





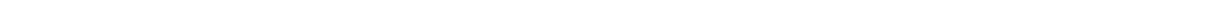
# CIBUS INVESTMENTS II LIMITED

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## **Operating Principles of Impact Management Draft Disclosure Statement**

### **Cibus Investments II Limited**

Cibus Investments II Limited, hereby affirm its status as a Signatory to the Operating Principles for Impact Management (the Impact Principles). This disclosure statement applies to the Covered Assets of Cibus Investments II Ltd, which as of March 2024, amounted to US\$645 million. The Covered Assets comprise funds under Cibus Investments II Limited that have been managed in accordance with the Impact Principles since Cibus' signatory status commenced in March 2022.

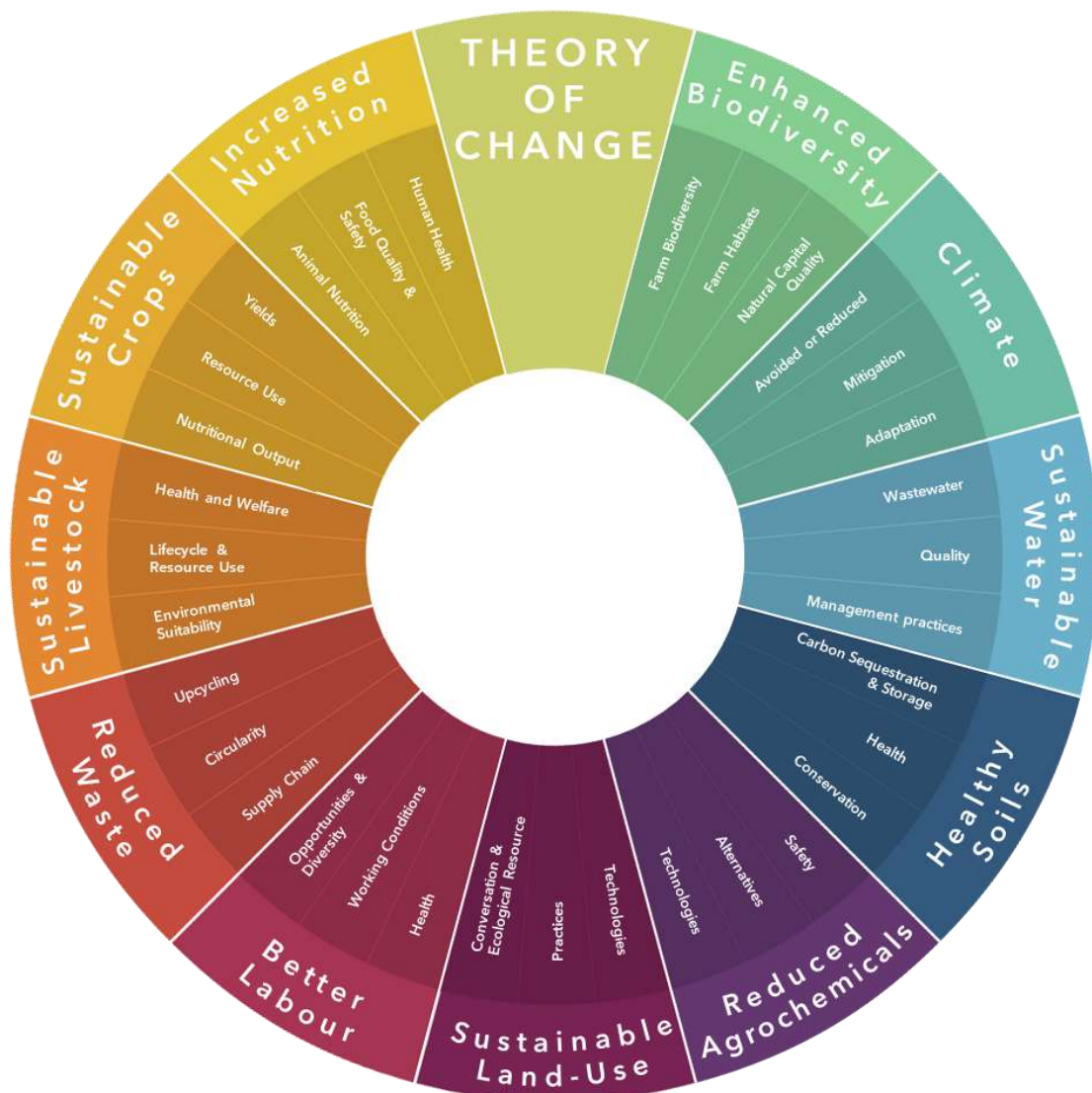


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**Principle 1:** Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social, economic, or environmental effects, which are aligned with the Sustainable Development Goals ('SDGs'), or other widely accepted goals. The strategic intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible expectation of achieving the impact objectives through the investment strategy; and that the magnitude (scale and/or intensity) of the expected portfolio impact is proportionate to the size of the investment portfolio.

Cibus Capital LLP ('Cibus') is committed to achieving positive and measurable social, economic and environmental impact. Cibus Investments II Limited, through the Cibus Fund II LP and Cibus Enterprise Fund II LP (together the "CFII and CEII") vehicles invests in the food and agribusiness sector. Cibus' strategic impact objectives are aligned with the Sustainable Development Goals ('SDGs') and are guided by the problem Cibus is trying to solve - *reducing the impact of the agricultural industry on our planet and people to support a sustainable, secure and equitable future food system.* To ensure consistency between Cibus' impact objectives and investment strategy, Cibus has defined impact objectives using the Theory of Change framework. Each of the impact objectives are outlined in the diagram below.



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The impact objectives are assigned measurable KPIs and are directly aligned with portfolio company strategies and with one or more of the SDGs. Each objective is derived from the IRIS+ Core Metrics and outlines Cibus’ goals and the key stakeholders involved.

Cibus’ strategy is to provide capital to companies in the food and agribusiness sector that are committed to sustainability and that use the latest technology to transform the food value chain. Cibus’ ESG and impact methodologies, policies, and procedures are monitored and advised by the ESG Committee.

Cibus uses its ESG and Impact toolkit (outlined in the Environmental and Social Management System (‘ESMS’) Policy) to integrate and evaluate impact throughout the investment lifecycle to align with CFII’s and CEII’s investment strategy. This methodology employs the Impact Frontier’s Five Dimensions of Impact, Cibus’ Impact Risk Return Rating, Cibus’ SDG alignment and contribution assessment, impact objective-aligned KPI assignment, measurement and reporting. Cibus believes that by defining Cibus’ strategic impact objectives and aligning them with CFII and CEII’s investment strategy, it can achieve a credible expectation of achieving positive impact at a proportionate scale to the size of CFII’s and CEII’s investment portfolio.

Cibus Impact Objective	Aligned SDGs
Sustainable Crops	2, 3, 12, 13, 15
Sustainable Land Use	13, 15
Sustainable Livestock	2, 3, 12, 13, 15
Healthy Soil	13, 15
Biodiversity	14, 15
Sustainable Water	6, 12, 14
Climate Action	13
Increased Nutrition	2, 3
Reduced Agrochemicals	3, 6, 12, 13, 14, 15
Reduced Waste	2, 6, 12, 13, 14, 15
Better Labour	1, 5, 8, 10

Cibus Impact Objectives and their aligned Sustainable Development Goals



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## **Principle 2:** *Manage strategic impact on a portfolio basis.*

*The Manager shall have a process to manage impact achievement at the portfolio level, similar to that of managing financial returns. The objective of the process is to establish and monitor expected impact performance for the whole portfolio, while recognising that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.*

Cibus recognises the importance of managing impact achievement at the portfolio level, similar to that of managing financial returns. Cibus' ESMS provides the systems behind the management of ESG and impact objectives throughout CFII's and CEII's investment lifecycle, equipping the team to track performance.

### 1. Establishing Impact Performance Metrics:

To ensure CFII's and CEII's portfolios align with Cibus' impact objectives, Cibus' investment team sources businesses whose core product, operation or service aligns with the achievement of two or more impact objectives at a portfolio level. During due diligence, each investment opportunity is evaluated based on alignment with Cibus' impact objectives, and ESG and impact KPIs are assigned. Recognising that impact may vary across individual investments in CFII's and CEII's portfolio, Cibus set unique KPIs at the company level. These KPIs are tailored to a company's operation, product, and/or service, and the level of actual or estimated impact is assessed in relation to the stage of a company's business operations and sales.

### 2. Portfolio-Level Impact Monitoring:

Investment management involves establishing an Environmental and Social Action Plan ('ESAP') for majority holdings<sup>1</sup>, which defines the underlying actions needed to achieve impact objectives at the portfolio level. The ESAPs help manage strategic impact on a portfolio basis through:

1. **Standardised ESG Evaluation:** An ESAP provides a standardised process for evaluating the impact performance of all CFII and CEII's portfolio companies. This allows Cibus to compare and benchmark the impact performance of different companies within the portfolio and identify areas for improvement.
2. **Prioritisation of Portfolio-Level Risks:** An ESAP helps to identify and prioritise the ESG risks that are most significant at the portfolio level. By focusing on these high-priority risks, Cibus can effectively manage Cibus' ESG exposures across the entire portfolio and mitigate potential negative impacts.
3. **Development of Portfolio-Level Strategies:** An ESAP helps to develop portfolio-level impact strategies that address common risks and opportunities across all CFII and CEII portfolio companies. These strategies cover broad topics such as sustainability reporting, ESG integration into investment decisions, enhancing non-financial performance through engagement with portfolio companies supply chain risk mitigation. Or, more detailed topics such as soil health, biodiversity, employee health and safety, circular economy initiatives, water efficiency and waste management.
4. **Monitor and Report Progress:** An ESAP provides a framework for monitoring and reporting on the relevant CFII and CEII portfolio company's progress in addressing Cibus' impact objectives. This helps to ensure that the relevant company remains on

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<sup>1</sup> For all minority holdings Cibus sets a number of recommendations as a result of the ESG and impact due diligence. We have an annual meeting each year to focus on the achievement of these recommendations.



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track and is continually improving its impact performance. Majority holdings have a quarterly ESAP meeting.

CFII and CEII portfolio companies report on agreed-upon KPIs regularly, and an aggregated view of the ESG and impact KPIs is reported to the Limited Partners of the Cibus funds (the 'LPs') annually. KPIs and ESAPs are designed together, to support accountability towards the priority outcomes.

Furthermore, Cibus believes in aligning staff incentive systems with the achievement of impact, as well as with financial performance. The Cibus Remuneration Committee adjusts bonuses as appropriate to reflect behaviours and performance in relation to impact and ESG. Within CFII and CEII's portfolio companies comprising majority holdings, Cibus applies the long-term and/or short-term incentive plans to incorporate goals aligned with the impact objectives. These plans are tailored to each of CFII and CEII's portfolio companies, whilst KPIs within the plans are based on findings from the ESG and impact due diligence process with annual targets and overarching goals.

Overall, Cibus is committed to managing impact achievement at the portfolio level, recognising the importance of integrating impact and ESG into the investment process, and aligning staff incentives with these objectives.

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**Principle 3:** *Establish the Manager's contribution to the achievement of impact.*

*The Manager shall seek to establish and document a credible, transparent narrative on the investor's contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels, and assessed for the individual investment, or from a portfolio perspective. The narrative should be stated in clear terms and supported, as much as possible, by evidence.*

Cibus' impact investing approach is aligned with Principle 3, which emphasises the need for a clear and transparent narrative on the manager's contribution to impact achievement. The Cibus Fund's strategies were developed by its founding partners with the aim of addressing the systemic issues in the agricultural industry that have led to detrimental effects on the planet and its people. Cibus' primary objective is to reduce the agricultural industry's impact and drive investment towards creating a sustainable, equitable, and secure future food system. The Cibus advisory team, comprised of experts from diverse backgrounds, is dedicated to achieving this goal. To establish Cibus' contribution to impact achievement, we have created and documented a credible and transparent narrative, through Cibus' Theory of Change that outlines the financial and non-financial channels through which we make Cibus' contributions. This narrative is assessed on both an individual investment and portfolio level and is stated in clear terms, supported by evidence wherever possible.

At the sourcing and origination stage, Cibus' proprietary Impact assessment and Impact Risk Return Rating incorporate an assessment of Cibus' potential to generate positive impact, which is reviewed under two dimensions (from the Impact Frontier's Five Dimensions of Impact): "Investment Contribution" and "Drop off, Execution and External risk."

Regarding "Investment Contribution", Cibus evaluates the extent to which the directed financial capital and impact knowledge add unique value to the company, as well as the commitment, capacity and willingness of management to collaborate with Cibus. Cibus' investment and ESG team's knowledge base and experience with similar companies also informs this assessment. Additionally, Cibus examines successful ESG and impact outcomes across current and previous Cibus funds' portfolio companies to ensure Cibus can contribute effectively.

For "Drop off, Execution and External risk," Cibus evaluates the potential risks associated with the investment and assesses the commitment, capacity and willingness of the current management to mitigate these risks. Cibus considers the ease of risk mitigation, whether it requires an operational overhaul or minimal process changes. Cibus' contribution and experience can aid in mitigating these risks. To ensure accountability and track contribution to impact, Cibus monitors and records engagement with CFII and CEII's portfolio companies. During primary Cibus strategy meetings with company management in the first six months of investment and ESAP meetings (dependent on investment criteria) thereafter, Cibus discusses ongoing and incoming ESG and impact action plans to ensure and demonstrate Cibus' contribution. Quarterly documentation summarises the impact and ESG performance resulting from engagement.

Overall, Cibus' approach to impact investing aligns with Principle 3 by establishing and documenting a transparent narrative of Cibus' contribution to impact achievement for each of CFII and CEII's investments. Cibus' assessments are based on both financial and non-financial channels, and we support Cibus' narrative with evidence as much as possible.

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**Principle 4** - *Assess the expected impact of each investment, based on a systematic approach.*

*For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.*

Cibus recognises the importance of assessing the expected impact of each investment using a systematic approach. Cibus' approach is multi-faceted and considers both direct and indirect impacts. Cibus utilises proprietary and third-party frameworks, including the ESG Toolkit, to comprehensively analyse a company's impact and sustainability.

Cibus' Impact Risk Return Rating assesses the contribution of each investment to achieving impact across five dimensions established by Impact Frontiers. Cibus evaluates the intended impact, the recipients of that impact, and the magnitude of the expected impact. Cibus also considers the likelihood of achieving the investment's expected impact by identifying significant risk factors that could impact the outcome. Risks are allocated a risk score based on potential magnitude and overall likelihood of the risk occurring. In addition, Cibus analyses each funds investment's alignment with the SDGs by reviewing the SDG goals and underlying targets associated with the company's operations, services and supply chain. This analysis enables Cibus to evaluate both the direct and indirect contribution of each of CFII and CEII's investments to the SDGs.

Throughout the due diligence process, Cibus collaborates with CFII and CEII portfolio company management to establish relevant impact KPIs aligned with IRIS+ Core Metrics and Cibus' impact objectives under the Theory of Change to monitor and report on progress. Cibus analyses and estimates the expected impact of an investment across the impact objectives within the Cibus Enterprise strategy for 5- and 10-year timelines. Within the Cibus strategy's investments, Cibus assesses expected impact on a qualitative basis, following Cibus-designed impact strategies. The likelihood of achievement is discussed with management, integrated into ESAPs and the trajectory and achievement of which are reviewed on an annual basis. Cibus also works with CFII and CEII's portfolio companies to identify opportunities to increase their impact, which are included in their ESAP, and which are reviewed at least annually. These may include life-cycle analysis, external consultancy reviews and supply chain analysis.

Cibus' commitment to assessing the impact of each of CFII's and CEII's investments using a systematic approach ensures that Cibus is aligned with industry standards and best practices. Cibus also seeks to enhance the impact KPIs and strategies throughout CFII's and CEII's investments' lifetime to drive meaningful, positive impact.





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## **Principle 5 – Assess, address, monitor, and manage potential negative impacts of each investment.**

*For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.*

Cibus is committed to managing and mitigating potential negative impacts of CFII's and CEII's investments on the environment, society and governance through its ESMS. The Cibus investment due diligence process includes the assessment and regulation of sustainability factors and risks, as well as the identification and avoidance, or if necessary, mitigation and management of ESG risks.

To begin, Cibus has established an exclusions list based on regulatory and signatory exclusions, as well as internally-designed exclusions lists. Cibus positively selects for organisations that demonstrate a commitment to avoiding harm, benefiting society, and/or creating solutions to some of the planet's greatest challenges.

Cibus' ESG toolkit is utilised during the concept stage to analyse ESG and impact risks and opportunities. It consists of two parts: screening and analysis of ESG and impact risks and opportunities; and the assessment of impact risk-return and SDG alignment. This toolkit provides insights to the Cibus Investment Team during due diligence, enhancing Cibus' ability to identify and discuss problem areas with external due diligence service teams and the Cibus Investment Advisory Committee.

During due diligence, Cibus analyses each investment across SASB ESG risk categories and the Impact Frontiers five dimensions of impact "risk" category. Cibus, for majority investments, works with third-party ESG due diligence providers and, for minority investments, conducts internal analysis to target deep-dive analysis on areas of concern. Cibus produces a final due diligence report, within which is an analysis of impact risk. Cibus reviews the results with management and develops an ESAP for each of CFII and CEII's majority-owned portfolio companies (recommendations are made for minority investments), which is regularly reviewed during the holding period. The ESAP has priority actions which are timebound. These are then costed at board level where capital, financial or human, is allocated as a result. Since 2022, for all majority-owned companies, Cibus integrates specific ESG and impact actions into long-term and/or short-term incentive plans. This allows Cibus to identify and manage any emergent ESG and impact risks and monitor performance. The ESAP development and monitoring is incorporated as a requirement within Cibus' term sheets.

Cibus is dedicated to engaging with the Cibus funds' limited partners and other stakeholders to encourage their involvement and commitment to take action. Moreover, Cibus aims to address potential gaps in current systems, processes, and standards, Cibus uses an approach aligned with good international industry practice, aligned with our Stewardship and Engagement Policy. This systematic and documented process enables Cibus to effectively assess, address, monitor, and manage potential negative impacts of each investment.

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**Principle 6:** Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

*The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.*

Cibus takes monitoring the progress of each investment in achieving impact against expectations very seriously. Cibus has a standardised approach to monitoring progress, and the ESMS supports monitoring, reporting and engagement. Additionally, a company-specific ESAP sets out a strategy and roadmap for each majority-owned Cibus fund investment to achieve the targeted impact.

Cibus' Stewardship and Engagement policy outlines the monitoring and engagement with CFII and CEII's portfolio companies, including their strategy, financial performance, business practices, social and environmental risk management, opportunities for growth, as well as corporate governance. Cibus works with CFII and CEII's portfolio companies to gradually and progressively implement Cibus' ESG and impact standards, depending on their state of development. Cibus believes that the long-term sustainability of CFII and CEII's portfolio companies justifies such a progressive approach and ultimately adds value to the company at exit.

Cibus conducts in-depth due diligence before making investment recommendations and seeks to have regular dialogue with all of CFII and CEII's investee companies. Constant and effective monitoring is an integral part of Cibus' investment process. Cibus makes reasonable efforts to take a board or observer seat in minority investments and has significant board presence where a majority ownership position is held. This enables Cibus to monitor a CFII and CEII's investee company's performance and provide advice on matters of importance.

Cibus collects a set of standard and unique impact KPIs, established through the process referenced in Principle 4. Cibus uses the estimates of impact goals on 5- and 10-year timelines established prior to making the investment to compare achieved vs. expected impact for those companies in the Cibus Enterprise strategy. The Cibus strategy's investments assess expected impact on a qualitative basis, following Cibus-designed impact strategies. All ESG and impact KPIs are collected, tracked and analysed using a third-party dashboard, and are reported graphically, clearly representing progress made since the investment date. KPI reporting is conducted on an annual basis.

All progress is monitored via regular meetings, and the impact outcomes from these meetings and reviews are noted. If expected and achieved impact are no longer in line, Cibus will review the appropriate corrective action to understand if the results can be modified. Cibus employs an escalation strategy, this is clearly stated in Cibus' Stewardship and Engagement Policy.

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**Principle 7:** *Conduct exits considering the effect on sustained impact.*

*When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.*

Cibus approaches the exit process with the aim of maximising financial returns while also ensuring that the impact created is sustained over the long term. Cibus believes that by integrating ESG and impact considerations into exit preparations, Cibus can increase the likelihood of achieving both financial and impact objectives.

CFII and CEII hold investments for a minimum of two and a half years, with an average holding period of more than 5 years. This provides ample time to measure ESG and impact performance against a minimum of a 5-year timeline, which aligns with Cibus' 5-year impact expectations objectives set at the investment date. By doing this, Cibus can make informed decisions about the sustainability of impact achieved and the potential for further improvement.

The exit planning process begins before the Cibus funds even make an investment. Cibus seeks out companies with impact integrated into their business models and management teams that are committed and proactive in pursuing positive impact. By investing in companies that prioritise impact, the Cibus funds can increase the likelihood that the impact created will be sustained even after Cibus' exit.

When preparing for an exit, Cibus assesses the potential impact of different exit strategies on the sustainability of the impact achieved. Cibus aims to work collaboratively with CFII and CEII's investee companies to find a mutually beneficial exit strategy that preserves and enhances the impact created. Additionally, for all majority-owned investments, Cibus collaborates with a third-party to conduct a comprehensive analysis evaluating the fulfilment of ESG and impact objectives delineated in the ESAPs. This analysis enables Cibus to gauge management's dedication and capability in driving impact throughout the investment's duration and beyond, while also providing an external assessment of Cibus' contributions to impact and ESG risk management.

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**Principle 8:** *Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.*

*The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.*

Cibus believes that a key aspect of responsible investing is the continuous improvement of Cibus' decisions and processes based on the achievement of impact and lessons learned. Cibus recognises that each investment presents a unique opportunity to learn and grow, and Cibus is committed to using those experiences to enhance Cibus' impact methodology and ultimately achieve greater positive impact.

Using the data and insights gathered through CFII and CEII's investment pipeline and management processes (as explained in Principle 4, 5 and 6), Cibus conducts regular, at least annual, reviews of the impact performance of each of CFII and CEII's investments, comparing expected and actual impact and other positive and negative impacts. The Cibus ESG team also analyses the challenges, lessons learned and strategies required to improve on an annual basis, including a review of all exited Cibus fund portfolio companies. These are presented to the Cibus ESG Committee, who meet quarterly, using these findings to continuously improve operational and strategic investment decisions, as well as management processes. Cibus ESMS, Theory of Change, and policies are reviewed and amended on a regular basis by Cibus' ESG Committee to incorporate lessons learned and industry best practices.

In addition, Cibus recognises the importance of engaging with industry partners and peers to seek advice and share best practice. Cibus regularly participates in industry conferences and working groups and collaborates with other responsible investment firms to stay abreast of emerging trends and best practices, including the Initiative Climat International ('iCI'), the Principles of Responsible Investment ('PRI') and Impact VC.





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**Principle 9:** Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

*The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.*

Cibus will publicly disclose on an annual basis the alignment of its impact management system with the Impact Principles. The disclosure statement will be updated to reflect any improvements and changes made to Cibus' impact management system. An independent verification of alignment of Cibus's impact management system with the Impact Principles will be carried out approximately every two years, the first verification report will be provided by December 2024.



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## Disclaimers

The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organisation controlling, controlled by, or under common control with the Signatory.