

PGIM Real Estate

Lisle, Illinois

LH FMS SURVEILLANCE AUDIT SUMMARY REPORT

July 8, 2022





A SUBSIDIARY OF K-COE ISOM, LLP

8801 Renner Blvd, #100

Lenexa, KS 66219

Phone: 913.643.5087

Company Name	PGIM Real Estate
Contact Person	Christopher Jay
Address	801 Warrensville Road, Suite 150, Lisle, IL 60532
Phone/Fax	630.829.4689
Email	christopher.jay@pgim.com
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INTRODUCTION

This report summarizes the results of the first surveillance audit conducted on PGIM Real Estate (PGIM) managed production agriculture properties. The audit was conducted by Matt Armstrong, lead auditor for Averum. Mr. Armstrong has had experience with Leading Harvest throughout its development, is an assurance provider for multiple sustainability programs, and has expertise in production agriculture on multiple crop types in North American regions. 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 PGIM to perform an audit of sustainability performance on 33,378 acres of managed agricultural operations in California and determine conformance to the principles, objectives, performance measures, and indicators of the Leading Harvest Farmland Management Standard 2020 (LH FMS). LH FMS objectives 1 through 13 were covered during site visits on properties in California. There was no substitution or modification of LH FMS performance measures.

COMPANY INFORMATION

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

The audit was conducted on an extensive sample of PGIM properties throughout San Luis Obispo County and Monterey County. Personnel overseeing safety and standard compliance for all sites were contacted for evidence requests and interviews. The properties selected are a representative sample of current practices in place and management decision making. The primary agricultural production on sample sites are grape vineyards.

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AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was established for PGIM coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held on June 17, 2022, preceding site visits. The field sites in California were examined immediately after. Following the site visits, a document review of the provided evidence was conducted by Averum. A closing meeting was held on July 8, 2022.

Opening Meeting: Conference Call

June 17, 2022

Attendees:

(PGIM) Christopher Jay, Sarah Angus, Jason Pucheu, Kenneth Peters, Devon Kiziran

(Audit Team) Matt Armstrong, Andrew Zetterberg

Topics:

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

Closing Meeting: Conference Call

July 8, 2022

Attendees:

(PGIM) Christopher Jay, Sarah Angus

(Audit Team) Matt Armstrong, Andrew Zetterberg

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): 0
 - Notable Practices: 4
- Report timing and expectations: Matt Armstrong

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MULTI-SITE REQUIREMENTS

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

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

Region	Crop	Properties Examined During Engagement
California	Wine Grape Vineyards	Four (4) sites visited during surveillance audits <ul style="list-style-type: none">- 33,378 gross acres in production- Sample represents 10.34% of all acreage

AUDIT RESULTS

Overall, PGIM's agricultural operations conform to the objectives of the Leading Harvest Farmland Management Standard 2020 (LH FMS). Interviews and document reviews were performed to determine procedural and documentation conformance to the LH FMS. Documentation of practices was continuously supplied throughout the audit when requested. Documentation from multiple sites was provided, as well as more detailed sets of data from single sites. Field visits were performed on four operating sites in California managed by contracted management companies. Visits were pre-harvest activities. Central and regional management representatives, as well as contracted managers, were present and interviewed to illustrate PGIM policy creation and implementation. Central office staff with roles that impact LH FMS conformance were interviewed to determine awareness of and support for LH FMS conformance, and to illustrate company practices and procedures not performed by farm managers. PGIM's Executive Director of Agricultural Finance and Investments served as guide and remained available throughout the entire engagement, providing logistic support and honoring evidence requests wherever needed.

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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

Performance Measure (PM) 1.1 Sustainable Agricultural Stewardship

Conformance Evidence:

- *ESG Debt Council Meeting notes*
- *ESG Policy*
- *ESG "Term of the week" communications*
- *Master Property Template*
- *Leading Harvest Trainings*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Org Charts*
- *Acquisition checklists*
- *ESG Mission Statement*
- *Net Zero Commitment Overview*
- *ESG Annual Report*
- *PAI Industry and ESG Activities*

Auditor Notes: Auditor reviewed Environmental, Social and Governance (ESG) mission statement on file. ESG goals have been developed for the agricultural group as well as PGIM. Net Zero commitments have been realistically proposed. Sustainability practices are evaluated during the development of activity-based budgets. Changes get tracked to budgets, and available supplies are compared to their estimated scenarios. Cost benefit analyses consider economic returns as well as long term value enhancements of agricultural assets. Risk assessments consider impacts to land values and risks of not taking action to improve an aspect of a property. Acquisition checklists and due diligence processes are in place when properties are targeted for purchase. Productive agriculture land is left in production whenever possible. Corrective actions are considered and made in cases where crop selections or conditions require them.

Result: In Conformance

OBJECTIVE 1: SUSTAINABLE AGRICULTURE (Continued)

Performance Measure (PM) 1.2 Critical External Factors

Conformance Evidence:

- *Annual Business Plan*
- *Monthly operations packet*
- *Operations call invites and agendas*
- *SWOT analyses*
- *Activity Based Budgets*
- *Lodi Rules Certifications*
- *Auditor observations*

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

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation

Performance Measure (PM) 2.1 Soil Health

Conformance Evidence:

- *Soil tests*
- *Soil maps*
- *Soil testing results*
- *Annual business plans*
- *Activity based budgets*
- *Crop consultant recommendations*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Nutrient Budgets*
- *Nutrient Management Plans*
- *Tissue sample results*
- *Soil descriptions*
- *Vine Sampling*
- *Staff Bios and Resumes*
- *Operator RFP*
- *Auditor observations*

Auditor Notes: All the farm operators on site engage in no-till conservation practices, except when soil compaction becomes too great. When compaction is an issue, a deep rip is performed. Soil tests are performed yearly on all properties visited. Natural cover crop is allowed to grow in between rows to help prevent erosion and dust build up on farmland. Farm operators have soil health plans in place, both written and unwritten. Internal farm operators maintain current PCA and CCA licenses and do the bulk of the planning themselves. One site does use Agrian as a crop consultant for their plan. No carbon programs are on sites as of now, but the Gloria site demonstrated foresight and progressive planning with carbon sequestration. Nutrient management plans are in place, either by the farm operators or crop consultants hired (Agrian). Plans are written and formalized in late winter or early spring. The application of tests and chemicals is variable year to year, depending on external factors such as prior year results, weather, soil health, etc. Tissue samples are taken two times a year as well, using an app called "Tule", which is an alternative to pressure bombs. Crop residues are reincorporated on all sites visited.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation (Continued)

Performance Measure (PM) 2.2 Soil Conservation

Conformance Evidence:

- *In-field demonstrations*
- *Drip lines demonstration*
- *Cover crop and soil armor practices*
- *Activity based budgets (land leveling projects and soil erosion measures)*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Development plans*
- *Operations plans*
- *In-field demonstrations*
- *Soil erosion plan*
- *Activity based budgeting (soil amendments)*
- *Applied product summaries*

Auditor Notes: Erosion is combated by cropping natural cover crop in between rows. When soil compaction becomes too strong, a deep rip is performed. There are no concerns with water runoff on any of the properties visited. Soil tests are performed yearly, and variable solutions are performed depending on the results of the tests. All properties have been farmland for as long as they can remember and records show. No land has been retired or rested due to management issues. When the Bernardo farm was acquired, there was heavy compaction that required a deep till rip. There has not been an issue since. Ground cover and grasses are supported by management and found on established sites.

Result: In Conformance

OBJECTIVE 3: Protection of Water Resources

Performance Measure (PM) 3.1 Water use

Conformance Evidence:

- *Due diligence reports on aquifer health*
- *Irrigation / water use reports*
- *Water budgets*
- *Water Analysis*
- *Soil Moisture reports*
- *Groundwater quality*
- *Groundwater quantity*
- *Drainage permits*
- *Well permits*
- *Water usage invoices*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Staff representation on water boards*
- *Auditor observations*

Auditor Notes: Water use and water quality are primary factors considered on site. All water used is groundwater in wells, which contain flowmeters for water usage tracking. No limits are placed on the groundwater being used, but water use efficiency is still a priority from all farm operators we spoke to.

Water conservation is critical in central California. Grape vines do not require deep watering, which helps adhere to water conservation in the drought conditions. Slow drip irrigation on the bottom line of vines is used on all sites. Water quality samples on the groundwater are taken yearly or every other year, depending on the farm operator visited. PrecisionAg is used by one farm operator to help analyze water samples. The Gloria site found that a decrease in water usage has led to the ideal crop supply and quality, as wines have scored highly when less water is used. All wells are on variable frequency drives (VFDs).

The "Tule" app is technology used by farm operators to help conserve water. The app removes pressure bomb testing on the crop by using video technology to analyze the crop in a few seconds, giving an analysis of the crop's health and water need. Water use can vary year to year, all dependent on weather conditions and requirements from customers in terms of pounds of crop required and type of wine grape.

Result: In Conformance

OBJECTIVE 3: Protection of Water Resources (Continued)

Performance Measure (PM) 3.2 Water Quality

Conformance Evidence:

- *In-field demonstrations*
- *Process descriptions and demonstration*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Activity based budgets*
- *Water Analysis reports*
- *Water sample reports*
- *Auditor observation*

Auditor Notes: Fields are scouted weekly by all farm operators, who maintain PCA licenses. Some of the farms visited use crop consultants for water, pests, soil etc. (Nutrien, PrecisionAg, Agrian). Recommendations range from soil sampling, tissue sampling, pest monitoring and water control. The conservation practices in place are no-till (unless compaction becomes prevalent), cover crop growth, and reduced vehicle passes in rows. Results of tissue tests are used to identify pest presence and moisture level in crops.

There is one wetland on the Benito property. It is clearly defined on the property with signage. All employees on site are trained to avoid the area.

Result: In Conformance

OBJECTIVE 4: Protection of Crops

Performance Measure (PM) 4.1 Integrated Pest Management

Conformance Evidence:

- *Trap counts and reports*
- *Pest control recommendations*
- *Applied product summaries*
- *Owl box images*
- *Management agreements*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Wind erodibility reports*
- *Scouting reports*
- *Leases and operating agreements*
- *Auditor observations*

Auditor Notes: Pests are detected by the weekly scouting done in the fields. Typical pests are nematodes, mealy bugs, leaf hoppers, gophers, and squirrels. Owl boxes are present on all farms to help hunt the larger mammals. Insecticide is used only when an issue with bugs becomes prevalent, never as a precursor.

Chemical selection, timing and application is determined by the PCA (farm operator or consultant). The three factors are all variable, dependent on the vine analyzed, time of year, type of pest/insect, and threat to the farm.

The crop protection strategy implemented is all variable, based on past uses of products (records are kept on past applications), type of pest, time of year, etc. Non-chemical methods include owl boxes installed on all farms for rodents, and pheromones for mating disruption. Pest control is done internally by the farm operators, and tenants hire a PCA. The farm operator is properly licensed, all staff is trained but no license is required. Documented integrated pest management plans (IPMs) are not formally kept, but past use records are present.

Result: In Conformance

OBJECTIVE 4: Protection of Crops (Continued)

Performance Measure (PM) 4.2 Crop Protection Management

Conformance Evidence:

- *Fertigation reports*
- *Predatory Mite Application reports*
- *Restricted materials permit*
- *Product Use Reports (PUR)*
- *Process description*
- *Containment structure images and information*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Leases and operating agreements*
- *Auditor observation*

Auditor Notes: Pest control is done internally by the farm operators, and tenants hire a PCA. The farm operator is properly licensed, and all staff are trained, but selected treatments do not require a license. Documented IPMs are not formally kept, but past use records are present. Empty chemical containers are kept in clearly marked fence areas and are slashed / triple rinsed and sent to a local recycling center that specializes in pest containers. All chemicals are kept in a locked shed with clear delineations of hazardous materials.

Result: In Conformance

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

Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation

Conformance Evidence:

- *Activity based budgets*
- *Leases and Operating Agreements*
- *Conservation Plans*
- *CAPEX proposals*
- *Monthly billing*
- *Climate assessments*
- *CSWA Certifications*
- *Lodi Rules Certifications*

Auditor Notes: Energy is saved on the property in a variety of ways. Watering is always done in off-peak hours, efficient routes are planned during harvesting, VFDs are installed on all the well pumps. Consultation is also made with two companies on energy use, Wexen and FieldIn. There is solar on the Bernardo farms to help operate on-site equipment, as well as other properties managed by the Benito farm operator. No other solar farms are present.

Result: In Conformance

Performance Measure (PM) 5.2 Air Quality

Conformance Evidence:

- *Conservation management plans*
- *Activity based budgets*
- *Capex Proposals*
- *Leases and operating agreements*

Auditor Notes: Farm operators are conscious of peak hours implemented by their energy provider and will irrigate on the off-hours to help conserve power. During harvest, employees are trained on efficient routes and equipment usage to help reduce passes. When farm operators need to burn organic matter, the proper air permits are received, and fire stations are notified. Burnings are only done when allowed and approved by local air quality boards.

Dust can be an issue on all the farms. Roads are watered by a water truck to reduce dust. A product called Dust-Off is also spread on roads to help solidify the dirt.

Result: In Conformance

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

Performance Measure (PM) 5.3 Climate Smart Agriculture

Conformance Evidence:

- *Conservation management plans*
- *Activity based budgets*
- *Capex proposals*
- *Leases and operating agreements*
- *CSWA Certifications*
- *Climate assessments*
- *Process descriptions*
- *427 Risk Assessments*
- *Crop insurance documents*

Auditor Notes: Maintenance logs are kept by all farm operators visited. All motors on vehicles are tier-4. Emissions are factored in when planning harvest by identifying efficient routes and training staff on efficiency practices. CSWA certified properties are pursuing carbon sequestration strategies.

Changing temperatures can affect the crop when bloom season arrives. Farm operators have multiple strategies to mitigate damages and attempt to react swiftly and appropriately. Frost is not a primary concern among the operators, but weather stations are installed and can alert when a frost is coming. Frost is prevented by irrigation drip and sprinkler heads installed on the top row of the vines. Ground cover and grasses are supported by management and found on sites to prevent soil degradation.

Result: In Conformance

OBJECTIVE 6: Waste and Material Management

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

Conformance Evidence:

- *Onsite manager agreements*
- *Policy and procedure document*
- *Activity based budgets (pruning, shredding, chipping, etc.)*
- *Fence post recycling documents*
- *Annual business plan for capital improvements*
- *Crop consultant recommendations*
- *CSWA Certifications*
- *Auditor observations*

Auditor Notes: Most of the waste produced is organic waste, which is reincorporated into the soil. Oil is also produced and is held and disposed of properly by an oil disposal company. All chemical bins are triple washed and stored in a protected area until recycled off site. There are specified containment areas on farms. Oil is not reused but is sent off site to a waste management company.

Result: In Conformance

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

Conformance Evidence:

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

Auditor Notes: Excess crop loss is prevented by constant monitoring of the crop health via soil, tissue and pest samples. Weather stations are installed on site to prevent frost damage. No crop is stored on site, all is sent directly to customers. Organic crop residue is either disposed of or reincorporated into the soil.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity

Performance Measure (PM) 7.1 Species Protection

Conformance Evidence:

- *Critical habitat for special status species assessments (USFWS)*
- *Wetlands delineation reports*
- *Wetlands memos*
- *Block maps*
- *Phase 1 Environmental Assessments*
- *Environmental Site Assessments*
- *Title reports*
- *CSWA Certifications*
- *Endangered Species Information pages*

Auditor Notes: Acquisition checklist is based on LH FMS and UN PRI and includes special status species assessments upon acquisition. Department of Fish and Wildlife Service Explore program is used for initial research and reference materials are put together on known species and likelihood of species' presence on sites. Likelihood and reference materials are shared with site managers and practices are established for occurrences. Response plans and strategies are given in manager updates. Primary special status species on sites are Monarch Butterflies, with plans to install milkweed and other supportive areas on production sites.

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

OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.2 Wildlife Habitat Conservation

Conformance Evidence:

- *Acquisition Checklist*
- *Wetlands delineation report*
- *Title reports*
- *Environmental Assessments*
- *Phase 1 Environmental Sites Assessments*
- *Farm maps*
- *Policy and procedure document*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Owl Box images*
- *Policy and procedure document*
- *Activity Based Budgets*

Auditor Notes: Areas of concern are referenced in original due diligence reports and the ESG acquisition checklist. The leadership team then determines activities based on the special characteristics of the area in question. Wetlands identified on sites are appropriately addressed with avoided areas, buffers and setbacks. The auditor viewed several bird boxes, owl boxes, buffer zones and recharge areas on site visit. Pollinator and butterfly habitats are in strategic plans for future assessments.

Result: In Conformance

Performance Measure (PM) 7.3 Avoided Conversion

Conformance Evidence:

- *Policy and procedure document (master template)*
- *Wetland delineation reports*
- *Farm inspection reports*
- *Lodi Rules Certification*
- *Acquisition Reports*

Auditor Notes: No retirements of active production acreage. Some areas have been fallowed to correctly size properties for water usage rights. Policy reviewed and on file, acquisition reports show no existing areas with forest or timberland designations. Property history during title research found no issues.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.4 Crop Diversity

Conformance Evidence:

- *Block maps*
- *Activity based budgets*
- *Production Reports*
- *Auditor observation*

Auditor Notes: Root stalks are selected for disease resistance and production capacity. Diversity for potential revenue streams is considered when selecting varieties. Crop mix is partially determined by market. Multiple varieties are selected for each site.

Result: In Conformance

OBJECTIVE 8: Protection of Special Sites

Performance Measure (PM) 8.1 Site Protection

Conformance Evidence:

- *Due diligence process*
- *Title research*
- *Farm maps*
- *FSA compliance with historic review requirements*
- *Policy and procedure documents*
- *Stakeholder contact policy*
- *Historic preservation - Tribal contact information*

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

Result: In Conformance

OBJECTIVE 9: Local Communities

Performance Measure (PM) 9.1 Economic Well-Being

Conformance Evidence:

- *Tax bills*
- *CSWA Certifications*

Auditor Notes: Site managers make purchases from local suppliers and staff with local employees. No H2A is employed on sample sites for 2022. Local taxes are handled by PGIM's accounting team.

Result: In Conformance

Performance Measure (PM) 9.2 Community Relations

Conformance Evidence:

- *Management narratives of community engagement*
- *Management briefings on community engagement*
- *Policy and procedure document*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *Inventory of community engagement and trainings*
- *PAI Industry and ESG Activities*

Auditor Notes: Farm operators dedicate time to educate local high school students on crop management and farming techniques. Donations are made to local youth sports programs, 4H, and other local events. There is involvement on local water boards by staff. All farm operators value and make efforts to keep neighbor relations strong. Internal projects engage with historically underrepresented and minority populations to partner with universities to support agriculture engagement. PGIM sponsors work with the Center for Land Based Learning to partner with and mentor new participants.

Result: In Conformance

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.3 Local Communities and Indigenous Peoples

Conformance Evidence:

- *Policy and procedure document*
- *CSWA Certifications*
- *Tribal council contact for historic preservation*
- *Signage at entry points*
- *Examples of inquiries and responses*

Auditor Notes: There are relationships in place with and consideration of neighbors near production sites. Shared wells and resources are managed with neighbors appropriately. PGIM managers address issues with neighbors in a timely manner. There is awareness and consideration of indigenous tribes in their area. No overlap of sample sites with indigenous populations. Cultural reviews are conducted when needed. Policy has been updated, reviewed, and on file.

Result: In Conformance

Performance Measure (PM) 9.4 Public Health

Conformance Evidence:

- *Safety signs*
- *Auditor observation*

Auditor Notes: Safety signage was seen on each farm visited. Spraying is done at night and communicated with neighbors for safety and awareness. Crews signal with flashlights during harvest or any other time crews are out. More signage is put out for dust and crews during harvest sprays when needed.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor

Performance Measure (PM) 10.1 Safe and Respectful Working Environment

Conformance Evidence:

- *Job postings*
- *Equal Opportunity Policy*
- *Prudential Code of Conduct - "Making the Right Choices"*
- *HR, Business, and Expense Compliance policies*
- *Human Trafficking and Slavery Policy*
- *Anti-Discrimination, Anti-Harassment, and non-retaliation policies*
- *CSWA Certifications*
- *Lodi Rules Certifications*

Auditor Notes: PGIM is an Equal Opportunity Employer. Safe work environment, anti-harassment, and anti-discrimination policies are in place in Employee Code of Conduct. Policy language regarding anti-discrimination, anti-harassment, non-retaliation, human trafficking, and slavery are reviewed and on file. Trainings are frequent and required by all staff. PGIM's Axonify system keeps staff aware of current issues and provides continual daily training. Farm Labor Contractors (FLCs) have their own additional safety trainings and anti-discrimination policies.

Result: In Conformance

Performance Measure (PM) 10.2 Occupational Training

Conformance Evidence:

- *Axonify training records*
- *Legal compliance and workers' rights signage*
- *CSWA Certifications*
- *Lodi Rules Certifications*

Auditor Notes: PGIM's Axonify system maintains staff awareness of compliance and regulatory requirements and has been enhanced to keep staff accountable to management when staff engagement falls below required thresholds. ESG and DEI aspects are included in companywide trainings. Compliance certifications to training materials are required for all staff.

Signage is noticeable on-site, instructing people on contact points when crews are present and for dust and crew activities.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.3 Supporting Capacity for Sustainability

Conformance Evidence:

- "Making the right choices" trainings
- Policy and procedures documents
- Axonify training records
- "ESG Term of the day" content
- CSWA Certifications

Auditor Notes: Sustainability policy reviewed and on file. Each farm has CCA and PCA's on staff or hired as a consultant. Farm managers hold multiple certifications and attend several trainings. Consultants are well qualified from reputable companies and appropriately selected. ESG and Sustainability aspects are included in Axonify training system for all staff, not just the agriculture group.

Staff have included Leading Harvest objectives in acquisition checklists, and plan to include ESG and Leading Harvest objectives into site inspection reports.

Result: In Conformance

Performance Measure (PM) 10.4 Compensation

Conformance Evidence:

- Compensation structure documents
- CSWA Certifications
- Lodi Rules Certifications

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

Result: In Conformance

Performance Measure (PM) 10.5 Farm Labor

Conformance Evidence:

- Activity based budgets
- Leases and Operating Agreements
- Review process overviews

Auditor Notes: Operators are audited regularly for fiscal responsibility to ensure payment and that management is paying people and suppliers. Operators pay machine and activity rates, manage timecards, and manage activities on sites.

Result: In Conformance

OBJECTIVE 11: Legal and Regulatory Compliance

Performance Measure (PM) 11.1 Legal Compliance

Conformance Evidence:

- *PGIM Welcome and HR Overview documents*
- *Compliance companion guide*
- *Compliance Org Chart*
- *Axonify screenshots*
- *Prudential policies - HR, Business, Expenses*
- *Compliance center screenshots*
- *CSWA Certifications*
- *Lodi Rules Certifications*

Auditor Notes: PGIM maintains an intranet with links to policies, regulations, and applicable relevant laws. Signage is posted at offices regarding worker rights. The agriculture group has a dedicated HR representative that addresses specific issues. Compliance training is constant and continuous.

Food safety and Good Agricultural Practices (GAP) audits are conducted on all food production intended for foreign markets. GAP audit results reveal no outstanding issues. Axonify system provides daily training on compliance and risk management topics. "Making the right choices" and other compliance training schedules are maintained and on file. Policy and procedures documents are reviewed and on file. An anonymous hotline for complaints is maintained, and whistleblower protections are in place.

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

Performance Measure (PM) 11.2 Legal Compliance Policies

Conformance Evidence:

- *PGIM Welcome and HR Overview documents*
- *Compliance companion guide*
- *Compliance Org Chart*
- *Axonify screenshots*
- *Prudential policies - HR, Business, Expenses*
- *Compliance center screenshots*
- *CSWA Certifications*
- *Lodi Rules Certifications*

Auditor Notes: Written policy, system, organization charts have been reviewed and are on file. Staff is frequently and thoroughly trained on policy compliance commitments. PGIM HR policies and codes of conduct have been reviewed by HR as well as legal departments and align with the ILO's Declaration on Fundamental Principles and Rights at Work concerning fundamental rights. Current leases explicitly state Quiet Enjoyment in current leases. Leases with Quiet Enjoyment language are implemented as leases expire and renew.

Result: In Conformance

OBJECTIVE 12: Management Review and Continual Improvement

Performance Measure (PM) 12.1 Farm Review and Continual Improvement

Conformance Evidence:

- *Activity Based Budgets*
- *Initial and follow up soil tests*
- *Due diligence document*
- *Annual business plans*
- *2022-2024 Improvement Plans*
- *Capital project descriptions - Innovative Capex Write-ups*
- *Acquisition proposals and recommendation documents*
- *CSWA Certifications*
- *Phase I Environmental reviews*
- *Soil tests*
- *Water tests*
- *Well tests*
- *Preliminary title research*
- *Policy and procedure document*
- *Wetlands delineation reports*
- *Consulting reports*
- *Ranch improvements document*
- *ESG Reporting*
- *PAI Industry and ESG Activities*

Auditor Notes: PGIM conducts weekly operations calls and biweekly activity reports with management teams. Monthly operation documents and budget calls are conducted with operations and management, when needed. Annual budget meetings are held and conducted with the annual report review. Challenges that are identified during due diligence and acquisition checklists are included in site planning. The site operators are audited for fiscal responsibility to ensure payment and that management is paying its employees and suppliers.

Internally, PGIM conducts monthly budget-to-actual reviews. Site production is forecasted out for five years, while production yields are included in the budget based on 4-6 year averages. Business plans are presented to the clients for approval. Onsite managers go to farmland management teams for capital expenditures and expenditure additions, to the director of the Agricultural team, then to CIO/President, then to clients for approval.

Manager performance is reviewed during budgeting meetings and processes. Retrospective reviews and performance expectations are included in reviews, and corrections to management are addressed in a time to minimize impacts to farm productivity. Environmental impacts are consistently measured from acquisition onward. Soil, tissue, sap, water, and well testing are conducted to maintain awareness of a properties current use of resources, as well as measure improvement from the benchmark years when the site was established.

OBJECTIVE 12: Management Review and Continual Improvement (Continued)

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

Farm operators constantly attend conferences to help further education on their crop and seek out new opportunities that can be used on their sites. An openness to adapt and try new product is always practiced by all farm operators. Leading Harvest objectives are included in acquisition checklists. Practices that support conformance to LH indicators are included in budgeting process.

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

Performance Measure (PM) 12.2 Support for Sustainable Agriculture

Conformance Evidence:

- *Membership in research programs*
- *Attendance records at ag-tech conferences*
- *Demonstration of autonomous sprayers*
- *Policy and procedure document*
- *CSWA Certifications*
- *Lodi Rules Certifications*
- *PAI Industry and ESG Activities*

Auditor Notes: The farm operators place an emphasis on new trials on portions of their vines. Operators will consult with local universities or state schools for advice on crop or new trials. New sustainable programs or products are always being sought out and discussed with full support from management.

Result: In Conformance

OBJECTIVE 13: Tenant Operated Operations

Performance Measure (PM) 13.1 Leased Land Management

Conformance Evidence:

- *Lease Agreements*

Auditor Notes: Auditor viewed lease agreements for proper language relating to farmland tenant agreements, communicating leased-land objectives and a tenant social responsibility commitment.

Result: In Conformance

Performance Measure (PM) 13.2 Leased Land Monitoring

Conformance Evidence:

- *Lease Agreements*

Auditor Notes: Farm managers visit properties and review practices in place on a regular basis. Development properties are visited more often, but established sites are visited at least quarterly. Accountability extends to the top of the agriculture team, and the Director of the Agriculture Team aims to personally visit all sites each year.

Site visits are documented in weekly reports for clients. Updates on relevant factors are communicated with tenants at least monthly. Qualitative reviews of tenant performance is performed at lease renewal and/or budget review periods.

Internal management meetings address tenant touchpoints and review how well tenants are conducting their business. Corrective actions to the contact schedule are taken well in advance of planned activities.

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

PGIM Real Estate

LH FMS AUDIT SUMMARY REPORT

July 8, 2022

KEY FINDINGS

Previous Non-Conformances: No previous non-conformances.

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

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

Opportunities for Improvement (OFI): No opportunities for improvement were identified during the audit.

Notable Practices: Four (4) notable practices were identified during the examination.

1. 7.1.1 Threatened and Endangered Species

- a. PGIM has addressed last year's OFI regarding special status species particularly well. Research into potential occurrences of special status (endangered, threatened, and at-risk) species is conducted on sites and explicit information regarding potential incursions are supplied to site managers. Additionally, action plans in the case of occurrences are provided and clearly communicated to site managers.

2. 11.1.1 Access to Compliance Information

- a. PGIM continues to demonstrate an unparalleled culture of compliance. The frequency of compliance training and resources available for staff, contractors, and tenants is aggressive and thoroughly implemented.

3. 12.1.1 Performance Review

- a. While clients are often informed or involved in strategic decisions regarding operations, PGIM's early outreach to and inclusion of client owners in decision making demonstrates a collaborative relationship that few program users offer their clients. ESG goals are well informed and aligned with client expectations.

4. 13.2.1b Leased Land Monitoring

- a. PGIM's management team maintains a robust oversight program of tenant operated properties, involving multiple levels of management. Notably, the director of the agriculture group aims to personally visit and review all production sites at least annually. This level of involvement and accountability shows an outstanding commitment and dedication to risk management.

PGIM Real Estate

LH FMS AUDIT SUMMARY REPORT

July 8, 2022

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Review of Previous Audit Cycle: N/A

CONCLUSIONS

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

PGIM Real Estate's enrolled acreage is recommended for continued certification to the Leading Harvest Farmland Management Standard 2020.

PGIM Real Estate

LH FMS AUDIT SUMMARY REPORT

July 8, 2022

Summary of Audit Findings			
Program User	PGIM Real Estate		
Audit Dates	June 17, 2022 – July 8, 2022		
Non-Conformances Raised (NCR):	<i>Major</i>	<i>Minor</i>	
	0	0	
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 type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/> <i>Date</i>
Proceed to/Continue Certification	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/> <i>Date</i> 07.08.2022
All NCR Closed	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/> <i>Date</i>
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	2021-0007		
Proposed Date for Next Audit Event	TBD		
Audit Report Distribution	PGIM: Christopher Jay (christopher.jay@pgim.com)		