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**Cibus Capital LLP**  
**Stewardship and Engagement Policy**  
**November 2022**

*(This policy applies to investments and proposed investments of funds advised by Cibus Capital LLP ('Cibus' or the 'Firm'). This policy is not exhaustive, supersedes any earlier policy or procedures, is current as of the above date and may be varied or amended by management from time to time as circumstances dictate.)*

**1.0 Introduction**

Our stewardship commitments are an integral part of our approach to our investment advisory activities and contribute to our ability to deliver returns to our clients and the underlying LPs in the Cibus Funds. Cibus believes that we can help foster better investment practices through our own operations and 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. Cibus 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 in line with our fiduciary duty to our 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. These characteristics include good corporate governance structures, making a positive contribution to local economies and 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. In order to monitor an investee company's performance and provide advice on matters of critical importance to the company, we regularly take a board seat or observer seat in minority investments and have significant board presence where the Cibus funds have a majority.



Overall, oversight for engagement and stewardship sits with the ESG Committee and Cibus' Management Board ('ManBo') as advised by Lisa Genasci, Managing Director of ADM Capital Climate.

### **1.1. Purpose**

The purpose of this policy is to provide an overarching explanation of Cibus' 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. The policy 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 Environmental, Social and Governance ('ESG') matters.

This policy was first endorsed by our senior management (ManBo) in March 2021 and is reviewed annually.

### **1.2 Investment Philosophy**

The Cibus Funds have been established with the aim to produce more with less, to feed a growing global population in a sustainable and equitable way. The Cibus ethos is based on the need to reduce our resource and land use, to protect biodiversity, contribute to climate goals and to enhance returns and mitigate risk in the sector, in the face of production challenges and a tightening regulatory and legal environment.

We believe that the social and environmental aspects of businesses ultimately influence returns. As such, the 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.

Cibus has been a signatory of the Principles of Responsible Investment ('PRI') since 2021. Cibus has thereby committed to adopting and implementing the six PRI Principles (the 'Principles'):

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.



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- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Cibus regularly reports on investee companies' activities and progress towards implementing these Principles via our Annual Sustainability Report and Transparency Report. 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.

## **2.0 Active Ownership, Stewardship and Engagement Methodology**

### **2.1. Active Ownership, Stewardship and Engagement - Investments**

Cibus aims to be an active partner in value creation for our investee companies. The Cibus team structures investments to encourage improvements in portfolio company management, governance, financing, food safety, ESG performance, sustainability and rapid adoption of international best practices and technologies. The foundation to active ownership at Cibus is encompassed by the following:

- 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 are supported by 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 are supported by 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 Cibus 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.



### **i. Exclusions Approach**

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

Cibus 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. Our exclusions list can be accessed on our website or in our Environmental and Social Management System ('ESMS') Policy

### **ii. Stewardship and Engagement Tools**

We evaluate any company prior to making an investment recommendation and continue to monitor performance, including on ESG 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 based on our investment threshold criteria and we seek to have regular dialogue with all the Cibus funds' investee companies<sup>1</sup>. 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:

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

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

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<sup>1</sup> 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 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.

**1. Pre-Investment:**

- a. Each deal team may identify stewardship or ESG issues during the due diligence process or portfolio monitoring and will raise these directly with the potential portfolio company contact person.
- b. During due diligence and/ or portfolio company management, our deal team and ESG team may engage with our internal specialists who may be more specialised on the particular issue, or even seek external advice.

**2. Investment Management:**

- a. We engage directly with Cibus Fund portfolio companies as our principal source of information collection for material ESG factors. Cibus collects a set of uniform ESG KPIs (c.50) and unique impact KPIs (1-10). ESG KPI reporting is conducted on an annual or semi-annual basis, based on investment ownership criteria. All ESG and impact KPIs are tracked and analysed using our ESG reporting dashboard supported by our fund administrator IQEQ and the Compass platform. These are reported graphically, clearly representing progress made since the investment. The Cibus ESG team reviews the results upon each reporting period, resultant recommendations and actions are developed and are shared with the underlying investee company management team.
- b. If a portfolio company contact person is not in a position to address a matter, our deal teams and the ESG Associate, supported by our senior management, will engage the company's senior management on the issue.
- c. When Cibus engages with a portfolio company on a matter of concern there will be a discussion that will reflect acknowledgement from the company whether our concerns are valid for them; this discussion should include understanding the plan proposed by the company to address the issue that has been identified.
- d. Following any given engagement the deal team and ESG Associate 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.
- e. 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.
- f. The deal teams and ESG team may engage third party consultants to provide technical guidance and help balance views.



In all cases, where Cibus are unable to make sufficient progress on an engagement, we will reassess our options, working with our legal and compliance team. Cibus may resort to litigation, where we have tried and exhausted all negotiation and mediation we could reasonably lead.

### **Specific ESG Risk Tools**

We use a set of specific tools to manage and engage on ESG risks across our funds:

#### **1. Environmental**

Due to the strong connection between environment and agriculture, environmental risk management will always have a direct link to our investment mandate. To manage potential environmental risks associated with each investment we conducted environmental impact and health and safety due diligence, alongside internal standards. We work alongside portfolio companies to integrate better environmental practices through policies and procedures.

#### **2. Social**

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.

#### **3. Governance**

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 Cibus General Counsel, Annie Rainsford.

#### **iii. 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.

#### **iv. 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.

#### **v. Third-Party Service Providers**

The Cibus Funds engage third-party due diligence service providers to assess the materiality of ESG risks in portfolio companies. For each investment where we engage third-party services, ESG aspects and potential for impact across the operations, services, products and supply chain of the company are assessed. We work closely with our providers on comprehensive scope checklists supported by the Investment Advisory Committee ('IAC') discussions and requirements and global standards and frameworks. Risks and opportunities are identified. An Environmental and Social Action Plan ('ESAP') is developed as a result of the due diligence. 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, the Cibus Funds' portfolio companies will undertake annual ESG audits with recognised third-party providers to support the maintenance and alignment of their sustainability strategy.

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 aware of market and regulatory developments and to adapt our selection criteria to those.

## **2.2. Active Ownership and Engagement – Cibus Team**

### **i. ESG Committee**

The Cibus ESG Committee drives the company's sustainability and climate initiatives, its overall policies and procedures. As such, it reviews on a regular basis Cibus' ESG performance as well as its exposure to climate change risks and opportunities in terms of governance, strategy, risk management, metrics and targets. The ESG committee supports deal teams on engagement and active ownership in relation to ESG matters.

### **ii. Investment Advisory Committee (the 'IAC') and General Counsel**



The IAC and legal counsel review the risks and opportunities associated with all proposed investments, reviewing the topics of engagement and stewardship associated with a potential or current investment, including those pertaining to ESG and climate change.

**iii. Investment Team**

All investment team members are responsible for supporting the ESG Associate on responsible investment policy implementation. This includes 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.

**iv. The Cibus Foundation ('CF')**

Cibus' founders and staff 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.

The legal interest of the General Partner is held 20% by Cibus Foundation Limited whose three directors are also its members and whose beneficiaries are environmental charities. Carry will also be donated through to the Cibus Foundation.

**2.3. Active Ownership and Engagement – 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 Cibus' wider activities, in terms of capacity or public involvement (e.g., thought leadership publications, participation to conferences, presentations or other industry events).

**2.4. Active Ownership and Engagement – External**

**i. Formal Collaborative Arrangements**

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. We are also a member of the initiative Climat International ("iCI"). We work alongside other private equity firms to develop mechanisms and frameworks of engagement on climate change across our portfolio companies.

**ii. Informal External Collaboration**

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 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.

### **iii. Public Disclosure**

Cibus produces an annual sustainability report to provide stakeholders with relevant information on ESG matters. The report reviews annual performance considers challenges faced; and details refinements made to our approach to meet future demands. This report demonstrates Cibus' engagement efforts by describing our investment philosophy, discussing the integration of impact measurement, reviewing our new investments and presenting key-theme case studies and KPIs

The Cibus 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.

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, contribution 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 Cibus Employee Handbook.

## **2.5. Active Ownership, Stewardship and Engagement - Climate Change**

Funds advised by Cibus 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 Cibus' vision as to how we can be better equipped as risk managers and contribute to mitigating and adapting to climate change.

### **3.0 Conflicts of Interest**

As a consequence of being an 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.

Cibus 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.

#### **i. Cibus Team**

Our internal governance structures and committees monitor the risks of conflicts of interest. 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 Cibus Compliance department. Active dealings in securities in which the Cibus funds may invest are not permitted and all security investment is monitored by our Compliance department.

#### **ii. Investment-Level**

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



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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.

Finally, where our ESG policies require stricter standards than those of prospective portfolio companies, primarily we establish ESG requirements with the mutually agreed term sheet and upon investment we design a roadmap through the ESAP included in the investment documentation. As such, we work with the Cibus Funds' portfolio companies to gradually implement our ESG standards depending on their state of development and capacity. 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.