



Hancock Natural Resource Group

Boston, Massachusetts

LH FMS Audit Summary Report

Direct Operated Properties

October 30, 2020

Hancock Natural Resource Group
 2020 LEADING HARVEST AUDIT SUMMARY REPORT



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Certification Audit	X	Re-Certification Audit		Surveillance Audit		Scope Extension	
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Introduction

This report summarizes the results of the first certification audit conducted on Hancock Natural Resource Group’s Directly Operated production agriculture properties. The audit was conducted by Matt Armstrong, lead auditor for Averum. Mr. Armstrong has had experience with Leading Harvest throughout its development, is an AA1000AS provider, and has expertise in production agriculture on multiple crop types and North American regions. Mr. Armstrong was assisted by Lisa Becker, who is a Certified Public Accountant in the state of California and has expertise in permanent crop production and harvest. The audit process and reports were independently reviewed by Kyle Rusten, who is also a certified public accountant in the state of California and has expertise on multiple crop types in the western region of the United States. All 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 2020, Averum was engaged by Hancock Natural Resource Group (HNRG) to perform an audit of sustainability performance on 69,993 acres of managed agricultural operations (direct operated) 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 12 were covered during site visits on properties in California and Wisconsin. There was no substitution or modification of LH FMS performance measures.

Company Information

Hancock Farmland Services (HFS) is the property management subsidiary of HNRG, a global agriculture investment manager. HFS is responsible for the day-to-day farmland management services for HNRG's direct operated properties in California, Washington, and Wisconsin. HNRG's California properties are split into three "sub-regions"; North, Central, and South, spanning from north of Sacramento, CA to south of Bakersfield, CA. Due to the abundance of property in California, one of the three sub-regions will always be included in HNRG's annual sample. Washington and Wisconsin selections alternate depending on any unique criteria in the given year.

HNRG's DO properties span a wide variety of terrain, from the rain shadow east of the Cascades in Washington, throughout the central valley of California, to the wetlands and bogs of central Wisconsin. The audit was conducted in Northern California (Placer Dalby, 65, and Camp Far West; Sacramento Alabama, Borden, 160 and Rio Vista) and Wisconsin (Jackson Crawford Creek, Meadow Valley, and Perry Creek; Juneau Mather and Yellow River) regions. Washington properties were visited in 2019 during examinations under precursors to the Leading Harvest Standard and no nonconformances were noted at the time. Additionally, personnel overseeing safety and compliance 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 consists of almond, pistachio, walnut, apple, grape (table and wine), and cranberry varieties.

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Audit Plan

Audit activities were impacted in numerous ways by the ongoing COVID-19 pandemic. Site visits and meetings were made virtual where possible and rescheduled multiple times to ensure the safety of all involved parties. An audit plan was developed and is maintained on file by Averum. An online portal was established for HNRG coordinators to upload evidence and documentation securely for auditor review, and evidence was continuously uploaded throughout the audit. An opening meeting was held at 8:00 am on August 11, 2020, via conference call. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites on the California properties managed by David Evers and Salvador Cancilla were examined on August 11th and 12th, 2020. Field sites on Wisconsin properties managed by Mike Bretl were examined September 1st and 2nd, 2020. A closing meeting was held at 10:30am on October 7th, 2020.

Opening Meeting: Conference Call

August 11, 2020; 8:00 am

Attendees: (HNRG) Holly Evers, David Evers, Gretchen Montague, Michael Bretl, Salvador Cancilla, Alex Billman, Jeffrey Hopkins, Natasha Wise, David Bergvall, Brian Kernohan, Boyd Corkins, Carl Evers, Matthew Bonham, Samantha Lopes, Michael Roots, Shaun Lara, Jeffrey Peterson, Wesley W Pierce, Kerry Cardon, Donald Walrath, Debra J. Dorn, Kevin Wright, Travis Baughman
(Audit Team) Matt Armstrong, Lisa Becker, Kyle Rusten

Topics:

- Introductions of participants and their roles: Holly Evers
- Introduce Audit Team: Matt Armstrong
- Status of findings of the previous audits: Matt Armstrong
- Audit Plan: Lisa Becker
- Work Safety and emergency procedures: Holly Evers
- Expectations of HNRG Staff: Lisa Becker
- Method of reporting: Lisa Becker

Closing Meeting: Teleconference

October 7, 2020; 10:30 am

Attendees:

(HNRG) Holly Evers, Brian Kernohan, David Bergvall, Natasha Wise, Gretchen Montague, David Evers, Michael Bretl, Samantha Lopes, Shaun Lara, Michael Roots, Alex Billman, Jeffrey Hopkins, Salvador Cancilla, Boyd Corkins, Carl Evers, Jeffrey Peterson, Kerry Cardon, Donald Walrath, Kevin Wright, Debra J. Dorn, Wesley W Pierce, Travis Baughman
(Audit Team) Matt Armstrong, Lisa Becker, Kyle Rusten, Jenna Nichol, Laura Sands

Topics:

- Opening Remarks: Holly Evers
- Statement of Confidentiality: Matt Armstrong
- Closing Summary: Matt Armstrong
- Presentation of the audit conclusion: Matt Armstrong
- Non-Conformances: 0
- Opportunities for Improvement (OFI): 4
- Exceptional Practices: 5
- Reporting Timing and Expectations: Matt Armstrong

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Multi-Site Requirements

HNRG, through HFS, maintains operations in multiple regions consisting of a central office and five regions, with multiple sites within each region. The central office is in Turlock, CA. HNRG qualifies for multi-site sampling since the volume of sites within the management system is centrally controlled and directed by regional managers, with regular monitoring activities. Additionally, HNRG has dedicated resources overseeing risk and compliance across the organization that monitors on an on-going basis. Regional managers are responsible for developing corrective action plans regarding Leading Harvest conformance and report them to the Sustainability Coordinator and central office. HNRG’s current review and monitoring process is effective and on-going.

Field visits and observations are conducted based on a sample of regions each year. Sampling methodology is provided in the Leading Harvest Farmland Management Standard. 16% of HNRG’s total DO acreage was selected for physical inspection. In accordance with IAF-MD methodology, all sites were randomly selected with consideration to previous year’s preliminary examinations and coordinated to ensure representative coverage of the complexity of the portfolio, variance in sizes of properties, environmental issues, geographical dispersion, and logistical feasibility. Additionally, due to the COVID-19 pandemic site visits were planned and coordinated to ensure the highest level of safety for both HNRG staff and auditors.

Region	Crop	Properties Examined During Engagement
West (North)	Walnuts, Grapes (Wine)	Placer Dalby, Placer 65, Placer Camp Far West, Sacramento Alabama, Sacramento Borden, Sacramento 160, Sacramento Rio Vista <ul style="list-style-type: none"> - 7 of 22 properties - 31.8% of regional acreage - 3.6% of total DO acreage
West (Central)		
West (South)		
Pacific Northwest		
Midwest	Cranberries	Jackson Crawford Creek, Jackson Meadow Valley, Jackson Perry Creek, Juneau Mather, Juneau Yellow River <ul style="list-style-type: none"> - 5 of 12 properties - 59% of regional acreage - 12.4% of total DO Acreage)

Audit Results

Overall, HNRG's agricultural operations conform to the objectives of the Leading Harvest Farmland Management Standard 2020 (LH FMS). Interviews and document reviews were performed to determine procedural and documentation conformance to the LH FMS. Documentation of practices was continuously supplied throughout the audit when requested. Documentation from multiple sites was provided, as well as more detailed sets of data from single sites. Field visits were performed on twelve operating sites, five producing walnuts, five producing cranberries, and two producing grapes for wine making. Harvest on grape sites was underway at the time of the field visits so practices and processes were observable. Central and local management representatives were present and interviewed to illustrate HNRG policy creation and implementation. Central office staff with roles that impact LH FMS conformance were interviewed to determine awareness of and support for LH FMS conformance, and to illustrate company practices and procedures not performed by farm managers. Stewardship coordinators 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, for the audit across all regions. Specific non-conformances, opportunities for improvement, and exceptional practices are described in the Key Findings section of this report.

OBJECTIVE 1 – SUSTAINABLE AGRICULTURE

Performance Measure (PM) 1.1 – Sustainable Agricultural Stewardship

Conformance Evidence: Ag Stewardship Commitment, HAIG Stewardship Policies, HAIG Stewardship Principles, HFS Community Engagement Procedures, HFS Integrated Pest Management Procedure, HFS Nutrient Management Plan, HFS Sediment and Erosion Control Procedure, HFS Soil/Tissue/Water Analysis, HFS Waste Management Policy, HNRG 2019 SRI Report, Risk Management Matrix, Social Responsibility Policy, Training documentation, sustainability talks recordings, yield reports, verbal overviews of how environmental, social, and environmental synergies are managed in balance with profitability, verbal descriptions of activities to avoid conversion of prime farmland

Auditor notes: HNRG operates a mature agricultural management line of business. Awareness of and attention to sustainable ag is present throughout the organization.

Result: In conformance

PM 1.2 – Critical External Factors

Conformance Evidence: Critical External Factors form, verbal overview of the process for identifying and addressing critical external factors, key risks, and opportunities

Auditor notes: Issues that require increased awareness of management vary from region to region. The most reported material management issues are securing quality labor, water security and efficiency, and adapting to changing guidance from central management. In addition to due diligence practices, HNRG has systems and policies in place to support regional and farm managers in negotiating issues as they arise. Yield records are reviewed and aligned with planned yields.

Result: In conformance, Exceptional Practice (see key findings)

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OBJECTIVE 2 – SOIL HEALTH AND CONSERVATION

PM 2.1 – Soil Health

Conformance Evidence: Verbal descriptions of application of regional BMPs, descriptions of soil health monitoring systems, verbal descriptions of approaches to nutrient management, verbal descriptions of crop residue management, visual confirmation of practices, Nutrient Management Plans, sampling and testing procedures, soil productivity policy, yield reports, soil tests, tissue tests, fertilizer use reports, sanding records, application summaries

Auditor notes: Properties test soil health and leaf tissues and maintain nutrition plans that hold soil productivity and health as the primary concerns. Tests are geographically varied and are performed on a myriad of crops. Nutrition plans are informed and modified through testing and professional crop consultant analysis. Crop consultant recommendations are reviewed for lack of care or attention. Consultant recommendations and product use reports are prepared and stored.

Result: In conformance

PM 2.2 – Soil Conservation

Conformance Evidence: Verbal description of in-field application of regional BMPs to minimize soil erosion and damage, verbal description of process to avoid the loss of lands to soil mismanagement, visual confirmation of practices, sediment and erosion control procedures, dust control practices, sediment and erosion control plan

Auditor notes: HNRG strives for efficient production to enhance sustainability efforts as well as reduce operating costs. Organic material is added at the beginning of growing season and with new plantings. Cover and grasses are in place where feasible to secure and enhance soil health while ensuring harvest disruptions are minimized. Biological waste and biomass is reincorporated into soils wherever possible. Properties are rested to recharge soils between plantings.

Result: In conformance

OBJECTIVE 3 – PROTECTION OF WATER RESOURCES

PM 3.1 – Water Use

Conformance Evidence: Verbal descriptions of processes for avoiding available groundwater depletion beyond recharge capacity, verbal description of participation in regional water use conservation programs, verbal descriptions of programs to conserve water and manage pests, salinization, and other impacts, verbal description of application of regional BMPs, visual confirmation of practices, demonstration of technological advancements in field, water use and management policy, well maps and meter readings, status tracking of groundwater, SGMA (CA) planning, irrigation records, daily ETOs, total water use by bed, total water use by month

Auditor notes: Surface water is actively managed and well usage is reduced where possible. Soil moisture probes are utilized throughout the properties, as well as manually digging test holes. Remote control irrigation technology has been implemented, and water usage reports and graphs are employed to help inform decisions. Additionally, investment has been made into custom advance pump stations with integrated temperature monitoring that operates continuously. External water advisors have been contracted to assist with efficiency projects.

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Result: In conformance

PM 3.2 – Water Quality

Conformance Evidence: Verbal description of application of regional BMPs to protect groundwater from agricultural inputs, verbal description of application of regional BMPs to protect wetlands and resources from runoff, visual confirmations of practices, structures to control and direct waterflow, water recapture points, water use and quality management policy, nitrogen management plans, pesticide use reports, water test results, riparian site management policy

Auditor notes: Riparian areas are respected and protected through a variety of practices, including generous buffers. Fertilizer injection pumps are installed throughout the properties and are actively managed. No evidence of run off or soil erosion was observed on sites.

Result: In conformance

OBJECTIVE 4 – PROTECTION OF CROPS

PM 4.1 – Integrated Pest Management

Conformance Evidence: Verbal descriptions of pest monitoring efforts and practices, descriptions of threshold application amounts to prevent crop loss, verbal descriptions of processes to achieve crop protection, verbal descriptions of pest management routines to avoid crop protection resistance and pest build up, verbal description of lowest risk product selection process, visual confirmations of practices, Agricultural Chemical Use Policy, IPM Policy and Procedure, monthly reports, PCA reports, ranch inspections, pre-harvest inspections, IPM reports, Worker Protection Standard (WPS) postings, pesticide use reports, total pesticide use

Auditor notes: Product usage reports show chemical use below consultant recommendations in some areas. Pest Control Advisors (PCAs) are local, independent, and make recommendations on pest management. Additionally, non-chemical control mechanisms (pheromones, predators, sand application, etc.) are in place where possible, and new methods of non-chemical controls are tested on sites. Regional managers partner with research organizations and universities to share knowledge and develop reduced chemical or non-chemical practices. Spray timing and amounts are managed to maximize effectiveness and minimize chemical loss and drift. Chemicals suspected of being harmful to bee populations are not used by HNRG, even if beekeepers permit their use. Managers adapt to voluntary chemical bans by identifying alternative treatments that allow similar or improved results.

Result: In conformance, Exceptional Practice (see key findings)

PM 4.2 – Crop Protection Management

Conformance Evidence: Verbal description of crop protectant storage, application, and responses to regulatory requirements, visual conformation of practices, Agricultural Chemical Use Policy, pesticide training records, pesticide safety training, Worker Protection Standard (WPS) postings, Qualified Application Licenses (QAL) on file

Auditor notes: Chemical containers are stored according to Environmental Health and Safety guidelines and depleted containers are washed and recycled.

Result: In conformance

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OBJECTIVE 5 – ENERGY USE, AIR QUALITY, and CLIMATE CHANGE

PM 5.1 – Agricultural Energy Use and Conservation

Conformance Evidence: Verbal description of energy conservation technology and practices, verbal description of renewable energy on sites and considerations on renewable energy use, visual confirmations of practices, Energy Efficiency and Air Quality Policy (HAIG Stewardship policies combined), Climate Smart Fact Sheet, VAS New Project Practices, VAS Leading Harvest Renewable Energy information, Solar Project flowcharts, VFD pump tests, climate smart tailgate trainings

Auditor notes: Smaller, more efficient equipment is used when larger equipment is unnecessary. Pump stations have been upgraded to “soft start” variable frequency drives, and some are triggered by tensiometers to run only when needed.

Result: In conformance

PM 5.2 – Air Quality

Conformance Evidence: Verbal descriptions of low emission technology upgrades and maintenance with lower emissions as a stated goal, verbal descriptions of dust control practices, visual confirmations of practices, Energy Efficiency and Air Quality Policy (HAIG Stewardship policies combined), documented dust control policies

Auditor notes: Equipment engines are maintained as recommended by manufacturers by qualified mechanics. Maintenance shops keep maintenance, service, and usage logs. Employees are trained for three days on equipment use without exception. Equipment passes are reduced through trained operators and GPS/autopilot systems. Dust is managed in a variety of ways: water trucks, sanding, wood chipping, grass on roads, and running equipment on the inside of rows to keep soil on the property. Cover crops are grown on new plantings in the second year trees are established.

Result: In conformance

PM 5.3 – Climate-Smart Agriculture

Conformance Evidence: Verbal description of application of regional BMPs to minimize greenhouse gas emissions (GHG), verbal description of Climate-Smart BMPs, discussion with employees regarding potential impacts and risks of climate change to agriculture in regions, visual confirmation of practices, Energy Efficiency and Air Quality Policy (HAIG Stewardship policies combined), Climate Smart Fact Sheet, climate-smart tailgate training

Auditor notes: New automated prototype equipment is tested to reduce passes and increase efficiency. Solar powered pumps are on site, and some small solar panel systems are in place on Wisconsin barns. Weather stations, thermal core images, and fly over scans are used to manage applications and practices.

Result: In conformance, Exceptional Practice (see key findings)

OBJECTIVE 6 – WASTE AND MATERIAL MANAGEMENT

PM 6.1 – Management of Waste and Other Materials

Conformance Evidence: Verbal descriptions of universal, hazardous, and solid waste handling and disposal practices, verbal description of repurpose and recycling practices, verbal description of management, use, and storage of agricultural chemicals, gases, fluids and fuels, visual confirmation of practices, Hazardous

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Materials and Waste Management Policy, Waste Management Procedure, California Environmental Reporting System (CERS), used oil treatment, universal waste management training certifications, universal waste tailgate trainings, containment and control plans, waste management accounts, petroleum spill prevention, containment, and control plan

Auditor notes: Chemical containers, metal, plastics, and office waste are all recycled. Waste and recycling storage is clean, organized, and in conformance with environmental health and safety guidelines. Engine oil is saved and recycled or sent to be “scrubbed” and reused by others. Properties are in conformance with the Global GAP (Good Agricultural Practices) standard where applicable.

Result: In conformance

PM 6.2 – Food and Agricultural Product Waste Resource Recovery

Conformance Evidence: Verbal description of efforts to prevent losses of food crops during harvest and storage, verbal description of practices to reuse, repurpose, and recycle product, crop residue, and agriculture waste, visual confirmation of practices, waste management procedure document

Auditor notes: Plantings that have been pulled or retired, as well as post-harvest plant materials, are shredded and reincorporated into soil on regional properties.

Result: In conformance

OBJECTIVE 7 – CONSERVATION OF BIODIVERSITY

PM 7.1 – Species Protection

Conformance Evidence: Verbal description of T&E species assessments to determine presence, verbal description of practices when at-risk species are identified on site, visual confirmation of bulletins and posters, At-Risk Species Management Policy, Biodiversity Policy, HAIG Due Diligence Procedures, tailgate trainings - element of occurrences, threatened and endangered species lists, biodiversity plans, threatened and endangered species bulletins

Auditor notes: HNRG operates and supports biodiversity programs on properties. In each region, information regarding threatened and endangered species and species of concern is collected by a staff biologist and shared with management. Tailgate trainings are held to inform labor, including contracted labor, what species are in the area, and what to be aware of. Protected species are identified and presented in common and break areas.

Result: In conformance

PM 7.2 – Wildlife Habitat Conservation

Conformance Evidence: Verbal descriptions of efforts to assess native habitats and natural communities, verbal descriptions of practices for managing native habitats and natural communities, verbal descriptions of programs and practices for managing Ecologically Important Sites, verbal description of application of regional BMPs on cropland to create wildlife habitats, visual confirmation of practices, Biodiversity Policy, native habitat sites maps, biodiversity plans, HAIG due Diligence Procedures

Auditor notes: Beneficial and non-invasive wildlife is allowed access to properties. Riparian areas are protected, pollinator habitats are established, and mutually beneficial predatory species are encouraged on

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properties. Partnerships are established with water districts and non-governmental organizations (NGOs) to support native species wellbeing.

Result: In conformance, OFI (see key findings)

PM 7.3 – Avoided Conversion

Conformance Evidence: Verbal description of practices and decision making to avoid land use conversion and fragmentation of Natural Communities and Ecologically Important Sites, identified sites on maps and GIS layers, verbal description of due diligence processes to avoid purchasing farmland converted from natural forest, visual conformation of practices, HNRG Zero-Deforestation Policy, Biodiversity Policy, biodiversity plans, HAIG Due Diligence Procedure

Auditor notes: When purchasing investment property, HNRG’s due diligence procedures identify ecologically important sites. Relationships are managed with Army Corps of Engineers to maintain delineation between properties and protected sites to avoid unnecessary, erroneous, or illegal land conversion.

Result: In conformance

PM 7.4 – Crop Diversity

Conformance Evidence: Verbal descriptions of varieties of crop species and companion crops, verbal description of crop species alternatives and changes, visual confirmations of practices, Agricultural Biotechnology Policy, Biodiversity Policy, biodiversity plan

Auditor notes: Crop species are varied and rotated based on specific criteria, including benefits to biodiversity plans. Working groups are established to determine ideal variety mixes of crop species. HNRG regional managers have also partnered with the University of Wisconsin to develop new cranberry species.

Result: In conformance

OBJECTIVE 8 – PROTECTION OF SPECIAL SITES

PM 8.1 – Site Protection

Conformance Evidence: Verbal description of procedures to access information from natural heritage data or use of experts that identify special sites, HAIG Due Diligence Procedure, ALTA Survey Bid Letter Requests, biodiversity plans

Auditor notes: Protected sites requiring special consideration are identified during due diligence with the assistance of third-party engineers, local consultants, and the Army Corps of Engineers. When potential archeological sites are identified, regional management will contact local indigenous populations to ensure it is handled appropriately and respectfully. Wetlands in Wisconsin are recognized and managed according to local regulation, with four acres of wetland established for every acre of production land developed. Contract labor are informed of protected areas bordering all properties. Sand pits in Wisconsin are clearly identified and mined only as needed. In cases of new construction near production lands, regional management engages with construction contractors and engineers to manage the area surrounding construction.

Result: In conformance

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OBJECTIVE 9 – LOCAL COMMUNITIES

PM 9.1 – Economic Well-Being

Conformance Evidence: Verbal confirmation of tax payments, visual confirmation of local employment and talent procurement, verbal description of local vendors, confirmation of local suppliers and vendors

Auditor notes: HNRG management maintains preferred vendor lists and bid with local companies wherever possible. There have been no price or budgeting issues reported, and farm managers prefer to buy local. Labor is locally sourced, and their wages are higher than the local average, using prevailing wage as a starting point.

Result: In conformance

PM 9.2 – Community Relations

Conformance Evidence: Verbal descriptions of community engagement activities with local communities, Social Responsibility Policy, community outreach activities log

Auditor notes: Public outreach logs are prepared by regional managers, displaying public outreach, volunteer efforts, donations, and programs with public institutions. Managers work with neighbors to coordinate efforts along fence lines and have offered to buy supplies for neighbors to help with pest control issues. HNRG managers work with neighbors to execute easements and avoid conflicts. Farm managers engage in or plan community clean up days and volunteerism.

HNRG has engaged in programs to advance research and education in sustainable agriculture and efficient management practices. HNRG was a test property for the California Almond Sustainability Program's water assessment tool and contributes data to help with tool development. Employees attend local workshops and host pollinator workshops. Stewardship coordinators have presented on sustainable agriculture to local high schools, as well as providing materials for wood shop classes to build owl and bat boxes for use on properties. Wisconsin properties hold public events and field days to educate the public on sustainable farming practices.

Result: In conformance, OFI, Exceptional Practice (see key findings)

PM 9.3 – Local Communities and Indigenous Peoples

Conformance Evidence: Social Responsibility Policy and review with new staff, verbal description of due diligence procedures regarding Indigenous Peoples tenure rights, Verbal descriptions of contact methods available to the local communities and Indigenous Peoples, visual confirmations of contact info on signage and in public, public outreach logs, HAIG Due Diligence Procedure, Social Responsibility Policy, ALTA Survey Bid Letter Requests

Auditor notes: HNRG addresses the rights of indigenous populations and community outreach in their social responsibility policy. Area managers provide regional management's contact information to members of the public when requested. Office contact information is posted at entry points to properties.

Result: In conformance

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PM 9.4 – Public Health

Conformance Evidence: Verbal descriptions of health and safety regional BMPs, visual confirmations of health and safety BMPs, Social Responsibility Policy, Safety tailgate trainings, Safety themed events

Auditor notes: Labor has access to safety information and safety data sheets (SDS) information at any time for any product being applied. Managers inform neighbors of planned spraying and signage is placed in public entry and exit points. Area managers provide regional management's contact information to members of the public when requested.

Result: In conformance

OBJECTIVE 10 – EMPLOYEES AND FARM LABOR

PM 10.1 – Safe and Respectful Working Environment

Conformance Evidence: Verbal descriptions of hiring, interviewing, and onboarding practices, verbal descriptions of health and safety regional BMPs, safety and worker rights postings, Equal Opportunity Policy, Standards of Behavior and Performance, HFS Safety Principles, HFS Safety Manual, Safe Work Environment Policy, Workplace Violence Policy, Social Responsibility Policy, HNA CV19 Plan, NA Property Management COVID Response, Wildfire Smoke Policy, Wildfire Smoke tailgate training, Diversity and Inclusion trainings and materials, Training agendas – March Managers Meeting, Weekly Safety Meeting Attendance Sheet

Auditor notes: Safety is clearly a top priority throughout HNRG's entire operation. HNRG's response to the COVID-19 pandemic is thorough and very sophisticated. Safety compliance is managed on site and by the compliance manager. Safety calls are held every Friday with regional managers and FLCs hold trainings addressing safety issues every Monday. All employees are encouraged to report any safety concerns.

Harassment and similar behaviors are considered unsafe behaviors in HNRG's code of contact. Labor has multiple avenues to report and remedy complaints and concerns, from direct supervisors to central office personnel.

Result: In conformance

PM 10.2 – Occupational Training

Conformance Evidence: Verbal descriptions of health and safety regional BMPs, safety and worker rights postings, HFS Safety Principles, HFS Safety Manual, Wildfire Smoke tailgate training, Diversity and Inclusion trainings and materials, Training agendas – March Managers Meeting, Weekly Safety Meeting Attendance Sheet

Auditor notes: HNRG management is required to complete 40 trainings per year, 10 times more than state requirements. Training schedules and attendance are documented on paper and stored electronically. SDS information is supplied to staff before any application, and multiple licensed qualified applicators (QAL) are on staff. Annual meetings are held with vendors, universities, and pest contractors to discuss emerging issues.

Result: In conformance, Exceptional Practice (see key findings)

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PM 10.3 – Supporting Capacity for Sustainability

Conformance Evidence: HRNG CEO Commitment letter, HNRG Sustainability Officer's Leading Harvest announcement, Sustainability coordinator's email briefing on Leading Harvest, verbal commitments across spectrum of employees, verbal confirmations of roles and responsibilities for Leading Harvest conformance, confirmations of professional training to ensure the objectives of the Leading Harvest standard can be conformed to, NorCal Pesticide training records 2020, Pesticide training documents, Training meeting agenda – March manager's meeting, weekly safety attendance sheets

Auditor notes: The President/CEO of HNRG issued a letter to the public stating HNRG's commitment to conforming to the sustainable operations, and the Chief Sustainability Officer of HNRG issued a letter specifically committing to the LH FMS. Roles and responsibilities to conform to the objectives of the LH FMS are communicated and understood throughout the organization through an internal evidence summary and audit preparedness document.

Result: In conformance

PM 10.4 – Compensation

Conformance Evidence: Verbal description of wage setting procedures, 2020 Salary ranges, Understanding Your Pay document, US Salary Range regions, MIT Living Wage Calculator (for comparison)

Auditor notes: Compensation is set at an appropriately competitive level in all regions.

Result: In conformance, OFI (see key findings)

PM 10.5 – Farm Labor

Conformance Evidence: Verbal description of FLC monitoring program, FLC Audit Policy and FLC Audit Update – 2020, NA Property Management COVID Response

Auditor notes: FLCs are audited by HNRG for compliance with labor laws. FLCs are required to maintain documentation on hiring, onboarding, and compliance policies. Regional managers communicate and negotiate compensation and labor needs with FLCs annually. Labor through FLCs are compensated at a competitive wage, with wages based on prevailing wage as a starting point in negotiations with FLCs.

Result: In conformance, OFI (see key findings)

OBJECTIVE 11 – LEGAL AND REGULATORY COMPLIANCE

PM 11.1 – Legal Compliance

Conformance Evidence: Verbal descriptions of methods by which employees have access to legal information, interviews with managers and risk management regarding legal compliance, employment rights legal postings for employees and FLC labor, HNRG Interior Contractor Audit Spreadsheets, Wildfire Smoke Policy, Wildfire Smoke tailgate trainings, Work Protection Standard (WPS) postings, restricted materials permits, training attendance sheets

Auditor notes: Compliance information is posted and accessible for all employees.

Result: In conformance

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PM 11.2 – Legal Compliance Policies

Conformance Evidence: Safe Work Environment Policy, Anti-Harassment Policy, Domestic Legal Matters Policy, Equal Opportunity Policy, Workplace Violence Policy, Social Responsibility Policy, Verbal confirmations of policy review in onboarding, Verbal commitment to respect principles concerning fundamental rights set out in the ILO Declaration on Fundamental Principles and Rights at Work from compliance officer

Auditor notes: Compliance with legal and regulatory action is demonstrated through dedicated senior staff positions engaging in continuous monitoring and oversight.

Result: In conformance

OBJECTIVE 12 – MANAGEMENT REVIEW AND CONTINUAL IMPROVEMENT

PM 12.1 – Farm Review and Continual Improvement

Conformance Evidence: Verbal descriptions of performance review systems, diagrams of review and continual improvement processes and schedules, HAIG Performance Measures Surveys, Action Register, Continual Improvement Process, HFS Management Reviews, Management System Description Documents, Re-Development Process, Leading Harvest commitment statement, monthly expense budget reports, monthly facility inspection reports, monthly manager reports, quarterly inspection reports, sustainability surveys, Annual “all manager” meeting notes, Verbal description of innovation programs, improved technology, and new markets on HNRG properties

Auditor notes: The design and implementation of internal controls related to continuous improvement and management review was reviewed with leadership responsible for enforcement. The control environment was determined to be well designed and planned. Monitoring is continuous on sites. An action register is maintained that is explicitly tied to the LH FMS, with corrective action plans descriptions, assignments to personnel, and timelines estimated. Annual manager meetings with all regional managers are held to review performance and address emerging management issues. Surveys, inspections, and quarterly/monthly activity reports were provided and reviewed by auditors.

Result: In conformance

PM 12.2 – Support for Sustainable Agriculture

Conformance Evidence: Verbal description of participation in agricultural research with universities and growers’ associations, test plots for new varieties and trials, visual confirmation of researchers active on test plots on site

Auditor notes: Area managers engage with land grant universities and research groups extensively. Additionally, multiple examples were observed of public outreach and education regarding sustainable ag. Advances in the field of sustainable ag are directly attributable to research conducted on HNRG properties.

Result: In conformance

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 examination.

Minor Non-Conformances:

No minor non-conformances were identified during the examination.

Opportunities for Improvement (OFI):

Four opportunities for improvement were issued during the audit.

1. *Performance Measure (PM) 7.2 Wildlife Habitat Conservation:* During the audit it was noted that biodiversity and conservation programs were not discussed with contract managed properties under their current contracts. Managers expressed interest in HNRG controlled programs (such as pollinator seed programs) and referenced programs of their own that Hancock Farmland Services (HFS) staff were not aware of. Contract managers were not sure if they could or couldn't approach HFS for support in their own conservation programs. Information could be shared between the two companies to enhance both party's conservation programs.
2. *PM 9.2 Community Relations:* California properties have a system that tracks community engagement. Wisconsin and Washington properties have a fair amount of community involvement as well, but it is not tracked in the same manner. This makes the process of investigating community outreach less efficient in the audit process. It would simplify the review process to increase central coordination of community outreach and include Washington and Wisconsin managers in the same system that California managers can take advantage of.
3. *PM 10.4 Compensation:* In the LH FMS, Indicator 10.4.1 includes the phrase "ensure a living wage for Standard user personnel". Currently, compensation is not analyzed regarding living wage requirements, although salary surveys are performed to determine competitiveness and appropriateness. Living wage is difficult to implement across an organization, as it is a range that varies depending on geography and living situation for the employee. The point in the range that an employee falls in is determined by marital status, spouse/partner employment, and number of children. Using these metrics to determine pay could expose the standard user to discrimination risks, so implementation of a living wage system from the perspective of setting compensation is difficult.

HNRG is in conformance with the averages of living wage ranges in the geographies in which they operate. However, this conformance is incidental as opposed to purposeful. Living wage considerations could be documented as a part of the salary survey and review process instead. This OFI will be revisited in future surveillance audits to ensure that progress is being made on purposefully conforming to the letter of the performance measure.

NOTE: Due to the unclear nature of implementing a Living Wage system in setting compensation levels, a request has been made to Leading Harvest for guidance in auditing this indicator.

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4. PM 10.5 *Farm Labor*: This OFI is similar to the note on PM 10.4. Indicator 10.5.1 includes a range of farm labor contractor (FLC) issues that are to be monitored for compliance, including "...laws, statutes, and regulations regarding... compensation, including living wage..." Currently, while FLCs pay a competitive wage for farm labor, they do not take Living Wage ranges into consideration when setting compensation. The indicator calls for the standard user to *monitor* the situation as it relates to FLCs. During their negotiations with FLCs on labor compensation, managers should be informed on Living Wage ranges in their area and be able to refer to them when discussing wage expectations.

Exceptional Practices:

Five exceptional practices were identified during the examination.

1. Indicator 1.2.1 *Adapting to Critical External Factors &*
2. Indicator 4.1.3 *Pest Management Strategies*: Managers reported a company ban on glyphosate-based pesticides, which were products that were highly effective and relied upon in the past. Managers accepted the voluntary ban and pivoted to explore pest control solutions that were safe and effective replacements. Managers were impressive in their flexibility and willingness to explore new solutions.
3. Indicator 5.3.1 *Greenhouse Gas Emissions*: Managers are exploring self-propelled equipment in nut harvests; a new technology that the lead auditor had not seen in large scale production. Also, managers are reducing the demand for larger engines and selecting appropriately sized tractors to meet their needs. Customizing their equipment needs to the properties they are employed on has reduced any extraneous equipment. In Wisconsin, managers are using an advanced pump system designed by a local engineer and built by a local company that runs efficiently and reduces operating time.
4. Indicator 9.2.1 *Community Engagement*: The staff in Wisconsin is very engaged in improving their local communities, with a higher than normal amount of volunteering and local event participation. The audit team was impressed by the managers willingness to go out of their way to clean up areas where they saw large litter, going as far as removing discarded furniture from under a bridge and removing trash from creek beds. The manager's willingness to clean up areas that are not under their direct management is telling of the Wisconsin team's role in the community.
5. Indicator 10.2.1 *Personnel and Contract Work Training*: The team in Wisconsin holds an annual employee event that acts as a team building event and family picnic. The theme around the meeting is around safety, and management designs event and company apparel for employees and guests. It is obvious to the lead auditor that the team in Wisconsin genuinely enjoys the event; references to the picnic were made by every manager, and many of the annual shirts are worn as day to day safety gear.

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Review of Previous Audit Cycle

N/A

Conclusions

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

Hancock Natural Resource Group's direct operated acreage is recommended for certification to the Leading Harvest Farmland Management Standard 2020.

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Summary of Audit Findings							
Program User: Hancock Natural Resource Group							
Audit Dates:	From: July 20, 2020 (HQ – Remote) August 11, 2020 (CA) September 1, 2020 (WI) September 15, 2020 (HQ)			To: August 04, 2020 (HQ – Remote) August 12, 2020 (CA) September 2, 2020 (WI) September 15, 2020 (HQ)			
Non-conformances raised (NCR)	Major:	0		Minor:	0		
Follow-up Visit Needed?	Yes		No	<input checked="" type="checkbox"/>	Date(s)		
Follow-up Visit Remarks:							
N/A							
Team Leader Recommendations							
Corrective Action Plan(s) Accepted	Yes		No		N/A	<input checked="" type="checkbox"/>	Date:
Proceed to / Continue Certification	Yes	<input checked="" type="checkbox"/>	No		N/A		Date: 10/30/2020
All NCR Closed	Yes		No		N/A	<input checked="" type="checkbox"/>	Date:
Standard(s) Audited Against:							
Leading Harvest Farmland Management Standard 2020 (Objectives 1 – 12)							
Audit Team Leader	Audit Team Members						
Matt Armstrong	Lisa Becker						
	Kyle Rusten						
Scope of Audit:							
Management of production farmland on direct operated properties							
Accreditations	Approval by Leading Harvest to provide certification audits						
Number of Certificates	1						
Proposed Date for Next Audit Event							
Date	TBD						
Audit Report Distribution							
HNRG: Natasha Wise (nwise@hnrng.com), Certifications Management							
HNRG: Holly Evers (HEvers@hnrng.com), Program Coordinator							