



# **PGIM REAL ESTATE FINANCE, LLC**

Lisle, Illinois

LEADING HARVEST FARMLAND MANAGEMENT PROGRAM  
2020 AUDIT SUMMARY REPORT: 2024 RECERTIFICATION

**July 30, 2024**





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

<b>Company Name</b>	PGIM Real Estate Finance, LLC
<b>Contact Person</b>	Christopher Jay
<b>Address</b>	801 Warrensville Road Lisle, IL 60532
<b>Phone/Fax</b>	(630) 829-4689
<b>Email</b>	christopher.jay@pgim.com
<b>Certification Date</b>	July 30, 2024
<b>Recertification Due Date</b>	July 30, 2027
<b>Certification ID#</b>	AVERUM-LHFMS-2024-0016

**Certification Audit**    **Recertification Audit**    **Surveillance Audit**    **Scope Expansion**

# **PGIM REAL ESTATE FINANCE, LLC**

## **LH FMS AUDIT SUMMARY REPORT**

July 30, 2024

---

### **INTRODUCTION**

This report summarizes the results of the July 30, 2024, audit conducted on PGIM Real Estate Finance, LLC managed production agriculture properties. The audit was conducted by Matt Armstrong, Lead Auditor for Averum. Matt Armstrong has 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 the United States. Site visits were conducted by Jacques Werleigh, Field Auditor. 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). The audit process and reports were independently reviewed by Holly Salisbury, who is a certified public accountant in the state of California and has expertise on multiple crop types in the United States.

### **SCOPE AND OBJECTIVE**

In 2024, Averum was engaged by PGIM to perform an audit of sustainability performance on 83,353 acres of managed agricultural operations, falling into the 50,000 – 100,000 acre range of enrolled acres. Our audit was to determine the continuing 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 Delta and PNW regions. There was no substitution or modification of LH FMS performance measures.

### **COMPANY INFORMATION**

PGIM is an investment management firm with significant operations in production agriculture. Farm operating tenants and management contractors are responsible for the day-to-day farmland management services for PGIM's properties. PGIM initially achieved certification for 100 percent of their agricultural properties in 2021.

PGIM contracted with Averum to conduct a recertification audit on their portfolio of properties in the U.S. Properties in the Delta and Pacific Northwest (PNW) regions were selected for sampling and site visits during the audit. Seven (7) sites in the regions combined were selected. Managers overseeing decision making and standard compliance for sample regions were contacted for evidence requests and interviews. The properties in these regions are a continuation of the previous year's coverage during initial certification and surveillance audits and are a representative sample of current practices and management decision-making. The primary agricultural production on the sites are rice, apples, cherries, and row crop rotations.

# PGIM REAL ESTATE FINANCE, LLC

## LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---

### 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 supporting evidence was provided throughout the audit. An opening meeting was held on April 26, 2024, preceding site visits. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites in the Delta and PNW regions were examined on May 7<sup>th</sup> and June 11<sup>th</sup>, 2024. A closing meeting was held on July 30<sup>th</sup>, 2024.

Throughout the audit engagement, information, and communication technology (ICT) was employed for a variety of tasks. An online portal was provided and made available for PGIM to supply documentation for review, provide feedback on observation and notes, and for multiple levels of audit team reviews and signoffs. Throughout the audit engagement, conference calling technology (including Zoom, Microsoft Teams, etc.) was leveraged for meeting with clients, conducting management interviews, follow-up interviews, and Opening and Closing meetings. As LH FMS engagements are geographically decentralized, the use of ICT was deemed not only appropriate, but necessary.

#### Opening Meeting: Conference Call

April 26, 2024

##### Attendees:

(PGIM) Christopher Jay, Sarah Angus, Gary Yang

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

##### Topics:

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

### Closing Meeting: Conference Call

July 30, 2024

**Attendees:**

(PGIM) Christopher Jay, Sarah Angus

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

**Topics:**

- Opening remarks: Matt Armstrong
- Statement of confidentiality: Matt Armstrong
- Closing summary: Matt Armstrong
- Presentation of the audit conclusion: Matt Armstrong
  - Major Non-Conformances: 0
  - Minor Non-Conformances: 0
  - Opportunities for Improvement (OFI): 1
  - Notable Practices: 17
- Report timing and expectations: Matt Armstrong

**PGIM REAL ESTATE FINANCE, LLC**

LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---

**MULTI-SITE REQUIREMENTS**

PGIM maintains operations on multiple properties in the Delta and PNW regions. PGIM 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 reporting them to PGIM management. PGIM’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
Delta	Rice, Row crop	Three (3) sites visited during audit. <ul style="list-style-type: none"><li>- The Delta region represents 23% of enrolled acreage</li><li>- Sites visited: Hunt Farm, Bay Farm, Big Cypress</li></ul>
PNW	Apples, cherries	Four (4) sites visited during audit. <ul style="list-style-type: none"><li>- The PNW region represents 9% of enrolled acreage</li><li>- Sites visited: Radar Range, Grant Steamboat, Jackrabbit Orchards, Flicker</li></ul>

# PGIM REAL ESTATE FINANCE, LLC

## LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---

### AUDIT RESULTS

PGIM's agricultural operations continue to conform to LH FMS objectives. Interviews and document reviews were performed to determine procedural and documentation conformance to the LH FMS. Documentation was provided to demonstrate or support conformance with LH FMS requirements. Field visits were performed on seven operating sites, with three in the Delta and four in the PNW. Visits were pre-harvest, so crop production, nutrient and soil management, irrigation management and pest control were highlighted. Central and regional management representatives as well as operating tenants were present and interviewed to demonstrate PGIM'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. PGIM's Regional Managers served as guides, were available throughout the engagement, provided logistic support, and provided responses to evidence requests.

### KEY FINDINGS

**Previous Non-Conformances:** No non-conformances were identified during PGIM's 2023 Surveillance II audit. Three opportunities for improvement (OFIs) were identified.

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

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

**Opportunities for Improvement (OFI):** One (1) OFI was identified during the audit.

1. 6.1.1 Waste Disposal

- a. The updated lease form does not specify requirements for waste handling and disposal. Alternatives to burning of cardboard and excess wood could be explored or developed, or waste disposal processes could be clarified. The US Forest Service, State Clean Air Agencies, and State Departments of Ecology and Agriculture provide guidance on what materials may be burned.
  - i. Please note an OFI was documented during PGIM's 2023 Surveillance II audit. Persistent OFIs may be escalated if they are perceived as a threat to the performance of the management system.

# PGIM REAL ESTATE FINANCE, LLC

## LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---

**Notable Practices:** Seventeen (17) notable practices were identified during the audit.

1. 1.1.1 Farmland Stewardship Commitment

- a. In addition to written commitments, PGIM demonstrates a company-wide commitment to sustainable agricultural management and the LH FMS. Partnership and alignment with external organizations remains notable, with partnerships in place with researchers, emissions specialists, consultancies, and other support groups. PGIM's net-zero commitment continues to align with the Urban Land Institute Greenprint Center for Building Performance Net Zero Carbon goals.

2. 1.1.2 Farmland Stewardship

- a. PGIM continues to demonstrate and enhance their culture of supporting stewardship practices and capital investment on sites, illustrated by projects such as tailwater recovery in the Delta.

3. 7.1.1 Threatened and Endangered Species

- a. PGIM demonstrates threatened, endangered, and at-risk species protection throughout the land acquisition and management processes, from pre-acquisition through daily management behaviors. Expectations are clearly outlined and documented to support continuous monitoring and reporting of relevant species.

4. 7.2.2 Ecologically Important Sites

- a. Auditors observed practices in place for managing habitats for beneficial insect species in Washington. The planting of native species and the promotion of biodiversity in these habitats are recognized as notable practices.

5. 9.2.1 Community Engagement

- a. PGIM and tenants prioritize community engagement. PGIM has worked with Project Destined for multiple years and sponsors scholarships through local community organizations focused on agriculture. Property management hosts educational tours, participates in community outreach, agriculture committees, made donations to the Make-A-Wish Foundation, and engages with 4H groups.

6. 10.1.2 Respectful Work Environment

- a. Auditors noted the advanced integration of Equitable Food Initiative (EFI) certifications into organic operations. Additionally, Axonify (PGIM's internal training platform) and additional trainings continue to be well integrated into PGIM staff's regular duties.



# PGIM REAL ESTATE FINANCE, LLC

## LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---

### 7. 10.3.1 Sustainability Policy Commitment

- a. LH FMS implementation is notably well integrated into the culture at PGIM, and LH FMS results are explicitly referenced in farm management decision-making. PGIM's Sustainability Policy establishes LH as a guiding framework for sustainability practices in property management and outlines comprehensive plans for communication and implementation.

### 8. 10.3.3 Employee Sustainability Training

- a. The Axonify system and the frequency of trainings continue to be well implemented, with integrated ESG materials.

### 9. 11.1.1 Access to Compliance Information

- a. PGIM has multiple resources to support compliance, including training and policy resources, and demonstrates accessibility to staff at various levels throughout the organization.

### 10. 11.2.2 Consistency with International Labor Organization (ILO) Conventions

- a. PGIM's Anti-Human Trafficking and Anti-Slavery Policies build on a robust framework of policies to protect farm laborers.

### 11. 12.1.1 Performance Review

- a. The overall quality, commitment, and regularity of management oversight, collaboration, and performance review was deemed notable by auditors.

### 12. 12.1.2 Monitoring Performance

- a. PGIM continues to build on existing notable practices by supplying additional information including organizational charts, multiple role descriptions, and illustrations of the cultural integration and commitment to LH FMS.

### 13. 12.2.1 Support for Agricultural Research

- a. Auditors noted well implemented strategic partnerships and a dedication to research, baseline measurements, and assessing Scope 1, 2, and 3 emissions.

### 14. 13.1.1 Leased-Land Program

- a. PGIM has clearly defined expectations for Farm Managers and Asset Managers to regularly communicate and meet with tenants to provide oversight and support to maintain best management practices (BMPs). Leases clearly define the expectations and requirements of tenants.

## PGIM REAL ESTATE FINANCE, LLC

### LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---

#### 15. 13.1.2 Farmland Tenant Agreements

- a. LH FMS Program Users have designed leases to include LH FMS Objectives. PGIM's leases elevate tenant expectations. Tenants who manage enrolled acreage are required to operate sustainably and in accordance with PGIM's agricultural management philosophy, support certification maintenance, and avoid any actions that could jeopardize LH FMS certification.

#### 16. 13.1.3 Communicating Leased-Land Objectives

- a. Appendices to leases include the Sustainable Agricultural Management Philosophy and the LH FMS in its entirety, a notable integration of the standard language into lease documents.

#### 17. 13.2.1.a Process for Monitoring

- a. PGIM management prioritizes scheduling visits that occur during harvests to provide an additional layer of quality control related to harvested crop. Typically, audits are planned to avoid harvest activities due to concerns about interference and distraction during critical times. PGIM's commitment to provide additional transparency regarding the full spectrum of on-farm activities is an appreciated benefit to a multi-year audit cycle.

**Leading Harvest Logo Usage:** Program users in good standing who are enrolled in the Leading Harvest Farmland Management Program 2020 for all, or a portion of their operations, may use the Leading Harvest logo. Any express or implied claim that a program user is in conformance with the Leading Harvest Farmland Management Standard 2020 must be substantiated by a current, valid certification by a certification body recognized by Leading Harvest.

The Leading Harvest logo cannot be used on product labels. The use of the Averum logo is not allowed without expressed permission from Averum.

**Review of Previous Audit Cycle:** PGIM was initially certified to the LH FMS in 2021, with surveillance audits during 2022 and 2023. During previous audits, no non-conformances were recorded. The number of OFI's per year have continued to trend downward, while the number of notable practices observed by auditors has continued to increase as PGIM has identified additional opportunities for projects and activities that go beyond simple conformance to standard requirements.

# PGIM REAL ESTATE FINANCE, LLC

## LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---

The following are summarized findings organized by LH FMS performance measure. Specific non-conformances, opportunities for improvement, and notable practices have been described in the “Key Findings” section.

### Objective 1: Sustainable Agriculture Management

#### 1.1 Sustainable Agriculture Stewardship

##### **Conformance Evidence**

- Environmental, Social, and Governance (ESG) Policy
- Sustainability Policy
- PGIM Agriculture Investments Presentation
- Client ESG Checklist
- Sustainable Agriculture Policies and Procedures: Leading Harvest Program
- PGIM Real Estate Annual Report
- PGIM Sustainability Annual Report
- Debt ESG Council Meeting slides
- PGIM Real Estate Net Zero: news release
- PEPSICO Sustainable Farming Practices (SFP) Verification
- Primus audit certificates
- Primus audit reports
- PGIM Agriculture Fund Information Materials
- USDA Good Agricultural Practices (GAP) Audit Verification
- Florida Department of Agriculture BMP Certification statement
- Leading Harvest Program Overview
- Annual Business Plan
- Acquisition and Asset Management Checklist
- Acquisition Proposal

##### **Auditor Notes**

- PGIM has overarching ESG mission statements and goals. ESG goals have also been specifically developed for the agricultural group. PGIM’s Sustainable Agriculture Policies and Procedures: Leading Harvest Program and Real Estate Annual Reports support those commitments.
- PGIM has committed to reducing operational carbon emissions of its global portfolio of managed properties to net zero by 2050. This commitment aligns with the Urban Land Institute’s (ULI) Greenprint Center for Building Performance Net Zero Carbon goal.
- PGIM’s LH FMS commitment statement is contained within their Sustainability Annual Report and shared via a news release.
- PGIM’s Sustainable Agriculture Policies and Procedures: Leading Harvest Program outlines sustainable agriculture investments and management practices that support conformance to the LH FMS.
- PGIM uses a weighted average system to create ESG scores that reflect sustainability performance. Investor clients use ESG checklists to communicate sustainable agricultural commitments to PGIM.

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

### **1.1 Sustainable Agriculture Stewardship (Continued)**

- PGIM's Sustainability Policy now includes specific language related to agriculture equity and the ag debt platform, which is shared with all clients.
- PGIM provided a presentation on LH FMS and how it relates to their overall company mission of "striving to embed sustainable agricultural best practices."
- Sustainability practices are evaluated via activity-based budgets. Cost-benefit analyses consider economic returns as well as long-term value enhancements of agricultural assets. Budget changes are tracked.
- Risk assessments consider impacts on land values and the risks of not taking action to improve an aspect of a property. Annual plans weigh the results of risk assessments, income, and capital expenditure.
- PGIM's farmland stewardship reflects investor interest by identifying projects that support sustainable agriculture, such as carbon sequestration.
- PGIM supports capital expenditure projects with features to facilitate on-farm operations and increase property sustainability. These projects result in the efficient use of resources and economic savings for tenants, which in turn may positively impact investments.
- PGIM has attained Good Agricultural Practices (GAP) certifications and verifications from multiple parties, including PEPSICO, Primus, USDA, and Florida's Department of Agriculture for their citrus farms.
- PGIM shared slides for an ESG presentation that outlined their sustainability commitments and associated value impacts to their stakeholders and investors. PGIM's Agriculture Fund provides guidance on investments and profitability.
- PGIM provided an outline that demonstrates how they weigh the social, environmental, and economic dimensions of multiple plans.
- PGIM practices the conservation of prime farmland through acquiring properties already slated for production agriculture. Acquisition checklists and due diligence processes identify properties classified as prime farmland. Corrective actions and property improvements are considered when necessary to support increased productivity or reduce environmental impacts.
- PGIM does not convert forested areas to farmland. Properties may be redeveloped from one type of agriculture to another, such as transitions from permanent crops to row crops.

**Result: In Conformance, Notable Practice (2)**

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

**1.2 Critical External Factors**

**Conformance Evidence**

- Commodity Snapshot
- PGIM Real Estate Annual Report
- Climate Risk Assessments
- Climate Risk Scorecards
- PGIM Sustainability Annual Report
- PGIM operations reports
- Florida Department of Agriculture and Consumer Services Grower/Caretaker Compliance Agreements
- Tailwater Recovery Pump Plan

**Auditor Notes**

- PGIM conducts monthly operations and budget calls with site management. Calls include concerns that managers are monitoring on farms and discretionary corrections made on sites.
- PGIM tracks and manages spot market prices. Factors that impact yield are identified and addressed regularly and documented in annual reporting.
- PGIM's actions and fiduciary responses to site conditions reflect a culture of continual improvement and productivity.
- Climate Risk Analyses are conducted for all properties by a third party prior to acquisition. These analyses inform the insurance needs on the site and assess the availability of insurance products in the marketplace. It was noted on audits that there was a time when Hurricane Insurance Protection (HIP) insurance was not available. It is now available and applied to properties in the Southeast, specifically in Florida and Georgia.
- PGIM provides strategies to mitigate external factors on agricultural production in their commodity snapshot. Monthly operation reports focused on identified external factors are generated and monitored.

**Result: In Conformance**

## **Objective 2: Soil Health and Conservation**

### **2.1 Soil Health**

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

- Soil samples
- Soil analyses
- Soil maps
- Site maps
- Acquisition proposal
- Tissue samples
- Soil fertility analyses
- Fertilizer plan
- Site chemical fertigation recommendations
- Geocheck report
- Ranch manager bio
- Nitrogen plan
- Seed invoice
- Water and soil analysis
- Nutrient Management Plan
- Fertilizer usage reports

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

- Selected sites use cover crops to reduce and prevent soil erosion, decrease weeds, mitigate compaction, increase soil moisture and organic matter, and balance soil nutrients.
- Select tenants seed directly into cover crops and maintain cover crops through harvest if possible. Cover crops are selected to meet specific goals such as combating soil compaction or enhancing nutrient availability for cash crops.
- Direct-operated and tenant-operated sites prefer no-till practices.
- Sites apply calcium amendments to support soil structure, regulate soil pH, and fortify plants.
- Tenants practice minimum-till or no-till and work with agronomist support to determine compost benefits. Recommendations take carbon content and soil nutrients into consideration.
- Selected sites test soil every 2-5 years. Soil maps are updated based on type and electrical conductivity (EC).
- Tissue testing is done twice a year for corn and once a year (or as needed) for soybeans. Fruit tissue sampling is done prior to harvest, and tissue testing is based on scouting reports. Tissue tests indicate crop health and provide insight on nutrient uptake and deficiencies.
- Tenants interviewed consult with certified crop advisors (CCAs) and crop consultants for seed, pest, agrochemical, and nutrient management recommendations. Site visited frequently lacks potassium (K) and requires diligent K monitoring and applications.
- Soil is tested on select sites annually by block and by crop variety, providing more granular information to site managers. Results highlight deficiencies, and third-party representatives work with a qualified internal employee to create a specific blend of amendments to remedy deficiencies.

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

### **2.1 Soil Health (Continued)**

- Sites selected record fertilizer usage rates and amounts. Records are used to support historical data comparison. Nutrient management plans (NMPs) are amended based on soil and tissue testing results and optimal crop nutrient levels.
- PNW selected sites use guidance from Washington State University (WSU) to inform nutrient blends.
- Crop consultants make recommendations that consider compost, carbon content, and overall soil makeup.
- Selected sites incorporate residues from cover crops, discarded or fallen fruits, and vegetative waste from pruning to enhance soil health, decrease compaction, break hard pan, and increase soil organic matter (SOM).
- Tenants plant beneficial cover crops between orchard removal and redevelopment. Cover crops are tilled in to support orchard health where needed. Residues from orchard removal are chipped and reapplied back on the site as mulch.

**Result: In Conformance**

### **2.2 Soil Conservation**

#### **Conformance Evidence**

- Sustainable Agriculture Policies and Procedures: Leading Harvest Program

#### **Auditor Notes**

- Selected sites plant cover crops to prevent soil erosion and compaction during heavy rain events. Sites have mature orchard trees whose root systems support soil structure. Sites further combat compaction with aeration and sulfur applications.
- Selected sites use V-trellis designs that facilitate denser planting. Higher planting densities assists with easier tree maintenance and may decrease machinery and foot traffic.
- Tenants use sub-moisture plows or chisel-plows to break hard pan and improve soil health. Tractors are equipped with track tires to reduce compaction.
- PGIM's Sustainable Agriculture Policies and Procedures contains a provision that requires tenants to manage sites in a manner that recognizes their unique qualities. Tailoring soil management practices mitigates the risk of degrading soil health.
- Selected sites are long-term farmland and managed by experienced, professionally qualified tenants.
- Sites visited have no observable or reported issues with salinization. Sites balance pH with lime applications when necessary.
- Selected sites use variable rate applications to meet crops' nutrient needs and manage the accumulation of adverse compounds.
- Sites have not needed to rest soil due to mismanagement since PGIM's acquisition.

**Result: In Conformance**

## **Objective 3: Water Resources**

### **3.1 Water Use**

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

- Water analysis
- Water reports
- Site photos of wells
- Phase I Environmental Site Assessments (ESAs)
- Water usage reports
- Tailwater Recovery design
- Well Metered Water Use Reports

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

- Selected sites utilize crop-specific irrigation tailored to crop needs, influenced by temperature and rainfall. Soil moisture probes inform irrigation schedules and rates, which improves the efficiency of irrigation management. Selected sites use soil moisture probes that communicate with irrigation management software to inform irrigation decisions.
- Selected sites have infrastructure improvements that promote water usage efficiency, including the use of polypipe, a mix of electric and diesel engine pumps, and precision leveling. Some wells are metered to facilitate improved record keeping.
- Sites obtain the appropriate annual irrigation permits. The Natural Resources Conservation Service (NRCS) estimates water usage based on planted crops and acreage. Well Water Use Reports guide irrigation decisions and water budgets.
- Delta sites selected have wells with flow meters to support annual inspections required by the state of Mississippi. PNW site wells are also inspected for operational efficiency.
- Selected sites use irrigation systems that communicate with weather sensors. The goal is to maintain rootzone moisture without excessive water below the soil profile to reduce the possibility of nutrient leaching. Soil saturation is adjusted to meet the needs of specific varieties and achieve desired growth in orchards.
- Selected tenant installed multiple inlets on site to conserve water during the cultivation of rice. Inlets and risers maximize water retention on site. Polypipe is used in rice paddies to support water conservation efforts.
- PGIM provided designs for a tailwater recovery capital expenditure project that has been instrumental in the efficient use of water resources. The project involved upgrading eight wells from diesel to electric and regrading the site. The recovered water is pumped back up the slope and reused to irrigate the field. The project lowers utility costs and lowers water withdrawals from ground water sources.
- Selected sites in the PNW have transitioned to more efficient irrigation systems including drip irrigation, micro-sprinklers, and overhead sprinklers.
- PGIM conducts ESAs to support acquisitions and site improvement decisions regarding irrigation.



### **Objective 3: Water Resources (Continued)**

#### **3.1 Water Use (Continued)**

- Water use on a farm is influenced by factors such as rainfall, crop type, heat, and drought. Weather stations located on the farm provide location-specific data to help manage water usage.
- AgSense software is used to transmit weather data from weather stations to the tenant.
- Selected sites use dendrometers to measure tree trunk diameter, which helps operators determine when trees are stressed. Stress affects overall water use. Water use is usually consistent but varies with increased heat, which may require additional irrigation events.
- Trellis design allows for efficient use of resources, especially when used with the drip irrigation system. Drip systems are composed of R-10 micro-sprinklers that irrigate rows and nourish crops with fertigation. Drip systems increase water and nutrient efficiency by providing nutrients directly to the rootzone.
- PNW orchards use drip irrigation systems in the spring to avoid negatively impacting flowers. Irrigation may be withheld or increased intentionally in the summer to influence fruit traits such as size and color.
- Site visited in the PNW has irrigators who scouts daily during irrigation events and maintains irrigation equipment such as filters, pumps. Irrigators flush out irrigation lines when necessary to support water use efficiency.

**Result: *In Conformance***

**Objective 3: Water Resources (Continued)**

**3.2 Water Quality**

**Conformance Evidence**

- Nitrate test panels
- Water Summary Report

**Auditor Notes**

- Selected sites use a network of soil moisture probes to monitor soil saturation. Oversaturated soils are more likely to leach nutrients.
- Selected sites consult with third-party agronomists who make nutrient recommendations to farming teams.
- Cover crops and appropriate soil tillage help reduce agrochemical usage and negative impacts on water quality. Scouts monitor field conditions to identify signs of nutrient deficiencies to support judicious use of agrochemicals.
- PGIM sites conduct tests to monitor water quality including nitrate panels.
- Tenants maintain buffers between fields and irrigation ditches. Flashboard risers direct water to ditches to retain surface water, and fields are precision-leveled to manage erosion and prevent runoff.
- Select site in the Delta region has a drainage ditch on the property. The tenant does not disturb those areas and maintains a buffer between the drainage ditch and cultivated fields. Restricted-use pesticides require a buffer of 50 or 100 feet, depending on the material.
- Sites visited in the PNW do not have any riparian, wetland, or other water resource areas proximal to production site.
- Selected sites use fertigation which mitigates nutrient leaching through increased control of irrigation rates.

**Result: In Conformance**

## **Objective 4: Crop Protection**

### **4.1 Integrated Pest Management**

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

- Scouting reports
- Property management invoices
- Nematode Samples
- Management agreements
- Pest control services and invoices
- Leases and operating agreements
- Restricted Materials Permit
- Property management invoices
- Pesticide recommendations
- Chemical use records
- Product application summary

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

- Pest scouts in the Delta refer to the University of Arkansas for recommendations and established thresholds.
- Delta tenants protect crops against various pests such as resistant pig weed, rye grass, worms, aphids, corn ear worm, army worm, thrips, plant bug (lygus), bean leaf beetles, codling moths, leafrollers, and Oriental fruit moths (OFM), and stink bugs, as well as against diseases such as southern rust.
- PNW tenants protect sites against codling moth, leaf rollers, leaf miners, wooly apple aphids, green apple aphids, mildew, fire blight, and apple scab.
- Fungicides are applied proactively to prevent diseases on crops such as soybeans, corn, cotton, and non-hybridized rice to prevent crop loss and economic injury.
- Select tenants plant hybridized rice that is resistant to common diseases.
- Selected sites contracts with a consultant that scouts weekly and provides notes to Regional Managers and third-party Certified Crop Advisors (CCA).
- Site managers train staff to identify pests, diseases, and report anything abnormal. Traps are utilized for common pests to measure thresholds. Traps are checked weekly.
- Agrochemical products are applied by in-house staff based on results of scouting and recommended prescriptions.
- PNW orchard is scouted weekly. Scouts generate reports with trap counts and provide them to management. These scouting reports are used to create recommendations, which are recorded in a farm information management system. The system generates a work order that staff can access online. If they agree with the recommendations, the work order is printed, and the application can proceed, provided conditions are appropriate.
- The site visited uses the Washington State University (WSU) Decision Aid System (DAS) to inform the timing of agrochemical applications. WSU DAS is a web-based platform designed to transfer time-sensitive information to decision makers in the tree fruit industry. It provides insect, disease, and horticultural models to estimate the status of issues and links them to appropriate management and pesticide recommendations.

## **Objective 4: Crop Protection (Continued)**

### **4.1 Integrated Pest Management (Continued)**

- Management of diseases is more preventative. Site visited applies agrochemicals such as copper proactively to prevent diseases. Management of pests is based on an Integrated Pest Management (IPM) program focused on scouting, and the use of population modeling, and mating disruption to control pests.
- Some diseases are weather dependent, so growers spray proactively after rain events to prevent fire blight and mildew.
- PGIM supplied detailed scouting reports on various pests, management invoices outlining pest control activities, and samples of soil health along with specific treatments applied at each location.
- Sites use scouting reports and agronomist recommendations to determine chemical selection, application timing, and rates.
- Site operators water roads during dry seasons to reduce mite pressures.
- PGIM participates in the Natural Resources Conservation Service (NRCS) program, which combines IPM practices with natural resource conservation to address pest and environmental impacts.
- Site managers interviewed encourage beneficial species on sites by reducing chemical passes when possible and implementing single vector targeted treatments.
- PGIM's management agreements include processes to prevent excessive crop loss from pests. PGIM provided documents such as invoices for pest control services like spraying and pruning, and pesticide recommendations from a consulting company that considers toxicity warnings, alternatives, and precautionary statements.
- Sites use non-chemical methods of pest management including the selection of appropriate seed genetics like hybridized rice and hand-pulling weeds to reduce potential pest habitat.
- Delta sites use qualified individuals who maintain Private Applicator licenses in multiple states. Licenses require certification to support safe and judicious use of restricted-use pesticides. PGIM provided a restricted materials permit that outlines guideline for pest management.
- Sites record agrochemical applications in a farm information management system.

**Result: In Conformance**

**Objective 4: Crop Protection (Continued)**

**4.2 Crop Protectant Management**

***Conformance Evidence***

- UC Statewide Integration Pest Management Program
- Commercial Applicator Licenses
- Pest Control Business License
- Restricted Materials Permit

***Auditor Notes***

- Tenants with valid licenses and permits apply agrochemicals, with additional requirements for restricted-use pesticides like Dicamba and Paraquat.
- Applications are limited to licensed, trained, and permitted staff members.
- Agrochemical containers are triple rinsed and slashed, then either burned according to local regulations or recycled where available. Totes are returned to chemical suppliers for reuse. Poly pipe is flushed and recycled.
- Used agrochemical jugs are reused in environmental clean-up.

***Result: In Conformance***

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

**5.1 Agricultural Energy Use and Conservation**

***Conformance Evidence***

- Fuel Invoices
- Storage Tank Inspection Reports
- Compliance letters
- Solar site photo

***Auditor Notes***

- Selected sites conserve energy with technologies such as global positioning system (GPS), John Deere Operations Center, which facilitates improved activity planning, monitoring, analysis, and automation.
- Sites use advanced planning tools that support fieldwork sequences and efficiency. Data from prior passes and environmental sources can inform equipment automation. For example, farmers can use fuel usage data to determine if they need a smaller tractor with less horsepower.
- Selected sites use a network of soil moisture probes that support decreased run times of wells, saving water in addition to energy.
- Some diesel wells remain on sites due to lacking power infrastructure. Well pumps run on low rpm to save energy where possible.
- Tenants follow maintenance schedules on vehicles to support operating efficiency.
- Site visited do not have major renewable energy sources on-site visited. Sites do utilize small renewable energy technologies such as small solar panels to power surge valves, weather stations, and soil moisture probes.
- PNW sites use electricity from suppliers who use Washington's Renewable Energy portfolio includes hydropower, solar, and wind energy sources

***Result: In Conformance***

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

**5.2 Air Quality**

**Conformance Evidence**

- Air Quality Note

**Auditor Notes**

- Sites have fleets of various capabilities as appropriate to the site size and conditions. Some farm equipment is higher efficiency with Tier-4 engines and use diesel exhaust fluid (DEF).
- PGIM Regional Managers collaborate with tenants to upgrade well pumps from diesel to electric where feasible.
- Sites train staff to operate vehicles efficiently and reduce the number of passes and subsequent emissions.
- PGIM provided correspondence from a Farm Manager in the PNW that outlined strategies to preserve air quality. Efforts focus on minimizing dust and pollen impacts by avoiding inversion layers during groundwork and watering roads during dry periods.
- Burn permits are obtained annually for disposing of weeds and brush.
- Energy conservation is achieved with variable frequency drives, which reduce startup demand and overall energy consumption.
- Selected sites have minimal issues with airborne dust. Cover crops and irrigation assist with controlling dust issues.

**Result: In Conformance**

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

**5.3 Climate-Smart Agriculture**

**Conformance Evidence**

- Climate Risk Assessments
- Climate Risk Scorecards
- Crop Insurance documents
- Bee Friendly Farming Certificates

**Auditor Notes**

- PGIM has calculated baseline emissions. Select tenants have expressed interest in carbon programs.
- Sites use See & Spray Technology which allows users to reduce agrochemical usage and subsequent volatilization.
- PGIM collaborates with a third-party to conduct climate risk analyses prior to property acquisition.
- Risk Scorecards identify potential climate risks in ten-year increments, providing a decadal overview. To mitigate these risks, PGIM secures corporate insurance coverage, addressing specific threats identified in the assessments, such as hurricane damage in the Delta region.
- Regional climate impacts include stronger and more frequent tornadoes, hail, wind, heavy rain events, prolonged drought, and heat. Climate impacts may negatively affect fruit quality.
- Selected site plants a variety of corn that is more tolerant to heat and drought, uses cooling overhead irrigation, and sunburn protectors to manage heat-related issues.
- PGIM management works with tenants in the Southeast to support engagement with rebate programs related to Oxytetracycline (OTC) injections. Programs are intended to incentivize growers to combat citrus greening, which may have devastating economic impacts and degrade tree health.
- Site visited irrigates crops to provide needed water and cool crops during peak pollination to mitigate impact of extreme heat and prolonged drought.
- PGIM sites may use additional labor during peak seasons to mitigate crop loss from freezes and frost.

**Result: In Conformance**



**Objective 6: Waste and Material Management**

**6.1 Management of Waste and Other Materials**

***Conformance Evidence***

- Waste invoices
- Recycling invoices
- Recycling program

***Auditor Notes***

- Selected sites recycle polypipe used for irrigation and reuse or recycle agrochemical jugs. Used oil is collected in a drum at a selected tenant's shop and picked up by a third-party vendor once full.
- Tenants interviewed benefit from having multiple agrochemical vendors in the region and have little reason to hold agrochemical inventory. Tenants prefer to pick up jugs or refill totes directly from vendor which reduces waste generated on sites.
- Plastic and cardboard waste are recycled, waste oil is reused to heat shop, and metals are brought to scrap yard. General trash, including polyester film, goes to the landfill.
- Sites repurpose vegetative waste from pruning by incorporating into the soil. Chipped trees and limbs from pruning are chipped and used for paths or mulch (whole orchard recycling).
- Tenants may burn cardboard, paper seed sacks, pallets, excess wood, and broken bins to reduce general waste. Chipped trees may be burned with required permits, though chipping is the preferred method of disposal.
- Propane burners are used for weeding and support herbicide usage reduction.
- Tenants of selected sites do not store or dispose of regulated materials on the properties.

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

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

**6.2 Food and Agricultural Waste Resource Recovery**

***Conformance Evidence***

- Site photo of byproduct
- Jackson Bayou tailwater recovery pump design

***Auditor Notes***

- Selected sites store harvested crops in grain bins on the property. Bins are equipped with dryers and fans that allow moisture content to be controlled. Grain bins and nearby elevators reduce the possibility of crop loss.
- Sites use combine harvesters equipped with yield monitoring systems. These systems have sensors that collect and share data on crop flow rates, moisture content, and other relevant metrics. Tenants visually monitor harvests for consistency, supporting harvest efficiency and quality control.
- PNW sites monitor crop loss from hail damage or other weather events using fruit counts. During harvest, damaged fruit is left in rows for reincorporation. Harvested apples are stored in bins in an offsite cold storage warehouse.
- PNW sites inform cold storage warehouse(s) of the estimated crop storage length based on mineral analysis of soil, tree, and fruit health.
- PGIM provided designs for a tailwater recovery pump to recover tailwater for beneficial agricultural use. Plans include recommendations to prevent surface water contamination and facilitate drainage water to be redistributed to crops.

***Result: In Conformance***

## **Objective 7: Conservation of Biodiversity**

### **7.1 Species Protection**

#### **Conformance Evidence**

- Due Diligence Summary
- Wetland Determinations
- Acquisition and Asset Management Checklist
- Endangered and Threatened Species Overviews
- Environmental Site Assessments (ESAs)

#### **Auditor Notes**

- PGIM's acquisition checklist is based on LH FMS and the United Nations Principles for Responsible Investment (UN PRI). The checklist includes special status species assessments to be conducted upon acquisition.
- The Department of Fish and Wildlife Service's Explore program is used to guide initial research on threatened and endangered species and provide reference materials for the likelihood or known presence of protected species on sites. Likelihood and reference materials are shared with site managers, and best management practices are established for known occurrences.
- PGIM conducts a threatened, endangered, and at-risk species analysis on every property as part of their due diligence process. Species are identified, classified, and the likelihood of their presence based on the region is determined.
- To date, PGIM management has not encountered endangered species on properties, but they communicate with onsite managers, internal teams, and tenants to determine next steps if such a situation arises. PNW tenants demonstrated awareness of the *possibility* of endangered species on site, such as gray wolves.
- PGIM provided a Wetland Determination and Due Diligence Summary for a selected site. Due diligence procedures including the wetland determination support compliance with relevant regulations including the Endangered Species Act (ESA). The Due Diligence Summary outlines necessary consultation with relevant parties including the United States Fish and Wildlife Service (USFWS) and the National Marine Fisheries Service (NMFS) if PGIM were to consider land use change on the property in the future.
- PGIM provided summaries that demonstrate their due diligence procedures effectively include reviews of wildlife habitats near properties in addition to species of concern.
- Tenants work with third parties to increase acreage dedicated to pollinators and bring in bees to increase pollinator populations. Selected PNW sites maintain native pollinator habitats to support bee and beneficial insect populations.
- PGIM maintains Endangered and Threatened Species Overviews for properties in their portfolio. The Overviews support awareness and knowledge of species, requires documentation and reporting, and follow up expectations, including site-specific evaluations to determine if management practice adjustments are necessary.

**Result: In Conformance, Notable Practice**

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

**7.2 Wildlife Habitat Conservation**

***Conformance Evidence***

- ESAs
- Wetland Delineation Maps
- Due Diligence Summary
- Acquisition and asset management checklist
- Site photos: wetlands, native plants, and insectarium

***Auditor Notes***

- PGIM's due diligence process includes obtaining information on threatened and endangered flora and fauna on the property. PGIM uses ESAs and Wetlands Delineation Maps to make informed development decisions and support native habitat conservation.
- PGIM provided site photos of an insectarium and native plants from a selected site. Photos demonstrate encouragement and conservation of native species.
- PGIM uses multiple tools to identify ecologically important sites and manage them with respect to their unique qualities, including ESAs, desktop reviews, and Wetlands Determinations.
- Selected site in the PNW has been planted with native species to attract beneficial insects and pollinators and promote biodiversity.
- Select sites use cover crops which support beneficial insect populations and promote biodiversity.
- PGIM's tailwater recovery pump design demonstrates consideration given to impacts on water quality and recommends the use of specialized valves and hydrants to avoid water contamination.
- Selected sites maintain riparian buffers to protect waterways and aquamarine life.

***Result: In Conformance, Notable Practice***

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

**7.3 Avoided Conversion**

**Conformance Evidence**

- Endangered and Threatened Species Overviews
- ESAs
- Sustainable Agriculture Policies and Procedures: Leading Harvest Program
- Acquisition and asset management checklist

**Auditor Notes**

- PGIM provided site maps, ESAs, and wetlands delineations that demonstrate consideration given to ecological aspects of enrolled farmland.
- PGIM provides Endangered and Threatened Species Overviews that identify migratory patterns and likelihood of species presence on enrolled farmland.
- PGIM conducts training for agricultural staff on LH FMS objectives that includes education on deforestation. Asset Managers receive more in-depth training to support management expectations.
- PGIM's Sustainable Agriculture Policies and Procedures contains a commitment to zero deforestation in the United States. PGIM solely operates in the United States.
- Selected sites were either existing dry farmland or native rangeland before being converted to orchards or to row crops prior to PGIM's acquisition. PGIM uses ESG Acquisition & Asset Management Checklists to support research into deforestation that may have taken place prior to acquisition.

**Result: In Conformance**

**7.4 Crop Diversity**

**Conformance Evidence**

- Crop maps

**Auditor Notes**

- Tenants make crop rotation decisions based on planting dates, soil type, weather, weed and pest control, and market prices. Cover crops are selected to improve soil health, increase moisture, and soil organic matter, and offer refuge for beneficial species.
- Sites maintain crop maps that clearly depict which crops will be cultivated.
- PNW site grows a wide variety of apples and rootstocks.

**Result: In Conformance**

**PGIM REAL ESTATE FINANCE, LLC**

LH FMS AUDIT SUMMARY REPORT

July 30, 2024

**Objective 8: Protection of Special Sites**

**8.1 Site Protection**

**Conformance Evidence**

- Acquisition Policy
- Acquisition and Asset Management Checklist
- ESAs
- Wetlands Delineations
- Sustainable Agriculture Policies and Procedures: Leading Harvest Program

**Auditor Notes**

- PGIM's acquisition and due diligence processes support site identification and monitoring for special sites.
- Selected site shares a boundary with a cemetery. Operators of the property do not disturb the site, provide buffers, and monitor the site for potential trespassers.
- Geocheck (a tool for researching environmental records tied to a property) reports are collected during due diligence procedures.
- PGIM conducts ESAs to identify historic and current environmental conditions of properties.
- PGIM's Sustainable Agriculture Policies and Procedures contain a Special Site Management section that outlines expectations regarding mapping, cataloging, communication, management plans, reporting, and stakeholder contact related to special sites.

**Result: In Conformance**

**Objective 9: Local Communities**

**9.1 Economic Wellbeing**

**Conformance Evidence**

- Tax receipts
- Tax accrual statements

**Auditor Notes**

- PGIM has a legal department that supports agricultural staff. PGIM has an in-house attorney and external counsel in each region of the country in which they operate.
- Site managers supply from local suppliers and staff with local employees whenever possible.
- Tax bills associated with sites visited in the Delta and PNW were made available for review.

**Result: In Conformance**

**Objective 9: Local Communities (Continued)**

**9.2 Community Relations**

**Conformance Evidence**

- Corporate Sponsorships, Promotions, Endorsements, and Corporate Charitable Contributions Policy
- Quarterly newsletters
- Email exchanges
- Ag Bootcamp schedule
- Salute to Ag documents

**Auditor Notes**

- Selected tenants engage with community organizations including Farm Bureaus, Future Farmers of America, Parent Teacher Associations, and churches.
- PGIM provided an email exchange demonstrating their commitment to a continued partnership with a social impact platform called Project Destined. Project Destined provides training in financial literacy, entrepreneurship, and real estate to students. PGIM will be running an Ag Bootcamp for Project Destined students and included a schedule.
- PNW and Delta tenants support sustainable agriculture by conducting research trials in partnership with regional universities.
- Tenant partnered with an agrochemical supplier to cultivate 40 acres of corn and donated proceeds to the Make a Wish Foundation.
- PGIM provided quarterly newsletters from tenants that are shared with friends, family, landlords and other business associates to share updates including community involvement, operating concerns, BMPs, and accomplishments.
- PGIM has a research and development team that works on pre and post-harvest projects. They manage research and trials of new varieties, fertilizers, and storage regimes.
- PGIM sponsors the Salute to Ag Program which is coordinated by a local Chamber of Commerce's Agriculture committee. The program awarded multiple scholarships to high school students this year.
- PGIM's Corporate Sponsorships, Promotions, Endorsements, and Corporate Charitable Contributions Policy organizes fundraising, recognition, honors acceptance, and due diligence expectations for all charitable contributions.

**Result: In Conformance**

**Objective 9: Local Communities (Continued)**

**9.3 Local Communities and Indigenous Peoples**

***Conformance Evidence***

- Acquisition proposals
- Sustainable Agriculture Policies and Procedures: Leading Harvest Program
- Ranch safety signs
- Acquisition Proposal
- Management interview

***Auditor Notes***

- PGIM's Sustainable Agriculture Policies and Procedures expresses commitment to respecting the rights of local communities and Indigenous Peoples in alignment with LH FMS requirements.
- Due diligence and acquisition procedures include research on local Indigenous communities to raise awareness of land tenure rights.
- PGIM provided acquisition proposals that summarize due diligence activities.
- PGIM recently acquired a property that is close to the Colville Reservation. PGIM informed the tribe of their intent to purchase the property and continued discussions post-acquisition for potential collaboration.
- PGIM management informed auditors of requests from local Indigenous people to inspect soil of orchards during redevelopment for artifacts. In the past, cultural reviews have been conducted on potential findings in partnership with tribal representatives.
- Acquisition proposals state that tribal water rights run with the land and are transferred with the property title.

***Result: In Conformance***



**Objective 9: Local Communities (Continued)**

**9.4 Public Health**

***Conformance Evidence***

- Ranch safety signs
- Site photos of chemical storage

***Auditor Notes***

- Sites visited in the Delta and PNW had signage throughout the properties in English and Spanish. Signs were located on individual blocks, agrochemical storage unit, fuel tanks, machine shops, and near ponds.
- Farm employees are informed of time and location of application activities before they occur. Communication is reinforced with signage highlighting the block or field that was sprayed and reentry intervals are posted. Additional signage that includes flashing lights is posted during on-farm activities with higher safety risks, such as harvest and agrochemical applications.
- Agrochemical storage unit visited has fire extinguishers, spill kits, chemical inventory, and restricted access.
- Selected sites use drift retardant, select days with low wind activity, and use ultra-low drift nozzles for restricted pesticides like Dicamba to keep the public safe during agrochemical applications.
- Selected sites use John Deere Operations Center software on tractors and implements to facilitate monitoring and record keeping by tracking all aspects of on-farm operations.
- Sites visited have no issues with trespassers and orchards are kept locked when not actively being worked in.

***Result: In Conformance***

**Objective 10: Employees and Farm Labor**

**10.1 Safe and Respectful Working Environment**

***Conformance Evidence***

- Equal Employment Opportunity (EEO) Policy
- Anti-Discrimination, Anti-Harassment and Non-Retaliation policy
- PGIM employee rights signage
- Security of Personnel and Work Environment Policy
- Human Trafficking and Slavery Policy
- Prudential Policies – Human Resources (HR), Business, Expense from Compliance Center

***Auditor Notes***

- PGIM provided their EEO Policy which addresses non-discrimination and the principles of equal opportunity in recruitment and employment.
- PGIM has EEO signage and Code of Conduct information posted in accessible locations on sites selected.
- Sites visited had signage related to employee protection and rights posted in English and Spanish.
- PGIM maintains policies regarding workers' rights including anti-discrimination, anti-harassment, non-retaliation, and human trafficking and slavery. Trainings are frequent and required by all staff. New Hire Packets include anti-discrimination notices. PGIM's Security of Personnel and Work Environment Policy supports workplace safety by outlining provisions for physical security, workplace violence prevention, and emergency planning.
- A site in the PNW is Equitable Food Initiative (EFI) certified. EFI certification highlights the operator's commitment to appropriate labor conditions, food safety, and sustainable pest management. The program and certification have been credited with successful employee engagement and retention.

***Result: In Conformance, Notable Practice***

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

**10.2 Occupational Training**

***Conformance Evidence***

- Accident Prevention Program
- Example training log
- Skip step email

***Auditor Notes***

- PGIM provided an Accident Prevention Program that outlines training requirements, record keeping, personal protective equipment (PPE) requirements, and hazard communication.
- Farm operating staff post signage during activities when crews are present such as dust mitigation to protect crews and community members.
- Signage including appropriate contact information for management staff is present on sites.
- PGIM uses a workforce training platform called Axonify to keep staff informed of compliance and regulatory requirements.
- PGIM provides training around ESG and Diversity, Equity, and Inclusion (DEI) initiatives company-wide. Staff are required to complete mandatory training.
- Selected sites are staffed by appropriately trained and licensed employees who are qualified to handle, use, and store agrochemicals.

***Result: In Conformance***

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

**10.3 Supporting Capacity for Sustainability**

**Conformance Evidence**

- Leading Harvest Program Discussion slides
- Sustainable Agriculture Policies and Procedures: Leading Harvest Program
- Sustainability Policy

**Auditor Notes**

- PGIM's Sustainable Agriculture Policies and Procedures are built on LH FMS criteria. PGIM uses Leading Harvest as a framework to guide farm management decisions.
- PGIM's commitment statement is contained within PGIM's Sustainability Policy.
- PGIM provided LH FMS discussion slides which support a structured approach to LH FMS implementation.
- PGIM's employees demonstrate an understanding of their roles and assignments as it relates to conforming to objectives of the Leading Harvest standard.
- PGIM has designated leadership and appointed staff to lead sustainability efforts, and utilize an acquisition checklist, containing LH objectives, to ensure sustainable management of farmland.
- PGIM provides training on LH FMS objectives for all roles that support functions covered in the Standard. LH FMS training is conducted with staff on an annual basis. All agricultural and accounting staff receive a broad overview and training on the standard. Farm Managers and Asset Managers who are more directly involved with the agricultural properties receive more detailed LH FMS training.
- PGIM Managers maintain professional certifications and licenses including Crop Advisor certifications (CCAs) and Pest Control Advisor (PCA) licenses. Managers engage in industry-related professional organizations and hold board memberships.
- Consultants are qualified and many farm managers hold multiple degrees in ag business or ag management.
- ESG and agricultural sustainability are included in the Axonify training system for staff. Axonify reinforces ESG information daily by prompting users to answer daily training questions.
- PGIM provided a copy of an invitation to a "skip step" discussion to provide employees an opportunity to share concerns, thoughts, feedback, or aspirations with someone other than their immediate supervisor.

**Result: In Conformance, Notable Practice (2)**

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

**10.4 Compensation**

**Conformance Evidence**

- Hourly Wage Rates
- Compensation Structure

**Auditor Notes**

- PGIM employees are salaried, can achieve bonuses, and are offered benefits. Management is offered tenure as an incentive for long-term employment.
- PGIM's Human Resources (HR) department conducts salary surveys. Surveys are designed to review wage fairness and competitiveness.
- PGIM provided a compensation matrix that outlines wages in comparison to the type of work and levels of employees. Compensation Structure for investment professionals outlines the process for annual base salary reviews, annual reviews, benefits packages, including stock purchase plans, 401(k) plan matches, and health plans.

**Result: In Conformance**

**10.5 Farm Labor**

**Conformance Evidence**

- H2A Hiring Packet
- Human Trafficking and Slavery Policy

**Auditor Notes**

- PGIM provided an H2A Hiring Packet. Packets include PPE provisioning requirements and clarify responsibilities between farm labor contractors (FLCs) and employees.
- PGIM's Human Trafficking and Slavery Policy prohibits, slavery, human trafficking, forced labor, and misleading recruitment practices such as a misrepresentation of fringe benefits including safe housing. Housing provided must meet host country's safety standards.
- PGIM Farm Operators are audited to ensure payments to suppliers, staff, and contractors are made in a timely manner.
- Selected sites participate in the H2A program to source agricultural labor from South Africa in addition to Central and South American countries. H2A housing is located on some properties. Housing is leased to a third-party onsite manager who is required to follow all rules pertaining to H2A labor, including housing, purchasing items, and transportation.

**Result: In Conformance**

## **Objective 11: Legal and Regulatory Compliance**

### **11.1 Legal Compliance**

#### **Conformance Evidence**

- Training and Compliance Center screenshots
- Compliance Center screenshot
- HR Policy Databases

#### **Auditor Notes**

- PGIM maintains an intranet accessible to staff that links to policies, regulations, and applicable relevant laws.
- PGIM provided copies of anti-discrimination, anti-harassment, and non-retaliation policies for California and other states within PGIM's portfolio.
- Compliance Center screenshots demonstrate PGIM's ability to maintain clear training programs and make resources including Policy Manuals readily available. Policy Manuals are categorized by business groups, HR policies, and expense policies. The Training Center tracks acknowledgements and certifications.
- PGIM's training platform prompts staff to respond to daily questions and tracks training progress.
- HR maintains a Policy Database that was recently updated.
- PGIM reviews existing compliance procedures annually and will implement new compliance procedures if necessary to ensure compliance with federal, state, or local laws, statutes and regulations.
- Axonify system provides training on compliance, risk management and fraud awareness. Staff will receive a new quiz frequently and must maintain minimum score thresholds. Failure to meet minimum scores or complete training will result in a corrective action between management and staff.
- PGIM provides a hotline for complaints where callers may remain anonymous. Whistleblower protections are in place.
- PGIM is a member of the Farmland Capital Alliance, an information-sharing organization that keeps groups informed about various regulations, including foreign ownership laws and proposed legislation. The Farmland Capital Alliance has Legal, Policy, and other committees that focus on industry-specific issues. PGIM Managers serve on these committees, addressing legal considerations in acquisitions and solar energy opportunities.
- Training platform supports consistent training and compliance awareness.
- Selected sites had Occupational Safety and Health Administration (OSHA) posters and safety data sheets (SDS) posted in locations that were accessible to staff and visitors. Signage was posted in English and Spanish.
- PGIM provides training on worker protection standards. Chemical storage tanks are properly registered and inspected.

**Result: In Conformance, Notable Practice**

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

**11.2 Legal Compliance Policies**

**Conformance Evidence**

- HR Policy Databases
- Sustainability Policy
- Human Trafficking and Slavery Policy
- Anti-Discrimination, Anti-Harassment, and Non-Retaliation Policy
- Agricultural lease form
- Lease agreement

**Auditor Notes**

- Staff are required to include diversity, equity, and inclusion (DEI) goals in their annual performance reviews and goal setting.
- PGIM frequently trains staff on DEI and social compliance issues such as harassment and retaliation. Policies are in place to protect workers.
- PGIM maintains an Anti-Discrimination, Anti-Harassment, and Non-Retaliation Policy. Policy is adapted to meet additional requirements in California.
- PGIM's Sustainability Policy outlines comprehensive policies and procedures designed to address civil rights, equal employment opportunities, anti-discrimination, anti-harassment, and other social laws. PGIM has a robust framework of policies to support compliance.
- PGIM policies and Codes of Conduct have been reviewed by HR and legal departments. Policies align with the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work concerning fundamental rights.
- PGIM's Anti-Human Trafficking and Anti-Slavery Policy prohibits slavery or trafficking and any related activities. The Policy provides protection against retaliation and states that where the policy conflicts with local regulation, the most stringent standard will be followed. Persistent issues are to be escalated. The Policy Owner (Prudential) may work with the Labor Department to ensure conflict resolution.
- Attestation of policy and procedure review and understanding is required by staff annually.
- PGIM holds firmwide bias training related to DEI annually. Sessions are conducted by internal staff and by a third-party provider. Research and supporting documents are provided to staff for reference.
- PGIM's Agricultural lease form clearly addresses the rights and responsibilities of tenants and landlords. Lease agreements include appendices that explicitly state tenants' rights to quiet enjoyment of leased properties.

**Result: In Conformance, Notable Practice**

## **Objective 12: Management Review and Continual Improvement**

### **12.1 Farm Review and Continual Improvement**

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

- Acquisition and Asset Management Checklist
- Organization charts

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

- PGIM leadership holds weekly phone calls with site management teams to discuss operations and current issues on farms.
- Annual budget meetings are conducted and include report review. Activity based budgets include projected crop yields (based on four-to-six-year averages) and are an opportunity to discuss potential site improvements. PGIM conducts monthly strategy sessions to discuss potential capital expenditure.
- Due diligence and acquisition checklists are used to identify potential challenges and opportunities. Results are used to guide decision making during capital expenditure planning and site planning.
- Site operators are audited to ensure payments to suppliers, staff, and contractors are made in a timely manner.
- Staff are expected to set a minimum of two goals related to day-to-day business objectives. Additional goals may be set and include sustainability initiatives, adoption of more efficient processes, and promotion of inclusion and diversity within the team.
- PGIM's acquisition and due diligence procedures demonstrate an effective program for collecting and reviewing relevant ESG criteria. Acquisition checklists include LH FMS criteria.
- The Director of Agriculture and Regional Farm Directors discuss operations with management teams each month, including financial implications, yield results, projections, and improvements needed.
- PGIM provided organization charts that depict responsibilities and designated leadership to support Agricultural investments and compliance oversight.
- Farm operators attend conferences to further their education and learn new practices to use on sites that support sustainable operations.
- The acquisition of an asset prompts a review of the site to identify opportunities for improvement. The due diligence process includes soil tests and environmental assessments.
- LH Objectives, results from previous audit cycles, and current initiatives are included in monthly, quarterly, and regular management meetings.

***Result: In Conformance, Notable Practice (2)***



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

**12.2 Support for Sustainable Agriculture**

***Conformance Evidence***

- PAI Industry and ESG Activities
- Crop production GHG results
- Membership in research programs
- Research and field trial participation agreements

***Auditor Notes***

- PGIM management provided feedback to potential Canadian LH FMS program users focused on Tenant-Operated Operations and Conservation of Biodiversity requirements.
- PGIM participated in the LH Global Summit on Regenerative Agriculture to discuss industry developments and seek opportunities to support sustainable agriculture.
- PGIM engaged a third-party service provider to assess baselines for scope 1, 2, and 3 emissions for row and permanent crops, beginning with pistachios.
- PGIM has plans to expand GHG assessments across their entire farmland fund. PGIM has been using Cool Farm Tool (CFT) to provide carbon accounting on sites.
- PGIM recognizes a need for the industry to learn more about carbon and want to engage and educate investors.
- PGIM sites participate in multiple research and trial projects. Sites within the portfolio were used to evaluate John Deere's See & Spray technology, which uses computer vision and machine learning to target and spray weeds and have several agreements regarding citrus tree therapies to prevent and mitigate citrus greening.

***Result: In Conformance, Notable Practice***

## **Objective 13: Tenant-Operated Operations**

### **13.1 Leased-Land Management**

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

- Lease agreements
- Tenant Engagement Overview
- Updated Agricultural Lease Form
- 2023-2025 ESG & Leading Harvest Goals and Objectives

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

- PGIM hosts an annual symposium with tenants to support collaboration and education on BMPs that support LH FMS objectives.
- PGIM Farm Managers engage weekly with tenants and visit farms 4-6 times per year. Farm Managers discuss crop mixes, planting plans, improvement projects, harvests, and lease negotiations. Asset Managers meet with tenants 2 - 4 times per year and discuss crop status, weather, input decisions, market conditions, and capital projects.
- PGIM provided an outline for a LH Workshop to summarize tenant practices. The workshop focused on lease negotiation and execution, site visits, farm tenant and Asset Manager communication, data collection, and capital improvement oversight.
- PGIM has updated lease language to support LH FMS and contains a commitment to applying agricultural practices consistent with regional agricultural best management practices.
- PGIM's leases require tenants to apply good farming and sound business practices regarding property management. Capital Agricultural Property leases specify that tenants must follow recognized BMPs relevant to their locale and comply with all applicable laws, rules, regulations, statutes, guidelines, and directives.
- PGIM's updated agricultural lease language clarifies PGIM's use of LH FMS as a framework to support sustainable agriculture investments.
- PGIM has clearly defined ESG goals that are monitored for completion.

***Result: In Conformance, Notable Practice (3)***

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

**13.2 Leased-Land Monitoring**

**Conformance Evidence**

- Tenant Engagement Overview

**Auditor Notes**

- PGIM Farm managers regularly visit both new and established properties to review operating practices. PGIM leadership, including Portfolio Management, Senior Executives, and regional managers, engage with tenants. There is a concerted effort to visit sites multiple times a year, particularly during harvest season, to ensure quality control of harvested crops.
- Site visits are documented in weekly reports for investor clients. PGIM provides updates on relevant factors and communicates with tenants at least monthly.
- Qualitative reviews of tenant performance is conducted during lease renewals or budget reviews.
- Management meetings address tenant concerns and review business effectiveness.
- Operations are continuously tracked, with market dynamics like crop prices impacting tenant payments.
- PGIM ensures efficient use of properties and BMPs, collaborating with tenants and investor clients to provide concessions such as deferred payments when needed.

**Result: In Conformance, Notable Practice**

**CONCLUSIONS**

Results of the audit indicate that PGIM has implemented a management system that meets the requirements of and is in conformance with the LH FMS. PGIM’s enrolled acreage is recommended for recertification to the Leading Harvest Farmland Management Standard 2020.

# PGIM REAL ESTATE FINANCE, LLC

## LH FMS AUDIT SUMMARY REPORT

July 30, 2024

Summary of Audit Findings					
<b>Program User</b>	PGIM Real Estate Finance, LLC				
<b>Audit Dates</b>	April 26, 2024 – July 30, 2024				
<b>Non-Conformances Raised (NCR):</b>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"><i>Major</i></th> <th style="width: 40%;"><i>Minor</i></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>	<i>Major</i>	<i>Minor</i>	0	0
<i>Major</i>	<i>Minor</i>				
0	0				
<b>Follow-Up Visit Needed?</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <i>Date(s)</i>					
Audit Report Executive Summary					
<p>PGIM has demonstrated a thorough cultural implementation of LH FMS objectives into its management system’s practices and behaviors. The properties we visited were managed by qualified professionals who collaborate with a variety of programs to support agricultural research and advance BMPs in the permanent planting space. Central management has developed a robust framework of resources and policies to guide tenants, operators, and PGIM staff. Tenants are experienced and outfitted with resources to support the assumption of responsibility to address challenges and emerging issues. Documentation was illustrative, well-organized, and supported conformance demonstration. Interview subjects were transparent and expansive in their responses. All parties have been extremely generous with their time.</p>					
Team Leader Recommendations					
<b>Corrective Action Plan(s) Accepted</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/> 07/30/2024				
<b>Proceed to/Continue Certification</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/> 07/30/2024				
<b>All NCR Closed</b>	Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/> 07/30/2024				
Standard(s) Audited Against					
Leading Harvest Farmland Management Standard 2020 (Objectives 1 through 13)					
<b>Audit Team Leader</b>	<b>Audit Team Members</b>				
Matt Armstrong	Linnea Abel, Jacques Werleigh, Holly Salisbury				
Scope of Audit					
Management of production farmland on direct and tenant operated properties.					
<b>Accreditations</b>	Approval by Leading Harvest to provide certification audits				
<b>Number of Certificates</b>	1				
<b>Certificate Number</b>	AVERUM-LHFMS-2024-0016				
<b>Proposed Date for Next Audit Event</b>	Summer 2025				
<b>Audit Report Distribution</b>	Christopher Jay, <a href="mailto:christopher.jay@pgim.com">christopher.jay@pgim.com</a>				

**PGIM REAL ESTATE FINANCE, LLC**

LH FMS AUDIT SUMMARY REPORT

July 30, 2024

---