



Hancock Natural Resource Group

Boston, Massachusetts

LH FMS Audit Summary Report

Tenant Operated Properties

May 17, 2021

Hancock Natural Resource Group
 2020 LEADING HARVEST AUDIT SUMMARY REPORT



500 SW 7th St. #204
 Des Moines, IA 50309
 Phone: (515) 362-7555

Company Name	Hancock Natural Resource Group
Contact Person	Natasha Wise
Address	197 Clarendon Street, C-08-99, Boston, MA 02116
Phone / Fax	(208) 589-2364
Email	nwise@hnrng.com
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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 Tenant 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 assurance provider for multiple sustainability programs, and has expertise in production agriculture on multiple crop types in North American regions. Mr. Armstrong was assisted by Lisa Becker, a Certified Public Accountant in the state of California, and Jenna Nichol. Both Lisa Becker and Jenna Nichol are verifiers for the California Air Resource Board’s Low Carbon Fuel Standard and have 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 senior members of the audit team hold training certificates in *ISO 17021:2015 (Conformity Assessment)*, *14001:2015 (Environmental Management Systems)*, as well as *IAF MD-1:2018 (Certification of Multiple Sites)*.

Scope and Objective

In 2020, Averum was engaged by Hancock Natural Resource Group (HNRG) to perform an audit of sustainability performance on 213,944 acres of managed agricultural operations (tenant 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 13 were covered during site visits on properties in Georgia, Texas, and California. There was no substitution or modification of LH FMS performance measures.

Company Information

HNRG is a global agriculture investment manager and is responsible for the day-to-day farmland management services for their tenant operated (TO) properties in the Delta, High Plains, Midwest, Pacific Northwest, Southeast, and West regions. Sample region selections alternate depending on any unique criteria in the given year.

HNRG's TO properties span a wide variety of terrain, from the central valley of California, to the high plains of western Texas, to the rivers and forests of southwestern Georgia. The audit was conducted in Northern California (Kern 99A, 99B, Kraft, Legacy, Natalie South, and Sebastian), Southeast (Baker 91, JoSuLi, Miller 50, Seminole 84 and 219) and the High Plains (Lamb 1055, Parmer 145 and 1172, Hartley 998 and 102) regions. Central and Southern California properties were visited in 2018 and 2019 during 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 satisfactory representative sample of current practices in place and management decision making. The primary agricultural production consists of almond, walnut, cotton, peanuts, corn, soybeans, grapes, and potatoes.

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 12:00 pm on August 16, 2020, via conference call. Following the meeting, a document review of the provided evidence was conducted by Averum. Field sites on the California properties were examined on August 13th, 2020. Field sites on Georgia properties were examined April 7th and 8th, 2020. Field sites on the Texas properties were examined on April 20th and 21st, 2020. A closing meeting was held at 2:00pm on April 30th, 2021.

Opening Meeting: Conference Call

August 16, 2020; 12:00 pm

Attendees:

(HNRG) Holly Evers, Carl Evers, Paul Burgener, Drew Bridges, Kevin Wright, Boyd Corkins, Natasha Wise, Brian Kernohan, David Bergvall, Matthew Bonham

(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: Matt Armstrong
- Work Safety and emergency procedures: Holly Evers
- Expectations of HNRG Staff: Matt Armstrong
- Method of reporting: Matt Armstrong

Closing Meeting: Teleconference

April 30, 2021; 2:00 pm

Attendees:

(HNRG) Holly Evers, Brian Kernohan, David Bergvall, Natasha Wise, Matthew Bonham, Carl Evers, Paul Burgener, Drew Bridges, Kevin Wright

(Audit Team) Matt Armstrong, Lisa Becker, Kyle Rusten, Jenna Nichol

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): 3
- Notable / Exemplary Practices: 5
- Reporting Timing and Expectations: Matt Armstrong

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Multi-Site Requirements

HNRG maintains operations in six regions, with multiple sites within each region. 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 LH FMS 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 LH FMS. In accordance with IAF-MD methodology, all sites were initially selected randomly with consideration of the previous years’ 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. 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)		
West (Central)		
West (South)	Walnuts, Almonds, Grapes	Kern 99A, 99B, Kraft, Legacy, Natalie South, and Sebastian - 6 of 22 properties - 17.3% of regional acreage
Pacific Northwest		
High Plains	Corn, Soybeans, Cotton, Potatoes	Lamb 1055, Parmer 145 and 1172, Hartley 998 and 102 - 5 of 22 properties - 27.2% of regional acreage
Midwest		
Delta		
Southeast	Cotton, Peanuts, Corn, Soybeans	Baker 91, JoSuLi, Miller 50, Seminole 84 and 219 - 5 of 13 properties - 46.2% of regional 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 sixteen operating sites, on a variety of crops for food production, silage, seeds, and further processing. Harvest on grape sites was underway at the time of the field visits so practices and processes were observable. Field and planting prep were underway at peanut sites so practices and processes were observable. Planting was underway at potato sites 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: Property maps, HAIG Stewardship policies and principles, Social and Environmental Procedures, Risk Assessment Matrix, Critical external factors, SRI Tools and surveys

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, SRI Tools and surveys

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 enhanced due diligence practices in their Sustainability Reporting Index (SRI) Toolkit, 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

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OBJECTIVE 2 – SOIL HEALTH AND CONSERVATION

PM 2.1 – Soil Health

Conformance Evidence: Fertility analysis records, soil analysis records, soil and tissue sample results, soil health history, SRI Toolkit and surveys, Amendment application records, advisor recommendations, crop residue images

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, Exemplary Practice (See key findings)

PM 2.2 – Soil Conservation

Conformance Evidence: Amendment application records, images of cover crops and residue, aerial, topographic, and soil maps, soil health history, licensed advisor recommendations

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 crops 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, OFI, Exemplary Practice (See key findings)

OBJECTIVE 3 – PROTECTION OF WATER RESOURCES

PM 3.1 – Water Use

Conformance Evidence: Water use reports, water permits, Irrigation schedules, weather reports, irrigation event reports, irrigator reports, sensor maps, meter readings, SRI Toolkit and surveys, 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 best management practices (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, Sustainable Groundwater Management (SGMA) compliance planning, irrigation records, daily estimated total outputs (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 through services such as AgSense have been implemented, and water usage reports 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. Retention ponds and recharge areas have been implemented where possible. Strip-till and other reduced tillage practices are thoroughly implemented.

Result: In conformance

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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 use and quality management policy, nitrogen management plans, pesticide use reports, water test results, riparian site management policy, sensor maps, stubble images, water quality test reports

Auditor notes: Riparian areas are respected and protected through a variety of practices, including generous buffers where possible. Fertilizer injection pumps are installed throughout the properties and are actively managed. Areas with higher potential for run off are controlled with intelligent irrigation systems and precision application.

Result: In conformance

OBJECTIVE 4 – PROTECTION OF CROPS

PM 4.1 – Integrated Pest Management

Conformance Evidence: Verbal descriptions of pest monitoring efforts and practices, 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, Integrated Pest Management (IPM) Policy and Procedure, Pest Control Advisor (PCA) reports, ranch inspections, pre-harvest inspections, IPM reports, Worker Protection Standard (WPS) postings, pesticide use reports, Genetically Modified Organism (GMO) seeds with built in control measures, Pest control advisor monitoring observations, Pest control advisor recommendations, SRI Toolkit and surveys, Pest control advisor recommendations, SRI Toolkit and surveys, Recommendations and Product Use Reports (REC-PURs) for beneficials, crop protection documentation

Auditor notes: Product usage reports show chemical use below consultant recommendations in some areas. PCAs are qualified, 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. GMO seeds with control measures built in are used on some sites. Spray timing and amounts are managed to maximize effectiveness and minimize chemical loss and drift.

Result: In conformance, OFI (See key findings)

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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, WPS postings, Pesticide and nutrient licenses and certificates, crop protection documentation, SRI Toolkit and surveys

Auditor notes: Chemical containers are stored according to Environmental Health and Safety guidelines and depleted containers are washed and recycled. Staff is appropriately licensed for product use, and trainings are regular and varied in topics.

Result: In conformance

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), Irrigation equipment upgrade records, electric conversion records, climate smart fact sheet, Value Added Service (VAS) new project practices, VAS renewable energy info, SRI Toolkit and surveys

Auditor notes: Equipment use has been minimized and eliminated wherever possible. Pump stations have been upgraded to “soft start” variable frequency drives, and some are triggered by tensiometers to run only when needed. Automated equipment increases efficiency beyond manual control.

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, climate smart fact sheet, irrigation equipment upgrade records, electric conversion records, maintenance records

Auditor notes: Equipment engines are maintained as recommended by manufacturers by qualified mechanics. 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/gravel on roads, and running equipment on the inside of rows to keep soil on the property. Crop residue is left in the field, or reincorporated into fields to assist with soil conservation. Cover crops are grown on fallow areas or parcels that are between crop rotations.

Result: In conformance

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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, irrigation equipment upgrade records, electric conversion records, maintenance records, SRI Toolkit and surveys

Auditor notes: New automated equipment is tested to reduce passes and increase efficiency. Weather stations, thermal core images, and fly over scans are used to manage applications and practices. Heat resistant crop varieties are employed, and cover crops / native grasses are leveraged where possible.

Result: In conformance

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, Spill Prevention Control and Countermeasure (SPCC) logs, recycling receipts, SRI Toolkits and Surveys

Auditor notes: Chemical containers, metal, plastics, and office waste are all stored properly where tenants apply products themselves. In most cases, products are applied and waste is managed by 3rd parties. Engine oil is saved and recycled or sent to be “scrubbed” and reused by others. Properties are in conformance with USDA Food safety programs and certified by Primus food safety standards where applicable.

Result: In conformance, OFI (See key findings)

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 residues, and agriculture waste, visual confirmation of practices, images of extensive crop residue use, SRI Toolkits and surveys

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. Tenants have on-site silos or grain bins for product storage in good conditions, or good relationships with processors to handle harvested products quickly and effectively.

Result: In conformance

OBJECTIVE 7 – CONSERVATION OF BIODIVERSITY

PM 7.1 – Species Protection

Conformance Evidence: Verbal description of Threatened and Endangered (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, T&E Listed Species for each region / state, ranch maps, SRI Toolkit and surveys

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. Trainings are held to inform labor, including contracted labor, what species are in the area, and what to be aware of. Additional support staff are being added to HNRG’s conservation team.

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 site maps, biodiversity plans, property maps, SRI Toolkit and surveys

Auditor notes: Beneficial and non-invasive wildlife is allowed access to properties. While production is primarily “fence to fence” on properties, wildlife habitats on some sites are set aside and tenants partner with NRCS to protect and maintain identified wildlife habitats. Corners are allowed to grow wild for wildlife habitat and mowed occasionally outside of nesting seasons.

Result: In conformance

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, NRCS Conservation Plan, T&E Species information, SRI Toolkit and surveys, Zero Deforestation Policy

Auditor notes: When purchasing investment property, HNRG’s due diligence procedures and SRI surveys identify ecologically important sites. Most tenant operated sites are long term farmland and pose no risk of conversion to non-ag uses. 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

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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, ranch maps, crop diversity images

Auditor notes: Crop species are varied and rotated based on specific criteria, including benefits to biodiversity plans, soil health, and responses to market conditions. Repeated rotations (corn to corn) are avoided even when markets would recommend otherwise. Seed dealers make recommendations based on forecasts and newly available options.

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, Due diligence procedures, ecological reviews, Phase 1 ESA, SRI Toolkit, ALTA Surveys

Auditor notes: Protected sites requiring special consideration are identified during due diligence and SRI surveys 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. Contract labor are informed of protected areas bordering all properties. 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

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, local vendor receipts, SRI Toolkit and surveys

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

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PM 9.2 – Community Relations

Conformance Evidence: Verbal descriptions of community engagement activities with local communities, Social Responsibility Policy, contributions summary, holiday giving program, presentation notes,

Auditor notes: Tenants work with neighbors to coordinate efforts along fence lines and have offered to buy supplies for neighbors to help with pest control issues. HNRG regional managers work with neighbors to execute on strategy and avoid conflicts. Community engagement is widespread and varied, including engagements with local schools, donations and sponsorships, and volunteering with local groups (4-H, school boards, FFA, water boards, etc.).

Result: In conformance

PM 9.3 – Local Communities and Indigenous Peoples

Conformance Evidence: Social Responsibility Policy, 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 where available, SRI toolkits and surveys, Social Responsibility Policy, ALTA Survey Bid Letter Requests, quarterly reports, incident reports

Auditor notes: HNRG addresses the rights of indigenous populations and community outreach in their Social Responsibility Policy. Current and previous claims to lands are researched during due diligence. Area managers provide regional management's contact information to members of the public when requested. Quarterly inspections include complaints and issues, and the manner in which the issue was resolved.

Result: In conformance

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 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

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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, Safe Work Environment Policy, Workplace Violence Policy, Social Responsibility Policy, HNA CV19 Plan, NA Property Management COVID Response, Diversity and Inclusion trainings and materials, Public health and safety lease language, agreements with neighbors

Auditor notes: Safety is clearly a top priority throughout HNRG's entire operation. HRNG's response to the COVID-19 pandemic is thorough and very sophisticated. Safety compliance is managed on site and by the regional manager where appropriate.

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, HR policies related to safe and respectful work environment, HFS Safety principles, biweekly call agendas

Auditor notes: HNRG management is required to complete 40 trainings per year, 10 times more than state requirements. Trainings are frequent and vary in their subjects. Training attendance is mandatory for employees of HNRG. Training schedules and attendance are documented on paper and stored electronically. SDS information is supplied to staff before any application.

Result: In conformance

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, roles and responsibilities document, biweekly call agendas

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

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PM 10.4 – Compensation

Conformance Evidence: Verbal description of wage setting procedures, 2020 Salary ranges, Understanding Your Pay document, US Salary Range regions, salary survey results, SRI toolkits and surveys

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

Result: In conformance

PM 10.5 – Farm Labor

Conformance Evidence: NA Property Management COVID Response, SRI Toolkits and Surveys

Auditor notes: Assessment and monitoring of contract management companies are included in SRI Toolkit surveys as part of due diligence and overall risk assessment.

Result: In conformance

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, Work Protection Standard (WPS) postings, Global Risk Register, SRI toolkits and surveys, DEI Program

Auditor notes: Staff in Savoy and Turlock are tasked with providing access to compliance information for all managers. Staff in Savoy and Turlock manage compliance obligations, ensures proper information is distributed and available throughout the organization. Employee portals provide information regarding legal compliance.

Result: In conformance

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, Quiet Enjoyment Support Document, lease language

Auditor notes: Compliance with legal and regulatory action is demonstrated through dedicated senior staff positions engaging in continuous monitoring and oversight. Farm tenants are allowed to operate as they wish in accordance with the lease requirements on sustainability performance, with managers retaining the right to assist, inform, or support tenants where they see fit. Tenant practices show differences due to regional requirements and personal preference, and are controlled via manager reviews and farm visits.

Result: In conformance

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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, Leading Harvest commitment statement, Property inspection report procedures, SRI Toolkit and surveys, Bi-weekly reports, Bi-weekly Management Updates, RST Weekly updates, Support for Sustainable Agriculture document, stewardship project guidelines and entry forms, Stewardship catalog, Performance Measures Survey, Action register, HFS management review, Management system description, Management review PowerPoint, support for sustainable agriculture

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. Surveys, inspections, and quarterly/monthly activity reports were provided and reviewed by auditors. Property inspection report procedures include scheduling, topics for monitoring, and issues that have been deemed significant. Managers perform regularly scheduled inspections on sites and tenant operations. No internal audits are currently being performed, but documented monitoring includes quarterly inspections, monthly follow ups with tenants, and as needed attention to critical issues. Performance by tenants is recorded and included for consideration in future lease decisions. Monitoring and performance records are maintained and utilized by managers in planning discussions with tenants. Changes and improvements are included in the action register and stewardship catalog, if appropriate.

Innovative projects are sent to compliance staff for review, management for approval, and included in stewardship program catalog. Stewardship catalog is a new project; managers are being trained to include tenant practices, infrastructure upgrades, equipment upgrades, NCRS and CRP initiatives, and conservation and efficiency projects in a listing of potential projects other can reference.

Result: In conformance

PM 12.2 – Support for Sustainable Agriculture

Conformance Evidence: Verbal description of participation in agricultural research with universities and growers' associations, visual confirmation of researchers active on test plots on site, support for sustainable agriculture document, stewardship project guidelines and entry forms, Stewardship catalog

Auditor notes: Projects are sent to compliance staff for review, management for approval, and included in stewardship program catalog. Stewardship catalog is new, and managers are being trained to include tenant practices, infrastructure upgrades, equipment upgrades, NCRS and CRP initiatives, and conservation and efficiency projects. Tenants are at liberty to participate in research as they wish, with support from management. Research projects with conservation groups and universities were observed and described by tenants to auditors.

Result: In conformance

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OBJECTIVE 13 – TENANT-OPERATED OPERATIONS

PM 13.1- Leased-Land Management

Conformance Evidence: Lease language, Regional Best Management Support document, Sustainable Ag Principles, Public Health and Safety Language in leases

Auditor notes: Written documents were supplied for review and satisfactory. Sustainable Ag Principles are included as addendums to leases, with the content of LH FMS and Sustainable Ag Principles used in farm inspection reports.

Result: In conformance

PM 13.2- Leased-Land Monitoring

Conformance Evidence: Quarterly inspections, annual farm summaries, performance measure surveys, verbal descriptions of bi-weekly reporting processes, Action Register

Auditor notes: Managers engage in regular informal meetings with tenants regarding a variety of current issues. Bi-weekly updates are reported on by managers. Quarterly inspections formalize the review process, and annual farm summaries and performance measure surveys document results from the growing season. Actions needed and taken are included in the action register and stewardship catalog, if appropriate. Annual results are taken into consideration during performance reviews and future tenant planning. Quarterly inspections inform bi-weekly management reporting. Annual and periodic reviews of components of the monitoring system allow for improvements to be identified and communicated.

Result: In conformance, Exemplary Practice (See key findings)

Key Findings

Previous Non-Conformances:

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

Major Non-Conformances:

No major non-conformances were identified during the examination.

Minor Non-Conformances:

No minor non-conformances were identified during the examination.

Opportunities for Improvement (OFI):

Three (3) opportunities for improvement were issued during the audit.

1. Indicator 2.2.1: In-field Soil Management:
 - a. Pathfinding practices varied between sites, with some tenants preferring to shift rows 18" each year in order to work all the soil equally, with others preferring to follow the same paths year over year. On the soil types found on prime farmland in Georgia, alternating rows are considered a best practice, yet some tenants opted to follow the same paths year over year. The tenants who engage in the practice will reduce soil compaction and soil loss due to wash and erosion.

2. Indicator 4.1.3: Pest Control Practices:
 - a. Tenants in Georgia expressed concern about potentially losing access to glyphosate-based herbicides. Tenants did not have a strategy for alternative products, nor were they testing alternative products as potential replacements. In the case that glyphosate use declines in Georgia, tenants would avoid disruption by having a replacement plan. Tenant and staff in California were noted for taking appropriate action to avoid any disruption to production when glyphosates were banned.

3. Indicator 6.1.1: Waste Disposal:
 - a. In Texas chemical jugs are occasionally burned. This OFI may be minimized depending on a few details that were not covered in our interviews. While we did not address what chemical types the jugs were, in Texas the burning of *pesticide* containers is illegal. Also, in many states triple rinsed and slashed jugs are no longer considered hazardous waste, so the rinsing practice may negate the OFI. In some areas, products burned must be those used on the property and be burned by the property owner. These are examples of considerations that a tenant manager should be able to address when advising a tenant on waste disposal.

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Exceptional Practices:

Five exceptional practices were identified during the examination.

1. Indicator 2.1.2: Soil Health Monitoring
 - a. Extremely precise soil monitoring was documented on sites in Texas. Core sampling on the precise same spot is a best practice and shows a commendable effort towards maintaining a reliable history of soil health on the property. Precision soil sampling over time is extremely useful in tracking improvements in soil health and productive potential over time.

2. Indicator 2.1.3: Nutrient Management Program
 - a. Similar to 2.1.2 in Texas, tenants are maintaining long term (excess of 10 years) logs of soil health and using multi-year historic data to determine the most efficient nutrient plan. This longer horizon on soil health monitoring is also a best practice.

3. Indicators 2.2.1: In-field Soil Management and 12.1.3: Agricultural Innovation
 - a. Tenants in Georgia are employing multifaceted uses and markets for temporary crops. Oats on sites are utilized as a cash crop, cover crop for soil retention, companion crop for biodiversity, and seed source for community use. Leveraging a single crop for multiple opportunities shows well informed strategic thinking by tenants.

4. Indicator 2.2.2: Degradation of Agricultural Lands
 - a. Auditors were impressed with the quality of wheat planting in Texas by tenants on parcels in between crop rotations. The practice itself is common in the area, but the density and quality of the stand demonstrated above and beyond performance.

5. Indicator 13.2.1b Verifiable Monitoring System
 - a. Tenants in Texas self-selected for voluntary third-party audits, for purely performance review purposes. Non-LH FMS auditors reviewed nutrient management plans, consultant recommendations and product use for appropriateness and accuracy. This willingness to seek out independent insight demonstrates a commendable commitment to transparency and process improvement on the part of tenants.

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Leading Harvest Logo Usage

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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 tenant 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: August 13, 2020 (HQ – Remote) August 13, 2020 (CA) April 6, 2021 (GA) April 19, 2021 (TX)			To: April 30, 2021, 2020 (HQ – Remote) August 13, 2020 (CA) April 8, 2021 (GA) April 21, 2021 (TX)			
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: 05/17/2020
All NCR Closed	Yes		No		N/A	<input checked="" type="checkbox"/>	Date:
Standard(s) Audited Against:							
Leading Harvest Farmland Management Standard 2020 (Objectives 1 – 13)							
Audit Team Leader	Audit Team Members						
Matt Armstrong	Lisa Becker						
	Kyle Rusten						
	Jenna Nichol						
Scope of Audit:							
Management of production farmland on tenant operated properties							
Accreditations	Approval by Leading Harvest to provide certification audits						
Number of Certificates	1						
Certificate Number	2020-0002						
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							