



UBS Farmland Investors LLC

Hartford, Connecticut

LH FMS AUDIT SUMMARY REPORT: INITIAL CERTIFICATION

June 13, 2023





A SUBSIDIARY OF K-COE ISOM, LLP

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Certification Audit Re-Certification Audit Surveillance Audit Scope Extension

INTRODUCTION

This report summarizes the results of the first certification audit conducted on UBS Farmland Investors LLC managed production agriculture properties. The audit was led 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 performed by Matt Armstrong as well as 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 2021, Averum was engaged by UBS Farmland Investors LLC (UBS) to perform an audit of sustainability performance on 277,596 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 Pacific Northwest, Mountain and Pacific West regions. There was no substitution or modification of LH FMS performance measures.

COMPANY INFORMATION

UBS Farmland Investors LLC is a subsidiary of UBS Realty Investors LLC, which is indirectly a wholly owned subsidiary of UBS Group AG. UBS Farmland Investors operates as part of UBS Asset Management, Real Estate & Private Markets, Food & Agriculture. Farm operating tenants, UBS regional managers, and third-party property management contractors are responsible for the day-to-day farmland management services for UBS managed properties. UBS opted to certify 100 percent of their agricultural properties in 2021, allowing them to engage in broader sampling and simplifying the process of maintaining their certification in the future.

UBS contracted with Averum to provide a Stage 1 audit (or Readiness Review) on properties in multiple sites with various tenants in the Delta region. Results of the Readiness Review were shared with UBS in June 2022. For the certification audit, nineteen (19) sites in the Pacific Northwest, Pacific West and Mountain regions combined were selected, with 11 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 are permanent crops (apples, cherries, pears and wine grapes), vegetables (lettuce and broccoli) and row crops (corn, soybeans, wheat, alfalfa and sugar beets). Organic varieties of apples, alfalfa, corn and wheat were also included in site visits.

AUDIT PLAN

An audit plan was developed and is maintained on file by Averum. An online portal was used with UBS 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 26th, 2022, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in the Pacific Northwest, Mountain and Pacific West regions were examined on August 31st-September 1st, October 24th-26th, and December 12th-14th. A closing meeting was held on January 24th, 2023.

Opening Meeting: Conference Call

August 26th, 2022; 4:00 PM Eastern Time

Attendees:

(UBS) Manisha Bicchieri, Dan Murray, Cullum Jefferies, Erik Roget, Charles Bryan, Brian Duke, Mark Van-Elswyk, James McCandless, Barbara Missal, Darren Rabenou

(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

January 24th, 2023; 1:00PM Eastern Time

Attendees:

(UBS) Manisha Bicchieri, Dan Murray, Cullum Jefferies, Erik Roget, Charles Bryan, Brian Duke, Mark Van-Elswyk, James McCandless, Barbara Missal,

(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: 2
 - Opportunities for Improvement (OFI): 7
 - Notable Practices: 5
- Report timing and expectations: Matt Armstrong

MULTI-SITE REQUIREMENTS

UBS maintains operations on multiple properties in the Delta, Southern Plains, Mountain, Pacific Northwest, Pacific West, Southeast, Appalachian, Lake States and Corn Belt regions. UBS qualifies for multi-site sampling as 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 UBS management. UBS’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
Pacific Northwest	Apples, cherries, pears, wine grapes	Six (6) sites visited during audit <ul style="list-style-type: none"> - 14,067 gross acres in production - Pacific Northwest represents 5% of all acreage in portfolio - Selected sample represents 16% of acreage in region - Management population: One (1) regional manager, one (1) third-party property management contractor, three (3) tenant operators - Sites visited: Yakima Orchard, Chukar Orchard, Rothrock Ranch, Tieton Orchard, Phipps Road Orchard, Galactic Orchard
Region	Crop	Properties Examined During Engagement
Mountain	Corn, soybean, sugar beet, wheat, alfalfa	Seven (7) sites visited during audit <ul style="list-style-type: none"> - 70,461 gross acres in production - Mountain region represents 6% of all acreage in portfolio - Selected sample represents 24% of acreage in region - Management population: One (1) regional manager, one (1) third-party property management contractor, four (4) tenant operators - Sites visited: Mountain Vista, Yuma Farm, Golden Harvest Farm, Yuma 20, Clarkville Farm, Holyoke Farm, Wauneta Farm
Region	Crop	Properties Examined During Engagement
Pacific West	Lettuce, broccoli, wine grape	Six (6) sites visited during audit <ul style="list-style-type: none"> - 11,839 gross acres in production - Pacific West represents 1% of all acreage in portfolio - Selected sample represents 23% of acreage in region

- Management population: One (1) regional manager, four (4) tenant operators
- Sites visited: Oakville Vineyard, Calesa Vineyard, Petit Ranch, Coburn Ranch, Sales Ranch Vineyard, Molera Ranch

AUDIT RESULTS

Overall, UBS'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 nineteen operating sites, with six in the Pacific Northwest, seven in the Mountain region, and six in the Pacific West. Visits were pre-harvest or just post-harvest, so crop quality and post-harvest field quality were observed. Central and regional management representatives, third-party property management contractors as well as operating tenants, were present and interviewed to illustrate UBS'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 regional managers. UBS'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

Performance Measure (PM) 1.1 Sustainable Agricultural Stewardship

Conformance Evidence:

- *Farmland Stewardship Commitment document*
- *2021 UBS Sustainability Report*

Auditor Notes: UBS maintains a Farmland Stewardship Commitment document outlining their goals and responsibilities to safe, viable farming practices to ensure land is farmable for future generations. The Commitment outlines the thirteen LH FMS objectives as their guide.

UBS holds a high self-responsibility level for sustainability and sustainable practices. UBS released a 2021 Sustainability Report that highlights goals such as achieving net-zero carbon emissions (not on agriculture), raise \$1 billion in donations and invest \$400 million in sustainable assets.

UBS takes a long term approach to conservation of farmland by buying prime farmland and utilizing it to its maximum capacity in a sustainable matter.

UBS receives calls or offers on plots of land for conversion or other uses from developers but very rarely sells farmland to a conversion buyer.

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

OBJECTIVE 1: SUSTAINABLE AGRICULTURE (Continued)

Performance Measure (PM) 1.2 Critical External Factors

Conformance Evidence:

- *Farmland Stewardship Commitment document*
- *2021 UBS Sustainability Report*
- *Management interviews*

Auditor Notes: UBS takes the approach of a flat structure of management. This allows managers to work cooperatively on issues and conservations, as opposed to having to move through several channels to achieve objectives on sites. Tenants on site visits commented to how quickly UBS responds to an issue on farms and can receive an approval on a project or issue.

The main concerns on sites visited were the climate-related challenges that affect the crop cycle. Weather systems like excessive heat in Washington and the ongoing drought in California can greatly impact crops during their maturation.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation

Performance Measure (PM) 2.1 Soil Health

Conformance Evidence:

- *Annual reports*
- *Auditor observation*

Auditor Notes: The primary soil quality management practice implemented across the three regions is soil testing and cover crops. Cover crops are used to help with erosion, reduce mowing passes, and reincorporated back into the soil to increase organic matter in the soil.

Soil testing is performed annually on all sites visited. Analysis of the tests is primarily done by third-party consultants. The analysis is primarily looking at the levels of nitrogen, phosphorous, potassium, organic matter, and variation of soil types. Select sites visited practice variable rate applications of fertilizer, using prior year usage rates and forecasted issues to determine the fertilizer usage rates for the current year.

Nutrient Management Plans are kept and followed by the tenants interviewed. The contents vary from region to region, with different focuses such as battling high nitrogen levels in California and following organic practices in Colorado. All sites visited record fertilizer usage. California sites have an irrigation-focused Nutrient Management Plan that is required by the Central Coast Regional Water Quality Control Board.

Result: In Conformance

OBJECTIVE 2: Soil Health and Conservation (Continued)

Performance Measure (PM) 2.2 Soil Conservation

Conformance Evidence:

- *Annual reports*
- *Auditor observation*

Auditor Notes: Soil erosion concerns varied greatly depending on the site locations. In Colorado, cover crop is applied to help mitigate any erosion concerns, where other sites require a deep tillage of the soil where compaction issues arise. In Washington, no issues of erosion were present due to the flat land and the usage of drip irrigation lines. Some sites have compaction concerns, and farm tenant operators understand to reduce passes in rows that lead to compaction. In California, select sites have tile installed to help runoff concerns along with a cover crop planted between rows to help hold water.

Salinization issues are not present on sites visited in California and Washington due to water quality testing. High salinization levels in the soil were present when cow manure was applied. High salinization levels were combated by reducing the amount of manure used and by adding gypsum and lime to the soil amendment process.

Result: In Conformance

OBJECTIVE 3: Protection of Water Resources

Performance Measure (PM) 3.1 Water use

Conformance Evidence:

- *Annual reports*
- *Annual water report*
- *Auditor observation*

Auditor Notes: Water use varies from state to state. In Colorado, surface water accounts for roughly 5% of water needs, with the rest coming from the local irrigation district. The amount of water used is metered and reported to the state. Water allotments in the state are not plentiful and water must be used efficiently. The crop rotation is planned out with water usage in mind.

In Washington, drought conditions are present but there are no limitations placed on water usage. Despite no limit being present, tenants are progressive with water conservation through methods such as using drip irrigation, moisture probes, and monitoring technology such as Phyttech. Phyttech uses plant sensors and data analytics to provide recommendations and plant status.

In California, water conservation is the primary concern. Water usage is tracked through flowmeters and is reported to the local water districts in the respective counties. Several different technologies are used to help conserve water such as neutron probes, soil moisture probes, drip irrigation and software such as Tule and 360viti.

One site in California belongs to a tertiary treated recycled water program. Previously, water being pulled was too saline and Monterey County developed a project to recycle water and store it for local growers to access. The project allows for 13,000 acres of land to be watered throughout the year.

Capital improvement projects are considered and made in advance of regulatory or corrective action. There is awareness of opportunities on sites by both tenants and regional managers.

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

OBJECTIVE 3: Protection of Water Resources (Continued)

Performance Measure (PM) 3.2 Water Quality

Conformance Evidence:

- Annual reports
- Annual water report
- Auditor observation

Auditor Notes: Scouting is done by both tenant operator hired employees and their third-party pest control advisers. Scouting is done to help report against weed pressures, pest presences, water control issues and soil fertility. Fields are scouted weekly on sites visited.

Minimum tillage practices are implemented on select sites. There are a few instances where a deep tillage is required to prevent compaction, but there is no deep tillage done with consistency on large plots of land. Cover crop is left in rows on vineyards and orchards and is lightly disced back into the ground.

Tissue tests are also conducted in each region visited to help determine mid-season if nutrient uptake levels are normal and to identify any infiltration that would need correcting.

There are portions of land in Colorado designated in the Conservation Reserve Program (CRP), mostly non-irrigated corners of the sites. One site in California has land enrolled in the Ag Land Trust program, which helps preserve agricultural land for production purposes.

There are no riparian, wetland, or other water resource areas bordering the sites visited.

Result: In Conformance

OBJECTIVE 4: Protection of Crops

Performance Measure (PM) 4.1 Integrated Pest Management

Conformance Evidence:

- Annual reports
- Auditor observation

Auditor Notes: Pests are primarily monitored by scouting fields. There are PCA's hired by tenant operators in addition to tenant operator hired employees who will scout fields weekly, and sometimes daily. Small insects such as nematodes, mealybugs, and moths are the main pests in the three regions visited.

The main pest control practice engaged in is spraying. There are thresholds set by bug traps in crop rows, and once a certain amount are captured a spray will be performed. The chemical selection and rate are determined by the PCA's who work on that field. Selection and rates are applied variably, dependent on the pest and how heavy the presence.

Sites visited implement practices consistent with an integrated pest management plan (IPM) to guide them through a planting season and managing pest presence. These plans contain thresholds for spraying, methods used, application records, and trainings provided.

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

OBJECTIVE 4: Protection of Crops (Continued)

Performance Measure (PM) 4.2 Crop Protection Management

Conformance Evidence:

- Annual reports
- Auditor observation

Auditor Notes: Chemicals are applied by the PCA's in the field. PCA's are hired by tenants or applied by internal employees of the tenants. All applicators who apply chemical sprays are properly licensed. Trainings for correct management of pests are held at least yearly when spraying season arrives. There are a few sites in Washington where chemicals were stored on-site, and all bins were properly stored and locked when not in use. Empty bins are sent back to suppliers or recycled on community recycle days.

Result: In Conformance

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

Performance Measure (PM) 5.1 Agricultural Energy Use and Conservation

Conformance Evidence:

- Annual reports
- Auditor observation

Auditor Notes: Energy is saved on the properties in a couple ways. The most common practice was upgrading equipment and wells to variable frequency drives (VFD) to reduce power usage when pumping water. Harvesting equipment is also upgraded to more efficient Tier 4 engines, with some of the engines also using diesel exhaust fluid (DEF). Efficiency in watering crops is another way energy is saved, by using drip nozzles, watering outside of peak usage times, and using dendrometers and soil moisture probes to monitor when crops need watering.

One tenant in California has purchased twelve all-electric Monarch tractors.

There is no solar power or other renewable energy used directly on sites. A few sites in Washington can use hydropower generated from the Columbia River. Hydropower makes up close to 70% of the power used on select sites in the region.

Result: In Conformance

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

Performance Measure (PM) 5.2 Air Quality

Conformance Evidence:

- Annual reports
- Auditor observation

Auditor Notes: Reduction of emissions on the sites visited is primarily done by tenants training their staff to operate equipment efficiently and properly. Tenants train their staff on how to reduce passes on the sites they are working on, and also attend trainings by equipment dealerships on how to properly use their machines. The machines have GPS technology and autopilot to help with efficiency and tracking.

There are no concerns of dust on the sites visited, primarily due to regional climate conditions but also due to proactive techniques, such as watering roads with a water truck, to prevent any dust from flaring up.

Some sites participate in crop burnings, but only on specified days announced by local air quality boards. No hazardous materials are burned.

Result: In Conformance

Performance Measure (PM) 5.3 Climate Smart Agriculture

Conformance Evidence:

- Annual reports
- Auditor observation

Auditor Notes: Minimum-till practices are implemented on select sites visited. Equipment and machines are on maintenance schedules and logs of all repairs are kept. Equipment and machinery are regularly upgraded and running on Tier 4 motors and using DEF. GPS and autopilot are used to increase efficiency with harvest and routes.

Climate impacts change from region to region. Heat and frost are major factors in Washington and California. Drought is also a concern for California properties.

Result: In Conformance

OBJECTIVE 6: Waste and Material Management

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

Conformance Evidence:

- Annual reports
- Auditor observation

Auditor Notes: Most of the waste created on sites is organic. Waste is chipped and laid on soil for erosion and to be reincorporated back into the soil for organic matter composition.

Waste is burned on a few sites in Washington and California, but it is all organic waste and burned in accordance with local air quality regulations. In Colorado, plastic "Ag Bags" are burned in accordance with the local fire department by obtaining a permit. There are plans in place to adopt a new recycling method in 2023 that will pack the ag bags into 3ft by 7ft bales to be shipped to a recycler in Arkansas.

Chemical bins are triple rinsed and recycled or sent back to suppliers for recycling. Some site regions have community agriculture recycling programs where plastics, metals and other materials can be recycled at a certain location. The sites where this is applicable take advantage and recycle metal stakes, poly pipe and other materials.

There are no regulated materials recycled on UBS sites.

Result: In Conformance

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

Conformance Evidence:

- Annual reports
- Auditor observation

Auditor Notes: Sites in Colorado and Washington store crops harvested. Grain bins and Ag-Bags are used in Colorado, where Washington utilizes cold storage for its apples.

Hail can be destructive in both Colorado and Washington. There isn't much that can be done in Colorado with hail but select Washington sites have tarp installed above the crop to shield young apples.

Crop residue and cover crop in rows is reincorporated into the soil profile. This is done to increase the organic matter compounds inside soil and help provide nutrients for future crops.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity

Performance Measure (PM) 7.1 Species Protection

Conformance Evidence:

- *UBS Statement on Nature*
- *Due diligence process*
- *Management interviews*

Auditor Notes: Phase 1 Environmental Site Assessments (ESA) are performed on sites, with no species being identified as threatened, endangered, or at-risk. UBS also maintains a Biodiversity Statement to do no business where there is an endangered species. Tenants are aware of spraying locations and how to avoid drift.

Result: In Conformance

Performance Measure (PM) 7.2 Wildlife Habitat Conservation

Conformance Evidence:

- *UBS Statement on Nature*
- *Due diligence process*
- *Acquisition analysis report*
- *Management interviews*

Auditor Notes: There are some highly erodible land (HEL) designations on sites visited, where no-till practices are required. Even on non-HEL land, no-till and minimum-till practices are almost universally applied on the sites visited. This practice is implemented for both soil health purposes and land care purposes, per tenants interviewed. Tenants understand to avoid these areas as well.

UBS maintains a Biodiversity Statement to not purchase land of ecological importance. A Phase 1 ESA is also performed as a part of due diligence in an acquisition.

Result: In Conformance

OBJECTIVE 7: Conservation of Biodiversity (Continued)

Performance Measure (PM) 7.3 Avoided Conversion

Conformance Evidence:

- *UBS Statement on Nature*
- *Due diligence process*
- *Acquisition analysis report*
- *Management interviews*

Auditor Notes: UBS performs extensive due diligence when purchasing a property and will not buy land for the purpose of conversion into farmland. UBS has a Statement on Nature outlining the parameters they follow when looking to acquire any new properties.

There have been no conversions of forestland to farmland in the UBS portfolio. In the UBS Statement on Nature, UBS specifies forestland as areas they will not conduct any business.

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

Performance Measure (PM) 7.4 Crop Diversity

Conformance Evidence:

- *Management interviews*
- *Tenant interviews*

Auditor Notes: Crop rotation is mainly dependent on the region. Several complementary crops were present on production sites visited, using appropriate rotation schedules to maintain yield and soil health. Colorado prioritizes crops that can meet the water allowances given in the year, but also follows market conditions. Washington and California will remove orchards or vines and plant new crop based on market conditions.

Result: In Conformance

OBJECTIVE 8: Protection of Special Sites

Performance Measure (PM) 8.1 Site Protection

Conformance Evidence:

- UBS Statement on Nature
- Due diligence process
- Acquisition analysis report
- Emails with neighbor
- Management interviews

Auditor Notes: There were no designated special sites in the regions visited. UBS has had instances where they cooperated with neighbors on an expansion of a family cemetery. One site in Colorado is located near an indigenous reservation, requiring tenants to be trained on proper practices if artifacts are found. One site in Washington is also on indigenous grounds, which is allowed by the reservation. There are no concerns with the site, and appropriate processes are in place if anything is discovered.

Upon identification of a special site, appropriate authorities are contacted to manage the site. No sites have been identified while under UBS management. Indigenous populations around the area help with identifying sites.

Result: In Conformance

OBJECTIVE 9: Local Communities

Performance Measure (PM) 9.1 Economic Well-Being

Conformance Evidence:

- UBS Approach to Tax Matters document
- Management interviews

Auditor Notes: UBS has a comprehensive Tax Code of Practice which delineates and describes five key Principles which apply to tax matters across the UBS Group. Additionally, all UBS Farmland Investors LLC portfolios are independently audited annually. UBS Farmland Investors LLC pays all property taxes directly unless specifically agreed upon with a tenant, such as in the case of a triple net lease.

H2A labor is used by UBS tenants in Washington and California. One tenant in Washington has an extensive H2A program providing great benefits such as personal refrigerators, larger rooms, paid vacation breaks and transportation from their home countries to Washington.

Result: In Conformance

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.2 Community Relations

Conformance Evidence:

- *2021 Sustainability Report*
- *Tenant interviews*
- *Management interviews*

Auditor Notes: UBS donated over \$59 million in 2021 to charities involved with community investment, commercial initiative and COVID-19 efforts. Over 25% of the UBS workforce volunteered over 140,000 hours of their time in 2021 as well.

With relation to their direct agriculture operations, UBS has built housing for H2A workers in Washington to help support the large workforce on their properties in that region.

Tenants of UBS are heavily involved in their communities through various programs such as donations to local 4H chapters, farm tours and demos, scholarship programs, and volunteering their time to nonprofits.

Result: In Conformance

Performance Measure (PM) 9.3 Local Communities and Indigenous Peoples

Conformance Evidence:

- *UBS Human Rights Statement*
- *Management interviews*
- *Tenant interviews*

Auditor Notes: UBS holds a Human Rights Statement on file, highlighting UBS's responsibility to uphold, at minimum, the International Bill of Human Rights and the principles located in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

One site in Colorado is located near an indigenous reservation, requiring tenants to be trained on proper practices if artifacts are found. One site in Washington is also on indigenous grounds, which is allowed by the reservation. There are no concerns with the site, and appropriate processes are in place if anything is discovered.

Farms visited have positive relationships with their local communities and neighbors. Signs are posted on several sites visited with the tenant operator name and contact information. Tenants will contact close neighbors before spraying occurs.

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

OBJECTIVE 9: Local Communities (Continued)

Performance Measure (PM) 9.4 Public Health

Conformance Evidence:

- UBS Code of Conduct and Ethics
- UBS Health and Safety Statement
- Tenant interviews

Auditor Notes: UBS does not provide safety trainings themselves, but tenants described the types of trainings they offer to their internal employees such as safe work environment, proper machine and equipment usage, safe spraying, and farmland areas to avoid.

Tenants have strong, positive relationships with neighbors and will inform them if any sprays are occurring. Tenants set up buffer zones to eliminate spraying near borders that could drift to other, non-UBS properties.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor

Performance Measure (PM) 10.1 Safe and Respectful Working Environment

Conformance Evidence:

- *UBS Americas Diversity, Equality, and Inclusion (DEI) Impact Report*
- *UBS website*
- *UBS Health and Safety Statement*
- *Tenant interviews*
- *Management interviews*

Auditor Notes: UBS hold mandatory diversity, equality, and inclusion trainings, which require a test to pass. UBS maintains a DEI Impact Report that highlights the company's move towards an inclusive, respectful work environment.

Tenants on sites visited hold monthly, sometimes weekly, safety trainings and have boards posted near offices outlining inclusion and safety measures. UBS is an Equal Opportunity Employer.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.2 Occupational Training

Conformance Evidence:

- *UBS Americas Diversity, Equality, and Inclusion (DEI) Impact Report*
- *UBS Health and Safety Statement*
- *UBS Code of Conduct and Ethics*
- *Tenant interviews*
- *Management interviews*

Auditor Notes: UBS maintains a health and safety statement outlining the company's health and safety principles, measures to ensure health and safety, and health and safety governance. The UBS Code of Conduct and Ethics also factors in topics related to the safety and wellbeing of employees.

Tenants on sites visited highlighted the importance of safety training and responsible behavior as well. Safety posting boards are present and widely visible on sites visited.

Result: In Conformance

Performance Measure (PM) 10.3 Supporting Capacity for Sustainability

Conformance Evidence:

- *UBS Farmland Stewardship Commitment*
- *UBS Farmland Stewardship Objectives*
- *UBS Code of Conduct and Ethics*
- *Management interviews*

Auditor Notes: UBS is an original supporting member of the LH FMS and has a Farmland Stewardship Commitment outlining their commitment to implement and achieve the thirteen LH FMS principles.

UBS takes a full-team effort across the management level, ensuring support from all levels to achieve LH FMS roles and goals. Leading Harvest is strongly embedded in the central management team and drives decision-making daily.

There is a Code of Conduct for employees to uphold. Leading Harvest is a part of that code via a sustainability note in the code. UBS aligns everything they do towards a sustainable goal. Manisha sits on various task forces related to UBS and its environmental impacts.

Result: In Conformance

OBJECTIVE 10: Employees and Farm Labor (Continued)

Performance Measure (PM) 10.4 Compensation

Conformance Evidence:

- *Management interviews*
- *Equal Salary Certification*

Auditor Notes: UBS is equal salary certified. The company went through a third-party audit which analyzed pay rates between different employees. Results showed no bias or discrimination regarding pay.

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

Performance Measure (PM) 10.5 Farm Labor

Conformance Evidence:

- *N/A*

Auditor Notes: UBS Farmland Investors LLC manages the leasing of productive agricultural land to professional farmland tenant operators on behalf of its clients. UBS Farmland Investors LLC does not have any internal farming staff nor is UBS Farmland Investors LLC involved in the employee matters of tenants.

Result: In Conformance

OBJECTIVE 11: Legal and Regulatory Compliance

Performance Measure (PM) 11.1 Legal Compliance

Conformance Evidence:

- *UBS Approach to Tax Matters*
- *Auditor observation*
- *Photographs from site visits*
- *Management interviews*

Auditor Notes: Employees have access to an employee advisory line, which can connect them or get answers on anything internal and HR related. There is also a weblink they can access that has information on certain HR related topics.

UBS engages with local and regional law firms during due diligence to comply with local laws and regulations. There are also long-tenured law and regulation focused employees at UBS.

UBS retains an in-house legal counsel team to address issues brought to them by local council. No active litigation or legal issues were identified during the audit.

Tenants of UBS have safety postings easily visible on sites visited.

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

Performance Measure (PM) 11.2 Legal Compliance Policies

Conformance Evidence:

- *UBS Human Rights Statement*
- *UBS Code of Conduct and Ethics*
- *UBS Americas Diversity, Equality, and Inclusion Statement*
- *Equal Salary Certification*

Auditor Notes: UBS holds several policies relating to civil rights, equal opportunity employment and anti-harassment. There are statements on human rights, DEI, and a code of conduct and ethics. UBS is also Equal Salary certified.

UBS's Human Rights Statement outlines the company's responsibility to uphold, at minimum, the International Bill of Human Rights and the principles located in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Tenants of UBS are given freedom to operate at their own discretion. There are regular check ins with regional managers and tenants to resolve issues and hold relationships. Tenants spoke to the "quiet enjoyment" they are given by their regional contact.

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

OBJECTIVE 12: Management Review and Continual Improvement

Performance Measure (PM) 12.1 Farm Review and Continual Improvement

Conformance Evidence:

- Annual Evaluation forms
- Management interviews

Auditor Notes: UBS holds annual performance reviews and interim performance reviews. Employees set annual goals and upload to a standardized module online. Toward end of the year, the employee revisits and performs a self-evaluation. The manager reviews and comments on performance against those goals and gives a rating and submits to HR. This is indirectly related to compensation.

Inspection reports are regularly provided by third-party property management contractors to the UBS regional managers. UBS' Red Flag Analysis has an indicator for ESG Commitments to identify any breaches regarding sustainability and the Leading Harvest program specifically. This results in an green, yellow, or red rating for each portfolio as well as an aggregate rating for the UBS Farmland Investors LLC business as a whole.

Third-party managers are not formally reviewed, but with the constant communication in place with regional managers, any issues are brought to light and discussed internally.

UBS sends out property evaluation cards that are filled out by regional managers for the performance of farms. These are filled out annually and there are inspections on varying timescales. Tenants can identify opportunities themselves and contact their regional manager if any ideas pop up and need help from the UBS team. Communication with tenants on a regular basis is what drives discussions on opportunities for improvement and turn them into actionable items.

LH FMS is key to some employees' performance review either indirectly or directly. It's indirectly involved as it pertains to the code of conduct mentioned above.

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

Performance Measure (PM) 12.2 Support for Sustainable Agriculture

Conformance Evidence:

- Management interviews
- Tenant interviews

Auditor Notes: Tenants of UBS work with local schools (UC Extension, Washington State University, Stanford) on research plots of land and trials of new crop. Test plots are also conducted with local seed dealers and vendors. Tenants will communicate ideas or opportunities with their Regional Manager.

One site in California has purchased two Monarch tractors, with another 10 ordered. Monarch are 100% electric tractors with autopilot technology.

Result: In Conformance

OBJECTIVE 13: Tenant Operated Operations

Performance Measure (PM) 13.1 Leased Land Management

Conformance Evidence:

- *Annual reports*
- *Lease language*
- *Management interviews*

Auditor Notes: Tenant managers frequently check in with tenants during growing season for progress updates and outstanding issues that arise. Results of the LH FMS certification report will be shared with tenants to give feedback and necessary improvements.

Lease language includes care for the land in line with the best practices of the respective county. Quiet enjoyment is specifically stated in the lease language. Tenants visited during site visits were highly regarded in their local communities.

Result: Minor Non-conformance (See Key Findings)

Performance Measure (PM) 13.2 Leased Land Monitoring

Conformance Evidence:

- *Annual reports*
- *Lease language*
- *Management interviews*

Auditor Notes: Third-party managers collect data and information from the tenants and report to UBS. UBS regional managers review this information to help with decision making and support needed on the respective sites.

Annual evaluations from third-party property managers outline the practices, numerical data, and site maps from the current year. The evaluations come to UBS in report form and UBS can review yield results, issues that arose, progress on programs and potential needs for the next crop cycle.

UBS is considering additional tenant outreach initiatives, with LH FMS audits intended to help progress these considerations as a continual improvement initiative.

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

KEY FINDINGS

Previous Non-Conformances: As this is the initial year auditing conformance to the LH FMS, there are no previous non-conformances.

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

Minor Non-Conformances: Two minor non-conformances were identified during the audit.

1. 13.1.3 Communicating Leased-Land Objectives
2. 13.1.4 Farmland Tenant Social Responsibility Commitment
 - a. There is no written statement clearly defining sustainable agriculture goals of the Standard user for leased farmland that is shared with farmland tenants.
 - b. There is no written statement by farmland tenants demonstrating their commitment to operate safely and responsibly; provide a safe working environment; and comply with applicable federal, state, and local laws, statutes, and regulations.
 - c. The stated corrective action plan is to add this language to new leases as current ones expire and leases are renewed. Corrective action plan approved.

Opportunities for Improvement: Seven opportunities for improvement were identified during the audit.

1. 4.1.3 Pest Control Practices
 - a. In reviewing the reports from the provided sites, no official Integrated Pest Management plan was provided, although IPM methodology was described as being used. In the future, provide documentation showing the selection of consultants, products, or strategies that prioritize the use of the lowest risk strategies.
2. 9.3.2 Land Tenure Rights of Local Communities
 - a. Management reported that UBS operates in partnership with Indigenous Populations. Sites in proximity of indigenous populations were reviewed for outstanding legal or regulatory issues. In the future, providing some documentation or evidence of these arrangements would be extremely helpful in reinforcing interview responses.
3. 11.1.1 Access to Compliance Information
 - a. Management responses indicated several options that are at an employee's discretion regrading legal and regulatory compliance issues. Management responses were confirmed by other interview subjects. However, no documentation was provided explicitly supporting management's provided answers. Providing an employee handbook or similar evidence would assist in demonstrating UBS' conformance to this indicator.

4. 12.1.1 Performance Review
 - a. While the process was described well in walkthrough interviews, providing documentation of prepared goals or use of the standardized module, self-evaluations, or submissions to HR would assist in demonstrating conformance to this indicator.
5. 12.1.2 Monitoring Performance
6. 13.2.2 Improvement of the Verifiable Monitoring System
 - a. Providing documentation of "red, yellow, or green" assessments described by the executive team would assist in demonstrating conformance to this indicator.
7. 12.1.4 Annual Review and Improvement
 - a. While the process itself was described well in walkthrough interviews, providing documentation of how Leading Harvest audit results are tied to performance reviews would assist in demonstrating conformance to this indicator in the future.

Notable Practices: Five (5) notable practices were identified during the audit.

1. 1.1.3 Farmland Conservation
 - a. The length of tenure that a production site has under UBS management was notable. Properties are long term farmland upon acquisition. Properties are not rolled over or included in funds with expiration dates.
2. 3.1.2 Regional Water Conservation
 - a. The water recycling program on select sites in California is an exceptional program to be a part of. Actively participating in programs reducing the salinity of the water and assisting to clean ag water was found to be a notable practice, particularly in regions already effected by drought.
3. 7.3.1 Habitat Conversion
 - a. Extremely long-term leases and tenant relationships on sites are strong indicators of keeping land use for ag purposes along with no disposition incentives strategies for properties. Auditors found no indications of land use conversion on enrolled Leading Harvest acreage.
4. 10.4.1 Wages and Pay
 - a. Obtaining an Equal Salary Certification is an exceptional achievement and worthy of note, particularly in the US. Global certification reflects wage equity being a core principle at UBS.

5. 11.2.2 Consistency with International Labor Organization (ILO) Conventions

- a. Policy statements for the UBS in the US directly referenced the ILO Conventions. Typically, users rely on broader legal compliance or lease language to enforce compliance, presuming the ILO Principles. This explicit referencing is very rare in the US and is worthy of note.

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Review of Previous Audit Cycle: N/A

CONCLUSIONS

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

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

Summary of Audit Findings			
Program User	UBS Farmland Investors LLC		
Audit Dates	2022/08/26 – 2023/01/24		
Non-Conformances Raised (NCR):	<i>Major</i>	<i>Minor</i>	
	0	2	
Follow-Up Visit Needed?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	<i>Date(s)</i> N/A
Follow-Up Visit Remarks			
N/A – Nonconformities were associated with lease language. Corrective action plan or adding language to leases as terms expire and are renewed is appropriate and accepted.			
Team Leader Recommendations			
Corrective Action Plan(s) Accepted	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	<i>Date</i> 2023/01/24
Proceed to/Continue Certification	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	<i>Date</i> 2023/01/24
All NCR Closed	Yes <input type="checkbox"/>	No <input type="checkbox"/>	<i>Date</i> N/A <input checked="" type="checkbox"/>
Standard(s) Audited Against			
Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)			
Audit Team Leader		Audit Team Members	
Matt Armstrong		Andrew Zetterburg Kyle Rusten, CPA	
Scope of Audit			
Management of production farmland on tenant operated properties.			
Accreditations	Approval by Leading Harvest to provide certification audits		
Number of Certificates	1		
Certificate Number	AVERUM-LHFMS-2023-0001		
Proposed Date for Next Audit Event	TBD		
Audit Report Distribution	UBS: Manisha Bicchieri (manisha.bicchieri@ubs.com)		