Hancock Natural Resource Group
Boston, Massachusetts

INDEPENDENT ACCOUNTANTS’ EXAMINATION REPORT

October 31, 2019
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Accountants’ Examination Report</td>
<td>1</td>
</tr>
<tr>
<td>Notes to the Examination</td>
<td>2</td>
</tr>
</tbody>
</table>
INDEPENDENT ACCOUNTANTS’ EXAMINATION REPORT

Hancock Natural Resource Group
Boston, Massachusetts

We have examined management of Hancock Natural Resource Group’s (HNRG) assertion that 69,121 acres of HNRG-managed direct-operated (DO) properties in the United States of America (U.S.A.) are managed in conformance with objectives 1 through 13 set forth in version 1.0 of the Sustainable Agriculture Working Group’s Sustainable Agriculture Program (SAP) as of October 31, 2019. HNRG’s management is responsible for its assertion. Our responsibility is to express an opinion on management’s assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform procedures to obtain evidence about management’s assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management’s assertion whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Conformance to the SAP requires management to understand the criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Different entities may make different but acceptable interpretations and determinations. The evidence examined includes information regarding HNRG’s environmental, social and governance initiatives, and targets. Consideration of the estimated impact of events that have occurred or are expected to occur, commitments, and uncertainties were also included. Actual results in the future may differ materially from management’s present assessment of this information because events and circumstances frequently do not occur as expected.

Our engagement is related to the specific management assertion identified above. We were not engaged to, and did not, examine HNRG’s environmental or social impacts from a quantitative perspective. Accordingly, we do not express an opinion or any other form of assurance on its entity-wide environmental or social impacts, or changes from prior periods.

In our opinion, management’s assertion that 69,121 acres of HNRG-managed DO properties in the U.S.A. are managed in conformance with objectives 1 through 13 set forth in version 1.0 of the Sustainable Agriculture Working Group’s SAP as of October 31, 2019, is fairly stated, in all material respects.

November 16, 2019
Chico, California
Scope and Objective

In 2019, K-Coe Isom, LLP (K-Coe Isom) was engaged by Hancock Natural Resource Group (HNRG) to perform an independent examination of sustainability performance on 69,121 acres of managed agricultural operations (direct operated) and determine conformance to the principles, objectives, performance measures, and indicators of version 1.0 of the Sustainable Agriculture Working Group’s Sustainable Agriculture Program (SAP). SAP objectives 1 through 13 were covered during the examination of properties in California and Washington. SAP objectives 7, 8, 11.2, and 11.3 were covered during the examination of properties in Wisconsin. There was no substitution or modification of SAP 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.

The examination was conducted in HFS’ management office in Turlock, California, as well as the Central California (Triangle T, Madera 7, 8, 9, 10, and 23) and Washington (Alexander, Grant 46/51, K Road, and Grant 24) regions. Additionally, the regional manager over Wisconsin properties was contacted for evidence requests and interviews. Wisconsin properties were visited in 2018 during previous readiness reviews. 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, apple, and cranberry varieties.
**Examination Plan**

An opening meeting was held at 8:00 am on September 24, 2019, in Turlock, California. Following the meeting, a document review of the central office function was conducted by K·Coe Isom’s examiners. Field sites on the California properties managed by Lucas Avila and Jose Ochoa were examined on September 25 and 26, 2019. Field sites on Washington properties managed by Roy “Dewey” Holliday were examined October 1, 2019. A closing meeting was held at the close of business on October 1, 2019. Supplementary examination meetings with Mike Bretl regarding Wisconsin operations were held on October 14, 2019.

### Opening Meeting

<table>
<thead>
<tr>
<th>HFS Office 8:00 am September 24, 2019 Turlock, CA</th>
<th>Attendees: Brian Kernohan, Natasha Wise, Gretchen Lech, Samantha Lopes, Holly Evers, Brandon Lewis, Matthew Bonham, Boyd Corkins, Roy “Dewey” Holliday, Jeff Wenger, Matt Armstrong, Lisa Becker, Kyle Rusten</th>
</tr>
</thead>
</table>
| Topics:                                        | • Introductions: All attendees  
• Safety Induction: Jeff Wenger  
• Opening Remarks: Brian Kernohan  
• Examiner Opening: Matt Armstrong  
• Introduce Examination Team: K·Coe Isom  
• Schedule for Site Visits: Matt Armstrong  
• Findings Definitions: Matt Armstrong  
• Confidentiality Statement: Matt Armstrong  
• Expectations of HNRG Staff: Matt Armstrong |

### Closing Meeting

<table>
<thead>
<tr>
<th>Teleconference 4:30 pm October 1, 2019</th>
<th>Attendees: Brian Kernohan, Roy “Dewey” Holliday, Samantha Lopes, Holly Evers, Gretchen Lech, Matt Bonham, Boyd Corkins, Carl Evers, Matt Armstrong, Lisa Becker</th>
</tr>
</thead>
</table>
| Topics:                              | • Introductions: All attendees  
• Opening Remarks: Matt Bonham  
• Progress Statement: Brian Kernohan  
• Review of Examination Process: Matt Armstrong  
• Non-Conformances: 0  
• Opportunities for Improvement (OFI): 3  
• Notable Practices: 13  
• Reporting Timing and Expectations: Matt Armstrong |
Sample Site Selections - Overview

HNRG, through HFS, maintains operations in multiple regions consisting of a central office and five regions, with multiple sites within each region. A sampling of properties to perform site visits was deemed appropriate because the volume of sites within the management system is centrally controlled and directed by regional managers. Field visits and observations were and will be conducted based on a sample of regions each year.

<table>
<thead>
<tr>
<th>Region</th>
<th>Properties Examined During Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern California</td>
<td>Triangle T, Madera 7, 8, 9, 10, and 23</td>
</tr>
<tr>
<td>Central California</td>
<td></td>
</tr>
<tr>
<td>Southern California</td>
<td></td>
</tr>
<tr>
<td>Pacific Northwest</td>
<td>Alexander, Grant 46/51, K Road, and Grant 24</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Overview of region with management</td>
</tr>
</tbody>
</table>

Results by SAP Objective

Overall, HNRG’s agricultural operations conform to the objectives of the SAP. Documentation of practices was made available when requested. Documentation from multiple sites was provided, as well as more detailed sets of data from single sites. For example, in California a selection of documents from multiple Madera County properties (soil tests from Madera 7, water quality tests from Madera 10, etc.) were reviewed, as well as thorough documentation of the Triangle T property. Harvest was actively underway at the time of the examination so practices and processes were observable. Corporate leadership was present and interviewed to illustrate HNRG policy creation and implementation. Central office staff with roles that impact SAP conformance were identified and interviewed to determine awareness of and support for SAP conformance, and to illustrate company practices and procedures not performed by farm managers. Farm Labor Contractor (FLC) managers and former contract laborers were interviewed to evaluate how SAP objectives and performance measures were communicated and understood throughout the entire operation from management to contracted labor. Stewardship coordinators were made available throughout the entire engagement, providing logistic support and honoring evidence requests wherever needed.

The following are summarized findings, per SAP objective, for the entire engagement across all regions. Specific non-conformances, opportunities for improvement, and notable practices are described in the Key Findings section of this report.
OBJECTIVE 1 – SUSTAINABLE AGRICULTURE

HNRG operates a mature agricultural management line of business. Issues that require increased awareness of management vary from region to region. The most commonly reported material management issues are securing quality labor, water security and efficiency, crop species mixes, and annual hold/sell reviews on properties. 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.

OBJECTIVE 2 – SOIL PRODUCTIVITY AND HEALTH

HNRG tests soil health and leaf tissues and maintains 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. 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 are in place where feasible to ensure harvest disruptions are minimized. Biological waste and biomass is reincorporated into soils wherever possible. Properties are rested to recharge soils between plantings.

OBJECTIVE 3 – PROTECTION OF WATER RESOURCES

Surface water is actively managed and well usage is reduced where possible. Certain sites in Washington have not turned on well pumps in eight years. Soil moisture probes are utilized throughout the properties, as well as manually digging test holes. Where applicable, operations are in conformance with Global - Good Agricultural Practice (GAP) audits. 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. Remote control irrigation technology has been implemented, and water usage reports and graphs are employed to help inform decisions. External water consultants have been contracted to assist with efficiency projects. No evidence of run off or soil erosion was observed on site.

OBJECTIVE 4 – USE OF AGRICULTURAL CHEMICALS

Product usage reports show chemical use below consultant recommendations in some areas. Chemical use is in conformance with GAP audits where applicable. Pest Control Advisors (PCAs) make recommendations on pest management, in addition to non-chemical control mechanisms in place (pheromones, predators, sand application, etc.). 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. Chemical containers are stored according to Environmental Health and Safety guidelines and depleted containers are washed and recycled.
OBJECTIVE 5 – ENERGY USE AND ATMOSPHERIC EMISSIONS

An energy monitoring system is used in California to manage energy use, and energy efficient technology is used where possible. Pump stations have been or are in the process of upgrading to “soft start” variable frequency drives. Equipment engines are maintained as recommended by manufacturers. 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. Solar fields have been implemented on certain properties and are managed and maintained by a third party. Dust is managed in a variety of ways: water trucks, sanding, wood chipping, graveling 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. Weather stations, thermal core images, and fly over scans are used to manage applications and practices.

OBJECTIVE 6 – WASTE MANAGEMENT

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 Global GAP, where applicable. Plantings that have been pulled or retired are shredded and reincorporated into soil on regional properties.

OBJECTIVE 7 – CONSERVATION OF BIODIVERSITY

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. Biodiversity plans are prepared and audited by buyers where applicable. 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 properties. Partnerships are established with water districts and non-governmental organizations (NGOs) to support native species wellbeing. 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. 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.
OBJECTIVE 8 – PROTECTION OF SPECIAL SITES

For all but one property, no special or protected sites were identified prior to examiner site visits. 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.

OBJECTIVE 9 – EFFICIENT PRODUCTION OF AGRICULTURAL PRODUCTS

Management emphasizes efficient production and harvest of permanent crops through a variety of practices. Trees are monitored for age and yield, and harvesting practices are monitored. Development decisions are made in cooperation between investment planners and farm managers. The client account team makes hold/sell decisions based on productivity analysis and farm managers’ insights on the property. Significant capital expenditures are approved by discretionary clients in advance. When considering a reuse or replanting, soil health, pests, and soil profiles are factored in. Research into alternative markets for agricultural products is provided by support staff. Fertility and other research is performed via partnerships with state universities.

OBJECTIVE 10 – LOCAL COMMUNITIES

HNRG addresses the rights of indigenous populations and community outreach in their social responsibility policy. 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. Labor has access to safety information and safety data sheets (SDS) information at any time for any product being applied.

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. 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 if requested.

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.
OBJECTIVE 11 – PERSONNEL AND CONTRACT MANAGEMENT COMPANY EMPLOYEES

Safety is a top priority throughout HNRG’s entire operation. 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.

FLCs are audited by HNRG for compliance with labor laws. FLCs are required to maintain documentation on hiring, onboarding, and compliance policies. Labor through FLCs are compensated at higher than minimum wage. 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.

The President/CEO of HNRG issued a letter to the public stating HNRG’s commitment to conforming to the SAP. Roles and responsibilities to conform to the objectives of the SAP are communicated and understood throughout the organization through an internal evidence summary and audit preparedness document.

OBJECTIVE 12 – LEGAL AND REGULATORY COMPLIANCE

Compliance information is posted and accessible for all employees. Compliance with legal and regulatory action is demonstrated through dedicated senior staff positions engaging in continuous monitoring and oversight.

OBJECTIVE 13 – MANAGEMENT REVIEW AND CONTINUAL IMPROVEMENT

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. 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 examination staff.
Hancock Natural Resource Group
NOTES TO THE EXAMINATION
(Continued)

Key Findings

Previous Non-Conformances

As this is the first year of examination, there are no previous non-conformances.

Major Non-Conformances

Defined: When evidence, observation, or inquiry indicates that an SAP performance measure has not been met and there is a serious impairment in the ability of a program user to exhibit conformance to the SAP.

Examples of a major non-conformance include:

- An absence or breakdown in the management system, preventing overall conformance with the SAP
- Failure to take critical corrective or preventive action
- Failure to implement an applicable SAP objective with significant scope (properties vs. regions)
- Failure to meet an applicable SAP objective with significant impact to overall SAP conformance (correctable non-conformances)
- Having multiple minor non-conformances that in total create significant scope and impact

To illustrate severity, one major non-conformance could result in a failure of SAP conformance.

No major non-conformances were identified during the examination.

Minor Non-Conformances

Defined: When evidence, observation, or inquiry indicates that an SAP performance measure has not been met, but it does not create any major consequences that prevent overall conformance with the SAP.

Examples of a minor non-conformance include:

- Failure to meet an applicable SAP objective due to lack of documentation or proper procedures
- Failure to meet an applicable SAP objective with limited scope (properties vs. regions)
- Failure to meet an applicable SAP objective with limited impact to overall SAP conformance (correctable non-conformances)
- An oversight or lapse in decision making that can be quickly addressed and corrected

No minor non-conformances were identified during the examination.
Opportunities for Improvement

Defined: When evidence, observation, or inquiry indicates that an SAP performance measure has been met, but opportunity exists for increased effectiveness with a modified approach or if not addressed, they could develop into a non-conformance. Opportunities for improvements (OFIs) rely on examiner experience and knowledge, and can be general or specified to the program user’s needs. OFIs may be incorporated by program users to improve alignment with the SAP.

Examples of an opportunity for improvement include:

- Enhanced or more effective documentation
- Improved operational processes or decision making

Three opportunities for improvement were identified during the examination.

1. Performance Measure (PM): 1.1, 2.2, 9.1 – While explanations of the decision making process were received from farm area managers as well as responsible staff in the central office, a disconnect remains between the field and the office regarding when decisions are made and when action could, or should, be taken. Currently this disconnect does not threaten conformance to the SAP. Clearly explaining and illustrating the decision making process regarding replanting and redevelopments, and ensuring the process is communicated throughout the appropriate parts of the organization, will support SAP conformance as well as evidence collection in future examinations.

2. PM: 1.1; Pacific Northwest Region – While the region was found to be in full conformance, it was noted that documentation of practices in WA increased when regional management worked with support staff or was held accountable by others. Ensuring that appropriate staff are assigned to support efforts in the region will aid in making future examinations more efficient.

3. PM: All – There were instances of management noting that management action plans or strategies were underway, but not scheduled or attached to any timelines. Many of these action plans were made to support conformance to the SAP standard. Management action plans developed in response to current-year observations will be considered for inclusion in future examinations. Failures to implement the action plans may result in future non-conformances.

Notable Practices

Defined: When evidence, observation, or inquiry reveals practices are in place that demonstrate proactiveness or progressive strategies, typically when compared to the broader agricultural sector. Notable practices do not create new or additional requirements for objective conformance.
Thirteen notable practices were identified during the examination.

1. **PM: 1.1; CA Region** – Staff in the central California region assembled a binder with supporting evidence for a selection of sample sites. A member of the staff showed initiative to assemble the binder and prepared it for presentation without prompting. HNRG supports a culture of management doing what they see as being helpful without seeking initial permission. The binder was helpful in providing evidence and driving conversations with managers on site.

2. **PM: 2.1; CA Region** – In addition to having tissue tests performed offsite by crop advisors, staff in California keep a spectrometer on site at Madera 23. Staff uses the spectrometer to verify test results from advisors and determine necessary changes to nutrient plans. To the examiners knowledge, this is the only site that engages in this practice.

3. **PM: 4.2, 5.3; CA Region** – Security cameras and monitors are installed in multiple locations. Monitors are placed in secured areas (dry storage facilities with power and network connections) to reduce any chance of equipment and chemical theft or misuse. Security footage is cloud based and can be retrieved from remote sites.

4. **PM: 4.2; CA Region** – Examiners observed a custom chemical mixing station that was mounted on a cage-secured trailer. This trailer was constructed with the intention to take mixed chemicals to equipment in the field instead of bringing equipment back to a mixing station or waiting for chemical suppliers to bring mixed chemicals to the site. The trailer is moved on county roads with leading and following vehicles to maintain safe speeds and efficient routes. The need for safety signage is reduced by having the lead and following vehicles. At this time, chemicals are only mixed by individuals with qualified applicator licenses. Management is planning to extend chemical training to more employees in the future.

5. **PM: 5.1; CA Region** – HNRG has partnered with Wexus to manage their renewable energy production and use. Wexus provides dashboards that report how much power is produced from solar fields, how much power is used overall, and the financial impacts of the energy mix. This comparative reporting provides guidance on power consumption and enhances decision making abilities.

6. **PM: 7.2; CA Region (Triangle T)** – Management has started their own nursery at Triangle T, growing cottonwood and willow trees for other HNRG properties. The nursery takes credit for 800 trees for Triangle T and 500 trees for Volos. Trees are used for soil health, wind protection, and to support habitats for predatory species.

7. **PM: 7.2; CA Region (Triangle T)** – Management sets aside productive areas of properties to test new practices before scaling up. Experiments include tree spacing, water stressing practices, nutrient and pesticide practices, and tree species testing.

8. **PM: 7.2; CA Region (Triangle T)** – Support for predatory species and non-chemical pest control has led to a reduction in poison usage. Non-chemical programs have resulted in reduced costs and decreased usage costs.
9. PM: 7.2; CA Region – HNRG is leveraging partnerships with local high schools. Sustainability coordinators visit schools and present to students on sustainable agriculture. Wood shop programs build owl boxes for properties to support wildlife habitats, while property management enjoys the benefits of community relationships and cost savings.

10. PM: 7.2; CA Region – Evidence of non-traditional practices was observed on multiple sites. Examples include water buckets for coyotes, 200 ft. buffers around a 100+ year old tree, and other non-chemical protections.

11. PM: 10.1; CA Region – If service has not been satisfactory from a local supplier, management will scale back orders but not cancel services. This is intentional to continue supporting local businesses wherever possible. Management always prefers to work with local providers for all professional farm services.

12. PM: 11.2; CA Region – Employees are encouraged to report injuries or safety concerns, regardless of how minor, without fear of retribution. HNRG values safety over other concerns and does not avoid reported incidents for fear of affecting performance monitoring or total reportable incident results.

13. PM: 10.1, 11.1, 11.2, 11.4; PNW Region – Thorough documentation on employee hiring, training, and legal compliance is available through the FLCs.