



IFC Core Investment Management, LLC

Raleigh, North Carolina

LH FMS AUDIT SUMMARY REPORT: SURVEILLANCE 2022

August 26, 2022





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IFC Core Investment Management, LLC

LH FMS AUDIT SUMMARY REPORT

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INTRODUCTION

This report summarizes the results of the first surveillance audit conducted on IFC Core Investment Management, LLC (IFC) 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. Site visits were assisted by Field Auditor 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 2022, Averum was engaged by IFC to perform an audit of sustainability performance on 29,609 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 Washington State. There was no substitution or modification of LH FMS performance measures.

COMPANY INFORMATION

IFC is an institutional asset manager connecting investors at the nexus of farmland, farmers, and food. Farm operating tenants and management contractors are responsible for the day-to-day farmland management services for IFC's properties. IFC opted to certify 100 percent of their Core Fund agricultural properties in 2021 allowing them to engage in broader sampling and simplifying the process of maintaining their certification in the future.

On the surveillance audits, two (2) sites in Washington State were selected, with one tenant manager 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 is apples, corn, and potato.

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AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was established for IFC 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 5, 2022, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in Washington State were examined on August 17, 2022. A closing meeting was held on August 26, 2022.

Opening Meeting: Conference Call

August 5, 2022

Attendees:

(IFC) Robert Zimardo, Toby McKay, Gabriele Onorato

(Audit Team) Matt Armstrong

Topics:

- Introductions of participants and their roles: Toby McKay
- 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

August 26, 2022

Attendees:

(IFC) Matt Armstrong, Andrew Zetterberg, Kyle Rusten

(Audit Team) Robert Zimardo, Logan Yonovjak, Toby McKay, John Kruse, Ethan Stambler

Topics:

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

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MULTI-SITE REQUIREMENTS

IFC maintains operations on multiple properties in California, Florida, Idaho, Illinois, Oregon, and Washington. IFC 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 IFC management. IFC'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
Washington	Apple, Corn, Potato	Two (2) sites visited during audit <ul style="list-style-type: none">- 2,851 gross acres in production- WA represents 9.7% of all acreage- Management population: One contract manager, one tenant operator- Sites visited: Eltopia, Quincy Tree Fruit

AUDIT RESULTS

Overall, IFC'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 two operating sites in Washington State. Visits took place mid-season, where crop health, irrigation practices, and other production practices were observed. Central and regional management representatives, as well as operating tenants, were present and interviewed to illustrate IFC'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. IFC'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 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 / Sustainability Policy*
- *LH Standards Operating Manual*
- *Sustainability Strategic Roadmap*
- *USDA Grant Application Summary*
- *Lease language*
- *ESG addendum to lease*
- *Due diligence summary reports and checklists*
- *Responsible Stewards of Farmland brochure*

Auditor Notes: IFC has amended leases to reflect the objectives of the LH FMS, and has retroactively applied LH FMS objectives to existing leases. Firm-level commitments have been developed and communicated throughout the organization. IFC Goals have been identified and reflect those of the LH FMS. LH Standards operating manual identifies progress on each objective of the LH FMS, identifies the staff responsible for continuing efforts in achieving best in class conformance, and details planned, ongoing, and completed activities. Strategic roadmaps have been developed addressing materiality and status of LH FMS objectives, and organizational units that are responsible for progress on the objective.

Site management staff is experienced in conservation and optimization of production farmland. Quality management practices that are trialed on model farms and shown to be successful become status quo in other regions. Site management maintains the general rule of "leave it better than you found it".

Conservation is addressed in lease language. Properties with historic challenges have seen improvements in site conditions. Land around select sites is enrolled in the Conservation Resource Enhancement Program. IFC utilizes multiple consultants on sites to assess conditions and determine opportunities for improved performance.

Result: In Conformance, Notable Practice (See Key Findings)

OBJECTIVE 1: SUSTAINABLE AGRICULTURE (Continued)

Performance Measure (PM) 1.2 Critical External Factors

Conformance Evidence:

- *Management description of processes*
- *Due Diligence summary reports and checklists*
- *Responsible Stewards of Farmland Brochure*
- *VP of Agronomy position objectives*
- *Director of Sustainability Position Objectives*
- *ESG Townhall notes*
- *Leading Harvest Operating Manual*
- *LH Sustainability Strategic Roadmap*
- *Revised farm leases*

Auditor Notes: IFC has hired a Sustainability Director to assess strategic initiatives and execute on sustainability plans. There is active monitoring of sites using multiple data sources (scouting, satellites, machine vision, consultants, etc.) to determine the success of management practices. Annual reports are prepared for each property and projects. Quarterly reports are issued regarding current events on properties. Monthly budget meetings and CAPEX reviews are held for sites. Tenant questionnaires are being planned for operators to identify emergent factors on sites. FarmAdvisor program tracks acreage, yield, prices, etc. for review. IFC holds an annual conference with multiple guest speakers to educate their staff and others on critical external factors.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation

Performance Measure (PM) 2.1 Soil Health

Conformance Evidence:

- *Farming practice examples*
- *Auditor observations*
- *Soil maps*
- *Soil Fertility Change Reports*
- *Lease language*
- *Remediation reports*
- *USDA Grant Application Summary*
- *Agronomy Notes*
- *Soil Samples*
- *Due Diligence Summary Reports*
- *Hiring records for Director of Agronomy*

Auditor Notes: On potato and corn sites, soil health is monitored through sampling, which is done every 3 years in 2.5-acre grids. This is required in the IFC lease. Soil samples are taken by IFC and analyzed internally by an agronomist. Cover crop is planted post-harvest, usually a mustard plant. Site managers have found that it helps reduce root-knot nematode. Compost is also used as a solution to increase organic matter while also helping soil retain and lock in water moisture. This is verified by the petiole samples and the soil samples, which show an increase in organic matter compounds. Fertilizer is applied through pivots that appear to be in good condition when observing the site.

A formal soil health plan is kept as a nutrient management plan or fertilizer program. It is created by both internal employees and third-party consultants. Soil test results are analyzed by an agronomist who puts together a plan for fertilizer application rates and formulas. A diker is used as well to punch holes into the soil when planting, and has proven to help with water intake and runoff.

A nutrient management plan, or fertilizer program, was present on both sites visited. Soil nutrients are applied at a variable rate, depending on the sample analysis and agronomist recommendations. Yields have increased with the rise of soil health monitoring according to the site managers. IFC and the site managers rely heavily on data from soil samples, satellite imagery, and petiole samples for soil health monitoring. Any diversions from the initial nutrient plans are recorded

On the orchard, grass is planted in the rows to help with dirt blowing on the crop and reduce heat levels in Summer.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation (Continued)

Performance Measure (PM) 2.2 Soil Conservation

Conformance Evidence:

- *Management description of processes*
- *Auditor observations*
- *Soil fertility change reports*
- *Farming practice examples*

Auditor Notes: Erosion can be an issue on the corn and potato site visited. Erosion is mainly combated by a diker attachment to the end of a bed planter that punctures holes into the soil. This allows water to remain in soil organic horizons longer and prevents runoff. This also helps fertilizer reach deeper levels of the soil. This aeration technique also helps with soil compaction, especially on the orchard.

Soil mismanagement is not an issue, since the soil is tested regularly by grid samples. Corn and potato are planted in rows that conform to the hillside on the property, which prevents water puddling. No land has ever been rested or retired from production due to soil management issues.

Result: In Conformance

OBJECTIVE 3: Protection of Water Resources

Performance Measure (PM) 3.1 Water use

Conformance Evidence:

- *Management interviews*
- *Auditor observations*
- *CapEx agreements*
- *Due Diligence memos*
- *Water sample reports*
- *Site visit summaries*
- *Water management system quotes*
- *Property access agreements*
- *Well water quality reports*
- *Soil quality analysis reports*
- *USDA Grant Application Summary*

Auditor Notes: There are limits on water on each site, but both sites do not come close to the 3 feet/acre limit. Each site has flowmeters to track water usage and track efficiencies in water use. The water on one site comes from the Columbia River, which is very clean according to the water quality tests performed yearly. The other site has water coming from an aquifer, which is tested for water quality three times a year. The aquifer is also measured for water yearly and has seen an increase of 6ft from prior year to now despite drought-like conditions in the region. This monitoring is done with the approval and assistance of the state. On the orchard site, dendrometers are used on trees to measure water intake levels and tree hydration. Irrigation is done via a drip line about 1ft from the ground to help roots absorb the water directly.

One site works with the state of Washington on monitoring the level of the aquifer used to irrigate the site. Water use records are kept and fluctuate annually, usually based on the crop planted, weather systems throughout the season, and other variables that cause triggers in the data and monitoring systems. Water quality is tested three times a year, in Spring, Summer and Fall.

The corn/potato site uses satellite imagery to determine crop health. The images are produced every 5 days and uses an infrared lens to capture the green light reflection of the crop to determine where crop is browning. The site manager also attaches a dike to the back of the bed planter that punctures holes into the soil to help with water retention and depth. Pivots are controlled at variable speeds and rates to help water certain sections of the land, depending on the need. Drip nozzles are used on the pivots to reduce water spreading from the target area on the site. The orchard uses dendrometers to gauge the water intake of the trees. Moisture probes are used at 24" to measure water intake at the deep root levels.

Result: In Conformance, Notable Practice (See Key Findings)

OBJECTIVE 3: Protection of Water Resources (Continued)

Performance Measure (PM) 3.2 Water Quality

Conformance Evidence:

- *Management description of processes*
- *Auditor observation*
- *Water management system quotes*
- *CapEx agreements*
- *Well water quality assessments*
- *Soil quality analysis reports*

Auditor Notes: Fields are scouted weekly. Scouts are looking for any irrigation issues or leaks, especially on the orchards. Scouting is done internally, and reports are reviewed by an agronomist for decision making. Recommendations are applying more or less water in a certain area, taking petiole samples for moisture intake levels, and addressing any issues in nitrogen, phosphorous, potassium or copper levels in crop through irrigation.

There are no water resource areas bordering the farms. The Columbia River is the main water source but does not come close to either site visited. Water quality is tested three times a year and the aquifer the water is pulled from is measured for water levels every year with the aid of the state of Washington.

Result: In Conformance

OBJECTIVE 4: Protection of Crops

Performance Measure (PM) 4.1 Integrated Pest Management

Conformance Evidence:

- *Management interviews*
- *Auditor observations*
- *Lease language*
- *ESG addendum to lease*
- *USDA Grant Application Summary*

Auditor Notes: The most common practice for pest monitoring on both sites is field scouting. This is performed weekly by tenants. On one site, the site management group uses an app named ICT. This app is a shared software that allows field scouts to enter in observations that can be shared with the team working on that site and store data on chemical usage and when sprayings have occurred. This site also uses bug nets to monitor pests. The main pests on this property are Colorado Potato Beetle and aphids. The main disease concern is Early Blight, which is treated with a fungicide if detected visually on any plants.

The corn and potato site mainly will use pesticides when a pest presence is noticed. No pesticides have been sprayed on site in 2022. Bifenture is used in the planting seed as a genetic deterrent. When needed, chemical sprays are done with a variable rate and chemical selection, dependent on the pest and treatment needed. The sprays are done via airplane.

On the orchard site, another practice implemented is mating disruption. There are boxes on the property that release pheromones to confuse the main pest, codling moths. Another mating disruption used is gamma radiation male moths. These male moths are exposed to gamma radiation, making them infertile so when they breed with a female partner, no offspring are produced. The site also uses PGR pesticides when pests are visually detected on site.

Both sites have documented IPM's present with records of sprayings and reports of field scouting performed. The corn and potato site use a seed pesticide (Bifenture) when planting to protect crop as a genetic method. The site also uses Minuet, a biological fungicide applied through a planter, to help deter any disease. Platinum is also used as an insecticide.

Result: In Conformance

Performance Measure (PM) 4.2 Crop Protection Management

Conformance Evidence:

- *Management interviews*
- *Auditor observations*
- *Lease language*

Auditor Notes: Chemicals are applied by airplane on one site, and by the tenants on another. The tenants are properly licensed for sprayings and are required to attend safety trainings annually. Any chemical bins used are triple washed and sent back to the provider. None are kept on the site visited.

Result: In Conformance

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

Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation

Conformance Evidence:

- *Management interviews*
- *Auditor observations*

Auditor Notes: Efficient use of machinery was present in conversation with both sites. The corn/potato site uses a Double L Windrower which can dig three planting beds in one pass in harvest, thus reducing the amount of passes to be made to both dig up and pick up crop. A diker is attached to the back of a planter which creates divots for seed and reduces passes with a full diker machine.

On the orchard site, variable frequency drive (VFD) pumps are installed to power irrigation. Drip nozzles are used to use water efficiently and less often, thus reducing the power used on site. This site is also investing in a trial of Monarch tractors, which are all electric powered. The plan is to trial them and build a fleet over time.

Both sites follow a maintenance schedule.

Sites are utilizing an innovative remote viewing technology to help reduce the number of passes performed on farms, conserve water, and reduce the number of applications on sites. Visual inspection by robotics use machine learning to identify plant needs and harvest issues in advance and in support of scouts.

Both sites use energy that is hydro powered from the dams built along the Columbia River. Each site's electricity is more than 86% hydropower. Discussions in place on properties for solar developments in Australia, not in the enrolled acreage.

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

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

Performance Measure (PM) 5.2 Air Quality

Conformance Evidence:

- *Management interviews*
- *Auditor observations*

Auditor Notes: The orchard tries to train employees on using equipment efficiently and monitoring for any issues that can cause unnecessary energy use.

The corn/potato site implements efficient routes and a reduction of routes on the property. A Double L Windrower can dig three planting beds in one pass in harvest, thus reducing the amount of passes to be made to both dig up and pick up crop. A diker is attached to the back of a planter which creates divots for seed and reduces passes with a full diker machine.

Both sites keep an equipment inventory.

Both sites have some dust issues but can control and reduce it by implementing practices. One site has dust issues in harvest, but a water truck is used to wet the dirt and reduce flare ups. Cover crop is planted post-harvest to avoid dust.

The other site plants grass cover crop in the orchard rows to prevent dust from blowing. Roads are gravel and will be watered/kept wet when there is strong wind.

Result: In Conformance

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

Performance Measure (PM) 5.3 Climate Smart Agriculture

Conformance Evidence:

- *Management interviews*
- *Auditor observation*
- *Responsible stewards of farmland brochure*
- *Climate change overviews*
- *USDA Grant Application Summary*

Auditor Notes: Maintenance logs are kept on both sites and a schedule is kept making sure equipment is running smoothly. GPS and autopilot are present on both sites in the machinery. One site uses Hemisphere's aRTK software.

Equipment is swapped out every 2-4 years depending on farming needs. All engines are Tier 4+ and use Diesel Exhaust Fluid (DEF).

The main weather-related concern in Washington is heat. Temperatures can reach more than 100 degrees Fahrenheit. The orchards use a hose line on top of the trees to help cool off the crop. There is also hail that can impact growing apples, but the site is in preproduction and is not threatened by hail.

The corn and potato site can usually manage the heat. The site uses satellite technology called FarmShot to produce images of the crop health by analyzing crop color, with green being healthy. If a spot on the farm begins to look brown, they can focus more water or care to that area.

Result: In Conformance

OBJECTIVE 6: Waste and Material Management

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

Conformance Evidence:

- *Management interviews*
- *Auditor observation*
- *Remediation reports*
- *Lease language*
- *ESG addendum to lease*

Auditor Notes: The only waste produced on the corn/potato site is organic waste. The site reincorporates the waste into the soil post-harvest.

The orchard produces some organic waste when pruning and some crop falls on the ground. There is also mylar used on site, which is thrown away once it is unable to be used anymore.

One site sends empty containers back to suppliers. Recycling is also done in the H2A housing provided to workers.

Result: In Conformance

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

Conformance Evidence:

- *Management interviews*
- *Auditor observation*
- *Remediation reports*
- *Lease language*
- *ESG addendum to lease*
- *Responsible stewards of farmland document*
- *USDA Grant Application Summary*

Auditor Notes: No crop loss has occurred on the sites visited. Some of the properties not visited had hail damage, but the apples are still able to be used as slicers or made into juice. They cannot be store apples.

Crop is stored locally in Pasco, WA. One site was visited where onions are stored where the entry door was open, but that was normal according to Toby McKay, Vice President. The corn grown on site goes straight to the dairy to be used as feed.

Compost is used on both sites and has been a huge success. The added compost has allowed the organic matter and microbes in the soil to flourish and create a more stable soil structure. The organic matter from compost is staying in the soil longer than applied fertilizer. The compost is also helping the irrigated water infiltrate the soil for a longer period.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity

Performance Measure (PM) 7.1 Species Protection

Conformance Evidence:

- *Eco-summary reports*
- *Consultant reports and letters to IFC*
- *Management interviews*
- *Auditor observations*
- *2022 IFC Progress in Addressing Leading Harvest*
- *Consultant contracts*
- *Biodiversity reports*

Auditor Notes: IFC is engaging consultants during the due diligence phase to review biodiversity considerations on new farmland acquisitions. Consultants will begin to review the due diligence process to include already owned land as well. Site managers are not aware of any threatened or endangered species on the sites visited. The managers keep native grass and pathways for local animals to travel and flourish, such as pheasants.

Research into threatened or endangered species is performed in the acquisition process and monitored regularly. No species of note on the sites.

Result: In Conformance

Performance Measure (PM) 7.2 Wildlife Habitat Conservation

Conformance Evidence:

- *Management interviews*
- *Auditor observation*
- *Boundary maps*
- *2022 IFC Progress in Addressing Leading Harvest*
- *Consultant Contracts*
- *Biodiversity reports*
- *Jar of honey from bees at headquarters*
- *Historic resources reports*

Auditor Notes: Army corps is engaged on wetland determinations. Trees, ditches, and newly determined wetland are reviewed and appealed if necessary and approached correctly post review. Conservation Reserve Program (CRP) areas have specified borders. Boundary maps are developed during the due diligence phase of a purchase.

Cover crops are used in areas where erosion control is needed. Beehives are established and maintained on IFC headquarters property.

In 2022, no wildlife sites of note are identified on properties. There are natural vegetation and native plants between crop plots on the property that is left for animals to roam and migrate. Pheasants and raptors were seen on the site visit, and management has historically seen coyotes, wolves, elk and deer on sites.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.3 Avoided Conversion

Conformance Evidence:

- *Management interviews*
- *Auditor observation*
- *Boundary survey*
- *Responsible stewards of farmland document*
- *2022 IFC Progress in Addressing Leading Harvest*
- *Consultant contracts*
- *Biodiversity reports*
- *Hiring of Sustainability Director*
- *IFC Sustainability Policy 2022*

Auditor Notes: There is still no explicit written policy regarding a zero-deforestation commitment as of 2022, but progress has been made towards the completion of bridge policies that connect overall sustainability policies to operations. Resources and staffing have been put into place to operationalize zero-deforestation goals before finalizing IFC's policy language. A commitment to biodiversity and limiting deforestation is reflected in IFC's ESG/Sustainability Policy. The number of new trees associated with permanent crop properties is monitored across the portfolio via satellites and aerial imagery.

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

Performance Measure (PM) 7.4 Crop Diversity

Conformance Evidence:

- *Management interviews*
- *Auditor observation*

Auditor Notes: Crops are on planned rotations that maintain soil profiles and health, while addressing economic initiatives as well. Corn, potatoes and various apple varieties were observed on sites. Corn and potato are rotated every year, and wheat is planted occasionally to help rest soil. A mustard cover crop is planted after harvest.

Result: In Conformance

OBJECTIVE 8: Protection of Special Sites

Performance Measure (PM) 8.1 Site Protection

Conformance Evidence:

- *Management interviews*
- *Boundary surveys*
- *Cultural, historic, and archeological assessment reports*
- *Consultant reports*
- *2022 IFC Progress in Addressing Leading Harvest*
- *Restoration projects reports*

Auditor Notes: Outside consultants provide research and reporting into cultural and historic sites on properties in the portfolio. No items of concern have been identified.

Boundary surveys during due diligence list encroachments into any potential special sites. Some areas with culturally sensitive areas or vague situations have triggered restoration projects on sites.

Result: In Conformance

OBJECTIVE 9: Local Communities

Performance Measure (PM) 9.1 Economic Well-Being

Conformance Evidence:

- *Lease language*
- *Verbal descriptions of buyer preferences*
- *Management interviews*

Auditor Notes: IFC encourages tenants to purchase from local suppliers and dealers. IFC is current with all tax compliance. Site management reports a preference to purchase inputs from local vendors. Site management are involved with the local ag economy and participate in local events. Labor is locally sourced whenever possible.

Result: In Conformance

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.2 Community Relations

Conformance Evidence:

- *Management interviews*
- *Tenant interviews*

Auditor Notes: Donations of time and money are made to FFA programs and Second Harvest. Members of one of the site management groups donate time to Second Harvest as well. Farm tours for schools are occasionally held. One member of the management team, Kaitlin Calvert, on a site is on the Sustainability Task Force. The focus is on efficient water use and reducing carbon. Community engagement is being formalized at an organizational level, organizing community outreach at a strategic level. Engagements are being explored with multiple partners determining ways that IFC can impact food waste and low income communities.

Result: In Conformance

Performance Measure (PM) 9.3 Local Communities and Indigenous Peoples

Conformance Evidence:

- *Management interviews*
- *Lease language*
- *ESG addendum to Lease language*
- *Boundary maps*
- *2022 IFC Progress in Addressing Leading Harvest*

Auditor Notes: IFC has created a written policy in Community Respect and Resilience portion of overall Sustainability Policy. Searches included in Due Diligence processes when acquiring properties include title, surveys and delineation maps, water rights, H2A labor, agronomic records, legal compliance issues and FSA records. Boundary maps are acquired during due diligence. Cultural assessments are provided from third party consultants as well.

Management and tenants are active within the community, donating both time and money. Management contact information can be found on sites and on public information sources, such as Google.

Result: In Conformance

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.4 Public Health

Conformance Evidence:

- Auditor observations
- Management interviews

Auditor Notes: Safe operations regarding farm labor and neighbors is required by insurers and the lease agreement. Auditor observed safety signage on both sites when visiting. Management described both monthly and annual safety trainings for employees on rotating topics, but no records of safety trainings are kept. Tenant operators maintain appropriate licensing for maintaining safe operations. Weather and spray safe systems are monitored before engaging in spraying activities.

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

OBJECTIVE 10: Employees and Farm Labor

Performance Measure (PM) 10.1 Safe and Respectful Working Environment

Conformance Evidence:

- Equal Opportunity Employer statement
- Employee handbook
- Anti-harassment policy
- Diversity equity and inclusion policy
- Respectful workplace training
- Sexual harassment training
- Personnel File Policy
- ESG Climate Smart Ag Training
- Employment agreements

Auditor Notes: IFC is an Equal Opportunity Employer. Safe work environment, anti-harassment, and anti-discrimination policies are in place in the Employee Handbook. Anti-harassment and security trainings take place for all employees. IFC leverages automation and safety practices that take place in the field. Company policies and requirements reviewed and on-file.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.2 Occupational Training

Conformance Evidence:

- *Management interviews*
- *Auditor observations*
- *Training records*

Auditor Notes: IFC staff completes a number of occupational training programs, defensive driving, chemical application, and pesticide licenses are all in place. Certified Crop Advisor (CCA's) are on staff and training logs were reviewed.

Result: In Conformance

Performance Measure (PM) 10.3 Supporting Capacity for Sustainability

Conformance Evidence:

- *Responsible Stewards of Farmland document*
- *Presentations to IFC on Leading Harvest participation*
- *ESG addendum for leases*
- *Management interviews*
- *Sustainability Policy*
- *LH Strategic Roadmap*
- *Leading Harvest 2022 Progress Update*
- *Leading Harvest Operating Manual*

Auditor Notes: IFC is listed as a founding member for LH FMS. Internal communications regarding LH membership have been shared and reviewed.

Multiple people are involved in each functional area. Resources and staffing have been made at IFC to assign individuals and groups to specified and explicitly stated aspects of the LH FMS. Descriptions of roles and people assigned tasks have been given to responsible parties. Extensive institutional knowledge on staff and in leadership.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.4 Compensation

Conformance Evidence:

- *Management interviews*
- *2022 IFC Progress in Addressing Leading Harvest*

Auditor Notes: IFC has reviewed compensation internally. Compensation has been adjusted over the course of 2022 where warranted to achieve alignment within and across levels of responsibility and seniority groupings.

Result: In Conformance

Performance Measure (PM) 10.5 Farm Labor

Conformance Evidence:

- *N/A*

Auditor Notes: N/A – No farm labor contractors on sites.

Result: In Conformance

OBJECTIVE 11: Legal and Regulatory Compliance

Performance Measure (PM) 11.1 Legal Compliance

Conformance Evidence:

- *Management interviews*
- *Annual compliance trainings*
- *Compliance policies and procedures*
- *Privacy policy*
- *Code of ethics*
- *Disaster recovery and business continuity plan*
- *Compliance reference document (Access processes)*
- *Lease language*
- *Books and records compliance information*
- *Compliance manuals*
- *OSHA posters in common areas*
- *Prospectus drafts for foreign offerings*

Auditor Notes: IFC's Assistant Controller documents legal compliance and maintains accurate bookkeeping records. Occupational Safety and Health Administration (OSHA) posters are posted in break rooms for employees to view. Property managers monitor the compliance with the Farm Service Agency and Natural Resource Conservation Service. IFC is also audited by the Financial Industry Regulatory Authority and Securities and Exchange Commission. Financial statement audits are performed by Deloitte.

Result: In Conformance

Performance Measure (PM) 11.2 Legal Compliance Policies

Conformance Evidence:

- *Verbal descriptions of processes in place*
- *Lease language*
- *ESG Addendum to lease*
- *Employee handbook*
- *Anti-harassment policy*
- *Diversity equity and inclusion policy*

Auditor Notes: Social responsibility policy reviewed and on file. Employee handbooks and manuals set code of conduct. IFC is in legal compliance for workforce regulations with the SEC and covers International Labour Organization (ILO) principles to the extent of US law. Lease language reviewed is appropriate and correct. Farmland is well outside of central community areas and is well maintained. Farmed land is well outside of the central community's area. Land is well maintained, clean and appropriately taken care of.

Result: In Conformance

OBJECTIVE 12: Management Review and Continual Improvement

Performance Measure (PM) 12.1 Farm Review and Continual Improvement

Conformance Evidence:

- *Management interviews*
- *Auditor observations*
- *ESG addendum to leases*
- *Responsible Stewards of Farmland documents*
- *Sustainability roadmap*
- *Sustainability director job description*
- *Agronomy director job description*
- *USDA Grant Application Summary*
- *Descriptions of planned sustainability communications and training for IFC staff*

Auditor Notes: IFC holds an annual review and reports on each property with results against its stated goals. IFC also holds monthly budget meetings tracking progress and results. A Farm level scorecard is being developed along with tenant interview processes to document sustainable ag activities currently in place. A sustainability director has been hired to provide additional expertise and support IFC's sustainability efforts. An additional director of agronomy has been hired.

Leading Harvest roadmaps and operating manuals have been developed and clearly and concisely break down conformance activities and improvements into actionable items for responsible functional units. Farm Advisor software tracks performance on production properties. Power BI integration shows performance against budget and tracks invoices on sites. Soil sampling is monitored year over year to document soil quality and crop performance. Satellite images are used to monitor the crop. Amended Leases require tenants to supply additional information to IFC upon demand. Amended leases are also being applied retroactively onto active leases.

Sites are utilizing an innovative remote viewing technology to help reduce the number of passes performed on farms, conserve water, and reduce the number of applications on sites. Visual inspection by robotics use machine vision to identify plant needs and harvest issues in advance and in support of scouts.

Result: In Conformance, Notable Practice (See Key Findings)

OBJECTIVE 12: Management Review and Continual Improvement (Continued)

Performance Measure (PM) 12.2 Support for Sustainable Agriculture

Conformance Evidence:

- *Management interviews*
- *Auditor observations*
- *Static Measuring Property Access agreement*
- *USDA Grant Application Summary*

Auditor Notes: IFC sponsors a symposium to share current agriculture research. IFC has applied for a grant from the USDA to implement field trials across existing acreage under management to evaluate a host of technologies that are focused on Climate-Smart farming practices.

Model farms with more progressive tenants trial practices and processes before management promotes practices to the greater group of tenants. Successes and challenges from model farms are reported back to IFC for consideration by the greater group of tenant managers.

Result: In Conformance

OBJECTIVE 13: Tenant Operated Operations

Performance Measure (PM) 13.1 Leased Land Management

Conformance Evidence:

- *Management interviews*
- *Lease language*
- *ESG addendum to lease*
- *List of farms that have already signed ESG addendums*

Auditor Notes: Lease addendum addresses LH FMS objectives and being retroactively applied to existing tenants. Managers is on-site at least once a month to review management practices with tenants and ensure that they are adhering to regionally appropriate best management practices.

Addressed in lease language. ESG addendums have been retroactively applied to current leases instead of waiting until leases expire. Language is written in the lease and addendum regarding best practices and conservation.

Result: In Conformance, Notable Practice (See Key Findings)

OBJECTIVE 13: Tenant Operated Operations (Continued)

Performance Measure (PM) 13.2 Leased Land Monitoring

Conformance Evidence:

- *Management interviews*
- *Lease language*
- *ESG addendum to lease*
- *Site review chart*

Auditor Notes: IFC holds annual and monthly reviews of performance and budgets. IFC managers are visiting sites consistently throughout the year to inspect sites and meet with tenants. Review of soil management plans and samples are done by IFC managers to stay current with the health of the farmland. An innovative satellite viewing practice is implemented on sites to monitor crop health regularly without being physically on-site.

IFC and its tenants are frequently changing tools and software on farms, increasing sources of information and performance data. Management has shown they are quick and willing to react appropriately to changing situations. IFC management are quick to respond to tenants asking for help or support with new ideas as well.

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

KEY FINDINGS

Previous Non-Conformances: No previous non-conformances were identified during previous year's report.

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

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

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

1. 7.3.2 Deforestation
 - a. There is no explicit written policy regarding a zero-deforestation commitment as of 2022, but progress has been made towards the completion of bridge policies that connect overall sustainability policies to operations. Resources and staffing have been put into place to operationalize zero-deforestation goals before finalizing IFC's policy language. A commitment to biodiversity and limiting deforestation is reflected in IFC's ESG/Sustainability Policy. The number of new trees associated with permanent crop properties is monitored across the portfolio via satellites and aerial imagery.

2. 9.4.1 Public Health and Safety
 - a. No training records regarding safe equipment operations were available or provided for review. Practices were apparent from site visits and interviews, and site managers are available and accountable to the public. Some record of safety practices in place and training regarding practices will assist in demonstrating this indicator in the future.

Notable Practices: Six (6) notable practices were identified during the examination.

1. 1.1.1 Farmland Stewardship Commitment
 - a. LH Standards operating manual identifies progress on each objective of the LH FMS, identifies the staff responsible for continuing efforts in achieving best in class conformance, and details planned, ongoing, and completed activities. Strategic roadmaps have been developed addressing materiality and status of LH FMS objectives, and organizational units that are responsible for progress on the objective.

2. 3.1.3 Water Conservation
 - a. Sites use satellite imagery to determine crop health. The images are produced every 5 days and uses an infrared lens to capture the green light reflection of the crop to determine where crop is browning, reducing the risk of over irrigation and crop failure simultaneously.

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3. 5.1.1 Energy Conservation
 - a. Select sites are investing in a trial of Monarch tractors, which are all electric powered. The plan is to trial them and build a fleet over time. While most management companies integrate small electric vehicles in their fleets (cart and ATVs), tractors are a rare approach.
4. 12.1.2 Monitoring Performance
 - a. Leading Harvest roadmaps and operating manuals have been developed and clearly and concisely break down conformance activities and improvements into actionable items for responsible functional units.
5. 12.1.3 Agricultural Innovation
 - a. Sites are utilizing an innovative remote viewing technology to help reduce the number of passes performed on farms, conserve water, and reduce the number of applications on sites. Visual inspection by robotics use Vivid to identify plant needs and harvest issues in advance and in support of scouts.
6. 13.1.2 Farmland Tenant Agreements
 - a. ESG addendums have been retroactively applied to current leases instead of waiting until leases expire.

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Review of Previous Audit Cycle: In 2021, IFC engaged Averum to perform their initial certification audit and were issued their inaugural certificate. IFC successfully demonstrated their conformance to the LG FMS standard, no non-conformances, seven opportunities for improvement, and four notable practices. Opportunities for improvement were largely addressed and improved upon, and new practices were put in place to enhance the farming practices on sites visited.

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LH FMS AUDIT SUMMARY REPORT

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CONCLUSIONS

Results of the audit indicate that IFC has implemented a management system that continues to meet the requirements of and is in conformance with the Leading Harvest Farmland Management Standard 2020.

IFC'S enrolled acreage is recommended for certification to the Leading Harvest Farmland Management Standard 2020.

Summary of Audit Findings				
Program User	International Farming Corporation (IFC)			
Audit Dates	August 5 – August 26, 2022			
Non-Conformances Raised (NCR):	Major			Minor
	0			0
Follow-Up Visit Needed?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Date(s)	
Follow-Up Visit Remarks	N/A			
Team Leader Recommendations				
Corrective Action Plan(s) Accepted	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>	Date
Proceed to/Continue Certification	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>	Date
All NCR Closed	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>	Date
				August 26, 2022
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			
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-2021-0013			
Proposed Date for Next Audit Event	TBD			
Audit Report Distribution	Robert Zimardo (rzimardo@intlframing.com)			