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## Stewardship and Engagement 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 and supersedes any earlier version of Cibus' Stewardship and Engagement Policy. This Policy is reviewed annually and may be amended on an ad hoc basis if required.

## 2. PURPOSE

2.1 Cibus recognises that it has a responsibility to the investors in the Cibus Funds, the portfolio companies of the Cibus Funds (the '**Portfolio Companies**'), its employees and society at large.

2.2 This Policy outlines Cibus' commitment to responsible and sustainable investment practices, transparency and accountability.

2.3 The Policy describes Cibus' engagement initiatives with other stakeholders including how Cibus reports on the overall sustainability performance of the Cibus Funds and how Cibus collaborates with others on Environmental, Social and Governance ('**ESG**') matters.

## 3. THE LLP

3.1 As the investment adviser to the Cibus Funds, the LLP's stewardship commitments are an integral part of delivering returns to the limited partners of the Cibus Funds. The LLP believes that it can help foster better investment practices through its own operations and, in turn, influence Portfolio Companies. The LLP strives to foster good corporate governance, respect for the environment, responsible labour policies and ethical business practices.

3.2 The LLP will only recommend investment in Portfolio Companies to the general partners of the Cibus Funds if its internal research and due diligence indicate that such Portfolio Companies have, or have the potential for, strong fundamental characteristics such as:

- (a) Value appreciation through stewardship;
- (b) Good corporate governance structures;



- (c) Making a positive contribution to local economies; and
  - (d) Not adversely affecting the local environment or communities,
- 3.3 The LLP believes that companies that have constructive and honest dialogue with their stakeholders and act in line with the LLP's sustainability criteria are more likely to deliver superior financial performance in the long run and, hence, achieve higher ultimate valuations than companies that do not.
- 3.4 Overall, oversight for engagement and stewardship sits with the LLP's ESG Committee and Management Board (**'ManBo'**).
- 3.5 The LLP is committed to continuous improvement in its stewardship practices. This involves regularly reviewing and updating its practices, procedures and policies to reflect evolving best practices, regulatory requirements and stakeholder expectations.

#### 4. **STEWARDSHIP**

- 4.1 The Cibus Funds have been a signatory to the Principles of Responsible Investment (**'PRI'**) since 2021. 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".
- 4.2 Through the PRI, the Cibus Funds are 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.

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.



4.3 Cibus regularly reports on Portfolio Companies' activities and progress towards implementing the Principles via Cibus' Annual Sustainability Report and Transparency Report.

## 5. **IMPLEMENTATION AND ACTIVE OWNERSHIP**

### Pre-Investment

5.1 Cibus believes that good stewardship starts before a Portfolio Company is acquired by a Cibus Fund. All potential Portfolio Companies are subjected to thorough ESG due diligence, the scope of which is tailored to address the typical risks applicable to the relevant target business, industry and sector.

5.2 All ESG issues identified during due diligence are:

- (a) addressed through the transaction documents (either via contractual protection or the implementation of recommendations post-acquisition); and
- (b) where material, investigated by a third-party expert and reported to the Investment Advisory Committee ('IAC') of the LLP.

5.3 As part of Cibus' initial due diligence on potential Portfolio Companies, it considers the extent to which companies are:

- (a) setting strategic objectives that build a long-term sustainable business model;
- (b) implementing high quality business practices;
- (c) managing risk effectively, as seen from the perspective of multiple stakeholders;
- (d) implementing an appropriate capital structure, through a process of sound capital allocation;
- (e) willing to address issues and to see ESG as a value enhancer;
- (f) promoting good corporate governance, including strong corporate cultures; and
- (g) communicating transparently and producing high quality disclosures and reporting.

5.4 The LLP will not make investment recommendations to the Cibus Funds that it deems to be misaligned with the principles outlined in this Policy.



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- 5.5 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 constitutional documentation. Cibus' exclusions list can be accessed on its website or in its Environmental and Social Management System ('ESMS') Policy.

During the life of an Investment

- 5.6 The Cibus Funds are active investment partners that aim to create value within its Portfolio Companies. The Cibus Funds practice active ownership in the following ways:

- (a) **Board Representation:** the Cibus Funds seek board representation in all their Portfolio Companies. For majority owned Portfolio Companies, staff of the LLP will sit on the board of the Portfolio Company. For minority owned Portfolio Companies, staff of the LLP will either sit on the board or as an observer of the board of the Portfolio Company. Such board representation allows Cibus to participate in material decisions, optimise strategy and influence operations. Board representation also helps Cibus obtain as much information and data as possible about its Portfolio Companies.

Notwithstanding the above, Cibus is conscious that its appointee directors:

- i. Have fiduciary duties to the Portfolio Companies and other shareholders (if relevant); and
  - ii. May be recused from some board meetings or matters where they have a perceived or real conflict of interest.
- (b) **ESAPs:** After an investment is made, Cibus' ESG team conducts a comprehensive ESG onboarding process for management to ensure that they are aligned with Cibus' ESG and impact expectations and reporting requirements. Such process includes providing a pack of policy examples, the company's bespoke Environmental Social Action Plan ('ESAP') and templates for key performance indicator ('KPI') reporting. Each ESAP identifies key ESG risk factors and outlines actions for the Portfolio Company to take in relation to sustainability risk mitigation and performance enhancement. The ESAP includes specific, measurable actions agreed upon by the Cibus ESG team in conjunction with relevant operating partners, management and stakeholders. Cibus actively collaborates with majority-owned portfolio company management to enhance environmental and social value while improving governance practices through their ESAP.

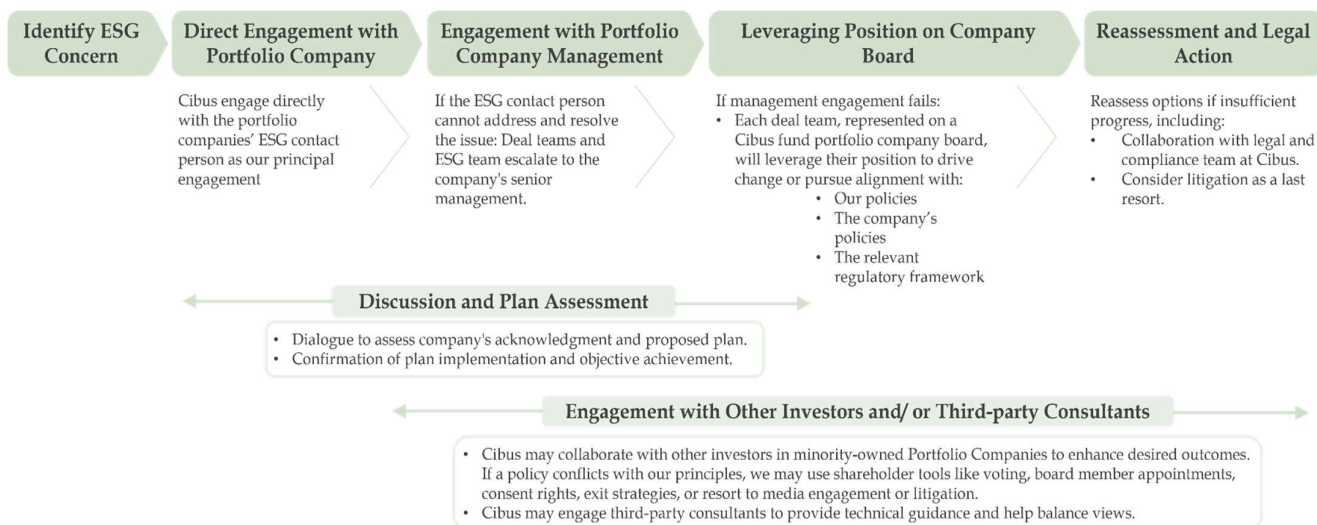


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- (c) **External Networks:** Portfolio Companies benefit from Cibus’ global networks of industry experts. This assistance helps Portfolio Companies to develop resilient, growth-focused strategies via, amongst other things, market expansion and bolt-on acquisitions;
  - (d) **Internal Expertise:** Portfolio Companies also benefit from Cibus’ industry expertise which aims to improve margins and profitability through day-to-day business operations. Cibus’ internal teams will also align Portfolio Companies Management with these aims through their long-term incentive plans, which include KPIs with rigorous and transparent monthly and quarterly reporting;
  - (e) **Collaboration:** Cibus works with Portfolio Companies and ESG experts to develop and execute ESG action plans which include ESG KPIs to monitor and improve the ESG performance of Portfolio Companies;
  - (f) **Governance:** Cibus recognises that not all Portfolio Companies are at the same stage of maturity, which means that a “one size fits all” approach is not the optimal way to deliver value. However, Cibus believes that sound governance is critical for accountability, value creation and risk mitigation. Cibus has established certain minimum corporate governance principles that it looks for in its Portfolio Companies that include:
    - (i) **Transparency:** The Portfolio Company shall provide timely accurate and complete information to its shareholders, regulatory authorities and stakeholders;
    - (ii) **Accountability:** The Portfolio Company’s board and management shall be accountable for their actions and decisions;
    - (iii) **Fairness:** The Portfolio Company shall treat all stakeholders, including shareholders, employees, customers and suppliers, fairly and equitably; and
    - (iv) **Responsibility:** The Portfolio Company shall act responsibly in all of its business activities, including considering sustainability as well as ESG factors.
  - (g) **Social:** Cibus supports the human rights principles set out in the Universal Declaration of Human Rights, United Nations Guiding Principles on Business and Human Rights and the International Labour Organisation conventions. Cibus aims to encourage its Portfolio Companies to develop better social practices throughout the life of its investment;



- (h) **Reporting:** Cibus expects 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 before investment is made and also through regular communications with Portfolio Companies; and
- (i) **Exits:** Preparing for an exit involves a review of ESG achievements, particularly with respect to exit due diligence and related vendor side exit support. Portfolio companies are aware of how disciplined ESG management can lead to value maximisation at exit and as such, ESG consideration and planning as part of the wider exit process are key considerations during any exit process by a Cibus Fund.

## 6. ESCALATION STRATEGY



## 7. STEWARDSHIP STAKEHOLDERS

There are numerous stakeholders both within Cibus and externally who help uphold the principles of this Policy:

### ESG Committee

- 7.1 Cibus' ESG Committee is responsible for driving Cibus' sustainability and climate initiatives, as well as developing and adhering to relevant policies and procedures. The ESG Committee members regularly review Cibus' exposure to climate change risks and opportunities regarding governance, strategy, risk management and



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targets. The ESG Committee meets at least four times a year (or on an ad hoc basis as required).

#### Investment Advisory Committee

- 7.2 Cibus' IAC review the risks and opportunities of all proposed investments, including ESG, climate change and nature-related risks. The IAC is responsible for reviewing and allocating due diligence costs and materials proposed by the ESG team to assess these risks prior to investment.

#### Investment Team

- 7.3 All members and staff of the LLP are responsible for supporting Cibus on the implementation of this Policy. This support includes data collection from Portfolio Companies and then analysing, integrating and monitoring this data throughout the life of a Portfolio Company.

#### Investor Relations

- 7.4 Cibus communicates with the underlying investors of the Cibus Funds' through quarterly update reports and on an ad hoc basis where required. Cibus' quarterly investor updates provide a strategic overview and update on each Cibus Fund and their Portfolio Companies.

#### External Stakeholders

- 7.5 One of the Cibus Funds (Cibus Fund LP) was the first fund to be designated as a Guernsey "Green Fund" by the Guernsey Financial Services Commission ("GFSC"). Cibus continues to work with the GFSC to support the development of green finance policy.
- 7.6 Cibus Investments Limited is also a member of the initiative Climat International ("iCI") which allows it to work alongside other private equity firms to develop mechanisms and frameworks of engagement on climate change across its portfolio companies.
- 7.7 Cibus Investments Limited (general partner to certain of the Cibus Funds) is a UN PRI signatory. As such, Cibus voluntarily follows the management and reporting recommendations and requirements of the PRI, including climate change-related governance and strategy.
- 7.8 In addition to its formal external partners, Cibus also works with its peers and investors by participating in consultations or conferences, presentations or other industry events. This helps to enhance the implementation of good international





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industry practices in terms of financial and non-financial management and reporting.

## 8. REPORTING

8.1 Cibus produces an annual sustainability report, disclosing the performance and progress of its Portfolio Companies.

8.2 Cibus adopts the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") to manage climate-related risks and opportunities. TCFD recommendations provide a common international framework for companies and investors to disclose information about climate change in their business and investment practices.

8.3 Cibus adopts the IFC PS as part of its framework for the management of environmental and social risks and impacts associated with the Cibus Funds' portfolio companies and produces an annual transparency report.

8.4 The Cibus website (<https://www.cibusfund.com>) includes a sustainability section, which contains Cibus' relevant policies, exclusion list and details of its approach to ESG integration.

## 9. CONFLICTS OF INTEREST

9.1 If a potential conflict of interest is identified, members of staff are expected to refer to the legal and compliance team who take responsibility for implementing controls designed to prevent conflicts of interest in Cibus' business.

9.2 Conflicts of interest within the ESMS:

(a) Recognising its fiduciary duty to the investors of the funds, Cibus endeavours to act in their paramount interests. In instances where conflicts arise between ESG considerations and fiduciary obligations, the following protocols are invoked during the investment process:

- Due Diligence: The ESG team and deal team collaborate extensively to ascertain the ramifications of ESG risk management vis-à-vis fiduciary duty to Cibus' investors. Should conflicts emerge, the IAC members deliberate, prioritising the interests of Cibus' stakeholders.
- Portfolio Management: The ESG team and deal team engage in collaboration to evaluate the implications of ESG risk management in relation to fiduciary obligations to our investors. Should conflicts arise, the board members deliberate, guided by the priorities of their stakeholders. As stated above, as part of Cibus' active post investment monitoring



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processes, Cibus seeks to take a board or board observer seat with investments whenever possible. Where this could give rise to actual or potential conflicts of interest from Cibus' representative to such board, and whatever the actual or potential reason, Cibus representatives are trained and required to inform immediately to Cibus' Compliance Officer. The Cibus Compliance department will seek advice on alternative arrangements that will enable Cibus to continue relevant participation in business decisions in a manner that is free from actual or potential conflicts.