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**STRICTLY PRIVATE AND CONFIDENTIAL****15 March 2021****ADM Capital Europe LLP Climate Change Policy**

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**Table of Acronyms**

| <b>Acronyms</b> | <b>Definition</b>                                   |
|-----------------|---|
| <b>ADMCF</b>    | ADM Capital Foundation                              |
| <b>E&amp;S</b>  | Environmental and Social                            |
| <b>ESAP</b>     | Environmental and Social Action Plan                |
| <b>ESDD</b>     | Environmental and Social Due Diligence              |
| <b>ESG</b>      | Environmental Social Governance                     |
| <b>ESMS</b>     | Environmental Social Management System              |
| <b>ManBo</b>    | The Management Board of ADM Capital Europe LLP      |
| <b>GHG</b>      | Greenhouse Gas                                      |
| <b>IFC</b>      | International Finance Corporation                   |
| <b>KPI</b>      | Key Performance Indicators                          |
| <b>SASB</b>     | Sustainability Accounting Standards Board           |
| <b>TCFD</b>     | Task Force on Climate-related Financial Disclosures |



## **ADM Capital Europe LLP Climate Change Policy**

### **1.0 Introduction**

Changes to our increasingly erratic and warming climate have been recorded and these are, in part, driven by human actions, according to the scientific community. We believe that major shifts in consumption patterns, in technologies and in regulation will be required to drive the needed substantial and sustained reductions in GHG emissions. At the same time, we will need to adapt to our changing climates. We believe this represents both risk and opportunity to the Cibus funds' portfolio companies and that as risk managers we must attempt to quantify the risk climate change represents to our investments, while as asset allocators we can play a role in supporting the transition to a low carbon and climate resilient economy.

Funds advised by ADM Capital Europe LLP ('ADMCEU') have duties to source and supervise portfolio investments responsibly on behalf of investors in these funds. Climate change represents the single most important sustainability factor given its systemic nature and the material influence on global financial markets. Neglecting climate change analysis could cause the mispricing of risk and the misallocation of assets. As a result, to assist in ensuring a prudent investment process, we have adopted this Climate Change Policy which presents ADMCEU's vision as to how we can be better equipped as risk managers and contribute to mitigating and adapting to climate change. We believe this Climate Change Policy will assist us to operate as a more resilient, forward-looking and long-term driven global business, to map out our challenges and our mitigation strategy to address climate risks and to articulate the governance we have put in place to lead this approach.

ADMCEU is developing a roadmap to aid the implementation of this policy and to support us to align with the Task Force on Climate-related Financial Disclosures ('TCFD'). This policy will evolve with our climate-related initiatives, which will be reflected in our annual sustainability report.

ADM Capital Foundation ('ADMCF') since 2006 has supported research, education and targeted action on climate and its related components such as land use, air pollution and water scarcity, forming a base of knowledge and research for ADMCEU.

ADMCEU's founders and employees, as Investment Adviser to the Cibus funds, have recently established the Cibus Foundation ('CF') to support organisations (charities or not for profit entities) and individual initiatives that are focused largely on the environment, restricting pollution, sustainability, animal and human health or welfare, improving farming communities, cutting food waste and improving recycling techniques. CF looks to focus attention to ESG matters that have a direct impact on agriculture and the farming environment.



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## 2.0 Climate Change Governance

We have governance in place to help us manage sustainability and climate change risks and opportunities and see this as a journey of continuous improvement.

ADMCEU's Management Board ('ManBo'), comprised of ADMCEU's senior management, drives the company's sustainability and climate initiatives, policies and procedures. As such, it reviews, on a regular basis, ADMCEU's exposure to climate change risks and opportunities in terms of governance, strategy, risk management, and metrics & targets.

Our climate-related management falls under the category of "Environment" in our Environmental, Social and Governance ('ESG') management process commitments. ESG policy implementation (including data collection and compliance) are the responsibilities of all Investment team members who analyse, integrate and monitor these factors throughout the life of an asset - from the initial investment committee papers through to transaction exits. ESG due diligence and monitoring is a key part of the ADMCEU investment process and ranks equally with the financial, legal, commercial or other data due diligence and monitoring carried out by the team.

ADMCEU's Investment Advisory Committee ('IAC') reviews the risks and opportunities associated with all proposed investments, including those pertaining to ESG and climate change. Ongoing monitoring after an investment has been made is overseen by the Portfolio Committee.

Compliance with all Environmental, Social and Governance Responsibilities including those related to climate is overseen by ADMCEU General Counsel, Annie Rainsford, as well as ADMCEU's Sustainability Adviser, Lisa Genasci, each supported by the ESG Associate, Georgina Thomas. Their roles in relation to ESG encompass the follow:

- report to the ADMCEU ManBo on ESG matters;
- define and socialise ADMCEU's ESG and climate strategies and policies;
- promote the continuous improvement of ADMCEU's ESG management and performance, including climate, with training, where relevant;
- support the management of external ESG or climate consultants;
- help deal teams communicate effectively the value of ADMCEU's E&S requirements to portfolio companies, investors and external parties;
- generally promote the goal of ADMCEU becoming an ESG leader among private equity and venture capital funds;
- help communicate the firm's profile externally; and
- deliver an annual sustainability report and support other firm E&S reporting.



## **2.1 Compliance with Laws, Regulations**

ADMCEU strives to comply with all applicable laws and regulations related to E&S aspects of its operations, and it expects its clients and third parties acting on its behalf to do the same. ADMCEU's Environmental and Social Management System promotes adherence at both ADMCEU and client levels to all relevant regulatory requirements as well as voluntary commitments and best practice standards.

ADMCEU has recently applied to be a Principles for Responsible Investment ('PRI') signatory, which ADM Hong Kong Limited has been a signatory since 2008. As such, ADMCEU voluntarily follows the management and reporting recommendations and requirements of the PRI, including with respect to climate change-related governance and strategy starting from 2020.

## **2.2 Investment Framework and Use of Best Practice Standards**

ADMCEU adopts the International Finance Corporation ('IFC') Performance Standards ('PS') as its framework for the management of environmental and social risks and impacts associated with the projects it seeks to finance.

IFC Performance Standards define comprehensive operational requirements related to:

- Assessment and management of environmental and social risks and impacts, including climate-related ones;
- Labour and working conditions;
- Resource efficiency and pollution prevention;
- Community health, safety, and security;
- Land acquisition and involuntary resettlement;
- Biodiversity conservation and sustainable management of natural resources;
- Indigenous Peoples (including the use of free, prior and informed consent); and
- Cultural heritage.

Through adopting the IFC PS, ADMCEU is integrating the assessment and management of climate-related risks and opportunities at the project or corporate financing level.

As part of adopting the IFC PS, ADMCEU has also implemented an investment Exclusions List, which includes climate damaging sectors such as commercial logging operations for use in primary forest and drift net fishing or other practices damaging to the marine environment. This exclusion list will be updated and reviewed from time to time with reference to our evolving climate change policy and ESG standards.

ADMCEU is also adopting the recommendations of the TCFD to organise the management of climate-related risks and opportunities relative to the firm and the funds it advises. TCFD recommendations provide a common international framework for companies and investors to disclose information about climate change into their business and investment practices.

The UK has recently announced its intention to make TCFD-aligned disclosures mandatory across the economy by 2025. The alignment of our Climate Change Policy to TCFD is a part of our roadmap to ensuring robust sustainability disclosures. Under TCFD, a series of recommendations is clustered under four categories: governance, strategy, risk management and metrics.



## 2.3 Approval and Review

This Climate Change Policy was approved by the Management Board in March 2021 and will be reviewed regularly as part of ADMCEU's ongoing management review processes.

## 2.4 Climate-risk awareness

This Climate Change Policy is communicated to all ADMCEU staff members and will be made available to ADMCEU advised fund investors, underlying investee portfolio companies and other relevant stakeholders and third parties on request.



### 3.0 Climate Change Strategy

We believe climate change may have material impacts on ADMCEU's operations, business strategy and financial planning. Although the timing of climate-related impacts extends beyond our investment period, we see that we have a role to help our portfolio companies identify climate strategies of their own through data, discussion and, if necessary, corrective action. We, of course, also have a role to be transparent in terms of our own emissions.

Currently, our deal teams manage each of our projects to IFC PS in a process that involves:

- (i) an exclusion list;
- (ii) ESG (including climate related risks) risk and opportunity identification;
- (iii) third party ESG due diligence, where appropriate;
- (iv) development of an Environmental Social Action Plan ('ESAP') to mitigate risks identified during ESG due diligence and based on mutual agreement with the portfolio company;
- (v) identification of E&S related KPIs; and
- (vi) monitoring and reporting of ESG issues (including ESAP compliance and E&S KPI reports) for the life of the deal.

The objective of the above approach is for ADMCEU to seek to ensure that our own systems and processes:

- (1) support us in adopting the internationally recognised TCFD framework to help us shape and report on our sustainability work;
- (2) help ADMCEU staff and Cibus funds investee companies recognise that globally there is only limited remaining carbon budget and ADMCEU wants to contribute positively to the Paris Agreement's<sup>1</sup> objectives of keeping warming to 2.0 degrees Celsius above pre-industrial levels and preferably to 1.5 degrees Celsius;
- (3) support the economic transformation towards a low carbon economy and actively seek portfolio companies who support this process; and

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<sup>1</sup> The Paris Agreement's aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Additionally, the agreement aims to increase the ability of countries to deal with the impacts of climate change, and at making finance flows consistent with a low GHG emissions and climate-resilient pathway. To reach these ambitious goals, appropriate mobilisation and provision of financial resources, a new technology framework and enhanced capacity-building is to be put in place, thus supporting action by developing countries and the most vulnerable countries, in line with their own national objectives. The Agreement also provides for an enhanced transparency framework for action and support.



- (4) apply this strategy broadly across the portfolio investment activities.

### **3.1 Climate-related risks**

In line with the recommendations of the TCFD, we divide climate-related risks into two major categories:

- risks related to the physical impacts of climate change; and
- risks related to the transition to a lower-carbon economy: policy and legal, technology, market and reputation risks.

Transition risks represent climate-related issues such as: policy and regulatory change, reputational impact and shifts in market preferences, norms and technology caused by a changing climate. These transitional risks can affect Cibus funds' portfolio companies' operations and profitability and even lead to stranded assets, and thus indirectly affect the funds we advise. Supply and demand could be affected by changes in policies and technologies and may affect the valuation of portfolio company assets and liabilities. We anticipate that these risks will emerge in the short to medium term (5-10 years). At the same time, we recognise that climate-induced transition brings opportunities including those driven by resource efficiency as well as the development of new technologies, products and services that could lead to new markets and sources of funding which we wish to continue to explore.

Physical risks include extreme weather events such as flooding, typhoons, droughts, and wildland fires, exacerbated in severity by climate change. The effects of these risks could include property losses, production disruption, workforce interference and supply chain issues.

### **3.2 Processes for managing climate-related risks**

ADMCEU is continuously working towards improving its internal processes to manage climate related risks and opportunities, both at the portfolio company level and at the firm level.

ADMCEU follows a systematic E&S process for all our investments to ensure material climate-related risks are managed to the best of our abilities. We have an Environmental Social Management System ('ESMS') in place to provide a set of procedures, internal capacity and policies to identify, manage and report on ADMCEU's exposure to current and potential portfolio ESG risks. We identify climate-related risks as a component of our ESG risk assessments.



An in-house ESG toolkit provides investment analysts with the ability to understand and better manage these risks at the earliest stage of our investment cycle. Our objectives from these processes include:

- a. ensuring that ESG factors are part of the decision making throughout the investment cycle;
- b. supporting Cibus fund investee companies to identify and manage ESG risk, as well as identify opportunity;
- c. creating a framework to engage with clients and stakeholders on ESG standards;
- d. supporting performance monitoring and identify areas where ESG risk should be mitigated within a consistent approach across the funds; and
- e. helping ADMCEU capture the value of ESG integration and demonstrate its track record to investors and other counterparties.

## **4.0 Metrics**

### **4.1 Targets**

We have identified metrics to assess our climate-related risks and how we can best monitor and report on those.

ADMCEU has identified climate-related key performance indicators ('KPIs') alongside other environmental, social and governance indicators, for each project and across its portfolio, that it wishes to monitor and report on to its investors. Our aim is also that our KPIs contribute to the 2015 Sustainable Development Goals ('SDGs') and ultimately the SFDR Principle Adverse Impact ('PAI') reporting framework through driving changes and transparency. We are working to be able to align our KPIs with the SDGs to not just align with the goals but to help achieve these.

KPI data is collected to capture the value of ADMCEU E&S interventions in a transaction and, along with an Environmental and Social Action Plan ('ESAP'), help monitor progress towards E&S objectives set by Cibus fund portfolio companies and ADMCEU working jointly. SASB Accounting Metrics embedded in the In-house toolkit are used to serve as a guideline to be more sector specific in terms of material impact and opportunities.



ADMCEU's climate related KPIs

| Metric                          | Unit        | Risk Type                     | SDGs |
|---------------------------------|-------------|-------------------------------|------|
| GHG Emissions                   | tCO2e       | Transition                    | 7.4  |
| Electricity Consumption         | KWh         | Transition                    | 7.4  |
| Municipal Solid Waste Generated | Tonnes      | Transition                    | 12.4 |
| Water Consumption               | m3          | Physical/Transition           | 6.4  |
| 100-year Flood Zone             | % of Assets | Physical                      | 13.1 |
| Climate Change Policy           | Yes/No      | Physical/Transition/Liability | 13.1 |
| Climate Change Policy Date      | Date        | Physical/Transition/Liability | 13.1 |

ADMCEU intends to monitor its own operational greenhouse gas emissions annually. Separately, as part of the measurement of ADMCEU's Scope 3 emissions, we have embarked upon monitoring pilot portfolio companies for their Scopes 1 and 2 emissions.<sup>2</sup>

## 4.2 Reporting to Investors and Ongoing Engagement

After the initial investment, ADMCEU continuously monitors pre-agreed data relating to the financial, commercial and ESG performance of the portfolio company and, where applicable under the relevant fund offering documents, ADMCEU provides a quarterly investor report that contains a summary of these data to investors (including ESG performance).

A central file of all E&S due diligence reports, ESAPs, E&S KPIs and other E&S data and compliance procedures implemented in respect thereof is maintained by ADMCEU for each portfolio company and updated periodically.

ADMCEU engages, on a case-by-case basis, with relevant stakeholders, civil society organisations and industry groups, potentially government agencies as well as participates in initiatives and develops partnerships that may support our Climate Change Policy implementation.

## 4.3 Public disclosure

ADMCEU aims to publish a Sustainability Report annually. We have published our first sustainability white paper which has been sent out to our investors. Our Sustainability Report aims at providing a complete, balanced and objective snapshot of ADMCEU's E&S progress

<sup>2</sup> The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. This would include ADMCEU portfolio companies.



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for the year. Such progress includes aspects related to ADMCEU's view on its climate change preparedness and resilience.

Additionally, ADMCEU has recently made an application to be a signatory to UNPRI, and once such application is completed, will report to UNPRI on TCFD's Strategy and Governance aspects of climate management.