

# ACRETRADER

Fayetteville, AR

LH FMS AUDIT SUMMARY REPORT: 2023 SURVEILLANCE

September 25, 2023





8801 Renner Blvd, #100  
Lenexa, KS 66219  
Phone: 913.643.5087

<b>Company Name</b>	AcreTrader
<b>Contact Person</b>	Rachel Chaffin
<b>Address</b>	112 W. Center St, Suite 600 Fayetteville, AR 72701
<b>Phone/Fax</b>	(913) 687-9779
<b>Email</b>	rachel.chaffin@AcreTrader.com
<b>Certification Date</b>	April 14, 2023
<b>Recertification Due Date</b>	April 14, 2026
<b>Certification ID#</b>	Averum-LHFMS-2023-0003

Certification Audit     Re-Certification Audit     Surveillance Audit     Scope Extension

# **ACRETRADER**

## **LH FMS AUDIT SUMMARY REPORT**

«Date»

---

### **INTRODUCTION**

This report summarizes the results of the surveillance audit conducted on AcreTrader managed production agriculture properties. The audit was conducted by Matt Armstrong, Lead Auditor for Averum. Matt 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. Site visits were assisted by Jacques Werleigh, Field Auditor. The audit process and reports were independently reviewed by Kyle Rusten, who is a certified public accountant in the state of California and has expertise on multiple crop types in the United States. All senior members of the audit team hold training certificates in ISO 17021:2015 (Conformity Assessment), 14001:2015 (Environmental Management Systems), as well as IAF MD-1:2018 (Certification of Multiple Sites).

### **SCOPE AND OBJECTIVE**

In 2023, Averum was engaged by AcreTrader to perform a surveillance audit of sustainability performance on 22,712 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 the Lake States and the Southeast. There was no substitution or modification of LH FMS performance measures.

### **COMPANY INFORMATION**

AcreTrader is an independent agricultural investment firm. Farm operating tenants and management contractors are responsible for the day-to-day farmland management services for AcreTrader's properties. AcreTrader opted to certify 100 percent of their agricultural properties in 2022, allowing them to engage in broader sampling and simplifying the process of maintaining their certification in the future.

During the surveillance audit, six (6) sites in the Lake States and Southeast regions were selected, with three tenant managers included. Managers overseeing decision making and standard compliance for the sample regions were contacted for evidence requests and interviews. The properties in these regions are a representative sample of current practices in place and management decision making. The primary agricultural production on sites are wheat, corn, beans, cotton, peas, and peanuts.

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was established for AcreTrader coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held on August 1, 2023, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in the Lake States and Southeast were examined on August 14, 2023 and August 16, 2023. A closing meeting was held on September 25, 2023.

#### Opening Meeting: Conference Call

August 1, 2023

##### Attendees:

(AcreTrader) Wesley Anderson, Rachel Chaffin, Dallas Finley, Grant Schoen

(Audit Team) Matt Armstrong, Jacques Werleigh, Linnea Rash

##### Topics:

- Introductions of participants and their roles: Matt Armstrong
- Introduce audit team: Matt Armstrong
- Status of findings of the previous audits: Matt Armstrong
- Audit plan: Matt Armstrong
- Expectations of program user staff: Matt Armstrong
- Method of reporting: Matt Armstrong

#### Closing Meeting: Conference Call

September 25, 2023

##### Attendees:

(AcreTrader) Wesley Anderson, Dallas Finley, Robert Moore

(Audit Team) Matt Armstrong, Jacques Werleigh, Linnea Rash

##### Topics:

- Opening remarks: Matt Armstrong
- Statement of confidentiality: Matt Armstrong
- Closing summary: Matt Armstrong
- Presentation of the audit conclusion: Matt Armstrong
  - Major Non-Conformances: 0
  - Non-Conformances: 0
  - Opportunities for Improvement (OFI): 6
  - Notable Practices: 2
- Report timing and expectations: Matt Armstrong

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### MULTI-SITE REQUIREMENTS

AcreTrader maintains operations on multiple properties in the Lake States and Southeast regions. AcreTrader qualifies for multi-site sampling since the properties within the management system are centrally controlled and directed by regional management, with regular monitoring activities. Regional Managers are responsible for developing corrective action plans regarding LH FMS conformance and report them to AcreTrader management. AcreTrader’s current review and monitoring process is effective and ongoing.

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

Region	Crop	Properties Examined During Engagement
Lake States	Corn, beans, peas, wheat	Three (3) sites visited during audit <ul style="list-style-type: none"><li>- 4,563 gross acres in production</li><li>- Lake States represent 20% of all acreage</li><li>- Management population: One (1) Farm manager, Two (2) tenant operators</li><li>- Sites visited: AcreTrader 116, LLC, AcreTrader 121, LLC, and Acretrader 201, LLC</li></ul>
Southeast	Corn, beans, wheat, cotton, peanuts	Three (3) sites visited during audit <ul style="list-style-type: none"><li>- 2,081 gross acres in production</li><li>- Southeast represents 9% of all acreage</li><li>- Management population: Two (2) Farm managers, Two (2) tenant operators</li><li>- Sites visited: AcreTrader 135, LLP, AcreTrader 171, LLP, and AcreTrader 221, LLP</li></ul>



# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### AUDIT RESULTS

Overall, AcreTrader’s agricultural operations conform to the objectives of the Leading Harvest Farmland Management Standard 2020 (LH FMS). Interviews and document reviews were performed to determine procedural and documentation conformance to the LH FMS. Documentation of practices was continuously supplied throughout the audit when requested. Documentation from multiple sites was provided to auditors. Field visits were performed on six operating sites, with three in the Lake States and three in the Southeast. Visits took place during the growing season, so irrigation practices and crop health were highlighted. Central and regional management representatives, as well as operating tenants, were present and interviewed to illustrate AcreTrader’s conformance and policy implementation. Central office staff with roles that impact LH FMS conformance were interviewed to determine awareness of and support for LH FMS conformance, and to illustrate company practices and procedures not performed by farm managers. AcreTrader’s Regional Managers served as guides and were available throughout the entire engagement, providing logistic support and honoring evidence requests wherever needed.

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

#### Objective 1: Sustainable Agriculture Management

##### 1.1 Sustainable Agriculture Stewardship

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

- “Our Impact” page from website
- Environmental Questionnaire
- Updated Ag Lease Template
- Annual Agricultural Lease

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

- AcreTrader maintains a page on their website called "Our Impact" that shares progress on sustainability projects, LH FMS objectives, and land stewardship commitments.
- Agricultural stewardship guides AcreTrader management decisions to support long-term profitability.
- AcreTrader conducts Environmental Questionnaires during property acquisitions to better understand soil health, past pest management practices, water access, and possible capital expenditures.
- AcreTrader works with the Natural Resources Conservation Service (NRCS), Farm Service Agency (FSA) offices, and the Army Corps of Engineers to provide environmental insight on property management decisions. There are tracts of Conservation Reserve Program (CRP) land within AcreTrader's portfolio.
- AcreTrader investors underwrite agricultural land for agricultural use, and invests in properties that can be farmed long-term using sustainable farm management practices. Recreational hunting is occasionally permitted.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

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

#### 1.2 Critical External Factors

##### **Conformance Evidence**

- End of Season Farm Manager Report
- Annual Agricultural Lease
- Environmental Questionnaire

##### **Auditor Notes**

- AcreTrader provides flexible leases with extended terms to support ongoing improvements on production farms.
- Tenants provide regular updates to farm managers in addition to scheduled quarterly manager visits. Regular communication supports tenants' ability to respond to critical external factors and practice sustainable agriculture production.
- Tenants complete End of Season reports that outline crop yields and potential improvements for the next growing season.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 2: Soil Health and Conservation

#### 2.1 Soil Health

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

- Fertilizer invoice
- Soil test
- End of Season Farm Manager Report
- Soil map
- Annual Agricultural Lease

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

- Sites selected in the Southeast maintain Nutrient Management Plans (NMPs) informed by baselines established by the University of Georgia Cooperative Extension (UGA Extension).
- Southeast sites plant rye, winter wheat, and triticale cover crops to support soil health and provide armor for the soil. Tenants use no-till on beans and plant wheat after harvest to reduce soil disturbances and enhance soil organic matter.
- Chicken litter is used to support soil nutrient balance on site selected. Four tons are applied per acre of corn, and three tons are applied per acre to support wheat and soy health.
- Sites conduct soil tests to inform appropriate maintenance of nutrient balance and soil health. Consultants who perform soil testing provide critical information to support NMP. Testing on sites in sampling selection takes place between one and five years.
- Lake State sites visited plant Austrian field peas and oat cover crops to prevent weeds and wind erosion. Spring corn may also be planted if weather allows.
- Selected site uses variable rate fertilizer applications and foliar micronutrient applications of zinc, sulfur, boron, copper, iron, and manganese.
- Site conducts weekly tissue testing to monitor nutrient uptake and deficiencies.
- Crop residues are tilled into the soil or left out in both regions visited to support long-term soil health and productivity.

***Result: In Conformance***



# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

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

#### 2.2 Soil Conservation

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

- End of Season Farm Manager Report
- Annual Agricultural Lease
- Soil map
- Fertilizer invoice

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

- Southeast sites visited do not have reported or observable issues with erosion. Cover crops are planted between crop rotations and provide consistent soil cover.
- Selected sites are long-term farmland. No land on sites visited is resting or fallow.
- Selected sites have no issues with soil acidification or salinization. Sites manage acidification through variable rate application to prevent excessive chemical use.

***Result: In Conformance***

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 3: Water Resources

#### 3.1 Water Use

##### **Conformance Evidence**

- Annual Agricultural Lease
- End of Season Farm Manager Report

##### **Auditor Notes**

- Southeast sites are irrigated by rainfall and groundwater. Groundwater is drawn from the Floridian, Claiborne, or Crustaceous Aquifers. There are no water usage restrictions.
- Wells are located on sites and use electric pivots. Each well is equipped with a flow meter that is read quarterly by the Georgia Environmental Protection Division.
- AcreTrader invested on site in the Southeast to repair malfunctioning well, pivot, and nozzles. The updated irrigation has led to an increase in yield, less water use, and less power wasted to deliver irrigation.
- Tenants of sites selected and AcreTrader's Farm Manager serve on different Soil and Water Conservation Boards. One tenant's water conservation practices and reduction of water use led the Water Conservation District in 2022 to award the tenant.
- Sites selected use low-pressure irrigation and pivot systems. AcreTrader invested in new pipes and an updated irrigation system.
- Sites use hydrology of the site to make water-conscious planting and irrigation decisions. Areas with high excessive water capacity are avoided or pattern tiled.
- Lake State sites use drain tiles to allow water to flow from crops. Sites rely on rainfall and are not irrigated.

**Result: In Conformance, Notable Practice**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 3: Water Resources (Continued)

#### 3.2 Water Quality

##### **Conformance Evidence**

- End of Season Farm Manager Report
- Updated Ag Lease Template

##### **Auditor Notes**

- Site selected attributes a 20% reduction in chemical use due to cover cropping and reduced tillage.
- Additionally, the site has seen an 80% reduction in tillage overall.
- Selected sites are scouted regularly, mostly by internal staff and occasionally by a third-party. Scouts are trained to look for evidence of pests, plant nutrient deficiencies, fertility, irrigation, and pest termination.
- Tissue tests are used to inform scouts and tenants of potential issues with nutrient uptake and infiltration.
- Selected sites in the Southeast and Lake States contained a wetland or water resource areas including a creek and cypress dome.
- Site of interest in Southeast does not entirely fall within the borders of AcreTrader property, but soil erosion was noted in the area.
- Site in the Midwest is tiled and drains into and a small pond. A dry creek bed was noted during the site visit.

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

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 4: Crop Protection

#### 4.1 Integrated Pest Management

##### **Conformance Evidence**

- Annual Agricultural Lease
- Environmental Questionnaire
- Soil map
- End of Season Farm Manager Report
- Updated Ag Lease Template

##### **Auditor Notes**

- Sites selected monitor for pests through scouting using staff and third-party certified crop advisors (CCAs) and pest control advisors (PCAs).
- Scouting frequency varies across sites. Some growers scout weekly, and others scout throughout the season in response to identified pest presence.
- Southeast sites visited apply crop amendments within thresholds established by state regulations to avoid excessive application and mitigate nutrient runoff.
- Organic site in the Midwest strictly controls crop protectants. Tenant emphasizes proactive pest management to avoid excessive crop loss.
- Selected sites follow formal Integrated Pest Management (IPM) principles including the use of treated seed varieties, spraying crop applications, and regular scouting to avoid excessive crop loss.
- Seeds are selected with drought and disease resistant genetics. Lake State site cultivates organically sourced seeds with superior genetics from seed supplier.
- Chemical application, timing, and rates are dependent on scouting results, pest thresholds, type of pest, and available treatment options.
- Fungicides are the most common prescription at site selected.

**Result: In Conformance**

#### 4.2 Crop Protectant Management

##### **Conformance Evidence**

- Environmental Questionnaire
- Updated Ag Lease Template

##### **Auditor Notes**

- Sites visited in the Southeast and Lake States use chemicals that are mixed off-site and applied by third parties or licensed and trained staff.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

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

#### 5.1 Agricultural Energy Use and Conservation

##### **Conformance Evidence**

- Annual Agricultural Lease
- Soil map

##### **Auditor Notes**

- Tenants use farm equipment with Tier 4 engines and diesel exhaust fluid (DEF) to increase efficiency and reduce greenhouse gas (GHG) emissions. Select sites use global positioning system (GPS) on equipment to create more efficient passes.
- Sites maintain equipment inventories to ensure routine maintenance is performed.
- Selected sites practice conservation tillage whenever possible to reduce soil disturbances and support soil health.
- Sites sampled have no renewable energy operations. Sites in the Southeast use electric wells that draw energy from Georgia Power. Georgia Power's electricity is partially generated using solar and other renewable sources.

**Result: In Conformance**

#### 5.2 Air Quality

##### **Conformance Evidence**

- Farm Management Agreement
- AcreTrader Annual Report
- End of Season Farm Manager Report
- Annual Agricultural Lease

##### **Auditor Notes**

- Sites use GPS technologies, Tier 4 engines, and DEF on farm equipment to reduce emissions.
- Sites maintain equipment inventories and to ensure equipment is well-maintained, repaired, and replaced when necessary.
- Airborne dust was not a reported or observable concern on sites selected.

**Result: In Conformance**

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

**5.3 Climate-Smart Agriculture**

***Conformance Evidence***

- End of Season Farm Manager Report
- Farm Management Agreement
- AcreTrader Annual Report

***Auditor Notes***

- Sites use low-emission technologies on farm equipment, reduced tillage, and low-pressure nozzles on pivots.
- Equipment is maintained per inventory schedules to ensure operating efficiency.
- Tenants interviewed in the Southeast stated climate impacts do not inhibit operations.
- Tenants interviewed in the Lake States report issues with excessive rainfall and increased hazardous weather events including hail and intense heat.
- Tenants maintain crop insurance to protect themselves from losses due to climate events.

***Result: In Conformance***



**Objective 6: Waste and Material Management**

**6.1 Management of Waste and Other Materials**

**Conformance Evidence**

- Annual Agricultural Lease
- Management Agreement
- Environmental Questionnaire
- Updated Ag Lease Template

**Auditor Notes**

- Limited waste is generated during production on AcreTrader sites. Tenants do not need to manage chemical containers since products are mixed off-site, transported to, and used on the field. Vegetative or organic waste is incorporated into the soil to increase soil organic matter.
- No sites visited burn waste.
- Select sites recycle used oil through a vendor to reduce landfill waste.

**Result: In Conformance**

**6.2 Food and Agricultural Waste Resource Recovery**

**Conformance Evidence**

- Annual Agricultural Lease
- Management Agreement
- Environmental Questionnaire
- Leading Harvest Mid-Season Report
- Leading Harvest Update Farm Manager Agreement Template
- Leading Harvest Updated Ag Lease
- Updated Ag Lease Template

**Auditor Notes**

- AcreTrader sites use mapping software to mitigate crop loss during harvest. Crops are not stored onsite.
- Site selected in the Lake States has tile drainage to prevent standing water from collecting on field and mitigate crop loss.
- Sites selected use manure to provide nutrients to the soil and reduces net emissions.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 7: Conservation of Biodiversity

#### 7.1 Species Protection

##### **Conformance Evidence**

- Annual Agricultural Lease
- Environmental Questionnaire
- Phase 1 Environmental Site Assessment (ESA)
- Updated Ag Lease Template

##### **Auditor Notes**

- Select tenants express limited awareness of protected species that may be present on sites.
- Select site reported no research being conducted regarding at-risk species.
- AcreTrader conducts Environmental Questionnaires to obtain information on potential threatened and endangered species from tenants on sites.

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

#### 7.2 Wildlife Habitat Conservation

##### **Conformance Evidence**

- End of Season Farm Manager Report
- Environmental Questionnaire
- Phase 1 ESA

##### **Auditor Notes**

- Southeast sites contained undisturbed woodlands and areas not suitable for agricultural production.
- Lake States site selected contained a small pond. A large snapping turtle was observed during site visits.
- Ecologically important site was noted by tenant of site selected in the Southeast. Limited protection or conservation practices.

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

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

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

#### 7.3 Avoided Conversion

##### **Conformance Evidence**

- AcreTrader Management Policies

##### **Auditor Notes**

- Sites selected in both regions have been long-term farmland.
- Woodland and forested areas on AcreTrader sites are not converted to agriculture if unsuitable to production.
- AcreTrader has a deforestation policy in place and reads as follows: "Acretrader Management acquires and manages agricultural lands to further its stewardship goals. AcreTrader Management is committed to protecting natural forests and preserving farmland located across all regions of the United States, the Northeast (Appalachian oak), Southeast (Oak-Pine mixed), Midwest (Beech-maple-basswood), South (Oak-Hickory and Southern mixed) and Pacific Coast (Spruce-Cedar-Hemlock)." There is currently no commitment to zero deforestation included in the policy.

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

#### 7.4 Crop Diversity

##### **Conformance Evidence**

- End of Season Farm Manager Report
- Annual Agricultural Lease
- Leading Harvest Mid-Season Report
- Leading Harvest Updated Farm Manager Agreement
- Leading Harvest Updated Ag Lease Template

##### **Auditor Notes**

- Southeast crop rotations include wheat, corn, beans, cotton, and peanuts.
- Tenant of Lake State site manages test plots to support seed selections. Ten to fifteen varieties or cultivars of corn and wheat and four or five different varieties of soybeans are currently being tested. Seeds are selected based on observed and desired characteristics.
- Crops are rotated depending on previous crop, yield, economic need of market. Most rotations include corn and beans, and some rotations include corn, bean, peas, and wheat. Rainfall is a determining factor for crop rotations decisions in the Lake State region.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 8: Protection of Special Sites

#### 8.1 Site Protection

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

- Environmental Questionnaire
- Phase 1 ESA
- Soil map
- Updated Ag Lease Template

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

- Selected site uses Acres (formerly AcreMaps) satellite technology to provide up to 30 years of vegetation index, soils, elevation, and historical image data.
- AcreTrader identifies special sites during using their Environmental Questionnaire. If a tract of land is identified as a special site, it is removed from the purchase, or the purchase does not take place.

***Result: In Conformance***

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 9: Local Communities

#### 9.1 Economic Wellbeing

##### **Conformance Evidence**

- Management Agreement

##### **Auditor Notes**

- Acretrader retains a tax service provider and accounting and finance teams to ensure taxes. are paid.
- AcreTrader primarily hires full-time employees. Some workers are contracted.

**Result: In Conformance**

#### 9.2 Community Relations

##### **Conformance Evidence**

- Management Agreement
- Leading Harvest Land Investment Summit

##### **Auditor Notes**

- Tenants maintain Farm Bureau memberships, support 4H, and work with Hunters for the Hungry, which is a non-profit that provides deer meat donations to community members in need.

**Result: In Conformance**

#### 9.3 Local Communities and Indigenous Peoples

##### **Conformance Evidence**

- AcreTrader Management Policies
- Management Agreement
- Environmental Questionnaire

##### **Auditor Notes**

- AcreTrader's Local Community and Indigenous Peoples Policy states "the power to act freely and advocate for and exercise their rights. Acretrader Management ensures thorough due diligence with respect to the territories, projects, and developments of indigenous peoples. We commit to collaborating with indigenous peoples to achieve sustainable relationships."
- AcreTrader does not use tribal land for crop production. Properties within AcreTrader's portfolio do not neighbor identified tribal land.
- Tenants stated open communication with neighbors who can easily contact them with issues or questions.
- Tenants maintain social media accounts for their farms to offer another pathway for communication with the public.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 9: Local Communities (Continued)

#### 9.4 Public Health

##### **Conformance Evidence**

- Employee Handbook
- Farm Management Agreement
- Annual Agricultural Lease

##### **Auditor Notes**

- AcreTrader's lease requires tenants to comply with all federal, state, and local rules, regulations, statutes, laws, ordinances, and directives related to hazardous or toxic materials, pollution control, environmental and conversation matters. Tenants are required to dispose of all agrochemical containers in a lawful manner. and may not dump, burn, or bury containers or debris on property.
- AcreTrader's Employee Handbook requires employees to report unsafe conditions, accident, or injury, and use safe working methods.

**Result: In Conformance**

### Objective 10: Employees and Farm Labor

#### 10.1 Safe and Respectful Working Environment

##### **Conformance Evidence**

- Employee Handbook
- "Our Impact" page from website

##### **Auditor Notes**

- AcreTrader is an equal opportunity employer (EOE) and maintains an EOE statement in their Employee Handbook.
- AcreTrader provides training on gender equity and professional work environment human resources (HR) policies. Trainings are held to relay new information if a policy is updated.
- Managers receive anti-harassment and anti-discrimination training monthly.

**Result: In Conformance**



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

**10.2 Occupational Training**

**Conformance Evidence**

- Employee Handbook
- Farm Management Agreement

**Auditor Notes**

- AcreTrader sites conduct Health and Safety training exercises. Training is provided on Disaster and Safety response.
- AcreTrader's Employee Handbook requires employees to report unsafe conditions, accident or injury, and use safe working methods.

**Result: In Conformance**

**10.3 Supporting Capacity for Sustainability**

**Conformance Evidence**

- "Our Impact" page from website
- Leading Harvest Land Investment Summit
- Annual Agricultural Lease

**Auditor Notes**

- AcreTrader's statement of commitment to LH FMS is available on their website under "Our Impact" page.
- AcreTrader has teams to serve critical functions, including a Farm Team responsible for engaging with Farm Managers regarding best land management practices. AcreTrader also has an Investor Relations Team responsible for providing appropriate data and context to investors and the public.
- AcreTrader is developing their "Confluence" webpage, which is intended to be a quick resource tool to support LH FMS principles. Confluence will be updated as acreage increases.
- Farm Managers host presentations on sustainable growing practices in their farming regions.
- AcreTrader uploads press Releases related to their sustainability commitments into an educational library available to AcreTrader staff and investors.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

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

#### 10.4 Compensation

##### **Conformance Evidence**

- Employee Handbook

##### **Auditor Notes**

- AcreTrader conducts third-party compensation audits to ensure pay is consistent with averages of peer groups.

**Result: In Conformance**

#### 10.5 Farm Labor

##### **Conformance Evidence**

- Management interview

##### **Auditor Notes**

- AcreTrader relies heavily on their Farm Managers and many managers are paid above market price.
- AcreTrader aims to use the fewest number of expert farm managers in their fields. Farm Managers communicate daily over the phone.
- AcreTrader is developing a scorecard with Farm Managers to be used for performance review.
- Tenants in Lake States have longstanding relationship with a Farm Labor Contractor (FLC), and originally selected based on peer reference.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 11: Legal and Regulatory Compliance

#### 11.1 Legal Compliance

##### **Conformance Evidence**

- Environmental Questionnaire
- Phase 1 ESA
- Employee Handbook

##### **Auditor Notes**

- AcreTrader retains legal counsel on staff to provide guidance on compliance issues, manage risk exposure, and review legal documentation presented by farms to ensure regulatory compliance.
- AcreTrader sites use compliance checklists to identify potential issues and appropriately address areas of concern.
- AcreTrader has an informal Knowledge Bank with resources specific to certain states or regions to guide property acquisitions.
- Lease language requires compliance with active programs on production sites such as Conservation Reserve Program (CRP) and Wetland Reserve Program. Permits are acquired by appropriate teams at AcreTrader.
- Compliance issues are addressed in a timely manner. Exposures, corrective actions, and best practices are retained. Occupational Safety and Health Administration (OSHA) posters posted in public areas.

**Result: In Conformance**

#### 11.2 Legal Compliance Policies

##### **Conformance Evidence**

- Environmental Questionnaire
- Employee Handbook
- Updated Ag Lease Template

##### **Auditor Notes**

- AcreTrader maintains an Employee Handbook that includes Employee Rights and Policies, including EOE, discrimination and harassment, and ethics codes.
- AcreTrader's lease and operating agreements require legal compliance from tenants.
- AcreTrader maintains a Social Responsibility Statement.
- Wage audits are conducted to make sure employees are paid a competitive market rate.
- Performance review process is streamlined and formalized.
- AcreTrader provides social compliance training.
- AcreTrader aligns with the International Labour Organization (ILO) principles to the extent of US law.
- AcreTrader's lease language ensures tenants' right to "quiet enjoyment" of leased properties.

**Result: In Conformance**

## Objective 12: Management Review and Continual Improvement

### 12.1 Farm Review and Continual Improvement

#### **Conformance Evidence**

- Annual Agricultural Lease
- End of Season Farm Manager Report
- Updated Ag Lease Template
- Farm Management Agreement
- Leading Harvest Mid-Season Report
- Leading Harvest Updated Farm Manager Agreement Template
- Leading Harvest Updated Ag Lease Template

#### **Auditor Notes**

- AcreTrader conducts weekly one on one meetings with employees to perpetuate feedback.
- AcreTrader uses software program called Lattice to facilitate reviews and provide communication from leadership to supervisee and from supervisee to their supervisor or manager.
- AcreTrader uses a metric scoring system to inform pay raises and equity options.
- Management provides biannual tenant reports. AcreTrader's Mid-Season report shared AcreTrader's involvement with LH FMS and provides a brief overview of the standard objectives and resources.
- AcreTrader shared sustainability goals with tenants and have discussed during onsite visits.
- Managers share concerns or achievements from tenants or operators with Farm Managers.
- AcreTrader hosts regional Land Investment Summit panels to share efficiency solutions.
- AcreTrader has capital expenditure budgets specialists may use to implement and manage unique or special projects to improve long-term sustainability and productivity on farms.
- AcreTrader leverages improvement budgets on nearly 40% of newly acquired sites. Improvement budgets are often provided to make infrastructure improvements.
- Metric scoring system is used to inform pay raises and equity options.

**Result: In Conformance**

### 12.2 Support for Sustainable Agriculture

#### **Conformance Evidence**

- Farm Management Agreement
- End of Season Farm Manager Report

#### **Auditor Notes**

- Tenants and operators engage with university and supplier research groups for testing on some acres under management.
- Agricultural summits facilitate regional collaboration among Farm Managers and tenant farmers.
- AcreTrader supports tenant involvement with on-farm trials.

**Result: In Conformance**

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### Objective 13: Tenant-Operated Operations

#### 13.1 Leased-Land Management

##### **Conformance Evidence**

- Annual Agricultural Lease
- End of Season Farm Manager Report
- Leading Harvest Mid-Season Report
- Leading Harvest Updated Farm Manager Agreement
- Leading Harvest Updated Ag Lease Template
- AcreTrader Management Policies

##### **Auditor Notes**

- LH FMS primer was sent to all Farm Managers with a link to Leading Harvest website. Managers will communicate to tenants.
- Tenant managers conduct monthly reviews onsite, and issue biannual reports on property conditions. Staff integrate findings of the LH FMS audits into operations for the following year.
- Lease language addresses best-established farming practices.
- AcreTrader amended indirect language regarding safety in the leases to provide more robust guidance on safety, safety training, and farm management best practices.
- Leases vary from site to site, depending on age of agreement and ownership. Some active lease agreements do not address sustainability goals, but updated leases with LH FMS expectations are used during lease renewal periods.
- Lease language requires safety compliance with hazardous or toxic materials.

**Result: In Conformance**

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

**13.2 Leased-Land Monitoring**

***Conformance Evidence***

- Annual Agricultural Lease
- Leading Harvest Updated Farm Manager Agreement
- Leading Harvest Updated Ag Lease Template

***Auditor Notes***

- AcreTrader releases biannual reports informed by Phase 1 ESAs regarding wetland determinations, highly erodible land, CRP contracts, certified acres, fertilizer application, crop protection, soil testing, goals for the production year, information on geographic areas, special sites, and soil health.
- AcreTrader's management review cycle includes monthly site inspections conducted by Managers and biannual reports.
- Tenant managers are recruited from established agricultural management to find managers with experience. Managers are independent and long-term supporters of LH FMS.
- Environmental surveys are distributed to farms by the seller at closing. Feedback on environmental surveys is provided to tenants to inform tenants on identified issues on properties.
- Results and historical practices from LH FMS audits provide guidance for continual performance improvement.
- Semi-annual filings from farmer tenants report on management practices currently in place.
- Monthly farm inspections provide insight on progress and implementation of management plans and create opportunities for tenant managers to participate in decision making conversations.
- AcreTrader staff reviews environmental reports and Environmental Questionnaire responses to monitor performance of the management system.
- Management agreements state AcreTrader's position and support for sustainability projects and clarify tenants' sustainable stewardship expectations.

***Result: In Conformance***



# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

### KEY FINDINGS

**Previous Non-Conformances:** N/A

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

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

**Opportunities for Improvement (OFI):** Six (6) opportunities for improvement were identified during the audit.

1. 3.2.2 Water Quality Protection
  - a. Some soil erosion was noted during site visit in Georgia. A vegetative buffer or increased efforts to plant cover could reinforce soil structures and resilience.
2. 7.1.1 Threatened and Endangered Species
  - a. Tenants demonstrated a lack of awareness on endangered or protected species in the region. There is an opportunity for improvement in sharing information regarding species protected by the Endangered Species Act that have been identified in Phase 1 assessments on sites.
3. 7.2.1 Native Habitats and Natural Communities  
and
4. 7.2.3 Cropland for Wildlife Habitat
  - a. AcreTrader does not "disturb" woodlands. Area adjacent to woodlands could be intentionally managed to protect or enhance habitat for native species and pollinators.
5. 7.2.2 Ecologically Important Sites
  - a. An area meeting the definition of an ecologically important site was noted during visit in Georgia. This area was not entered or operated in, but an opportunity exists to purposefully encourage the unique qualities of the area.
6. 7.3.2 Deforestation
  - a. AcreTrader has a deforestation policy in place and on file with Averum and has demonstrated their due diligence to prevent deforestation. There is an opportunity to improve the policy language and more closely align with the intent of the LH FMS with some additional language. Currently the deforestation policy is overly broad in its commitment to protect natural forest and does not explicitly commit to "zero deforestation".

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

---

**Notable Practices:** Two (2) notable practice was identified during the audit.

1. 3.1.1 Agricultural Water Withdrawal
  - a. Impactful investment into maintaining or improving irrigation was observed on sites. Among the multiple positive impacts of improved irrigation are reducing the energy needed to deliver water and reducing the amount of water use per irrigation event.
  
2. 3.2.1 Input Application on Agricultural Lands
  - a. The reported impacts from cover crop implementation on sites were impressive to auditors and demonstrated a commitment to avoiding and control the infiltration of nutrients and amendments into groundwater.

**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:** AcreTrader completed their Initial Certification in 2022 through satisfactory demonstration of conformance with LH FMS. AcreTrader's enrolled acreage nearly doubled between 2022 and 2023. AcreTrader has further developed their Deforestation Policy to identify regions of application and natural forest types to correct a minor non-conformance identified during their 2022 Initial Certification.

## CONCLUSIONS

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

# ACRETRADER

## LH FMS AUDIT SUMMARY REPORT

«Date»

Summary of Audit Findings		
<b>Program User</b>	AcreTrader	
<b>Audit Dates</b>	August 1, 2023 – September 25, 2023	
<b>Non-Conformances Raised (NCR):</b>	<b>Major</b>	<b>Minor</b>
	0	0
<b>Follow-Up Visit Needed?</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <b>Date(s)</b>	
<b>Follow-Up Visit Remarks</b>	N/A	
Team Leader Recommendations		
<b>Corrective Action Plan(s) Accepted</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
<b>Proceed to/Continue Certification</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	2023/09/25
<b>All NCR Closed</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
Standard(s) Audited Against		
Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)		
<b>Audit Team Leader</b>	<b>Audit Team Members</b>	
Matt Armstrong	Jacques Werleigh, Kyle Rusten, Linnea Rash	
Scope of Audit		
Management of production farmland on direct and tenant operated properties.		
<b>Accreditations</b>	Approval by Leading Harvest to provide certification audits	
<b>Number of Certificates</b>	1	
<b>Certificate Number</b>	Averum-LHFMS-2023-0003	
<b>Proposed Date for Next Audit Event</b>	TBD	
<b>Audit Report Distribution</b>	Attn: Rachel Chaffin ( <a href="mailto:rachel.chaffin@acretrader.com">rachel.chaffin@acretrader.com</a> ); Wesley Anderson ( <a href="mailto:wesley.anderson@acretrader.com">wesley.anderson@acretrader.com</a> )	