



AcreTrader, Inc
Fayetteville, AR

LH FMS AUDIT SUMMARY REPORT: INITIAL CERTIFICATION

April 14, 2023





A SUBSIDIARY OF K-COE ISOM, LLP

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

AcreTrader, Inc

LH FMS AUDIT SUMMARY REPORT

APRIL 14, 2023

INTRODUCTION

This report summarizes the results of the first certification audit conducted on AcreTrader, Inc 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 Andrew Zetterberg, 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 2022, Averum was engaged by AcreTrader to perform an audit of sustainability performance on 12,564 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 Midwest and South Regions. 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.

AcreTrader contracted with Averum to provide a Stage 1 audit (or Readiness Review) on properties in Arkansas. Results of the readiness review were shared with AcreTrader. On the certification audits, eight (8) sites in the Midwest and South Regions combined were selected, with four tenant managers included. Managers overseeing decision making and standard compliance for 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 visited are corn, soybean, wheat, and rice crops.

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 February 23, 2023, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in the Midwest and South Regions were examined on March 7th and March 9th, 2023. A closing meeting was held on April 14, 2023.

Opening Meeting: Conference Call

February 23, 2023

Attendees:

(AcreTrader) Rachel Chaffin, Dallas Finley, Wesley Anderson
(Audit Team) Matt Armstrong, Andrew Zetterberg

Topics:

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

Closing Meeting: Conference Call

April 14, 2023

Attendees:

(AcreTrader) Rachel Chaffin, Wesley Anderson, Dallas Finley

(Audit Team) Matt Armstrong, Andrew Zetterberg, 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
 - Minor Non-Conformances: 1
 - Opportunities for Improvement (OFI): 5
 - Notable Practices: 1
- Report timing and expectations: Matt Armstrong

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MULTI-SITE REQUIREMENTS

AcreTrader maintains operations on multiple properties in the Midwest and South 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
Midwest	Corn, soybean, wheat	Four (4) sites visited during audit. <ul style="list-style-type: none">- 5,205 gross acres in production- REGION represents 42% of all acreage- Management population: Two (2) regional managers, three (3) tenant operators- Sites visited: North Fork Farm, Sugar Creek Farm, Pike Creek Farm, and Arlington Farm.
South	Soybean, rice, corn	Four (4) sites visited during audit. <ul style="list-style-type: none">- 3,832 gross acres in production- South represents 31% of all acreage- Management population: Two (2) regional managers, three (3) tenant operators- Sites visited: Pompey Lake Rice Farm, Mussel Lake Cotton Farm, Rooker Creek Farm, and Birch Creek Farm.

AcreTrader, Inc

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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 eight operating sites, with four in the Midwest and four sites in the South region. Visits were pre-planting, so soil health and water runoff on sites was observed. 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

- Social media posts
- AcreTrader website
- Lease Language

Auditor Notes

- AcreTrader posts sustainability commitments to social media and maintains a page on their website called "Our Impact" stating their land stewardship commitments.
- Leading Harvest and sustainability project commitments are specifically listed on AcreTrader's "Our Impact" webpage. - Management decisions are made through the lens of agricultural stewardship to support long-term profitability and sustainability.
- Sustainability initiatives such as soil health management practices, pest management, water access, and capital expenditures are taken into consideration during property acquisition through AcreTrader's Environmental Questionnaire.
- AcreTrader develops multi-year strategies leveraging sustainable farm management practices on purchased properties.
- Auditor walked the property with the tenant to observe areas of concern, including a riparian site (creek) to determine how flooding is controlled on the site. Waterway was flowing and clear of debris during visit.
- AcreTrader works with the Natural Resources Conservation Service (NRCS), Farm Service Agency (FSA) offices, and Army Corps of Engineers. These offices inform management decisions for environmental concerns on properties.
- Investors underwrite agricultural land used for production as often as possible. Some land may be used for recreation and hunting.
- There are small tracts of Conservation Reserve Program (CRP) in the portfolio (none on sample sites observed).
- Whenever new agricultural land is purchased, the previous owners fill out the Environmental Questionnaire to provide information on environmental impacts that are present on the property.

Result: In Conformance

Objective 1: Sustainable Agriculture Management (*Continued*)

1.2 Critical External Factors

Conformance Evidence

- Lease language
- Acquisition Environmental Questionnaire
- End of Season Reports

Auditor Notes

- Lease terms are flexible and long-term to promote ongoing improvements on production farms.
- There are regular updates from tenants to Farm Managers in addition to scheduled quarterly manager visits that identify emerging environmental concerns.
- Tenants complete End of Season Reports outlining crop success and potential to improve operating efficiency for the next season or crop.

Result: In Conformance

Objective 2: Soil Health and Conservation

2.1 Soil Health

Conformance Evidence

- End of Season report
- Fertilizer invoice
- Soil tests
- Soil maps
- Lease language
- Nutrient Management Plan

Auditor Notes

- Selected AcreTrader sites take soil samples on 2.5 to 5 acre grids. Crop residues are reincorporated to inform soil amendment recommendations and support soil fertility.
- Some sites use technology such as a Veris rig to inform protectant application. Veris technology maps soil characteristics using multiple types of remote sensors and imaging to provide physical, biological, chemical soil information. This data informs variable rates of amendment application to support precise soil needs.
- Selected site applies amendments and soil nutrients at strategic times to avoid activating salinized soil areas. Tailwater ditches on the backside of the site selected are maintained to avoid unwanted wash out.
- One site visited uses variable rate application based on soil characteristics and type of crop to support judicious use of crop protectants and fertilizers.
- Soil health is often monitored by the tenants themselves. Selected sites work with qualified consultants (including District Conservationists) by reviewing prior year crop applications and yields to maintain and enhance appropriate nutrient balance.
- Most AcreTrader sites have a formalized Nutrient Management Plan (NMP) in place, with one site selected keeping detailed and accurate records of crop applications in lieu of a formalized NMP.
- Selected sites reincorporate crop residues.
- Multiple sites have reduced tillage and planting cover crops.
- AcreTrader ensures soil testing is conducted annually, alternating locations to provide a 3-year rotation on all acres.
- Applications of amendments and soil nutrients are timed to avoid activating salinized soil areas. Tailwater ditches on the backside of a selected site is maintained to avoid increased or wasteful wash out.
- Soil testing at a site selected is provided by Nutrien. A third-party provides nutrient recommendations to meet yield goals specified by the tenant.
- Minimum tillage and reducing number of passes are preferred management methods on AcreTrader sites. Some selected sites achieve no-till years.
- Crop residues are tilled into the soil or left out in both regions visited (Midwest and South) to support long-term soil productivity.

Result: In Conformance

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

2.2 Soil Conservation

Conformance Evidence

- End of Season report
- Fertilizer invoices
- Lease language

Auditor Notes

- Erosion is managed in susceptible areas by placing padding around fields, reducing water use, planting cover crops, leaving roots in the soil and reincorporating crop residues to improve organic matter.
- Selected AcreTrader sites have been long-term farmland, and no land on sites visited is resting or considered fallow.
- Selected sites in the Midwest have no issues with soil acidification or salinization. Site selected in the South region manage acidification through variable rate controlled input flow rates.
- A selected site in the South region manages soil compaction with strategic deep tillage every 3- 5 years.

Result: In Conformance

Objective 3: Water Resources

3.1 Water Use

Conformance Evidence

- End of Season report
- Lease language

Auditor Notes

- AcreTrader sites conserve water by using Pipe Planner Software to guide installation of irrigation pipes and where to punch holes in pipes for strategic water outflow.
- Select sites in the South region use gauges on their wells to measure water use.
- Water use is not monitored by local districts at selected sites, and there are no limits on water use.
- Water testing is conducted on farm fields of selected sites if crops show signs of bad health.
- Tenant from a selected site is on the Tunica Soil & Water Conservation Board and involved with National Energy Control Services (NECS).
- Selected sites within the South region monitor rainfall and use wells when there is not enough rain. These sites collaborate with an Environmental Protection Agency (EPA) workgroup that occasionally checks well water quality to monitor water quality to foster responsible use of water resources.
- Selected sites in the Midwest have drainage tile installed to reduce water runoff on farmed fields.

Result: In Conformance

3.2 Water Quality

Conformance Evidence

- End of Season report
- Lease language

Auditor Notes

- Selected sites are scouted monthly or more often as needed to address crop health concerns. During growing season, crops are scouted once every two weeks. Most scouting is performed by internal staff, but third-party scouts are used as needed. 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.
- Tenants at select sites work with pest control companies to advise applications to avoid excessive use of chemical applications.
- None of the sites included in this year's sample had riparian, wetland, or other water resources bordering production land on the properties.

Result: In Conformance

Objective 4: Crop Protection

4.1 Integrated Pest Management

Conformance Evidence

- End of Season report
- Acquisition Environmental Questionnaire
- Lease language

Auditor Notes

- Pests are monitored through field scouting at selected sites to avoid excessive crop loss. Select sites in the Midwest region use Taranis technology, which uses drones and artificial intelligence (AI) to detect pests (bugs) and disease.
- Crop protectant applications performed at select sites in the South region are conducted within the thresholds established by relevant state regulations to avoid excessive application and mitigate nutrient runoff.
- Selected sites follow formal Integrated Pest Management (IPM) principles including using treated varieties of seeds, spraying chemicals, and regular scouting to avoid excessive crop loss from pests.
- Crop protection strategies vary throughout AcreTrader properties. Many sites use treated seeds, apply chemical pesticides and crop protectants.
- Most sites have an IPM in place that promotes selective treatment options to protect crops.

Result: In Conformance

4.2 Crop Protectant Management

Conformance Evidence

- Lease language
- Acquisition Environmental Questionnaire

Auditor Notes

- Most AcreTrader sites do not have chemical storage on sites. Sites visited in the Midwest mix amendments off-site. Amendments are applied by third parties.
- Application is varied across sites with some tenants self-applying, and others using third parties. Licensed and trained individuals conduct chemical application.

Result: In Conformance

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

5.1 Agricultural Energy Use and Conservation

Conformance Evidence

- Lease language
- Soil maps

Auditor Notes

- Tenant vehicles have Tier 4 engines and use diesel exhaust fluid (DEF) to increase operating efficiency and reduce greenhouse gas (GHG) emissions from onsite equipment.
- Routine maintenance is performed on inventoried farm equipment to ensure machines are running efficiently.
- Select sites use Global Positioning System (GPS) on larger pieces of equipment to create efficient passes and reduce emissions.
- Selected sites practice reduced till or no-till whenever possible to reduce soil disturbances and support soil health.
- AcreTrader assesses properties for renewable energy production opportunities. None of the sites visited during Certification had active renewable energy sources on site.

Result: In Conformance

5.2 Air Quality

Conformance Evidence

- End of Season report
- Soil maps
- Lease language

Auditor Notes

- Select AcreTrader sites use low-emissions technologies including scouting provided by Taranis, which incorporates the use of drones and AI technology to identify issues with crop health.
- Training is provided to staff on how to properly operate GPS equipment to reduce number of passes.
- Airborne dust is not a threat to human health or the environment at selected sites.

Result: In Conformance

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

5.3 Climate-Smart Agriculture

Conformance Evidence

- End of Season report
- Lease language

Auditor Notes

- The use of GPS technologies, Tier 4 engines, and DEF are best management practices that reduce emissions.
- Excessive rain, tornadoes, and subsequent erosion are regional climate risks for selected sites in the Midwest. Drainage tile systems alleviate some of the issues with excessive rainfall and erosion such as water runoff.
- GPS, John Deere monitoring software, real-time kinematic (RTK) systems, and autopilot technologies reduce emissions by creating more efficient passes.

Result: In Conformance

Objective 6: Waste and Material Management

6.1 Management of Waste and Other Materials

Conformance Evidence

- End of Season report
- Acquisition Environmental Questionnaire
- Lease language
- Management Agreement

Auditor Notes

- No chemical storage containers are kept on sites selected in the Midwest. All chemicals are used on farm fields are handled and maintained offsite and by a third-party.
- Organic waste (crop residues) are left out in the field and reincorporated into soil to support soil health.
- No sites visited in the Midwest practice burning. Sites in the South may burn crop residues after years when rice is grown.
- Oils used in shops and heaters on select sites are recycled through a vendor to reduce landfill waste.
- Selected sites did not have any regulated materials including agricultural chemicals or chemical storage.

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

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

6.2 Food and Agricultural Waste Resource Recovery

Conformance Evidence

- End of Season report
- Acquisition Environmental Questionnaire
- Lease language
- Management Agreement

Auditor Notes

- There are no silos or onsite storage of harvested crops at selected sites, which prevents crop loss.
- The greatest risk of excessive crop loss to selected AcreTrader sites in the Midwest is water retention on fields. This is mitigated through tile drainage systems.
- Efficient harvests, pest protection year-round, and avoiding onsite crop storage prevent AcreTrader sites from experiencing excessive crop loss.
- Crop residues are reincorporated into the soil to improve organic matter.

Result: In Conformance

Objective 7: Conservation of Biodiversity

7.1 Species Protection

Conformance Evidence

- End of Season report
- Acquisition Environmental Questionnaire
- Phase 1 Environmental Site Assessment (ESA)
- Lease language

Auditor Notes

- Environmental assessments that review protected animals on sites are conducted with every new land purchase.
- Environmental assessments on sample sites did not identify the presence of species of concern that would require an alert to site operators.
- Environmental questionnaires are provided to tenants to obtain information on threatened and endangered species potentially within the area of production land.

Result: In Conformance

Objective 7: Conservation of Biodiversity (*Continued*)

7.2 Wildlife Habitat Conservation

Conformance Evidence

- End of Season report
- Acquisition Environmental Questionnaire
- Phase 1 Environmental Site Assessment

Auditor Notes

- No known native habitats or natural communities are in the vicinity of selected sites or used for agricultural production.
- There are no known ecologically important sites on AcreTrader properties visited.
- Wetland determinations are made by local Farm Service Agency (FSA) offices and labeled on the map during a land purchase. Tenants are
- A selected site has established a monarch butterfly habitat to support pollination.
- Habitats for game animals are preserved to ensure wildlife have shelter.

Result: In Conformance

7.3 Avoided Conversion

Conformance Evidence

- AcreTrader Management Policies

Auditor Notes

- A select site is in the final stages of a 6-month project to determine potential for solar energy production. They are engaging in negotiations of solar leases to provide renewable energy sources.
- Allowing land to rest may prevent fragmentation of natural communities and avoid land use conversion. AcreTrader is considering removing acreage with lower crop yields from 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, including the Northeast, Southeast, Midwest, South and Pacific Coast." There is currently no commitment to zero deforestation included in the policy.

Result: In Conformance, Minor Non-Conformance (See Key Findings)

Objective 7: Conservation of Biodiversity (Continued)

7.4 Crop Diversity

Conformance Evidence

- End of Season report
- Lease language

Auditor Notes

- Tenants manage crop rotations, which vary by site and region visited. Selected sites within the Midwest region primarily rotate corn and soy with variations in genetics. Select sites in the South region rotate soybean and rice and may incorporate corn.
- Best practices on sites visited include crop rotation every year. Crops are rotated at least every two years to support balanced soil health and deter pest encroachment.

Result: Opportunity for Improvement (OFI) (See Key Findings)

Objective 8: Protection of Special Sites

8.1 Site Protection

Conformance Evidence

- Soil maps
- Lease language
- Phase 1 ESA
- End of Season report
- Acquisition Environmental Questionnaire

Auditor Notes

- Selected site uses Acres (formerly AcreMaps) satellite technology to provide up to 30 years of vegetation index, soils, elevation, and historical imagery data.
- Special sites are identified during a potential land purchase transaction using AcreTrader's 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: Notable Practice, In Conformance

Objective 9: Local Communities

9.1 Economic Wellbeing

Conformance Evidence

- Management Agreement
- AcreTrader website

Auditor Notes

- AcreTrader has a new tax service provider, and accounting and finance teams to ensure appropriate payment of taxes.
- Most employees are full-time, with a few contracted employees.

Result: In Conformance

9.2 Community Relations

Conformance Evidence

- Management Agreement
- AcreTrader website
- AcreTrader Annual Summit

Auditor Notes

- Tenants are engaged with Leading Harvest and attended a summit hosted by Leading Harvest this year.
- Tenants are engaged with community through volunteering to grow food for local schools and have community service groups who engage with locally established programs.
- Tenants work with NRCS, FSA offices and Army Corps of Engineers while making farmland management decisions, and seek for approval from all entities.
- Donations made to Rodale Institute, which is a nonprofit dedicated to growing the regenerative organic movement through agricultural research and education.

Result: In Conformance

Objective 9: Local Communities (*Continued*)

9.3 Local Communities and Indigenous Peoples

Conformance Evidence

- AcreTrader Management Policies
- Company website
- Management Agreement
- Acquisition Environmental questionnaire
- Local Community and Indigenous Peoples Policy
- Social Responsibility Policy

Auditor Notes

- AcreTrader maintains a Local Community and Indigenous Peoples Policy that demonstrates commitment to respecting the rights of local communities and treaty rights of Indigenous Peoples.
- AcreTrader does not use any tribal land in production, nor do any properties neighbor identified tribal land.
- AcreTrader has a Social Responsibility Policy on file.
- There are no records of inquiries or concerns reported by Indigenous Peoples.

Result: In Conformance

9.4 Public Health

Conformance Evidence

- Employee Handbook
- Management Agreement
- Lease language

Auditor Notes

- Safety training is provided to staff, and expectations regarding onsite safety and public health are included in AcreTrader’s Employee Handbook and Management Agreements. Lease language directs tenants to comply with all safety legal requirements and to provide health, safety, and occupational education and training for personnel and contract management.

Result: In Conformance

Objective 10: Employees and Farm Labor

10.1 Safe and Respectful Working Environment

Conformance Evidence

- Employee Handbook
- AcreTrader website

Auditor Notes

- AcreTrader is an equal opportunity employer and has a EOE statement in their Employee Handbook.
- AcreTrader provides training on gender equity and professional work environment HR policies. Additional training is provided as needed to support policy updates.
- Managers receive monthly training related to anti-harassment and anti-discrimination policies and best practices.

Result: In Conformance

10.2 Occupational Training

Conformance Evidence

- Employee Handbook
- Management Agreement

Auditor Notes

- Health and Safety and Disaster Safety trainings are provided to staff. Training includes mock scenarios and drills to provide hands-on experience and mimic real-life safety hazard scenarios.
- Health and Safety policies are included in Employee Handbooks.

Result: In Conformance

Objective 10: Employees and Farm Labor

10.3 Supporting Capacity for Sustainability

Conformance Evidence

- AcreTrader website
- AcreTrader Annual Summit
- Lease language

Auditor Notes

- AcreTrader has drafted a policy for integrating Leading Harvest Standards. Their statement of commitment is available on website under "Our Impact" page. Commitment statement directly specifies Leading Harvest.
- AcreTrader is in the process of building a "Confluence" page on their website to outline opportunities for internal training and information sharing between groups regarding Leading Harvest Standard objectives, and how the LH Standards pertain to individual roles.
- Kenny Fahey (Leading Harvest CEO/President) spoke at Investors Summit about industry topics, AcreTrader's internal operations, and participated in panel discussions about Leading Harvest.
- Regular marketing posts provide updates on incorporation of LH FMS.-

Result: In Conformance

10.4 Compensation

Conformance Evidence

- Lease language
- Employee Handbook

Auditor Notes

- Pay rates for all positions are audited by a third-party to ensure pay meets or exceeds averages of peer groups. Two audits performed so far.
- HR Department is rolling out a scheduled assessment of all employees.

Result: In Conformance

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

10.5 Farm Labor

Conformance Evidence

- Lease language

Auditor Notes

- Lease language requires tenants comply with Foreign Labor Certification (FLC) labor laws.
- 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 support performance review.

Result: In Conformance

Objective 11: Legal and Regulatory Compliance

11.1 Legal Compliance

Conformance Evidence

- Phase 1 ESA
- Acquisition Environmental Questionnaire
- Employee Handbook
- Compliance Checklist

Auditor Notes

- AcreTrader has dedicated legal counsel on staff who continuously and regularly review any compliance issues and manage risk exposure. This legal team is available for information sharing and communication regarding compliance issues.
- AcreTrader's legal team reviews all property regions for risk exposure and binding documentation presented by farms to ensure regulatory compliance.
- Compliance checklists exist for all properties. Identified issues are addressed in an appropriately timely manner by Regional Farm Managers and tenants.
- AcreTrader has an informal Knowledge Bank with resources specific to legal requirements within certain states or regions to guide property acquisitions.
- Lease language requires compliance with active programs on production sites such as 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 lessons learned are stored for reference in the future. OSHA posters posted in public areas.

Result: In Conformance

Objective 11: Legal and Regulatory Compliance (*Continued*)

11.1 Legal Compliance

Conformance Evidence

- Employee Handbook
- Acquisition Environmental Questionnaire
- Lease language
- Social Responsibility Statement

Auditor Notes

- Employee Handbook has been reviewed and is on file. Legal compliance is required in leases and operating agreements. HR Staff at AcreTrader maintain documentation of compliance with legal requirements. Staff are trained on policies during onboarding.
- Social Responsibility Statement on file.
- Wage audits are performed to make sure employees are paid above market value.
- Performance review process is streamlined and formalized.
- Social compliance trainings are performed and staff sign off on social policies.
- AcreTrader follows the International Labour Organization (ILO) conventions to the extent of US law.
- AcreTrader's lease language states "quiet enjoyment" is permitted by site operators.

Result: In Conformance

Objective 12: Management Review and Continual Improvement

12.1 Farm Review and Continual Improvement

Conformance Evidence

- Management Agreement
- End of Season Reports
- Vision Statement

Auditor Notes

- AcreTrader engages in ongoing feedback from peers and leadership and practices weekly one-on-one meetings with employees.
- Regular monthly meetings discuss practices to “start, stop and continue” and quarterly meetings further support this culture of “radical transparency”.
- AcreTrader uses a software program called Lattice to facilitate reviews, and provide communication from supervisor/manager to supervisee and supervisee to supervisor/manager. A metric scoring system is used to inform pay raises and equity options.
- Tenant reports are prepared by management twice a year but are not reviewed to address LH FMS appropriateness.
- AcreTrader farm managers share sustainability goals with tenants and discuss during their onsite visits to farms.
- Managers share reported concerns or achievements with Farm Managers.
- AcreTrader's Vision Statement offers "new tools and transparency to customers and land investors".
- AcreTrader hosts regional Land Investment Summit panels to share efficiency solutions.
- Capital expenditure budgets are available for specialists to manage unique or special projects to improve farms' ability to make sustainable decisions.
- AcreTrader is planning to use their Leading Harvest audits as a support mechanism for their annual review. Currently, improvement budgets are issued for about 40% of newly acquired sites. Most improvement budgets are related to infrastructure improvement.
- AcreTrader uses a software program called Lattice to facilitate reviews and provide communication from supervisor/manager to supervisee and supervisee to supervisor/manager.
- Metric scoring system used to inform pay raises and equity options.

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

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

12.2 Support for Sustainable Agriculture

Conformance Evidence

- Management Agreement
- End of Season Reports

Auditor Notes

- Tenants and operators engage with university and supplier research groups for testing on some acres under management.
- Ag Summits facilitate regional collaboration among Farm Managers and tenant farmers.
- AcreTrader supports tenants through trials to vet ideas for farm improvement.

Result: In Conformance

Objective 13: Tenant-Operated Operations

13.1 Leased-Land Management

Conformance Evidence

- Lease language
- End of Season Reports
- AcreTrader Sustainability Goals list

Auditor Notes

- LH FMS primer sent to Farm Managers with a link to Leading Harvest website. Managers will communicate to tenants.
- Tenant managers conduct monthly reviews onsite and issue reports twice a year on property conditions. Since this is AcreTrader's first year involved in the program, staff will integrate the findings of the audit into operations for the following year.
- Lease language addresses best-established farming practices.
- Leases vary from site to site, depending on the age of agreement and ownership. Some active lease agreements do not address sustainability goals.
- No LH FMS verbiage is currently included in leases but will be listed in future farm Management Agreements and have been verbally communicated.
- Indirect language regarding safety in the leases was amended to provide more robust guidance on safety, safety training, and farm management best practices.
- Lease language requires compliance regarding hazardous or toxic materials.

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

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

13.2 Leased-Land Monitoring

Conformance Evidence

- Management Agreement
- End of Season Reports
- Lease language

Auditor Notes

- End of Season Reports act as the monitoring system: reports are informed by Phase 1 ESAs regarding Wetland determination, 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.
- The Management Review Cycle includes:
 - Monthly site inspections
 - End of Season Reports from Tenant Managers
 - Tenant Managers are recruited from established agricultural management to find managers with experience.
 - Tenant Managers are independent and long-term supporters of the Leading Harvest standard.
 - Environmental surveys are distributed to farms. Feedback on environmental surveys is provided to tenants to inform tenants on identified issues on properties.
 - Historical crop performance and results from Leading Harvest audit will inform future 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 conduct reviews of environmental reports, context, and survey questions. Biannual reports are reviewed and revised to regulate content and formats.
 - Management Agreements state AcreTrader's support for sustainability projects and clarify expectations for tenants regarding sustainable stewardship.

Result: In Conformance

KEY FINDINGS

Previous Non-Conformances: N/A

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

Minor Non-Conformances: One (1) minor non-conformance was identified during the audit.

1. 7.3.2 Avoided Conversion

- a. While AcreTrader has prepared a Deforestation Policy, in its current state it is overly broad. Current policy language does not commit to zero deforestation, identify regions of application, natural forest types or cut off dates. AcreTrader will revise or continue to develop the policy to closer align with standard requirements in the interim between Certification and Surveillance audits.

Opportunities for Improvement (OFI): Five (5) opportunities for improvement were identified during the audit.

1. 6.1.2 Resource Recovery

- a. Controls against waste burning were not noted during the audit. Ensure during management reviews that waste burning is not occurring in areas with permit requirements / burn bans.

2. 7.4.1 Crop and Genetic Diversity

- a. It was noted during site visits that opportunities for companion / cover crop practices were limited by the duration of leases that tenants are under. Review tenure of leases for crop diversity opportunities that would fit within timelines of leases. Additionally, further guidance could be given regarding biodiversity in the soil profiles on sites, including potential cover and complementary species. Tenant managers should have the skills in place to consult with tenants on alternative strategies regarding crop and genetic diversity.

3. 12.1.2 Monitoring Performance

- a. Leading Harvest requirements are explicitly addressed in Management Agreements. In future surveillance audits, document communications regarding Leading Harvest conformance with farm management.

4. 12.1.4 Annual Review and Improvement

- a. Improvement budgets on newly acquired properties were noted during site visits. Provide usage records for improvement budgets in future surveillance audits.

AcreTrader, Inc

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5. 13.1.1 Leased Land Program

- a. Regarding continual improvement efforts, in surveillance audits, document how Leading Harvest audit results are implemented within AcreTrader and with farm operators/managers.

Notable Practices: One (1) notable practice was identified during the audit.

1. 8.1.1 Special Site Identification

- a. Acres is an extremely well designed and implemented system for historic and geographic location on sites. Special sites are clearly identified in the system and the system is available for outside parties to use besides AcreTrader.

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Review of Previous Audit Cycle: N/A

CONCLUSIONS

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

AcreTrader, Inc

LH FMS AUDIT SUMMARY REPORT

APRIL 14, 2023

Summary of Audit Findings	
Program User	AcreTrader
Audit Dates	2023/02/23 – 2023/04/14
Non-Conformances Raised (NCR):	<i>Major</i> <i>Minor</i>
	0 1
Follow-Up Visit Needed?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <i>Date(s)</i>
Follow-Up Visit Remarks	
N/A	
Team Leader Recommendations	
Corrective Action Plan(s) Accepted	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> 2023/04/14
Proceed to/Continue Certification	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> 2023/04/14
All NCR Closed	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> 2023/04/14
Standard(s) Audited Against	
Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)	
Audit Team Leader	Audit Team Members
Matt Armstrong	Andrew Zetterberg Kyle Rusten Linnea Rash
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	AVERUM-LHFMS-2023-0003
Proposed Date for Next Audit Event	TBD
Audit Report Distribution	Attn: Rachel Chaffin, rachel.chaffin@acretrader.com