



AgIS Capital
Agricultural Investment Strategies

SUSTAINABILITY & RESPONSIBLE INVESTING REPORT 2022





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A NOTE
FROM OUR
PRESIDENT

I am pleased to present AgIS Capital's inaugural Sustainability and Responsible Investing report.

It is a privilege to be entrusted with the management of natural resources, because it provides us with a unique opportunity to demonstrate our belief that consistently practicing good and responsible environmental stewardship creates and preserves investment value for our clients.

As we continue to navigate changes in climate, markets, and the needs of society, we remain focused on consistently generating competitive performance and on exploring new ways to create value for our clients by employing sustainable investment and asset management strategies. Moreover, because of the importance of our work to society, and being fiduciaries and natural resource stewards, it is necessary for us to be communicative and transparent about the work we do. This report is intended to provide insight into who we are and how what we do from an environmental, social, and governance perspective. It also is meant to demonstrate how our focus on ESG enhances our capacity to meet our fiduciary obligations to our clients.

I would like to sincerely thank our team of investment professionals who dedicate themselves daily to helping our clients achieve their financial objectives – and in ways that are responsible and honest. Because ESG is at the core of our culture, we will continue to innovate, adapt, and improve our sustainable and responsible investment performance each year as we strive to be recognized as best-in-class managers of agricultural investments. I hope you enjoy and learn from our inaugural report.

Jeffrey A. Conrad

Jeffrey A. Conrad, CFA
AgIS Capital Partner, Founder and President

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INTRODUCTION TO
AGIS CAPITAL

Who we are

Our team offers investors decades of experience investing globally across geographies, markets and agricultural commodity groups. Our culture is entrepreneurial and grounded by core beliefs about why we exist, what we wish to accomplish, what we value and how we behave. We focus on high-value permanent crops and associated assets.

Culture

We are entrepreneurial, goal-oriented and emphasize teamwork. We strive to be open and inclusive. We are committed to both personal and organizational empowerment and accountability.

Our Core Values, which are embodied in our Code of Ethics, define how we behave, how we invest and how we meet our environmental, social and governance obligations to our clients and others who are impacted by our activities.

Vision

AgIS Capital exists to enable institutional investors to participate in large, complex agricultural investment opportunities that have the potential to generate superior risk-adjusted returns.

Mission

AgIS Capital unlocks the value of large and complex agricultural investments for clients by utilizing an unconstrained approach to sourcing and structuring prospective transactions and by managing each asset with discipline, creativity and a focus on protecting and enhancing its societal and sustainability attributes.

Safety and Risk management

AgIS strives to provide a safe and rewarding place for our employees and contractors to work. We do this by investing in the appropriate resources to provide proper training and governance across the agricultural investment platforms we manage for our clients.

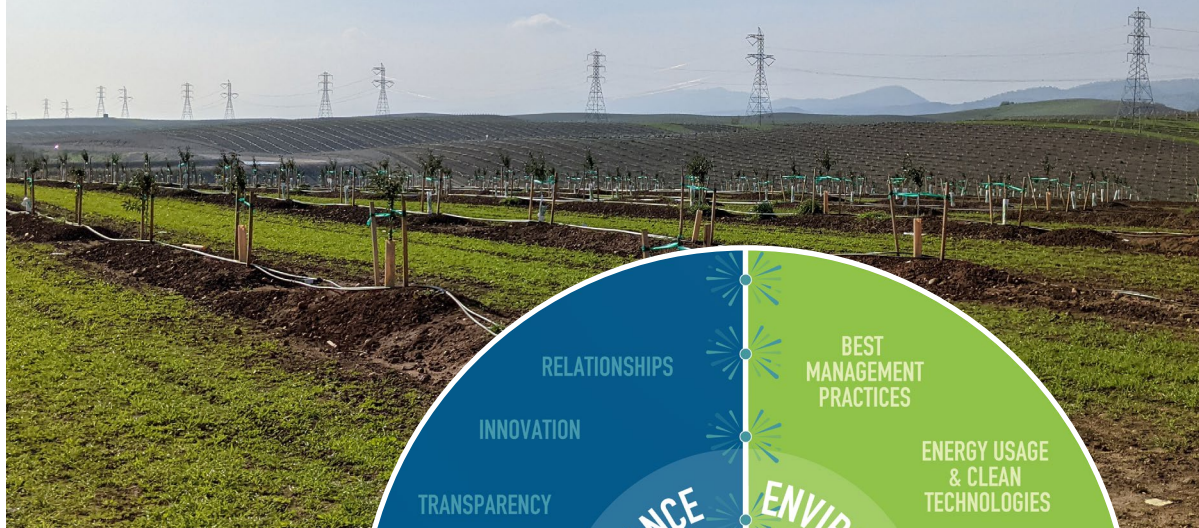
“At AgIS Capital, safety and legal compliance is about more than creating policies and procedures to avoid undesirable outcomes. It is about empowering our people to identify, understand, and mitigate risks by allowing for the ability by focusing on creating and enhancing best management practices so we can consistently demonstrate our commitments to providing a safe work environment and operating in accordance with our core values and ESG principles.”

— Jeff Wenger, Risk and Compliance Manager



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ESG STRATEGY



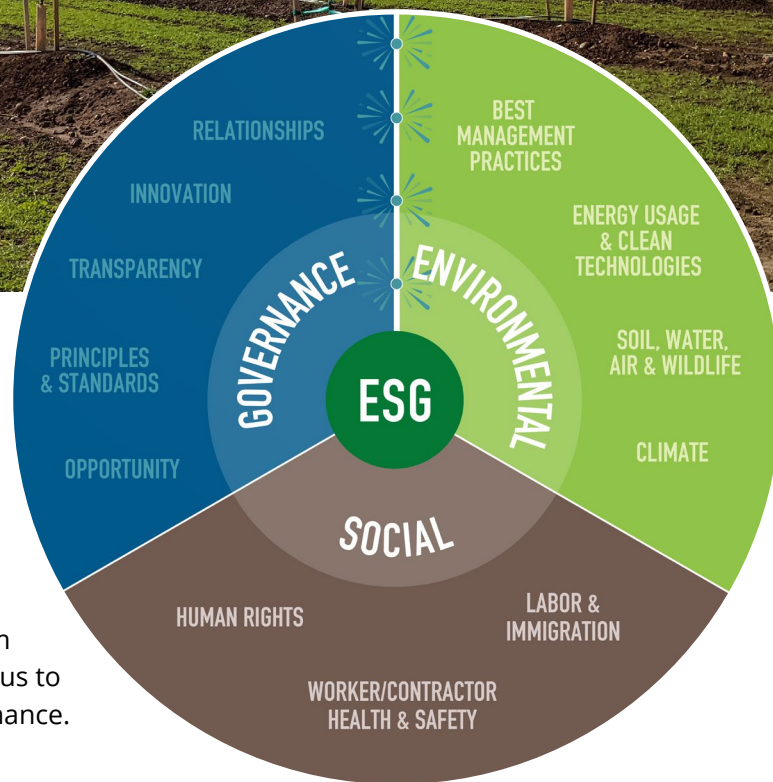
ESG at AgIS Capital

Environmental, Social, and Governance (ESG) are three pillars of a successful business. At AgIS Capital (“AgIS”), ESG is more than a buzz term. We know that the implementation of a comprehensive ESG strategy helps protect our clients’ assets from downside risk and regulation while enabling us to optimize their long-term investment performance.

As important as it is, ESG is such an all-encompassing consideration that failing to focus on priorities can cause a firm to take on too much and to become focused on being “busy” rather than making meaningful progress. For that reason, we strive to create strong linkage between our ESG efforts and our efforts to serve our clients as fiduciaries – and we do this in ways that are beneficial for them, the environment, and for the communities in which we operate.

Our ESG efforts are anchored by the following themes:

- Leveraging natural processes to reduce expenses and increase farm productivity.
- Treating our employees, contractors, and neighbors fairly and as we would want to be treated.
- Ensuring ESG considerations are integrated throughout the entire investment process in place of investment life cycle - from property sourcing and acquisitions to property operations and dispositions.
- Being pragmatic by recognizing that good projects on the farm and in the community should still make good business and investment sense.



Environmental, Social, and Governance are three pillars of a successful business. At AgIS Capital, ESG is more than a buzz term.



- Embracing sound governance by ensuring ESG is a core value of our company and a characteristic of our culture.
- Striving for all employees and contractors to have appropriate training, coaching and access to the resources they need to help implement our ESG strategy.
- Employing risk management and data collection and analysis tools so we can use resources, like water and electricity, efficiently, manage farm operations and investment-level risk more effectively, and mitigate the impacts of higher-level natural risks, like drought and climate change.



ESG focus in action

In this report, we have highlighted some specific practices and case studies that illustrate a few of these themes in action. The examples are meant to demonstrate how incorporating these themes into how we invest and do business makes us better fiduciaries. In subsequent reports, we will share updates on these and other such efforts as well as the progress we are making, in general, in relation to our ESG themes. Our ultimate goal with such reporting will be to share the progress we are making toward achieving continuous ESG improvement.

Climate change

The effects of climate change must be considered both in how we manage the portfolios of farm assets we currently manage for our clients, and in how we will strategize to build sustainable farmland portfolios for other investors in the future. Increases in temperatures, changes in precipitation and snowpack, extreme weather events, and reductions in water availability, are just some of the climate-change-related challenges and risks we must better understand and manage as we source farm properties for clients. To that end, we employ professional managers, retain expert consultants, and regularly meet as a senior team to discuss our acquisition activities and investment and asset strategies through the lens of climate-related impacts. In California, for instance, we support the Water Education Foundation and its mission as an impartial organization that is focused educating the public about water issues in California and throughout the entire U.S. Southwest. In our operating regions, we also support and participate in local water agencies as is appropriate. Climate and water factors are a key point of consideration as we both analyze the suitability of an investment prior to acquisition, and when we are conducting hold-sell analyses.



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PORTFOLIO OVERVIEW



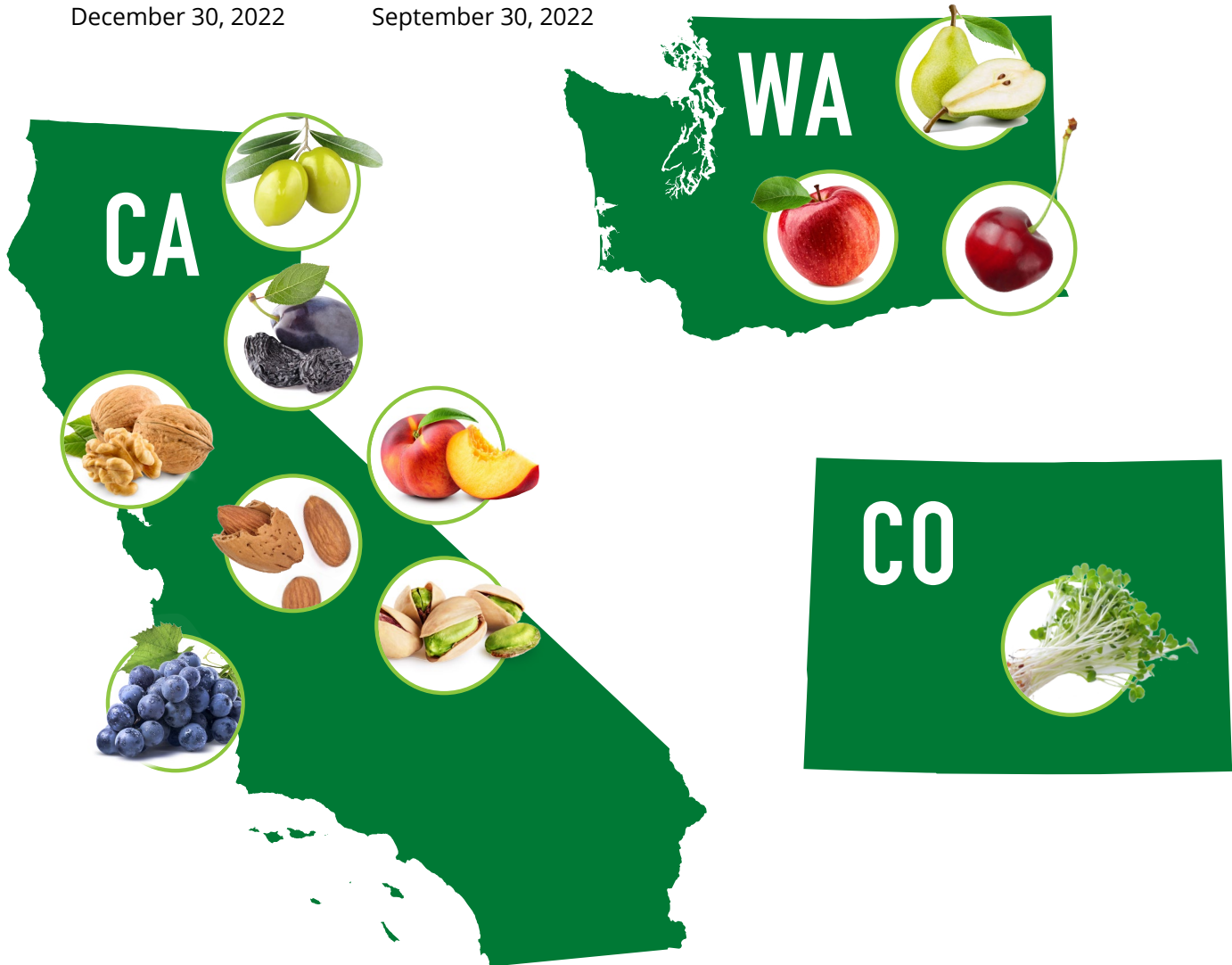
A snapshot of the investments we manage

27,813

total gross acres managed as of December 30, 2022

\$564,495,860

total assets under management as of September 30, 2022



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CERTIFICATION AND ASSURANCE



Leading Harvest

Certification of sustainable management by a third party offers assurance to stakeholders who have an interest in how we farm that what when make claims about our sustainability efforts, they can be trusted.

Leading Harvest is the world's first, third-party sustainability standard for agricultural investors, producers, and processors. AgIS is a founding member of Leading Harvest and we are proud that we achieved certification to its **Farmland Management Standard** on 100% of the acres we managed in 2021. We have maintained that certification in 2022 and have re-enrolled all of the acreage we manage for clients for 2023.

Why is Leading Harvest important to AgIS and our stakeholders?

The Leading Harvest Farmland Management Standard was developed by a team of farm managers, environmental organizations, asset managers, and agricultural sustainability experts. It was modeled after a widely-adopted sustainable forestry certification standard, the Sustainable Forestry Initiative®. It is focused on managing to outcomes that create sustainable management systems, providing farm managers with the flexibility to make the best decisions for each specific site they are operating. Other standards are prescriptive in nature and may not offer the needed flexibility when managing several farms across multiple geographies. The Leading Harvest system gives farm operators ownership over how to create the most sustainable management system for their farms.

The Leading Harvest Standard encompasses 13 important principles for sustainable management:

- 1 Sustainable Agriculture
- 2 Soil Health and Conservation
- 3 Protection of Water Resources
- 4 Protection of Crops
- 5 Energy Use, Air Quality and Climate Change
- 6 Waste and Material Management
- 7 Conservation of Biodiversity
- 8 Protection of Special Sites
- 9 Local Communities
- 10 Employees and Farm Labor
- 11 Legal and Regulatory Compliance
- 12 Management Review and Continual Improvement
- 13 Tenant-Operated Operations



The Leading Harvest Farmland Management Standard was developed by a team of farm managers, environmental organizations, asset managers and agricultural sustainability experts.



What does an audit look like under the Leading Harvest standard?

Every year, farm sites are selected from a mix of the crops and geographies in the farm management portfolios we manage for our clients. A third-party auditor then completes an assessment of our management system based on the Leading Harvest standard, including a document review, interviews with staff and tenants, and a visit to the farms for practice verification. The audit concludes with a report of the findings obtained and a statement concerning our level of conformance with each of the standard's 13 principles. These findings are proof points of our sustainable management system and practices, and if opportunities to improve are observed, they also are included in the audit report.

How does leading harvest certification offer assurance to stakeholders?

In addition to the well-designed and rigorous auditing and certification process, anyone interested in our audit performance and certification status can find our annual reports on the Leading Harvest Website [here](#).



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METRICS



Key metrics from our portfolio*

As we work on building out our capacity to collect and record high quality data over time, we plan to increase the number of metrics we publicly share in subsequent reports.

Certification and assurance



100%
of the farms we manage are certified under the Leading Harvest Standard



2,755
acres of our managed farms are certified organic



1,361
acres of the tree fruit assets we manage for our clients are certified under Global GAP

Precision agriculture



6,650
acres of our orchards utilize pest mating disruption technology to reduce pesticide use

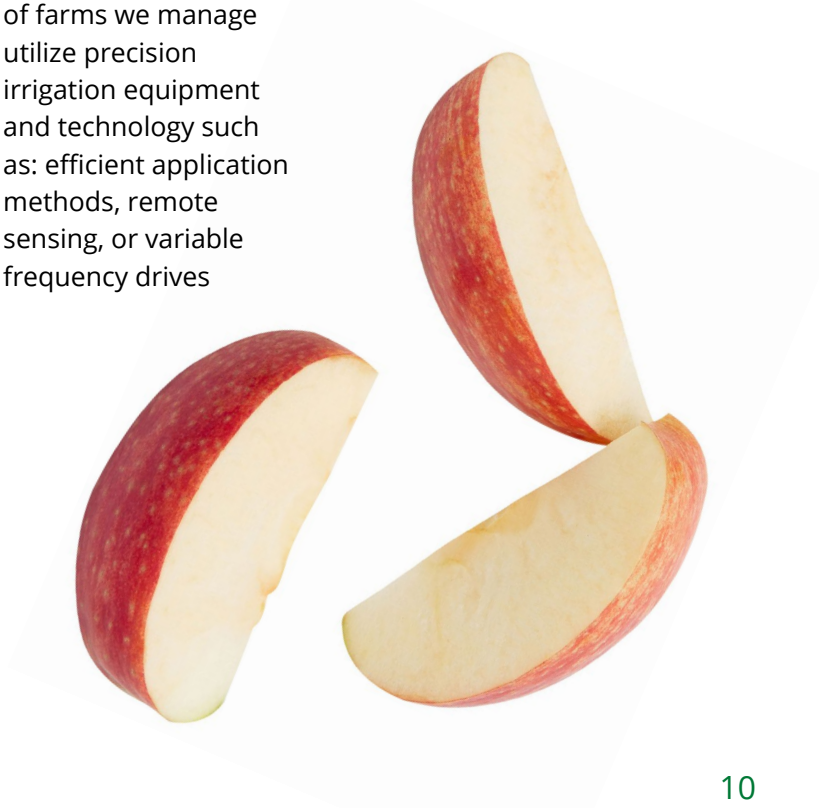


100%
of farms we manage utilize precision irrigation equipment and technology such as: efficient application methods, remote sensing, or variable frequency drives

Clean energy



1.03MW
of solar output is used to power the farms we manage after we constructed 602kw of new solar capacity in 2022



*as of December 2022

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PRACTICE AND
PROJECT HIGHLIGHTS

Biodiversity and expanding buffers

Agis recently purchased an almond orchard for clients that has gently rolling hills with seasonal drainage running through its low spots. Shortly after assuming the management of this property, we decided to remove the trees that had been planted in and near these low-lying areas. Although it sounds counter-intuitive for a farm manager to remove trees from an orchard, it actually was a very good decision. In fact, it produced some “win-win” outcomes.

Results

The first “win” relates to the fact that the region in which the farm is located needs to reduce its groundwater usage over the next 20 years due to evolving water regulations. Removing trees to

increase the buffer area reduces the amount of water needed for irrigation on the farm, and hence reduces the demand on the aquifer for the entire groundwater basin.

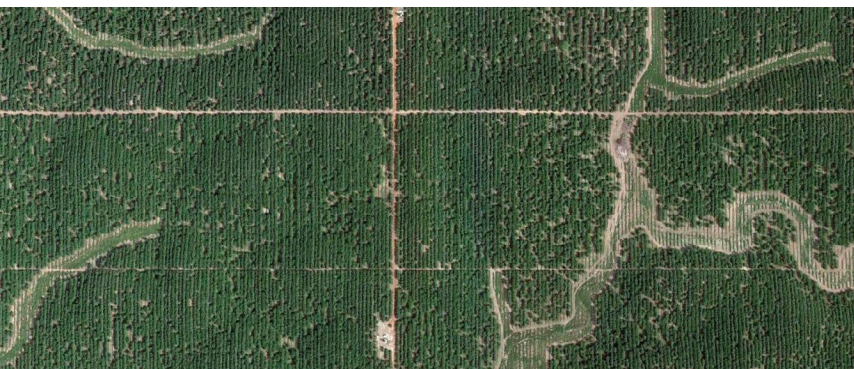


The second “win” relates to the geography and productivity of the site. The low spots in the orchard’s rolling hills are less productive because they tend to become waterlogged during wet periods. As a result, we have seen a minimal reduction in almond production. In addition, because these acres have been taken out of production, we are no longer applying inputs such as fertilizer, herbicides, and crop protectants on these acres. This means that we are increasing the production efficiency of the farm while reducing operating costs.

Beyond these benefits, removing the almond trees from the orchard’s lower-lying terrain has provided us with an opportunity to increase biodiversity on the property. The new buffer areas we have created now contain grass and other plants that support wildlife, as well as flowering plants that provide forage for native bees and other species, which are brought in annually for pollination during the almond bloom. Vegetation growing in these areas also can stabilize soils during periods of high precipitation so water quality of the localized runoff is protected from sediment.

We are optimistic that this is an effective strategy for the groundwater basin in which this orchard sits. We also think it has the potential to enhance other water basins in California that will need to find new ways of reducing groundwater demand while providing benefits to nature and local communities.

Google Earth images taken before (top) and after (bottom) buffers.





Animal incorporation

Replicating natural processes often produces operational efficiencies along with environmental benefits. Here at AgIS, we have observed that incorporating animals into a farming operation when practical offers a multitude of benefits for a farm ecosystem. Grazing animals on a farmed land base is a natural way to control undesirable or invasive weeds and vegetation, which reduces the need to employ herbicides or mechanical methods. In the case of the vineyard on which we use sheep, the animals also help with the suckering and pruning of the vines. Furthermore, the presence of the animals offers a host of benefits relating to soil

health. Among other things, it can increase carbon levels, water holding capacity, and soil fertility.

In addition to using sheep in the vineyard, we incorporate cattle on support lands for some of our clients' farms. The cattle provide many of the same benefits that the sheep do in the vineyard. Beyond the environmental benefits, leasing support lands for cattle grazing provides another income generation opportunity for our clients. It also creates economic opportunities to cattle ranches in our communities by giving them access to additional grazing land for their herds.



Case Study: improving data collection and analysis



In our quest to be more efficient users of important resources, like water, energy, and chemical inputs (herbicide and fertilizer), and to reduce our carbon emissions per unit of production, AgIS must accurately measure and collate the relevant usage data.

In 2022, we piloted a project on a walnut and olive farm in California with our strategic partner, AgMonitor, to improve our collection and analysis of water and energy data. This farm was selected for the pilot because of its history

of high variability in yields from year to year and its energy costs, which were higher than we felt they should be. The pilot consisted of adding equipment to send real-time sensor data to AgMonitor's server from the farm to monitor the water meters, irrigation pressure sensors, weather station, and soil moisture probes in the field, as well as the property's electrical meters. This effort was designed to help us aggregate all of the usage data on a single platform. The information was then linked with aerial imaging and farm manager records for analysis and to enable us to identify ways in which we could implement improvements.

Results

We chose to develop our pilot on this farm because we were expecting room for improvement in our operation. However, we were surprised by how much more operational efficiency was gained.

The level of irrigation accuracy was around 65 percent prior to the pilot, and the olives were not receiving enough water to meet their needs during peak demand periods. Furthermore, we were using electricity frequently at times when prices were high – even when it was not necessary. What was even more surprising was how quickly our team was able to act on the data once they had access to it. Within a few months, the accuracy of our irrigation program was well over 90 percent and we nearly eliminated the use of energy during peak prices. In fact, our energy cost for pumping water decreased by more than 20 percent – and both the yields and quality of the olives we were growing increased.

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In summary, the pilot was a great learning experience in that our objectives were met! We learned that by tracking and integrating operational data we could produce more food with a more efficient use of resources.

This is a great example of how sustainability focused farm management can produce “win-win” outcomes. Because of what we learned through our pilot, our clients have better financial performance than they otherwise would have. In addition, we reduced the strain on the electricity grid by using power off-peak. Finally, we made more efficient use of the groundwater resources that we share with our neighbors and nearby communities.

We are very excited about the results of this effort, and plan to expand our data collection and analysis activities to additional farms beginning in 2023.



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CLOSING STATEMENTS



Thank you

Thank you for taking time to read our inaugural SRI report. This has been a gratifying year for us as we strive to be more transparent about who we are and what we do.

I hope that you have found at least portions of this document to be informative, educational, and even inspiring.

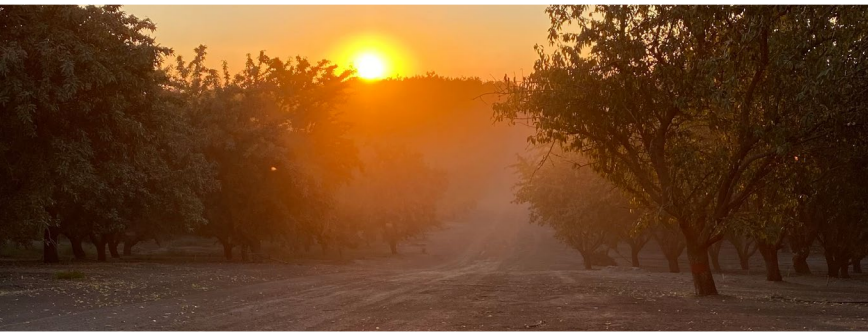
It is a great privilege for me to serve as director of sustainability at AgIS Capital, and I could not think of a better time to be leading this important business function. I come from a background in production agriculture and property management where I have learned that nature is a powerful force – and efforts to resist or work against it are futile. I discovered through my experience farming that the more you understand and work with nature, the more productive a farmland investment and management firm will be. This understanding really inspired my focus on sustainability. It is a win-win for us as a management company to embrace natural processes as they are. Sustainably-run farm assets are more profitable assets. They can add value to nature, society, and for our clients.

As we look to the future, we will increase our ability to collect and interface with high-quality data related to resource use on the farmland assets we manage for our clients, such as water, crop inputs, and energy. The goal of this work is to improve our performance as managers, as well as our ability to be more transparent with our stakeholders. In the near-term, progress toward this goal will consist of expanding the work discussed in our case study: Improving data collection and analysis (page 12 of this report). Expanding existing efforts on biodiversity, animal incorporation, and better supporting the local communities we operate in will remain a focus.

I am looking forward to another year of learning more about nature and society's needs and managing our clients' assets in ways that can create investment, environmental and societal value. I also look forward to reporting back to you next year on our progress and efforts to institutionalize the process of continual improvement.

I hope you all have a safe and prosperous year.

Carl Evers
AgIS Capital Director of Sustainability



AgIS Capital

Agricultural Investment Strategies

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