



---

**ADM Capital Europe LLP  
Stewardship and Engagement Policy  
15 March 2021**

**Purpose**

The purpose of this Policy is to provide an overarching explanation of ADMCEU's approach to our stewardship responsibilities as an investment adviser, our expectations of the companies that we recommend for investment for funds advised by us and our commitments to the LPs in these underlying funds in terms of our own governance and transparency. This document also describes our engagement initiatives with other stakeholders including how we report on the overall sustainability performance of funds which we advise (the 'Cibus Funds') and how we lead and collaborate with others on climate and other environmental matters in particular via the ADM Capital Foundation ('ADMCF') ([www.admcf.org](http://www.admcf.org)) and the Cibus Foundation ('CF').

This Policy has been endorsed by our senior management (our Management Board) in March 2021 and will be reviewed annually.

**Introduction**

Our stewardship commitments are an integral part of our approach to our investment advisory activities and contribute to our ability to deliver of returns to our clients and the underlying LPs in the Cibus Funds. ADMCEU believes that we can help foster better investment practices through our own operations and also through our influence on the underlying investee companies of the Cibus Funds. We believe that the approach a business takes to social and environmental issues ultimately influences returns. As such, we fully expect that the Cibus Funds' investments should be managed on ecologically sound principles, and that this should produce superior returns. ADMCEU strives to foster good corporate governance, respect for the environment, responsible labour policies and ethical business practices. We believe these sustainability practices will benefit the local communities in which investee companies operate, as well as ultimately improve business efficiency and performance so that we can achieve our ultimate goal of attaining the maximum returns for investors.

We will only recommend investment in companies that our internal research and due diligence indicate have or have the potential for strong fundamental characteristics, including good corporate governance structures, make a positive contribution to local economies and are not adversely affecting the local environment or communities. We believe that companies that have constructive and honest dialogue with their shareholders and stakeholders and those that act in a sustainable way, are more likely to deliver superior financial performance in the long run. We therefore actively engage with companies in order to contribute to their long-term success.



Our stewardship activities include monitoring and engaging with companies on their strategy, financial performance, business practices, social and environmental risk management, opportunities for growth, as well as corporate governance. We regularly take a board seat or observer seat in minority investments and have significant board presence where the Cibus Funds have a majority, in order to monitor an investee company's performance and provide advice on matters of critical importance to the company.

Overall, oversight for engagement and stewardship sits with the ADMCEU Management Board ('ManBo') as advised by Lisa Genasci, CEO of the ADMCF.

## **About ADMCEU**

In 2017, ADMCEU launched the private equity based Cibus Funds to invest in rapidly growing companies along the food chain that adopt technologies supporting the profitable and sustainable capture of high-growth market opportunities. The Cibus Funds, based in Guernsey, invest principally in mid-market food chain and agriculture related private equity opportunities mainly in OECD countries globally, whilst the Cibus Enterprise Fund focuses on disruptive technology for farming and the wider food supply chain.

ADMCEU looks to drive positive change in businesses, supporting entrepreneurs and tomorrow's leading enterprises. Through careful structuring, alignment and ongoing management, ADMCEU uses its expertise and established networks to help deliver sustainable growth to portfolio companies.

## **Investment Philosophy and Our Responsibilities as an Investment Adviser**

We look to the Cibus Funds' investee companies to be responsible for ensuring they have appropriate governance structures to serve the interests of their key stakeholders, including shareholders and other financiers.

The Cibus Funds have been established with the aim to produce more with less, so as to feed a growing global population. The Cibus ethos is based on the need to reduce our resource and land use, to protect biodiversity and contribute to climate goals and also to enhance returns and mitigate risk in the sector, as we face not just production challenges but a tightening regulatory and legal environment.

We believe that the social and environmental aspects of businesses ultimately influence returns. As such, we fully expect that Cibus Funds' investments, whilst producing superior returns, should be based on ecologically sound principles and that is why sustainability is at the core of the Cibus philosophy. These considerations include our stewardship commitments and initiatives. We see that active stewardship is key to maximising overall returns across the Cibus Funds' portfolio and overall value to our clients.

ADM Hong Kong has been a signatory to the Principles for Responsible Investments ('PRI') since 2008 (first Asian investment manager ex-Japan to join) whilst ADMCEU has recently



---

applied to become a signatory. ADMCEU has thereby committed to adopting and implementing the following PRI principles (the Principles):

1. incorporate ESG issues into our investment analysis and decision-making processes;
2. be active owners and incorporate ESG issues into our ownership policies and practices;
3. seek appropriate disclosure on ESG issues by the entities in which we invest;
4. provide acceptance and implementation of the Principles within the investment industry; and
5. work together with investee company management to enhance our effectiveness in implementing the Principles.

ADMCEU will report, on a regular basis, investee companies' activities and progress towards implementing these Principles. The PRI defines stewardship as: "the use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend". This Stewardship and Engagement Policy document describes how we communicate with our stakeholders to implement the PRI principles, including the recommended stewardship and fiduciary duty.

## **Exclusion Approach**

We want to avoid making investment recommendations that we deem unsuitable, given the principles outlined in this document. Exclusions are part of our engagement and stewardship commitments.

ADMCEU follows the Exclusion List of the International Finance Institution ('IFC'), the Exclusion List in the Guernsey Green Funds Rules 2018 and any other exclusion criteria required by the Cibus Funds documentation. For example, we will not invest in companies with significant involvement in producing, marketing or distributing tobacco, gambling, casinos (or equivalent enterprises), nuclear power, pornography, firearms or military weapons.

## **Areas of Interest for Engagement**

To manage environmental risks and opportunities, we follow an Environmental and Social Management System ('ESMS') which sets out the policies we adopt and in order to capture the value of ADMCEU's E&S interventions, we set out Key Performance Indicators ('KPIs') and actively engage with investee companies to pursue these. The ESMS also guides us in assessing and disclosing our environmental and social impact aims and supports innovative thinking to improve the environmental and social performance of the Cibus Funds' portfolio companies.

The ADMCF contributes to environmentally friendly public policy, climate change initiatives and support research relative to water risk, among other topics. The Foundation research informs ADMCEU's investment approaches. At the same time, ADMCEU's founders and employees have established the Cibus Foundation to support organisations (charities or not



for profit entities) and individual initiatives that focus largely on the environment, restricting pollution, sustainability, animal and human health or welfare, improving farming communities, cutting food waste and improving recycling techniques. The CF looks to focus attention on ESG matters that have a direct impact on agriculture and the farming environment.

To manage the potential social impacts of our direct and indirect activities effectively, we support the human rights principles clarified in the Universal Declaration of Human Rights, United Nations Guiding Principles on Business and Human Rights and the International Labour Organisation conventions.

We also work with the Cibus Funds' portfolio companies to encourage continuously better practices, for instance to understand and counteract modern human slavery, as governed by our Anti-Slavery and Human Trafficking Policy.

To support corporate governance practices of the Cibus Funds' portfolio companies, we also refer to good international industry practices and seek to improve quality and functioning of the board, corporate culture, risk oversight and management, appropriate executive remuneration policy, audit function, disclosure and transparency, shareholder rights, tax practices and to prevent all forms of corruption through our close interactions. These matters are overseen by the ADMCEU Legal Counsel, Annie Rainsford.

## Active Investment

ADMCEU views engagement as a key activity because it improves our understanding of the financial and non-financial risks and opportunities that are material to the companies in which the Cibus Funds invest. We also see active engagement as part of good governance practices, and we look to engage with companies early at all stages of the due diligence process and throughout the Cibus Funds' holding period, with the view to best support portfolio companies when exiting.

We recognise that accepted standards and norms of corporate governance differ between markets but there are sufficient common threads globally to identify an overarching set of principles that are anchored in transparency and accountability. At a minimum, we expect the Cibus Funds' actual and potential portfolio companies to observe the accepted corporate governance standards in their domestic market or to explain why not doing so supports sustainable long-term value creation.

We typically assess, monitor and engage on the following business aspects:

- governance structure;
- financial performance (past and planned);
- market positioning; and
- specific matters that may be or may become financially material: sustainability issues such as carbon reporting/performance, executive compensation, board composition, company disclosure, particularly around company Annual General Meetings, culture



---

and community engagement (Corporate Social Responsibility initiatives), employee, contractor and community health and safety.

We evaluate any company prior to making an investment recommendation and continue to monitor performance, including on E&S compliance matters, on a regular basis once an investment has been made. Ahead of investment, we carry out in-depth due diligence, using external providers where appropriate and we seek to have regular dialogue with all of the Cibus Funds' investee companies. Constant and effective monitoring of actual and potential portfolio companies is an integral part of our investment process.

As part of our initial investment research and ongoing monitoring process, we consider the extent to which companies are:

1. setting strategic objectives that build a long-term sustainable business model;
2. implementing high quality business practices;
3. managing risk effectively, as seen from the perspective of multiple stakeholders;
4. implementing an appropriate capital structure, through a process of sound capital allocation;
5. promoting good corporate governance, including strong corporate cultures; and
6. communicating transparently and producing high quality disclosures and reporting.

We also assess the industry in which a company operates as we recognise that it exposes companies to industry-specific risks that can only be controlled to a degree.

ADMCEU expects Cibus Funds' portfolio companies to provide timely, accurate and comprehensive reporting on all material governance and business matters, including ESG issues. We are transparent about our expectations from portfolio companies in terms of financial returns and respect for good international industry Environmental, Social and Governance practices, referencing our commitment to following the IFC Performance Standards, the PRI and other relevant sustainable frameworks.

### **Active Ownership and Stewardship Methodology**

ADMCEU's Cibus Funds provide equity investments in mainly OECD food chain and agriculture companies. The Cibus Funds look to capture value created by food producers and processors and other agricultural businesses as they expand and diversify into new markets and sectors as well as adopt disruptive technologies, methods and international best practices.

The Cibus Funds' portfolio companies can be anywhere along the food supply chain or agricultural spectrum with business activity focused on primary inputs, production, processing, value adding, logistics and distribution of proteins, fruits, vegetables or nuts that have strong growth in import replacement and export opportunities. Opportunities in the Cibus Enterprise Fund are focused on disruptive technologies to improve efficiency and reduce the environmental impact of the sector more broadly.



The Cibus Funds aim to be an active partner towards value creation. The Cibus team structures investments to encourage improvement to portfolio company management, governance, financing, food safety, ESG performance, sustainability and rapid adoption of international best practices and technologies. This active ownership intends to take the following perspectives:

- board seats for Cibus appointees help guide material decisions, optimise strategy and influence operations via quarterly board and monthly operational meetings;
- Cibus Funds' portfolio companies can utilise the Cibus team's industry expertise and global networks to develop resilient growth-focused strategies via export market expansion and bolt-on acquisitions driving horizontal, vertical and geographical expansion while keeping regard for implications for eventual exit;
- Cibus Funds' portfolio companies can utilise the Cibus team's internal and external industry expertise to improve margins and profitability, as well as to align management with short and long-term incentive plans including KPIs with rigorous and transparent monthly and quarterly reporting; and
- Cibus Funds work with portfolio company management and ESG experts to develop and execute ESG action plans which include measuring key ESG KPIs to improve the ESG performance of portfolio companies.

In summary, the ADMCEU active investment recommendation strategy aims to make all aspects of our portfolio companies' activities more sustainable, to reduce risks, to maximise returns and to have a positive impact on society and the environment.

## ADMCEU Teams

ADMCEU's Management Board drives the company's sustainability and climate initiatives, its overall policies and procedures. As such, it reviews on a regular basis ADMCEU's ESG performance as well as its exposure to climate change risks and opportunities in terms of governance, strategy, risk management, metrics and targets.

The Investment Advisory Committee (the 'IAC') and legal counsel review the risks and opportunities associated with all proposed investments, including those pertaining to ESG and climate change.

All investment team members are responsible for ESG policy implementation including data collection, analysing, integrating and monitoring these factors throughout the life of a portfolio company investment - from the initial investment proposals to the IAC 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 discusses stewardship and other engagement activities during regular analyst and IAC meetings, where relevant.



---

### **Third-party Due Diligence and Legal Providers**

The Cibus Funds engage third-party due diligence service providers to assess the materiality of ESG risks in portfolio companies. This assessment is informed by our preliminary internal screening analysis, using our proprietary ESG Toolkit and is typically carried out through desk research, on-site visits and interviews. This analysis is undertaken against our reference framework, namely the IFC Performance Standards and thus local regulatory framework. Where gaps are identified, mitigation measures are proposed and gathered into a comprehensive ESAP. Each ESAP item is reviewed by and discussed between the project analyst, the due diligence provider, the potential portfolio company and an ESG Committee representative before it is finalised and included in the investment documentation.

Where appropriate, we work with recognised external providers to support our sustainability objectives within actual and potential portfolio companies. We tender directly, or support companies in tendering out, the relevant assignments in a fair and transparent manner and aim to work with recognised international or local firms. We openly share our reference frameworks. We strive to remain well aware of market and regulatory developments and to adapt our selection criteria to those.

### **Data Collection**

We engage directly with Cibus Fund portfolio companies as our principal source of information for material ESG factors. However, where “best efforts” are insufficient to gather the necessary information, we may engage third-party data providers to help us generate and analyse relevant data.

### **Collaboration with the finance community and other stakeholders**

We participate in the public debate to share the learnings of our experience, as expected under the fourth and fifth principles of the PRI and to help shape global norms and industry standards, with the ultimate goal of working under a policy framework that is consistent with the Cibus Funds’ investors’ interests as long-term shareholders.

We work with our peers by participating in consultations or conferences, presentations or other industry events, to enhance the implementation of good international industry practices in terms of financial and non-financial management and reporting. Where relevant, we also collaborate with other investors, if we believe a collaborative approach will be in the best interests of the Cibus Funds’ investors and portfolio companies and achieve the greatest result.

### **Formal Collaborative Engagements**

The Cibus Fund was the first fund to be designated as a Guernsey “Green Fund” and we actively work with the Guernsey Financial Services Commission (“GFSC”) to support the development of green finance policy.



---

**Investor Relations**

We communicate with the Cibus Funds' investors on a quarterly basis and on an ad hoc basis where relevant. Communications provide a strategic overview of each fund we advise for the benefit of the Cibus Funds' investors, including the most recent developments and expected ones, detail the financial and non-financial performance of each portfolio company and may include an update on ADMCEU's wider activities, in terms of capacity or public involvement (e.g. thought leadership publications, participation to conferences, presentations or other industry events).

**Public Disclosure**

The Cibus Fund and ADMCEU website (<https://www.cibusfund.com>) includes a sustainability-focused section, which contains our relevant policies, our exclusion list and details of our approach to ESG integration. The ADMCF website includes information about how we engage actively with NGOs, academics and government on a range of topics from climate to biodiversity related matters. The Foundation supported China Water Risk research arm publishes on its dedicated site ([www.cwr.org](http://www.cwr.org)) our engagement on water issues as they relate to the investment sector, across industries.

We communicate directly with our wider stakeholders by attending conferences, presentations or other industry events and by reporting on our financial and non-financial performance.

Our overall dialogue is intended to be aligned with this policy, our business strategy, our ESG Policy, our Modern Slavery Policy and our Climate Policy. In particular, through our engagement with our various stakeholders, we seek to maximise our and the Cibus Funds' sustainability operating performance, focus on material aspects, contribute to the Sustainable Development Goals ('SDGs') and, ultimately, generate long-term sustainable performance of the Cibus Funds' portfolio companies for the Cibus Funds' investors.

We are open to discussion, feedback, comments or grievances, whether issued directly to our team members or via our websites. Our approach in this regard is set out in the public disclosure and grievance components of the ADMCEU Employee Handbook.

**Specific approach to climate-related risks and opportunities**

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 necessary 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 investment advisers, we must attempt to quantify the risk climate change represents to the Cibus Funds' investments, while playing a role in supporting the transition to a low carbon and climate resilient economy.



Funds advised by ADMCEU have duties to source and supervise portfolio investments responsibly on behalf of investors in these funds. We believe that climate change represents the single most important long-term 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 a Climate Change Policy to present 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 our Climate Change Policy can assist us to generally 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.

### **Managing conflicts of interest**

As a consequence of acting as investment adviser to the Cibus Funds, the following actual or potential conflicts may arise:

- the Cibus Funds may engage with a company that has a strong commercial relationship with one of the funds' underlying investors;
- the funds may engage with a company that has links with one of our or the general partner's members, officers, employees or consultants;
- the Cibus Funds may engage with companies that have links with some of their third-party providers; or
- the Cibus Funds may otherwise act on behalf of investors who have differing interests in the outcome of their activities.

ADMCEU and the general partner to the Cibus Funds seek to promote the long-term success of the Cibus Funds' portfolio companies, which includes, for instance, matching the cost of ESAP implementation to overall business plan cashflows and company growth. We acknowledge our fiduciary duty to the investors of the funds we advise and seek always to act in their best interests.

Consequently, we have established structured processes to take reasonable steps to identify actual or potential conflicts of interest in our business activities and to have arrangements in place that minimise the possibility of such conflicts arising that could lead to becoming a material risk to the Cibus Funds or their investors.

As part of our internal human resources process and as a regulated entity, our members, employees and consultants are required to declare their compliance situation on a quarterly basis to the ADMCEU Compliance department. In particular, active dealings in securities in which the Cibus funds may invest are not permitted and all security investment is monitored by our Compliance department.

As part of our due diligence process, we check at the tendering stage that our third-party providers do not have a potential conflict of interest themselves with the Cibus Funds'



underlying investors. We seek strong ring-fencing arrangements to be put in place if actual or potential risks are identified.

As stated above, part of our active post investment monitoring processes, we seek to take a board or board observer seat with the Cibus Funds' investments whenever possible. Where this could give rise to actual or potential conflicts of interest from our representative to such board, and whatever the actual or potential reason, our representatives are trained and required to inform immediately our Compliance department to seek advice on alternative arrangements that will enable us to continue relevant participation in business decisions in a manner that is free from actual or potential conflicts.

Our internal governance structures and committees monitor the risks of conflicts of interest.

Finally, where our E&S policies require stricter standards than those of prospective portfolio companies, we design a middle ground roadmap through the ESAP included in the investment documentation. As such, we work with the Cibus Funds' portfolio companies to gradually and progressively implement our E&S and other standards depending on their state of development.

We believe that the long-term sustainability of the Cibus Funds' portfolio companies justifies such a progressive approach. Where portfolio companies deviate from the agreed roadmap, we follow our escalation strategy.

Our Compliance Department is tasked with keeping records of actual or potential conflicts of interest arising out of our business activities.

### **Stewardship Tools - Tracking the Progress of Engagement with Underlying Investee Companies**

We engage and monitor the progress of our engagement with companies through a series of stewardship tools. We measure progress on the issues identified and on the objectives that are set.

Actions we may take include:

1. each deal team may identify stewardship or E&S issues during the due diligence process or portfolio monitoring and will raise these directly with the potential portfolio company contact person;
2. our deal team may engage with our other internal specialists who may be more specialised on the particular issue, or even seek external advice;
3. if the company contact person is not in a position to address the matter, our deal team, supported by our senior management, will engage the company's senior management on the issue;
4. there will be a discussion that will reflect acknowledgement from the company whether our concerns are valid for them;



5. this discussion should include understanding the plan proposed by the company to address the issue that has been identified;
6. ultimately, the deal team will seek to receive confirmation from the company that the plan is implemented, and the objective is delivered, and will check that this is indeed the case;
7. each deal team, represented on a company board, will seek to leverage such a position to drive change or pursue alignment with our policies, the company's policies and the relevant regulatory framework;
8. the deal teams will engage third party consultants to provide technical guidance and help balance views;
9. senior management will discuss regularly and on an ad hoc basis with industry policymakers and standard setters to help support our sustainability agenda and the PRI principles;
10. ADMCEU, through the ADMCF and the CF, supports research and contributes to public discourse on environmental and social topics; and
11. ADMCEU may resort to litigation, where we have tried and exhausted all negotiation and mediation we could reasonably lead.

Where we make insufficient progress on an engagement, we will reassess our options, working with our legal and compliance team.

## **Boardroom Influence**

We use our board seats to facilitate influencing portfolio companies' strategy and gain as much information as possible regarding portfolio companies. Our appointee directors in such positions have fiduciary duties to the shareholders of the underlying portfolio companies whilst also considering the interests of the investors in the Cibus Funds. Where we are only observers to board meetings, we do not have the fiduciary duties of elected board members. In the later situations, we use the position to gather information and try to influence the board from outside the boardroom.

We understand that there may be items addressed at board meetings where it is inappropriate for us to attend and/or vote (where we are voting board members) such as business subjects in which we may have a perceived or real conflict of interest.

## **Escalation Strategy**

Where appropriate, we will engage with other investors to increase the probability of the desired outcome on the matter we are trying to influence. Where we see a policy that goes against the principles outlined in this document, we consider utilising various other remedies available to Cibus Funds as shareholders including shareholder voting, appointee board member votes, shareholder consent rights, implementing an exit strategy and in extreme events, publicly engaging the company through the media or litigation.