NatureGrowth

Environmental and Social Policy

Table of Contents

NatureGrowth

Introduction

At NatureGrowth we are committed to promoting sustainable agriculture and fostering the growth of environmentally responsible start-ups. Our vision is to use technology to provide future generations with secure access to sufficient, nutritional fresh produce, worldwide, using affordable, ethical, and environmentally friendly methods.

Our goal is to support the development of innovative solutions that address the world's pressing environmental and social challenges, while also providing attractive investment opportunities for our stakeholders. For this reason, it was crucial for us to align ourselves with Environmental, Social, and Governance (ESG) practices and The Sustainable Development Goals (SDGs) as a compass.

In line with this commitment to sustainability, we integrate ESG and SDG considerations into all aspects of our operations and investment decisions. Our focus is on supporting start-ups that are aligned with the United Nations' 17 SDGs and that demonstrate a commitment to environmental stewardship, social responsibility, and good governance.

To implement this policy, we will conduct due diligence on all potential investments to assess their ESG and SDG performance. We will also engage with our portfolio companies to provide guidance and support in their efforts to integrate ESG and SDG considerations into their operations and growth plans.

The environmental and social policy laid out in this document is a product of stakeholder consultation, external support, and internal discussions. We understand that as science evolves, and stakeholders progress, things may change. For that reason, every year, a committee will formally revisit the key internal assumptions to conduct a formal strategic study to consider what changes, if any, should be made to the long-term policy strategy.

We believe that the agricultural sector has a critical role to play in addressing the world's environmental and social challenges. By supporting the development of innovative, sustainable solutions through our incubator, we aim to make a positive impact on the world and provide attractive investment opportunities for our stakeholders.

Signed,
Oren Heiman
CEO and Founder
NatureGrowth

About Us

Vision

Our vision is to use technology to provide future generations with secure access to sufficient, nutritional fresh produce worldwide using affordable, ethical, and environmentally friendly methods.

To achieve this vision, we are creating the world's largest Agtech incubator, which shall incubate and launch no less than 80 globally disrupting, cutting-edge innovations in agriculture by 2031, all based on Israeli science and supported by sovereign grants.

Headquarters

NatureGrowth is constructing a cutting-edge innovation center in the city of Sderot, one hour south of Tel Aviv. The center will include the main offices and state-of-the-art labs for its 80 new companies. The center is expected to be complete by May 30th, 2023.

About Us

Investment

NatureGrowth's Investment committee, led by Lazer Bezdin (CIO) and Dr. Gaya Loren (CTO), seeks, screens, and selects technologies that have all of the following elements:

1. **The technology is in one of the five agricultural categories recognized by our team:**
Class A – Biology, Genetics, and Special Crops
This subcategory includes genetics, breeding, bio-organic inputs and treatments, and growth ingredients for protein alternatives, fertilizers, pesticides, and biopharmaceuticals.
Class B - Smart Farming
This subcategory includes sensors, data analytics & AI, farm management software, machinery, robotics, and drones for pest management, crop security, forecasting, and increased productivity.
Class C - Novel Farming Systems
 This subcategory includes greenhouses and materials, hydroponics, indoor and vertical farming solutions, smart
irrigation and water management, and energy solutions for agriculture.
Class D – Livestock, Poultry, and Aquaculture
 This subcategory includes animal health, monitoring, feed, and growth structures and systems.
Class E - Post-Harvest
 This subcategory includes storage, treatments, shelf-life prolonging, waste, supply chain, packaging, and
food-safety technologies.

2. **The technology is innovative and can be protected by intellectual property.**

3. **The technology addresses a material 'gap' in global agriculture, leading to a potential valuation of no less than $200M, once developed; and**

4. **The technology can be fully incubated (until becoming an independent viable entity with a product or full proof of concept) within 2 years, with a $2M budget.**

Our Philosophy

As an incubator that focuses on the nexus between agriculture and technology, our philosophy around sustainability and investing is rooted in the belief that economic growth and environmental stewardship are not mutually exclusive, but rather complement each other.

We believe that companies that adopt sustainable business practices and prioritize the health of the environment are better positioned to succeed in the long term, both financially and socially. By integrating ESG and SDG considerations into our investment decisions, and by providing our portfolio companies with guidance and support in their sustainability efforts, we aim to create a virtuous cycle of investment, growth, and positive impact. Through our incubator, we aim to build a more sustainable and equitable future for all, one start-up at a time.

Why we do it?

We recognize that this is the right thing to do. All the while there is increasing pressure from investors and stakeholders. The public requires a higher degree of transparency than ever before and so, this moves from being a "nice to have" into something that simply makes good business sense.

As time goes on, more companies are looking to partner, merge or acquire businesses with a clear ESG policy and disclosures. This creates a more transparent landscape in terms of purpose and risk. More banks and investors direct their money in this way. To us, it is clear, that any company looking to be relevant in the future, must align with the values of the future.

We aren't looking for vague statements or hopeful aspirations. We look at the numbers, the commitments, and the outcomes, and go with those that can deliver the best for their company and the future.

Our Philosophy

What do we track?

We have developed tools and methods of evaluation to help in the decision-making process. We implement our assessment through a unique scorecard that is aligned with the SDGs, ESG metrics, and other accepted standards such as the GRI. We look at the material impact of a company through environmental, social, and governance factors.

For example, we track:

Environmental Factors

- Company policy and tracking of pollutants, chemicals, and renewable energy sources.
- Company emissions policy and evaluation of supply chain.
- Company waste and recycling systems.

Social Factors

- Percentage of women in managerial positions and places of leadership.
- The impact of a company on the communities in which they operate.

Governance factors

- Board diversity.
- AML and CTF policies.
- Transparency and voluntary reporting.

Environmental and Social Policy

NatureGrowth operates based on a clear environmental and social policy rooted in ESG and SDG considerations. The policy laid out in this document guides us and our investments to achieve sound environmental and social performance, including compliance with national laws. Our environmental and social policy is also aligned and committed to the IFC Policy requirements for funds. As such, the company will publicly release an annual report on our progress in this respect.

Our policy is implemented both internally, and externally. Internal policies describe our efforts to implement and reflect our commitments within the company. Externally, NatureGrowth requires its 80 portfolio companies to create and adhere to a clear environmental and social policy created with NatureGrowth's guidance. We see the impact of our portfolio companies as one and the same as our own, and we take pride in the efforts and accomplishments of all our companies.

At NatureGrowth, we define environmental and social policy integration as the consistent consideration of material ESG and SDG factors in our investment, research process, and implementation. ESG factors assist us in risk assessment and SDG metrics help us understand the purpose and goals of companies.

We are committed to hiring diversity and inclusion. At least 30% of our team will be women, non-Jews, and people from the Sderot area.

We are committed to spending at least 10% of our operating hours on community empowerment and education.

What do we mean when we say ESG?

ESG policies in companies refer to the environmental, social, and governance principles that organizations adopt to guide their decision-making and behavior. These policies are designed to demonstrate a company's commitment to sustainability and responsible business practices and to ensure that the company operates in a manner that benefits both its stakeholders and the wider community.

ESG policies are usually presented as part of a company's sustainability or corporate responsibility report and may include specific goals and targets related to things such as reducing carbon emissions, promoting diversity and inclusion, and improving governance practices. By transparently communicating their ESG policies and progress toward achieving their goals, companies build trust and credibility with stakeholders, investors, customers, and employees.

We employ an officer to keep track of the due diligence, commitments, and social and environmental policies of our portfolio companies. Our due diligence takes into account things such as:

- Climate change risks
- Gender equality
- Regulatory risks

For a complete list, please refer to our "Score card" in this document.

Environmental and Social Policy

We are committed to working with each portfolio company on its individual environmental and social action plan. These plans will detail the mitigation of negative impact and plans for improvement measures (if any are necessary) to address risks in accordance with this policy.

We are committed that at least 30% of the innovations selected for our incubator will include a woman entrepreneur and at least 20% of the innovation include a non-Jewish or religious-Jewish entrepreneur.

Our process includes documenting all procedures, practices, and programs that manage and identify environmental and social risks and monitor over time the effectiveness of these procedures.

Anti-money laundering and combating the financing of terrorism provisions
As partners of the IFC, we require each of our portfolio companies to establish and maintain environmental and social management systems consistent with our policy. If a portfolio company fails to comply with these undertakings, we will work with the portfolio company to bring it back to compliance as required.

We do not invest in any activity or company which is likely to have significant adverse social or environmental impacts that are sensitive, diverse, or unprecedented. As part of our due diligence, we ensure that portfolio companies have anti-money laundering systems in place, as well as "combating the financing of terrorism" systems, that are in compliance with applicable national laws and regulations and consistent with international best practices.

NatureGrowth's limited and general partners, and investments (including any successor in interest or ultimate beneficial owner thereof), are consistent with these Integrity and Anti-Corruption Compliance Provisions. This will include systems ensuring that NatureGrowth will not enter into any transaction (i) with, or for the benefit of, any of the persons or entities (including any successor in interest or ultimate beneficial owner thereof) sanctioned by, or (ii) related to any activity from time to time prohibited by, the United Nations Security Council pursuant to any resolution issued under Chapter VII of the United Nations Charter.

Portfolio Company Score Card

At NatureGrowth, we understand the importance of promoting sustainable agriculture and supporting start-ups that prioritize environmental and social responsibility. To this end, we have developed a rigorous scoring system to evaluate the sustainability of potential investments. Our scoring system takes into account a range of environmental, social, and governance factors and assesses each start-up's commitment to and progress in these areas.

By using this scoring system, we aim to identify start-ups that have the greatest potential to create positive impact while also delivering attractive returns to our stakeholders. Our goal is to use this scoring system as a tool to guide our investment decisions and ensure that we are supporting the development of truly sustainable and responsible agriculture solutions.

This document is to be used as a guide for any evaluator of portfolio companies. It has references to source materials, metrics, and questions that can be asked in interviews and/or any due diligence process.

PROCESS	Our process is done in 3 steps:
Exclusion	Screening out companies with potential negative effects and/or risks.
Categorization	A division into the types of impact the company can have.
Evaluation	A scoring of the potential impacts the company holds.

Note that this process is a guideline, not a rule. Not all metrics suit every company and situation, and we encourage the evaluator to use their best judgment and common sense when using the questions and metrics in this document.

Step 1
Exclusion
Our exclusion policy is based on the UNGCs 10 principles:

Does the company:
- Produce materials or services for the proliferation of alcohol, illicit drugs, or weapons of any sort?
- Work with or support companies/governments that are complicit in human rights abuses?
- Suppress the freedom of association and/or effective recognition of the right to collective bargaining?
- Work with any form of forced or compulsory labor, including child labor?
- A history of corruption in any form, including extortion and bribery?

If the answer to any of the above questions is "Yes", the recommendation is to exclude the company and not continue the process.

Step 2
Categorization of impact

Categorizing impact can be tricky, when looking at the potential impact of a company try and assess this company's intentions and material impact by asking "Is impact a side effect, or the point?" How can we tell? Look at the company's vision/mission statement and ask "Who benefits from this company's intentions?", "Is the impact a side effect, or their business model?"

A good way to sort this out can be by starting with **ABCs**. Is this[1] startup:

- **A**voiding harm – At a minimum, enterprises can act to avoid a deterioration of people's well-being and the condition of the natural environment by improving practices to be more sustainable.

For example – the company manufactures pesticides that do not pollute groundwater, as opposed to other pesticides on the market that currently use persistent organic pollutants.

- **B**enefiting stakeholders – In addition to acting to avoid harm, enterprises can actively benefit stakeholders by maintaining or causing improved well-being for one or more groups of people and/or the condition of the natural environment.

For Example – A company that uses sustainable materials for pesticides that enhance crop yield for farmers while adding no pollutants to the soil and/or degradation of the environment.

- **C**ontributing to Solutions – Many enterprises can go further by not only acting to avoid harm for all stakeholders but also improving the well-being of a group of people or the condition of the natural environment so that the outcome is sustainable and even regenerative.

For Example – A company that uses organic materials to repair soil and increase crop yield through natural, local, systems.

If the company does not fall under any of these categories at all, our recommendation is to reassess if this company is truly creating an impact and/or solution that is aligned with the values of the incubator.

[1] https://impactfrontiers.org/norms/abc-of-enterprise-impact/

Step 3
Evaluation

In this step, we will score companies to assist us in evaluating their impact. The scorecard is divided into internal and external scores of impact. Internal, examining the company policies and practices; external, examining the company's created impact. The scores are also divided into environmental and social scores. If a company is under the threshold in either of these categories, we recommend re-examining its fitness to be part of the incubator.

Scores are between 0 and 1. The answers to the questions define the score, and the indicators define if the question can be answered. A company that cannot come up with an indicator, cannot answer the question. For example, if a company says it reduces water waste, but cannot say by how much, they cannot be scored – but since the question is applicable, they should be scored a 0. If the company says they do not use water in their processes or use a negligible amount, they can be marked as N/A. If the company says they use water reduction methods and systems and can state by how much, they can be scored a 1. Keep in mind – some answers depend on materiality.

The final score is the sum of points in each category, divided by the total number of questions answered. Do not include N/A in the total number of questions answered. The final score in each category should not be below 0.75, however, we recommend using discretion in this regard as each case is unique. Note, an outstanding social score cannot "cover for" a low environmental score and vice versa. All scores must be high enough.

What is materiality?

Materiality refers to the relevance of an impact to the company's actions. Meaning how do impact issues affect the business. Is volunteering to paint an orphanage material to a vertical farming start up? No, it's nice, and should be mentioned in a CSR report if they wish, but not in their ESG assessment. If that same company gives jobs to teenagers from the orphanage and pays them a fair wage, that is material – it relates to the core of the business.

The scorecard is not a final say, but rather a compass to assist in decision-making and a prompt for further inquiry and demands. Not all metrics can be accounted for. If there is a company that connects rural people to electricity and the electricity is used to pump water for agriculture, this is a fantastic metric and should be accounted for, despite the connection to energy not being a metric in this scorecard.

Also, note that companies are not born perfect. A company may not be focused on water efficiency at the moment, but the potential may be there. Make sure to note this as this can create greater ambition within the company to do better. Don't give up on a company because they have not yet taken upon themselves all 17 SDGs! You can assign a score of 0.5 or 0.75 based on the company's stated goals.

Internal Impact (Environmental)

QUESTION	INDICATOR	REFERENCE	SCORE
Does the company integrate climate change measures into its strategies and planning?	The company has a policy/ strategy/ mission that is public and explicitly aligned with emission reduction or carbon sequestration (e.g., net-zero goals and measures in place).	SDG 13.2	
Does the company measure its internal carbon use?	The company tracks 'scope 1 and 2' emissions information on transportation, flights, internal manufacturing, energy use, etc.	SDG 13.2	
Does the company measure its supply chain emissions?	The company tracks 'scope 3' emission information - downstream and upstream of its supply chain.	SDG 13.2	
Does the company do any form of market education/ awareness raising through its product or company?	The company creates and distributes materials educating about climate/ sustainability of its products/services.	SDG 13.3	
Does the company have in place any internal energy efficiency plans or measures?	The company has installed timed lighting, energy-efficient bulbs, energy-efficiency monitors, etc.	SDG 7.3	
Does the company use renewable energy?	The company has installed a solar rooftop, wind turbine, etc. or is subscribed to a renewable energy source.	SDG 7.2	
Does the company manage its water use?	The company has water-use efficiency measures (e.g., measurement of usage over time, smart water meters, etc.)	SDG 6.6	
Does the company manage its material use?	The company has systems in place to track the use and type of materials in their manufacturing/services. This can be measured as a "material footprint"	SDG 8.4 SDG 12.2.1	
Does the company manage its hazardous waste and chemicals?	The company has systems in place to account for and manage hazardous waste generated, and their treatment type.	SDG 12.4	
Does the company substantially reduce waste generation through prevention, reduction, recycling, and reuse?	The company records the amount (e.g., tons) of material recycled, or avoided.	SDG 12.5	
Does the company have a focus on upgrading infrastructure/ retrofitting traditional industries to make them sustainable? technologies and industrial processes, etc.)?	Measured by research and development expenditure or/and number of researchers. Or A record of increased resource-use efficiency, greater adoption of clean and environmentally sound technologies or processes.	SDG 9.4	

Internal Impact (Social)

QUESTION	INDICATOR	REFERENCE	SCORE
Does the company have a safe labor environment?	The company has a clear policy for, and employs, safe working conditions, in particular for women, migrants, and those in precarious employment. The company has no record of labor abuses.	SDG 8.8	
Does the company have a nondiscrimination policy?	The company explicitly does not discriminate based on age, sex, disability, race, ethnicity, origin, religion, economic, or other status. The company does not have disparities in wages between the above statuses.	SDG 10.2, 10.3, 10.4 SDG 16b SDG 5.1	
Does the company ensure women's full and effective participation and equal opportunities for leadership at all levels of the company?	The company has a proportion of women in managerial positions. (This metric can be scored in corresponding percentages – e.g., 50% of women in managerial positions can be scored as a 1, 25% can be scored as 0.5. Note for reference, the international average is 33%)	SDG 5.5.2	
Does the company ensure data privacy and comply with any standards (e.g., GDPR)?	The company has a written policy/existing standard/ existing practices for dealing with and handling data.	-	
Does the company survey or work to improve employee benefits?	The company routinely surveys and receives feedback from employees.	-	
Does the company train and develop its workers?	The company has annual training and development workshops/seminars/meetings for the enrichment and development of the employees.	-	
Does the company have a safe labor environment?	The company has a clear policy for, and employs, safe working conditions, in particular for women, migrants, and those in precarious employment. The company has no record of labor abuses.	SDG 8.8	
Does the company have a nondiscrimination policy?	The company explicitly does not discriminate based on age, sex, disability, race, ethnicity, origin, religion, economic, or other status. The company does not have disparities in wages between the above statuses.	SDG 10.2, 10.3, 10.4 SDG 16b SDG 5.1	
Does the company ensure women's full and effective participation and equal opportunities for leadership at all levels of the company?	The company has a proportion of women in managerial positions. (This metric can be scored in corresponding percentages – e.g., 50% of women in managerial position can be scored as a 1, 25% can be scored as 0.5. Note for reference, the international average is 33%)	SDG 5.5.2	
Does the company ensure data privacy and comply with any standards (e.g., GDPR)?	The company has a written policy/existing standard/ existing practices for dealing with and handling data.	-	
Does the company survey or work to improve employee benefits?	The company routinely surveys and receives feedback from employees.	-	

External Impact (Environmental)

QUESTION	INDICATOR	REFERENCE	SCORE
Does the company enhance scientific research/ upgrade technological capabilities of companies in the sector?	Measured by CO2 emissions saved per upgrade/ enhancement.	SDG 9.5	
Does the company reduce global food waste at the retail and consumer levels? (e.g., reduce food losses along production and supply chains, including post-harvest losses)	Indicators can be used from (a) Food loss index and (b) food waste index.	SDG 12.3.1	
Does the company increase agricultural productivity and incomes of small-scale food producers? (Including through secure and equal access to land, inputs, knowledge transfer, financial services, markets, and opportunities for value addition)	Volume of production in comparison to baseline before intervention.	SDG 2.3	
Does the company ensure sustainable food production systems? This can include resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding, and other disasters and that progressively improve land and soil quality.	Size in hectares of agricultural area under productive and sustainable agriculture.	SDG 2.4	
Does the company improve water quality by reducing pollution / eliminating dumping / minimizing the release of hazardous chemicals and materials?	Amount in cubic meters of wastewater flows safely treated by the company.	SDG 6.3	
Does the company work to protect and restore water-related ecosystems, including mountains/ forests/ wetlands/ rivers/ aquifers/ lakes?	Size in square km of area protected or restored by the company.	SDG 6.6	
Does the company reduce levels of fine particulate matter (air pollution)?	Measure of air pollution in the area of activity (e.g., PM2.5 and PM10).	SDG 11.6.1	
Does the company promote the implementation of sustainable management of forests/ halt deforestation/ restore degraded forests/ substantially increase afforestation and reforestation?	Size in square km of area protected or restored by the company.	SDG 15.2	

External Impact (Environmental) continued

QUESTION	INDICATOR	REFERENCE	SCORE
Does the company combat desertification/ restore degraded land and soil? (Including land affected by desertification, drought, and floods)	Size in square km of area protected or restored by the company.	SDG 15.3	
Does the company reduce the degradation of natural habitats and halt the loss of biodiversity?	The company introduces measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems.	SDG 15.5, 15.8	

External Impact (Social)

QUESTION	INDICATOR	REFERENCE	SCORE
Does the company build resilience for the poor and vulnerable by directly reducing their exposure and vulnerability to climate-related extreme events?	A measure of the number of people affected by the intervention. (e.g., introducing climate-resilient crops to a population in an area with higher drought – the measure is the population serviced).	SDG 1.5	
Does the company focus on an end hunger / malnutrition / malnourishment?	Measurement of the effectiveness of intervention – prevalence of malnutrition/ malnourishment in areas where the product/service is rendered.	SDG 2.1-2	
Does the company improve access to science, technology, and innovation and enhance knowledge-sharing and implementation in developing countries?	The total amount of funding or dollar equivalent of assistance in technology and labor provided to developing countries.	SDG 17.6	
Does the company have global partnerships for sustainable development that mobilize and share knowledge, expertise, technology, and financial resources, to support the achievement of the Sustainable Development Goals?	Number of entities in partnership with the company. Make explicit that the partnership is for the achievement of the sustainable development goals.	SDG 17.16	
Does the company have any community engagement policy?	The company has a policy/standard/existing practice of engaging with the community they are active in (e.g., community liaison, community surveys, voluntary contributions to the community).	-	

External Impact (Environmental)

TOTAL	FORMULA	SCORE
Total internal social score	total score____ / total questions answered_____	
Total internal environmental score	total score____ / total questions answered_____	
Total external social score	total score____ / total questions answered_____	
Total external environmental score	total score____ / total questions answered_____	

0   0.75   1.0

Optional Ongoing Assessment

A powerful tool for assessing impact is **The Impact Management Project (IMP).** The IMP is a useful and widely accepted set of norms for understanding and assessing impact. The IMP uses the "Five Dimensions" of impact to track and manage impact over time. We recommend checking a portfolio company's approaches against the five dimensions of impact to ensure they are comprehensively assessing expected impacts on people and the planet.

Acknowledgements

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