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## Nature Policy

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Cibus Capital LLP and the Cibus Funds

**Adoption Date:** 25 June 2024

**Approved By:** Jeremy Alun-Jones, Cibus Investments Limited, Cibus Investments II Limited

**Owner:** Georgina Thomas



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## 1. INTRODUCTION

1.1 This policy applies to:

- (a) Cibus Capital LLP and its staff (the 'LLP'); and
- (b) funds advised by the LLP (the 'Cibus Funds' and together with the LLP, 'Cibus').

1.2 This policy (the 'Policy') was adopted on 25 June 2024.

1.3 This Policy is reviewed annually and may be amended on an ad hoc basis if required.

## 2. INTRODUCTION

2.1 Cibus has a duty to source and monitor investments responsibly on behalf of investors in the Cibus Funds. Cibus recognises the paramount importance of the sustainability risks pertaining to anthropogenic impacts on the natural environment, given their connections to critical ecosystem services. These include clean air, water, food production and climate regulation, all of which form the foundation of global economies and human well-being. Failure to conduct a thorough analysis of nature-related factors may lead to the inaccurate evaluation of risks and the misallocation of assets. Moreover, it is important to acknowledge that nature simultaneously offers both risks and opportunities to Cibus and the portfolio companies within the Cibus Funds ('Portfolio Companies'). In its capacity as advisers on risk management, Cibus is responsible for evaluating the risks associated with nature in the Cibus Funds' investments. As advisers with regards to asset allocation, Cibus has the opportunity to support the shift in financial flows away from nature-negative outcomes towards nature-positive outcomes to enhance the resilience of the planet and societies.

2.2 To ensure a prudent investment process, Cibus has adopted a Nature Policy. This policy is aligned with the recommendations of the Task Force on Nature-related Financial Disclosures ('TNFD'). This policy is communicated to all employees of the LLP and will be made available to investors in the Cibus Funds, Portfolio Companies and other relevant stakeholders, on request.

## 3. NATURE GOVERNANCE

3.1 Cibus has established governance protocols and frameworks to proactively manage nature-related dependencies, impacts, risks and opportunities, whilst viewing this as a journey of continuous improvement. Cibus' nature-related governance falls under the Environmental and Social Management System ('ESMS'), which governs all the procedures associated with responsible investment.



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### 3.2 **Environmental, Social and Governance Committee**

- (a) Cibus' Environmental, Social and Governance ('ESG') Committee is comprised of Jeremy Alun-Jones (COO), Rob Appleby (CIO), Annie Rainsford (GC), Kristen Weldon (Head of Natural Capital), Alastair Cooper (Head of Venture), Katie Hughes (Head of Investor Relations), Lisa Genasci (Sustainability Advisor to the LLP) and Georgina Thomas (Senior ESG Associate).
- (b) The committee holds responsibility for driving Cibus' sustainability and nature-related initiatives, while formulating and upholding relevant policies and protocols. This includes regularly reviewing the Cibus Funds' dependencies and impacts on nature, analysing investments' vulnerability to nature-related risks and identifying positive nature-related opportunities related to the Cibus Funds' strategy. These assessments are conducted within ESG Committee meetings and are integrated into the committee members' routine duties. This approach aligns with the principles advocated by TNFD for evaluating nature-related aspects within operations.

### 3.3 **Investment Advisory Committee**

- (a) The members of Cibus' Investment Advisory Committee ('IAC') review the risks and opportunities of all proposed investments, including nature matters. Prior to investment, the IAC members are responsible for reviewing and allocating due diligence costs and materials proposed by the ESG team to assess nature-related dependencies, impacts, risks and opportunities.

### 3.4 **Internal Oversight**

- (a) Compliance with all nature-related responsibilities is overseen by the Senior ESG Associate and the General Counsel, as well as Cibus' sustainability advisers. The Senior ESG Associate, with support from the investment team members, is responsible for advising the Cibus Funds with regards to nature-related dependencies, impacts, risks and opportunities throughout the life of an asset, from the initial IAC papers to the exit, addressing nature at each stage of the ESMS. This includes tasks such as determining how and where direct operations might affect biomes, supporting data collection of nature dependencies and impacts and identifying opportunities for positive nature-related outcomes.
- (b) ESG due diligence and monitoring, inclusive of nature-related considerations, is a key part of the investment process and ranks equally with the financial, legal, commercial or other data due diligence and monitoring carried out by Cibus.

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### 3.5 Legal and Voluntary Regulation and Compliance

- (a) Cibus strives to comply with all applicable laws and regulations pertaining to nature-risk management. Cibus' ESMS promotes adherence to all relevant regulatory requirements as well as voluntary commitments and best practice standards, including the recommendations of the TNFD. Cibus seeks to expand and improve the quality of its nature strategy and reporting, consistent with both the International Sustainability Standards Board ('ISSB') Standards and Target 15 of the Global Biodiversity Framework ('GBF')<sup>1</sup>.

(b) **Exclusions List**

The Cibus Funds employ an investment exclusions list based on guidelines from the IFC PS, UN Global Compact, The Guernsey Green Fund and animal welfare principles as well as exclusion requirements from investors in the Cibus Funds. This list comprises activities that are known to have adverse impacts on the natural environment, such as commercial logging, controversial fishing practices, intensive livestock farming and any activities that perpetuate the use of fossil fuels. While activities within specific environmentally sensitive geographical areas<sup>2</sup> are not explicitly listed within the Cibus Funds' exclusions list, they are subjected to heightened scrutiny during the initial stages of due diligence<sup>3</sup>.

The exclusion list is updated annually, or as necessary, by the Senior ESG Associate as Cibus' Nature Policy and standards evolve.

(c) **Task force for Nature-related Financial Disclosures**

The TNFD recommendations offer a common international framework for companies and investors to disclose nature-related dependencies and impacts and respond to evolving nature-related risks and opportunities affecting their business and investment practices (see Figure 1). Cibus adopts the recommendations of the TNFD to advise on nature-related matters material to Portfolio Companies where a majority shareholding is held. For Portfolio Companies under minority ownership, nature-related dependencies and impacts are measured against a simplified framework tailored to the unique nature of the investments, their maturity and size. This approach allows Cibus

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<sup>1</sup> The Kunming-Montreal Global Biodiversity Framework ('GBF'), initiated during the 2022 UN Conference on Biodiversity ('COP15'), includes four goals and 23 targets to be achieved by 2030 to halt and reverse nature loss. Target 15 requires business and financial institutions to transform their business practices by monitoring and disclosing their dependencies and impacts on biodiversity, as well as work towards reducing negative impacts on biodiversity and increasing positive impacts.

<sup>2</sup> The TNFD defines sensitive locations as any of the following: areas important for biodiversity, areas of high ecosystem integrity, areas of rapid decline in ecosystem integrity, areas of high physical water risks, areas of importance for ecosystem service provision.

<sup>3</sup> The TNFD refrains from advocating specific exclusionary policies for particular sectors, activities or regions. Instead, it is recommended that investors establish their unique risk appetite and limits.

to effectively address the specific characteristics of these investments while still considering the recommendations of the TNFD as valuable insights to inform and guide impact strategies.

Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

**Figure 1:** TNFD's recommended disclosures (TNFD, 2023b: 47).

Cibus' commitment to aligning its Nature Policy with the TNFD is a pivotal step in its journey to providing comprehensive and robust nature-related disclosures. Following the TNFD framework, Cibus' disclosures within this policy are organised into four categories: Governance (3.0) (above), Strategy (4.0) (below), Risk Management (5.0) and Metrics (6.0).

#### 4. NATURE STRATEGY

4.1 Cibus acknowledges that the degradation of our natural environment can have substantial material effects on the firm, the Cibus Funds and Portfolio Companies. To address this, Cibus is committed to adhering to the TNFD recommendations and integrating consideration of nature-related dependencies, impacts, risks and opportunities into its strategy and those of the Portfolio Companies.

4.2 Cibus actively engages with current and potential Portfolio Companies, assisting them in identifying and understanding nature-related aspects and implementing robust nature strategies. Cibus views nature risk as an aspect of ESG risk and has integrated the evaluation of nature-related issues into its ESMS. Cibus ensures all facets of the LEAP framework<sup>4</sup> are contained within its ESMS to facilitate a comprehensive and integrated assessment of Portfolio Companies:

- (a) **The Exclusions List:** Includes activities defined by the IFC PS, UN Global Compact, The Guernsey Green Fund and animal welfare principles as well as exclusion requirements from investors in the Cibus Funds that are known to have adverse impacts on the natural environment;
- (b) **The ESG Toolkit:** Includes locating where the company's direct operations interact with nature and sensitive locations, an initial screening of the

<sup>4</sup> The LEAP framework (TNFD, 2023a) was designed by TNFD and knowledge partners to be used by internal teams within organisations to manage nature-related risks. It involves four phases: locate your interface with nature; evaluate your dependencies and impacts on nature; assess your nature-related risks and opportunities; and, prepare to respond to, and report on, material nature-related issues.

company's nature-related dependencies and impacts and assessment of nature-related risks and opportunities, all through the use of proprietary frameworks;

- (c) **ESG Due Diligence:** Includes comprehensive assessment of nature-related dependencies, impacts, risks and opportunities and heightened scrutiny of any sensitive locations. This is conducted by a third-party for majority investments and internally for minority investments;
- (d) **Environmental Social Action Plan ('ESAP')**: Includes developing actions to reduce nature impacts and mitigate nature risks identified during ESG due diligence, based on mutual agreement with the Portfolio Company. ESAP compliance is monitored through regular meetings;
- (e) **ESG KPIs:** Suitable KPIs are identified and implemented to help measure nature-related dependencies and impacts on an ongoing basis; and
- (f) **Monitoring and Reporting:** Includes monitoring of nature matters (e.g. through ESAP compliance and ESG KPI reports) for the life of the investment.

4.3 The nature strategy outlined above enables Cibus to:

- (a) Adopt the universally recognised TNFD framework to shape and report on its nature initiatives;
- (b) Contribute to the "nature-positive" movement, which aims to halt and reverse biodiversity loss by 2030, with full recovery by 2050<sup>5</sup>;
- (c) Apply this strategy across investments where the Cibus Funds are a majority shareholder;
- (d) Evaluate exposure to sensitive locations and high-risk sectors within its portfolio of investment activities, facilitating the prioritisation of efforts accordingly; and
- (e) Align investments with the objectives of the Cibus Funds' Theory of Change<sup>6</sup>.

## 5. NATURE RISK AND IMPACT MANAGEMENT

### 5.1 Nature Risks

- (a) Nature-related risks are potential material threats to an organisation, arising from its dependencies and impacts on nature. In line with the

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<sup>5</sup> Parallel to the 1.5-degree target established during the Paris Agreement, the GBF is centred on a vision to "live in harmony with nature by 2050". The GBF's objective is to stop and reverse biodiversity decline by 2030, supported by 23 action-driven targets. This signifies a pivotal moment in global efforts to bring attention to the significance of biodiversity and to initiate measures aimed at averting the decline of nature in the coming decades.

<sup>6</sup> The Cibus Funds' Theory of Change is outlined in Cibus' ESG and Impact Policy.

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recommendations of the TNFD, Cibus divides nature-related risks into three categories:

- (i) **Physical risks:** Risks directly associated with the physical impacts of the degradation of nature and the consequential loss of ecosystem services;
  - (ii) **Transition risks:** Risks related to the transition to a nature-positive economy, primarily driven by changes in policies and regulations, technologies and market preferences; and
  - (iii) **Systemic risks:** Risks that emerge from the collapse of the entire system rather than the failure of individual components.
- (b) **Nature-related physical risks** arise from alterations in the living (biotic) and non-living (abiotic) elements crucial for thriving ecosystems. They are often specific to locations and can manifest as acute or chronic. Acute risk examples include natural disasters, extreme weather events and pest and disease outbreaks. Chronic risk examples include pollution from pesticide use, water scarcity and climate change. Effects of physical risks may include increased maintenance costs, property losses, production disruption, workforce interference, resource scarcity and supply chain issues.
- (c) **Nature-related transition risks** arise from a disconnect between economic activities and efforts to safeguard and/ or restore nature. These risks may be prompted by changes in regulation and policy, legal standards, technology or investor sentiment and consumer preferences. Transition risks can affect the Portfolio Companies' operations and profitability, potentially resulting in stranded assets and indirectly affecting the Cibus Funds. For example, if a future regulation were to require the purchasing of carbon credits to offset emissions, this could significantly raise the operational costs of agricultural assets. Cibus anticipates that these risks will emerge in the short to medium term (five to ten years)<sup>7</sup>.
- (d) **Nature-related systemic risks** are defined by small tipping points that, when combined indirectly, lead to significant failures and prevent Earth systems from returning to their previous equilibriums. Systemic risks encompass both ecosystem stability risk<sup>8</sup> and financial stability risk<sup>9</sup>. It is critical Cibus maintains a focus on systemic risks, as they have the potential to result in unexpected and substantial financial consequences.

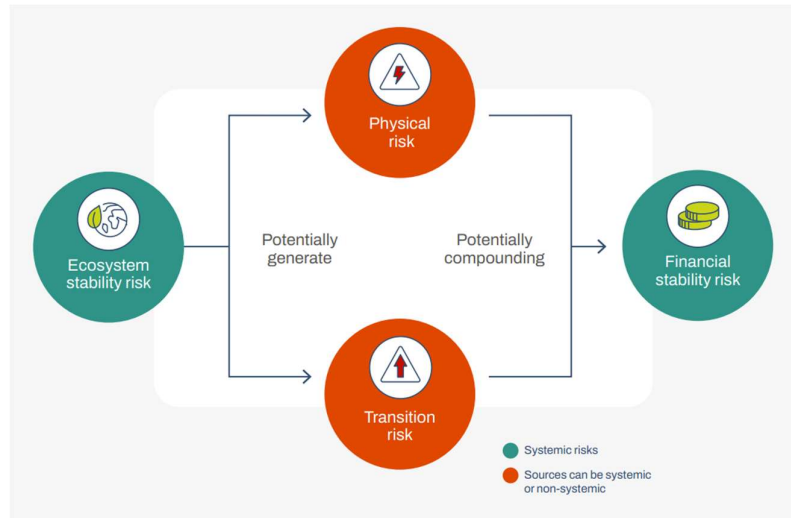
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<sup>7</sup> According to scientific evidence, the imminent effects of nature loss and climate change will exacerbate regional food insecurity, water stress, and the spread of food-borne, water-borne and vector-borne diseases, leading to far-reaching impacts across our primary industries (IPCC, 2023).

<sup>8</sup> Ecosystem stability risk refers to the risk of a critical natural system destabilising, causing it to no longer provide ecosystem services as before.

<sup>9</sup> Financial stability risk refers to the potential for the materialisation and compounding of physical and/ or transition risks, resulting in the destabilisation of an entire financial system.

- (e) The interrelation between nature-related physical, transition and systemic risks is illustrated in Figure 2.



**Figure 2:** Nature-related risk categories (TNFD, 2023b: 36).

- (f) Furthermore, Cibus recognises that embracing the transition to a nature-positive economy brings opportunities for new technologies, products and services that could lead to new markets and revenue streams. Cibus is committed to proactively seeking out these opportunities.

## 5.2 Nature Risk Management

- (a) Cibus is continuously working towards improving its internal processes to advise on nature-related risks, both at the Portfolio Company, fund and firm-level.
- (b) Cibus follows a systematic process for all Cibus Fund investments to ensure material nature-related risks are managed to the best of its abilities. Cibus' ESMS provides a set of procedures, ensures internal capacity and employs policies to identify, manage and report on the Funds exposure to current and potential nature-related risks. Cibus identifies nature-related risks as a component of its broader ESG risk assessments.

## 6. NATURE METRICS AND REPORTING

- 6.1 Cibus has established a set of metrics for the monitoring and reporting of nature-related dependencies, impacts, risks and opportunities. These are drawn from the TNFD's recommendations for financial institutions. This set of metrics was developed

in consideration of the current materiality of the Portfolio Companies, however Cibus intends to progressively broaden the scope of measuring nature-related issues in alignment with the evolving guidance provided by the TNFD.



## 6.2 Portfolio-Level Nature-related Key Performance Indicators

- (a) Cibus has established Key Performance Indicators ('KPIs') to annually assess nature-related dependencies and impacts for each Portfolio Company. These KPIs correspond to the five primary impact drivers acknowledged by the TNFD (see Figure 3), specifically addressing how business operations affect nature and biodiversity. Selected KPIs serve as a basis for monitoring and reporting to the Cibus Funds investors as well as for systematically tracking progress and addressing risks within Portfolio Companies' direct operations.



**Figure 3:** The five drivers of nature change (TNFD, 2023a: 16)

- (b) The following KPIs are included within Cibus' standard list of KPIs and are used to measure nature-related dependencies and impacts, as well as progress towards individual nature targets, across all majority-owned Portfolio Companies:

Topic	Metric	Unit	SDGs
Climate Change	GHG Emissions <sup>1</sup> (scope 1, 2 and 3 (optional))	<i>tCO<sub>2e</sub></i>	7.4
	GHG Emissions Net Zero Pathway Development	<i>Yes/No</i>	7.4
	Science-Based Target	<i>Yes/No</i>	7.4
	Electricity Consumption	<i>Kwh</i>	7.4
	% Electricity from Renewables	<i>%</i>	7.4/ 7.2
	Fuels Used	<i>m<sup>3</sup>/Litres</i>	7.4
Land and Sea Use Change	Gross Land Use	<i>Ha</i>	15.1/15.3
	Net Land Use	<i>Ha</i>	15.1/15.3
	Land Dedicated to Restoration / Rehabilitation	<i>Ha</i>	15.1/15.3
Resource Exploitation	Water Consumption	<i>m<sup>3</sup></i>	6.4
Pollution	Total Amount of Waste Product	<i>Tonnes</i>	12.5
	Municipal Solid Waste Generated	<i>Tonnes</i>	12.4
	% Recycled/ Re-used Waste	<i>%</i>	12.5
	% Hazardous Waste	<i>%</i>	12.4
	% Hazardous Waste	<i>%</i>	12.4
Invasive Alien Species	TBD <sup>1</sup>	<i>TBD</i>	15.8

- (c) The following KPIs are supplementary and are used to measure nature-related dependencies and impacts as needed, depending on the materiality of the individual company:

### 6.3 Fund-Level Nature KPIs

Topic	Metric	Unit	SDGs
Climate Change	Nature Policy <sup>10</sup>	Yes/No	13.1
Land and Sea Use Change	Total Disturbed Area	Ha	15.1/15.3
	Extent of Land/ Freshwater/ Ocean Ecosystem Sustainably Managed	Ha	14.2/15.1
	Land Dedicated to Restoration/ Rehabilitation	Ha	15.1/15.3
Resource Exploitation	Nature Policy <sup>11</sup>	Yes/No	12.2
Pollution	Pollutants Released to Soil	Tonnes	12.4
	Volume of Wastewater Discharged	m <sup>3</sup>	12.4
	Total Plastic Used	Tonnes	12.5
	Plastic Packaging Breakdown	% / Tonnes	12.5
	Non-GHG Air Pollutants	Tonnes	12.5
Invasive Alien Species	Appropriate Measures Taken to Prevent Unintentional Introduction of Invasive Alien Species	Yes/No	15.8

- (a) The KPIs collected from majority-owned Portfolio Companies are used by Cibus to produce fund-wide reporting and the annual sustainability report. Additionally, the dashboard employed enables Portfolio Companies and investors in the Cibus Funds to produce their own nature-related disclosures.
- (b) The following KPIs are used to measure nature-related risks, opportunities, dependencies and impacts at a fund-level for Portfolio Companies under majority ownership:

Topic	Metric	Unit	SDGs
Exposure	Financial Exposure to Sectors <sup>12</sup>	£ / %	15.1
	Financial Exposure to Sensitive Locations	£ / %	15.1
GHG Emissions (TCFD-Aligned)	Total Carbon Emissions	CO <sub>2</sub> e	7.4
	Weighted Average Carbon Emissions	tCO <sub>2</sub> e per M\$USD invested	7.4

<sup>10</sup> It is recommended that Portfolio Companies' nature policies address management of contributions towards the five impact drivers of nature degradation: climate change, land and sea use change, pollution, resource exploitation and invasive species.

<sup>11</sup> Nature policies should cover key areas associated with resource exploitation: water management, deforestation, sustainable land use / agriculture and sustainable oceans / seas use.

<sup>12</sup> TNFD recommends financial institutions measure their financial exposure to a defined set of sectors considered to have material nature-related dependencies and impacts. Sectors pertinent to Cibus' investments include: agriculture, beverages and food products, containers and packaging, and paper and forest products.

	Total Carbon Footprint	tCO <sub>2</sub> e per M\$USD of equity investment value	7.4
Energy	Electricity Consumption	kWh	7.4
	Electricity Per USD Invested	kWh	7.4
	Electricity Per USD Revenue	kWh	7.4
	Electricity From Renewables	%	7.4/ 7.2
Water	Total Water	ML	6.4
	Water Use Intensity	ML per M\$USD Invested	6.4
	Water Efficiency	ML per M\$USD Revenue	6.4

#### 6.4 Reporting and Ongoing Engagement

- (a) After an initial investment, Cibus regularly monitors pre-agreed data relating to the financial, commercial and ESG performance, inclusive of nature-related matters, as described above. Where applicable, under the relevant fund offering documents, Cibus provides annual investor reports that contain a summary of this data to investors (including ESG performance and, from 2024, nature-related data). Cibus collaborates with each of the majority-owned Portfolio Companies to formulate strategies and actions for managing nature-related risks and conserving nature.
- (b) Cibus engages, on a case-by-case basis, with relevant stakeholders, civil society organisations and industry groups while participating in initiatives to support the implementation of the Nature Policy.

#### 6.5 Public Disclosures

- (a) Cibus publishes an annual sustainability report that covers various facets related to the Cibus Funds' and Portfolio Companies' nature-related dependencies, impacts, risks and opportunities. Cibus is committed to gradually expanding the scope of monitoring and reporting on nature-related issues. Additionally, Cibus has set a target to work towards producing a dedicated TNFD-inspired report across the four disclosure pillars in 2024.

### 7. REFERENCES

IPCC (2023) *Climate Change 2023: Synthesis Report*, Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)]. IPCC, Geneva, Switzerland, doi: 10.59327/IPCC/AR6-9789291691647.001

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