
- Indigenous representative contacts
- Title reports
- Signage at entry points
- Examples of inquiries and responses

**Auditor Notes:** PGIM 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 it is possible that artifacts are present.

Some sites appear on public map services, like Google or Apple maps, with contact information. Signs are present on some blocks with contact information for managers.

**Result:** In Conformance, Opportunity for Improvement (see key findings)
**OBJECTIVE 9: Local Communities (Continued)**

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

Conformance Evidence:
- Safety signs
- “Bee-wise” site information
- Onsite manager agreements

Auditor Notes: Spraying is performed at night after communicating with any neighbors or community members near or on properties. Managers check “Bee-wise” (service that shows the risk of drift on spray days) before spraying. Signage is put out on farms with flashing lights during harvest or any other time spray or harvest crews are operating on sites.

*Result: In Conformance*

**OBJECTIVE 10: Employees and Farm Labor**

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

Conformance Evidence:
- EEO Policy
- Job postings
- Signage in common areas
- “Making the right choice” – Code of Conduct
- Anti-discrimination / Anti-harassment policy

Auditor Notes: PGIM is an Equal Opportunity Employer. Safe work environment, anti-harassment, and anti-discrimination policies are in place in Employee Code of Conduct. PGIM’s Axonify system keeps staff aware of current issues and provides continual daily training. Farm Labor Contractors (FLCs) have their own additional safety trainings and anti-discrimination policies.

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

Performance Measure (PM) 10.2 Occupational Training

Conformance Evidence:
- Signage in common areas
- “Making the right choice” – Code of Conduct
- Contract management agreements

Auditor Notes: Employees are provided regular trainings to maintain current knowledge pertaining to professional roles and responsibilities. Signage is put out during spray and harvest activities. Safety refresher trainings are held throughout the year, and Axonify system provides continual training to staff. FLCs conduct regular tail gate trainings and refreshers. Site managers receive and review FLC training records. Worksites are regularly inspected for safety violations and non-conformities.

Result: In Conformance

Performance Measure (PM) 10.3 Supporting Capacity for Sustainability

Conformance Evidence:
- Policy and procedures document (master template)
- Training records
- Staff attendance at LH engagements
- Org chart
- Prudential talent marketplace
- ESG initiatives report

Auditor Notes: A commitment statement to LH FMS is documented and on file. Christopher Jay and his team are tasked with demonstrating PGIM conformance to the LH FMS. PGIM’s team has demonstrated their understanding the program fully with thorough exposure to program language and requirements. In ESG reports and interviews, sustainable performance is a core value to PGIM. Extensive staff attended LH FMS engagements and took initiative to create workpapers and inventories of current practices in place.

PGIM provides sustainability training for third-party vendors. Regular meetings include sustainability and LH FMS specific briefings and trainings. Professional designations on PGIM’s contract management team includes certified crop advisors (CCA), qualified applicator licenses (QAL), and accredited farm managers (AFM).

Result: In Conformance, Exemplary Practices (See Key Findings)
## OBJECTIVE 10: Employees and Farm Labor (Continued)

### Performance Measure (PM) 10.4 Compensation

**Conformance Evidence:**
- Compensation structure document
- Contract management agreements

**Auditor Notes:** Compensation is well designed and implemented with competitive pay and benefits. PGIM performs salary surveys annually to determine competitiveness of wages.

**Result:** In Conformance

### Performance Measure (PM) 10.5 Farm Labor

**Conformance Evidence:**
- Contract manager agreements

**Auditor Notes:** FLCs are audited for fiscal responsibility to ensure payment to labor, staff, and suppliers. Accuracy of FLC work and documentation (timecards, training records, and operations) is reviewed by PGIM Management. Ad Hoc inspections on FLC worker conditions are conducted by PGIM managers. FLC pay rates are based on machine use and activities conducted.

**Result:** In Conformance
**OBJECTIVE 11: Legal and Regulatory Compliance**

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

**Conformance Evidence:**
- Policy and procedures document (master template)
- Prudential Code of Conduct
- Screenshots of compliance training
- Signage in Prudential Ag Investment (PAI) offices
- “Making the right choices” – Code of Conduct training
- Training records
- Compliance org chart
- Compliance policies
- Anti-discrimination and harassment policies
- FSA filings

Auditor Notes: OSHA signage is posted in common areas, and access to compliance issues is provided by designated staff. Employees and contract managers have access to all relevant legal and regulatory information. Axonify system maintains staff awareness of compliance topics and issues. Chemical containment has appropriate signage and is in conformance with California regulations.

Food safety and Good Agricultural Practices (GAP) audits are conducted on all food production intended for foreign markets. GAP audit results reveal no outstanding issues.

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

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

**Conformance Evidence:**
- Policy and procedures document (master template)
- Prudential compliance policies
- Anti-discrimination and harassment policies
- Compensation structure
- Compliance manual
- Compliance org chart

Auditor Notes: Social responsibility policies reviewed and on file. Employee handbooks and manuals set code of conduct. PGIM HR policies and codes of conduct align with the International Labor Organization’s (ILO’s) Declaration on Fundamental Principles and Rights at Work concerning fundamental rights. Current policies are continually reviewed by PGIM’s Human Resources Group and Legal department.

*Result: In Conformance*
OBJECTIVE 12: Management Review and Continual Improvement

Performance Measure (PM) 12.1 Farm Review and Continual Improvement

Conformance Evidence:

- Activity based budgets
- Initial and follow up soil tests
- Due diligence documents
- Annual business plans
- Capital project updates
- Acquisition proposals and recommendation documents
- Phase I environmental reviews
- Water test results
- Well tests
- Title research documents
- Policy and procedure document (master template)
- Wetland delineation reports
- Consulting reports
- Ranch improvement document
- Attendance at Ag Tech conference receipts
- Autonomous sprayer document
- Property performance reviews and plans
- ESG initiatives report
- 2022-2024 Annual improvement plan

Auditor Notes: PGIM conducts weekly and monthly operations reviews on all sites, formal quarterly reviews of financials, audits financial statements from properties, monthly budget to actual reconciliations, and annual cap ex evaluations. Issues to correct are identified in due diligence and included in planning budgets. Five-year revenue forecasts are included in planning documents, informed by averages from the previous 4-6 years. Revenue plans are integrated into business plans, reviewed by the CIO and President of PGIM, sent to clients for approvals, and then forwarded to managers for action. Action taken on all decisions is verified in operations review meetings. PGIM values collaboration between farm managers, and encourages managers to share ideas, challenges, and successes, particularly between managers of the same crop type. Additionally, PGIM utilizes a policy of bringing in licensed, educated, and high performing advisors.

ESG factors have been added to property review write-ups to reinforce integration into daily activities. Trainings regarding LH FMS conformance have been developed for managers and ESG factors have been integrated into the Axonify compliance training system.

Environmental impacts are consistently measured from acquisition onward. Soil, tissue, sap, water, and well testing are all conducted to maintain awareness of a properties current use of resources, as well as measure improvement from the benchmark years when the site was established.

Operations update meetings provide current events and activities on sites. Updates include the output from systems on sites like Semios and innovations like test nozzles, spray rigs, autonomous sprayers, new trellis structure types, and new testing methods (sap testing).

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

Performance Measure (PM) 12.2 Support for Sustainable Agriculture

Conformance Evidence:

- Membership in research programs
- Attendance records at ag tech conferences
- Demonstrations of autonomous sprayer technology
- Policy and procedures document (master template)

Auditor Notes: PGIM engages with the Citrus Science Council to research disease and other issues. Partnerships are in place with the Climate Change, Agriculture and Food Security (CCAFS) Regional Agricultural Forecasting Tool (CRAFT) program for growers performing research, primarily regarding the biological control of pests. Ranch managers are members of the North Kern Conservation Program. New irrigation programs are being tested to assist with the complex nature of water management in California. Spray tests are conducted on sites for mealy bug control. Research and test plots are coordinated with universities. Entomology advisors are engaged with to determine new areas of research.

Result: In Conformance
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):  Seven (7) opportunities for improvement were identified during the audit.

1.  2.2.2 Degradation of Agricultural Lands

2.  5.3.2 Climate Change Adaption and Resilience
   a.  Site managers reported a preference to avoid native grasses purposefully to avoid pest and weed pressures on sites. PGIM could identify appropriate amounts of cover or grasses allowed on sites that would help to reduce soil degradation and improve soil structures.

3.  7.1.1 Threatened and Endangered Species

4.  7.1.2 At-Risk Species

5.  7.2.1 Native Habitats and Natural Communities

6.  7.2.2 Ecologically Important Sites
   a.  Information regarding critical habitats for special status species, native habitats, wetlands, and ecologically important sites is gathered during due diligence and acquisition. Records of assessments indicated that no issues were found during assessments. However, a lack of awareness regarding the results of the assessments was observed when interviewing management. Results of biological resources assessments should be communicated or made available to site managers.

7.  9.3.3 Local Communities and Indigenous People’s Inquiries
   a.  Some signage was found on entry points in different conditions. Signage and contact information could be improved and expanded to more sites.
Exceptional Practices: Six (6) exceptional practices were identified during the examination.

1. 1.1.1 Farmland Stewardship Commitment
   a. Stewardship policies and goals are all well documented and clearly communicated. Policy and Procedures Document (or Master Template) is extremely well planned and organized. Policy information is clearly written and effectively presented. The clarity of thought demonstrated by PGIM on policy and procedure development is notable and developed to an exemplary extent.

2. 3.1.2 Regional Water Conservation
   a. On sites with access to surface water only, reservoirs were lined with plastic to prevent water loss and increase accessibility to water resources. The liner project was a large-scale undertaking and appears to have greatly increased water efficiency. PGIM’s willingness to improve water access on such a scale is deserving of recognition.

3. 10.3.2 Employee Roles and Responsibilities
   a. Staff created their own workpapers to follow along during audit activities. On review, the internal workpapers were very similar to audit workpapers. This demonstrated a deep understanding of standard structures and investment in audit activities.

4. 11.1.3 Compliance Commitment
   a. The Axonify system maintains staff awareness and training on regulatory and compliance issues, through a game-like scoring system. Staff performance is tied to engagement with the compliance training system and scores achieved in daily trainings. Compliance training can be a challenge to reinforce with staff that is not directly connected to compliance tasks. The implementation of a simple, easy to use system is worthy of recognition.

5. 12.1.1 Performance Review
   a. PGIM management maintains a thorough reporting and updated training schedule, with increasing involvement of personnel. A wide variety of internal stakeholders are involved in regular update meetings on properties and projects. A reported value at PGIM is that competition between farm managers does not benefit PGIM as a whole, so collaboration and sharing is encouraged particularly among managers of similar crop types. Current issues, challenges, and success stories are shared in a notably open environment of collaborative effort.

6. 12.1.4 Annual Review and Improvement
   a. Activity based budgeting reports on production as well as cultural costs. Activities and practices are detailed and well researched, with monthly reconciliations of budgeted to actual performance. Thorough budgeting gives a realistic impression of operations on farm sites, reliable information for off-site management, and provides managers with actionable information to work with. The activity based budgeting system at PGIM is highly utilized and very effective and driving operations.
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Review of Previous Audit Cycle: N/A

CONCLUSIONS

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

PGIM Real Estate’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>PGIM Real Estate</th>
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<tbody>
<tr>
<td>Audit Dates</td>
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### Non-Conformances Raised (NCR):

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### Follow-Up Visit Needed?

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### Follow-Up Visit Remarks

N/A

## Team Leader Recommendations

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## Standard(s) Audited Against

Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 12)

### Audit Team Leader

<table>
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<tr>
<th>Audit Team Leader</th>
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<tbody>
<tr>
<td>Matt Armstrong</td>
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### Audit Team Members

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<tbody>
<tr>
<td>Jenna Pierce</td>
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<td>Andrew Zetterberg</td>
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<td>Kyle Rusten</td>
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## Scope of Audit

Management of production farmland on direct and tenant operated properties.

### Accreditations

Approval by Leading Harvest to provide certification audits

### Number of Certificates

1

### Certificate Number

2021-0007

### Proposed Date for Next Audit Event

TBD

### Audit Report Distribution

PGIM: Christopher Jay (christopher.jay@pgim.com)