Version 1.0 January 2023

Principal Adverse Impact Statement

Aescap Life Sciences

Purpose & scope

This is the Principal Adverse Sustainability Impacts Statement of Aescap Life Sciences Fund (the Fund) effective as of **January 1, 2023**, as per SFDR article 4.

This statement provides insights into the sustainable investment objective of the fund. This is not marketing material. This statement is required by law and is intended to give an overview of how each Principal Adverse Impacts (PAI), mandatory and voluntary will be addressed and reported on by ultimo June 30, 2023.

This statement concerns all classes of units of the fund.

Summary

Aescap Life Sciences Fund considers the principal adverse impacts (PAI) of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. The present statement contains the aggregated principal adverse impacts on sustainability factors of the Fund's underlying investments.

This statement concerns the reference period of **1 January 2022 to 31 December 2022**. Initial reporting on the PAI metrics will be done in June of 2023 at the latest concerning the same reference period.

As defined in article 8 of the SFDR, The Fund promotes a social characteristic, hereby aiming to provide investors with an attractive financial return while at the same time focussing its investment selection on companies that research, develop, or produce treatments/solutions for diseases with a high unmet medical need (HUMN). This is defined as: types of diseases characterised by limited or inadequate available treatments, severity of impact on the patient and severity of impact on the healthcare system. Attainment is measured in percentage of the portfolio that aligns with the characteristic. In the context of the Sustainable Finance Disclosure Regulation ("SFDR"), the Fund is classified as an Article 8 Fund. The related pre-contractual disclosure is available on the Fund's website, the website of the Fund Manager and as an annex to the Fund's prospectus.

While the Fund strives to select companies that align with its objective, it is part of the Fund's investment approach to aim to mitigate the negative impacts of its investment decisions on sustainability factors. These negative impacts are also called adverse impacts, whereby the most significant adverse impacts are referred to as principal adverse impacts by the SFDR. These impacts can occur in different areas, such as related to environmental, social and employee matters, human rights, corruption or bribery matters. The Fund aims to address, by avoiding or reducing, principal adverse sustainability impacts wherever possible when investing.

In this statement we provide more information on the Fund's overall approach to identifying, prioritising, and addressing principal adverse impacts of its investment decisions on various sustainability factors. In line with the Fund's strategy, the Portfolio Manager is responsible for sourcing the investments as well as the required analysis of PAI, the collection of related data and engagement. Prior to making its investment decision, the Portfolio Manager analyses the principal adverse impacts of the proposed investment as well as any mitigating factors and engagement actions. The overall investment approach and process is reviewed annually by the investment oversight team.

The statement consists of the following four sections:

A. Description of principal adverse sustainability impacts

This section describes the indicators related to principal adverse impacts on sustainability factors and how the Fund intents to report on each indicator. This is done by way of an explanatory matrix contacting both the mandatory and voluntary PAI the Fund intends to report on, as well as how each specific indicator is embedded in the data collection and monitoring process.

B. Description of policies to identify and prioritise principal adverse sustainability impacts

This section provides information about the Fund's approach to investing and relevant policies on the identification and prioritisation of principal adverse sustainability impacts and indicators. PAI, alignment with the social objective and ESG risks are considered throughout the investment process. All investments made by the Fund are screened against the PAI.

Given the targeted nature of the Fund's investments, PAI prioritization is standardized and applied in the analysis of each potential investment. For each investment, the environmental, social and governance risks are assessed, and possible improvements are identified.

C. Engagement policies

The Portfolio Manager has a long history of investing in- and engaging with biotech companies. Engagement with small-cap companies can be very effective and can have a concrete and direct impact on their policies and practices. Engagement starts at the earliest phase and uses the outcomes of the initial PAI analysis and ESG risk score to prioritize environmental, social and governance issues to focus on.

Given the limited or incomplete reporting on ESG issues and principal adverse impact data in the sector, quality and completeness of reporting are always part of the engagement track. Engagement progress is reported in the Principal Adverse impact reporting and the engagement report of the Fund.

D. References to international standards

The Fund's ESG policy requires that companies cannot be responsible for a breach of human rights in the past 3 years, as stated in the UNGC principles and OECD Guidelines for Multinational Enterprises. Also, companies need to demonstrate adequate disclosure of defects and safety issues and otherwise comply with all locally enforced relevant standards for the healthcare sector. The assessment of good governance practices is informed by the standards of the Sustainability Accounting Standards Board (SASB). The Fund's analysis regarding biodiversity is informed by IFC Performance Standard 6.

A. Description of the Principal Adverse Impacts considered by the Aescap Life Sciences Fund

The following section describes the principal sustainability indicators related to principal adverse impacts on sustainability factors and how the Fund intents to report on each indicator. The indicators related to principal adverse impacts on sustainability factors, additional indicators the Fund intends to report on as well as how each specific indicator is embedded in FMO's data collection and monitoring process.

It should be noted that a large part of the Fund's investments is made in companies with a small market capitalisation, that are relatively young, and headquartered outside the EU. As a result, many of the Fund's investments are not in scope of the EU Sustainable Finance Regulation and thus are not required to disclose information. Also, most companies lack the capacity or knowledge to extensively report on ESG issues and have just started the process of doing so in the past year. In many cases, this was prompted in part by the Portfolio Manager's requests for information.

All collected and applied PAI information is based on what the Portfolio Manager is already able to collect and record from its portfolio companies. Most of the PAIs were already considered by the Portfolio Manager to be material for its investments in some form. But given the differences in methodologies, existing data could not be reliably grandfathered into the PAI statement.

Even though the gathering of the data and/or information is challenging, the Portfolio Manager and the Fund fully underscore the intentions of the EU regulation, progress is being made to gather more data and comparability should improve as quality and availability of datapoints increases.

As this is the Fund's inaugural PAI statement, no calculations or historical comparisons are available. Initial reporting on the PAI metrics will be done in June of 2023 at the latest concerning the 1 January 2022 to 31 December 2022 reference period.

In below overview no distinction is made between direct and indirect investments as the Fund only invests in publicly traded shares of biopharmaceutical companies and potentially also diagnostics and/or medical device companies.

Adverse sustainability indicator		Metric	Description of policy, measurement and/or intentions
GHG Emissions	1. GHG Emissions	Scope 1 GHG emissions	Amount of greenhouse gases (GHG) emitted through the organisation's operations from direct emissions sources during the reporting period. The GHG Protocol defines direct emissions as emissions from sources that are owned or controlled by the investee company. Scope 1 emissions are calculated by dividing the Fund's current value of investment by the investee company's enterprise value multiplied with GHG emissions from the investee company. The scope 1 emissions of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
		Scope 2 GHG emissions	Amount of greenhouse gases (GHG) emitted through the organisation's consumption of purchased electricity, heat, or steam during the reporting period. Scope 2 emissions are calculated by dividing the Fund's current value of investment by the investee company's enterprise value multiplied with GHG emissions from the investee company. The scope 2 emissions of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
		Scope 3 GHG emissions	Amount of greenhouse gases (GHG) emitted by the organisation's suppliers and suppliers of suppliers during the reporting period, except from direct energy providers (i.e. scope 2).

			Scope 3 emissions are calculated by dividing the Fund's current value of investment by the investee company's enterprise value multiplied with GHG emissions from the investee company. The scope 3 emissions of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
		Total GHG emissions	Total of scope 1, scope 2 and scope 3 emissions. The total GHG emissions of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available data it will start reporting on this indicator
	2. Carbon Footprint	Emissions of investee companies expressed as tCO_2/€M invested	The carbon footprint are emissions expressed as tonnes of scope 1, 2 and 3 emissions per EUR million invested (tCO_2/€M). The carbon footprint of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
	3. Green House Gas intensity	GHG intensity of investee companies	GHG intensity is calculated by dividing the Fund's current value of investment by the investee company's enterprise value multiplied with the investee company's total GHG emissions divided by its revenue in Euro's The GHG intensity of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	The Fund does not invest in companies active in non-renewable energy.

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Production: The Fund does not invest in companies active in non-renewable energy. Consumption: The energy consumption of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	The energy consumption of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas	Investee companies are generally not located in or near critical habitats as defined by IFC Performance Standard 6 on biodiversity and living natural resources. An initial analysis of the investee companies' activities revealed no exposure to critical habitats. The Fund is in the process of implementing a more detailed screening and when data becomes available it will start reporting on this indicator.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	As most of the investee companies do not produce medicines and treatments themselves, their emissions of hazardous materials to water are not a material negative impact. Companies that do produce medicines and treatments are expected to at minimum adhere to governmental Environment, Health, Safety (EHS) Guidelines as well as any standards set by their local regulatory agency. The emissions to water of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator

Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	As most of the investee companies do not produce medicines and treatments themselves, their generation of hazardous waste is not a material negative impact. Companies that do produce medicines and treatments are expected to at minimum adhere to governmental Environment, Health, Safety (EHS) Guidelines as well as any standards set by their local regulatory agency. The generation of hazardous waste of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when data becomes available it will start reporting on this indicator
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	The Fund applies the OECD Guidelines for Multinational Enterprises and the UNGC principles in its analysis. Violations of these standards cover Disclosure, Human Rights, Employment and Industrial Relations, Environment, Combating Bribery, Bribe Solicitation and Extortion, Consumer Interests, Science and Technology, Competition and Taxation. Company documents and disclosures as well as news reports are investigated to confirm no violations. In addition, violations are reported by NGOs. Companies that are found to have violated these standards within the past 3 years are excluded from investment.

	11. Lack of processes and compliance mechanisms to OECD Guidelines for Multinational Enterprises monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	The Fund applies the OECD Guidelines for Multinational Enterprises and the UNGC principles in its analysis. In addition, the Fund investigates the quality of companies' grievance and whistle blower policies. This is a main focus point for the Fund and therefore an important topic for engagement and further improvement in reporting.
	12.Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	The Fund collects data on number of male and female identifying employees but not wages of male and female employees separately, therefore the Fund cannot currently report the unadjusted pay gap. Employee engagement, diversity and inclusion is one of the material ESG issues in the healthcare sector and therefore a main focus point for the Fund.

	13. Board gender diversity	Female board members expressed as a percentage of all board members.	The Fund collects data on number of male and female identifying board members. Employee engagement, diversity and inclusion is one of the material ESG issues in the healthcare sector and therefore a main focus point for the Fund.
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	The Fund does not invest in companies involved in the manufacture or selling of controversial weapons.
	15 -18	PAIs related to Sovereigns and Supranational or Real Estate	PAIs 15 to 18 are non- applicable to the portfolio of the Fund as there are no investments in this spectrum
Voluntary PAI 1	Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source	Biotechnology companies may generate improvement of their carbon footprint by considering the scope of their use of non-renewable energy in office buildings, research centres and production facilities where applicable. By requesting this datapoint from the portfolio companies, the Fund aims to increase awareness and support improvement. The breakdown of energy consumption of investee companies is currently not administered as the Portfolio Manager found that data is either unavailable or not comparable. The Fund will continue engaging and when becomes available data it will start reporting on this indicator

Voluntary PAI 2	Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistle blowers	Product and research quality, safe and responsible clinical trials and strong relations with patients, employees and other stakeholders are the foundation for all companies in the healthcare sector. Strong whistle blower policies and protection is a clear indicator of a company's commitment to high standards in this area and therefore one of the main focus points of the Fund's analysis.

B. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

This section provides information about the Fund's approach to the identification and prioritisation of principal adverse impacts and indicators. As the Fund aims to partly make sustainable investments, sustainability indicators, factors and risks are considered during throughout the investment process. Investments made by the Fund are screened against the principal adverse impacts to determine if they do any significant harm and if so, may not be counted towards the Fund's total sustainable investment reporting.

Identifying principal adverse impact

The Fund considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. For sustainable investments this means ensuring that the investments do no significant harm to any environmental or social objective. By mapping the Portfolio Manager's extensive knowledge of standards and regulations that apply to the biotechnology sector, each investment is thoroughly screened on potential significant harm.

The Fund requires, that all investee companies be willing to communicate and share information regarding the principal adverse impacts and risk factors, and not responsible for a breach of human rights in the past 3 years.

With respect to the management of environmental factors, the primary standards that guide the Fund's analysis of investee companies are the IFC Performance Standards on biodiversity and all standards set by government and local regulatory agency related to environmental issues. Standards that guide the Fund's analysis of social factors are the OECD Guidelines on Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and any standards set by government and local regulatory agency related to social issues.

Full details are available in the Fund's ESG Policy. The Fund Manager is the owner of this policy and reviews it at least annually. In addition, the Fund Manager reviews the processes and policies to identify and prioritize principal adverse impacts as well as their application in Fund investments on an annual basis.

Prioritizing principal adverse impact

Considering the Fund's focus on biotechnology, the Fund assesses the material ESG risks as identified by SASB for this sector. For each of the SASB risks, the Portfolio Manager developed a more granular description to better align with biotechnology terminologies.

Human Rights & Community Relations = Inclusion of patients in need and outreach to lower income countries in clinical trials	Product Quality & Safety = Counterfeit products and product recalls
Access & Affordability = Access and affordability of medicines	Customer Welfare = Patient follow up and support
Selling Practices & Product Labelling = Ethical marketing	Supply Chain Management = Bioethics and Supply chain management
Employee Engagement, Diversity & Inclusion = Diversity & inclusion in the biotech industry	Business Ethics = Business Ethics

A below average performance on the management of these risks identifies where improvements can and should be made and informs the engagement plan. In some cases, an investee company may fall under a different SASB sector, resulting in different material ESG risks.

The material ESG risks also inform which PAIs which are deemed to be most material for the Fund's analysis. The voluntary social PAI (Insufficient whistleblower protection) is selected based on the same principle. It is related to multiple material SASB ESG risks as product and research quality, safe and responsible clinical trials and strong relations with patients, employees and other stakeholders are the foundation for all companies in the healthcare sector. Strong whistle blower policies and protection is a clear indicator of a company's commitment to high standards in this area and therefore selected as the voluntary social PAI.

The voluntary environmental PAI (Breakdown of energy consumption by type of non-renewable sources of energy) is informed by the Portfolio Manager's belief that biotechnology companies may generate improvement of their carbon footprint by considering the scope of their use of non-renewable energy in office buildings, research centres and production facilities where applicable. By requesting this datapoint from the portfolio companies, the Fund aims to increase awareness and support improvement.

Mapping the PAIs to the SASB material risks for the biotechnology sector results in the following prioritization of principal adverse impact factors:

- Very important
    - Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
    - Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

    - Unadjusted gender pay gap
    - Board gender diversity
    - Insufficient whistleblower protection
- Important
    - GHG emissions
    - Carbon footprint
    - GHG intensity of investee companies
    - Share of non-renewable energy consumption and production
    - Energy consumption intensity per high impact climate sector
    - Activities negatively affecting biodiversity-sensitive areas
    - Emissions to water
    - Hazardous waste and radioactive waste ratio
    - Breakdown of energy consumption by type of non-renewable sources of energy
- Not applicable
    - Exposure to companies active in the fossil fuel sector
    - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)

The two PAI deemed not applicable are due to the Fund's investment strategy which limits the investable universe to biopharmaceutical companies and diagnostics and/or medical device companies only, thereby excluding activities in the two sectors above.

While the selected voluntary PAI always remain applicable, investee companies that fall under a different SASB sector may have a different prioritization of PAIs. This is determined on a case-by-case basis.

If the Portfolio Manager's analysis concludes that an investment is at risk of doing significant harm on more than 1 of the very important indicators or on 5 or more of the important indicators, then the investment cannot be classified as sustainable. If data about the company's commitments, processes, or policies on a PAI is not directly available from the company, industry databases or public news sources, the company is assumed to be at risk of doing significant harm on that PAI. Currently the Portfolio Manager does not consider third-party data in their analysis.

C. Engagement policy

The portfolio manager has a long history with investing in- and engaging with biotech companies. Engagement with small-cap companies can be very effective and can have a concrete and direct impact on their policies and practices. This not only benefits the company, but all stakeholders and ultimately society at large. Progress is reported on annually in the Fund's engagement report.

The prioritization of the principal adverse impact factors as outlined above directly informs the Fund's focus points for engagement. Depending on how far along the company is in its progress, engagement will first focus on disclosure and reporting and subsequently on improvement of outstanding issues. As the implementation of the SFDR and the required data collection remains ongoing, these tracks will run simultaneously and actively inform each other.

Additionally, a third engagement track exists for investee companies that have breached one or more of the Fund's binding requirements related to:

- Willingness to communicate and/or share information regarding the relevant topics and risk factors
- Suspected of a breach of human rights as stated in the UNGC principles and OECD Guidelines
- Suspected of inadequate disclosure of defects of safety issues relating to one or more of its products

The Portfolio Manager accepts that when it first starts working with an investee company, the disclosure on ESG issues and the PAI indicators as well as the company's mitigation of principal adverse impacts and ESG material risks may not yet be as desired. The Portfolio Manager does, however, expect performance to improve over time according to the agreed timeline. Which timelines are appropriate depend on the severity and the available mitigation options of the issue.

The Portfolio Manager engages with a company through meetings and calls with the company's management or Chairperson, email communications with the investor relations team members or other company representatives on specific matters, company site visits, interactions with external industry experts or other industry participants and action through formal voting when deemed necessary. Engagement is then factored into the overall investment process to ensure that the investee company can deliver returns at an acceptable level of risk as well as provide the improvements needed to reach an acceptable level of ESG integration so as to fit with the Fund's engagement policy. The Portfolio Manager exercises its voting rights acting, in its belief, in best interests of shareholder/stakeholders.

Engagement on disclosure and reporting

The Portfolio Manager engages with all potential investee companies to collect the required data on ESG risks that is needed in the investment analysis process. In addition, the information to test the binding requirements outlined above is also collected. Data requests for collecting the principal adverse impact metrics goes out soon after investment. Reporting on any kind of sustainability related data is still a new exercise for many companies, especially those companies with a small market capitalisation, that are relatively young, and headquartered outside the EU. Therefore, a large part of this engagement track consists of educating companies to these new datapoints.

Engagement on improvement of outstanding issues

The focus points of the engagement process may vary depending on how the company performs in its ESG risk and principal adverse impact analysis. If the company passes the principal adverse impact analysis the company may be classified as sustainable. Having passed that hurdle, the Portfolio Manager will target improvement of the remaining indicators with a prioritization of the very important indicator.

The engagement focus for investee companies that have not passed the principal adverse impact analysis depends on the outcome of the analysis and their capacity to improve. If a company missed passing the principal adverse impact analysis by a small margin, then the Portfolio Manager may focus on the very important or important indicators that will bring the company to a passing score first. Thereafter the other indicators are targeted for improvement.

If an investee company missed passing the principal adverse impact analysis by a large margin, but has the capacity to significantly improve, the Portfolio Manager may target the very important indicators first. This will allow for a significant improvement over a short timeframe. Investee companies that need to make a lot of improvements to pass the analysis but have limited capacity to do so will receive an engagement plan consisting of smaller steps, targeting the indicators they feel most comfortable tackling first.

Engagement on breaches of binding requirements during the holding period

While unlikely to occur as companies that breach the binding requirement prior to investment are excluded, it may be possible that an investee company becomes unwilling to collaborate with the engagement efforts. In that case, the Portfolio Manager will attempt to bring the borrower back on track within a reasonable timeframe.

If suspicions of a breach of the UNGC principles or OECD Guidelines or suspicions of inadequate disclosure of defects of safety issues come to light, the Portfolio Manager will engage with the investee company to understand the issue and discuss mitigation or reparation efforts. If these are not possible and a breach is irreversible, divestment will be the ultimate result.

Industry and Public Policy Engagement

The Portfolio Manager is convinced that combining portfolio management and engagement within the same team as opposed to separate teams improves the engagement outcomes and further improves the understanding of the investee company's business fundamentals as well as industry developments. The portfolio management team has a deep understanding of the company's inner workings and possible operational challenges to improving the ESG performance. In addition, the portfolio management team already has an established rapport with the investment companies' boards and management teams as a result of their engagement on financial issues. At the industry level, they understand existing regulations and standards, broad sector issues and challenges as well as developing perspectives and standards. This leads to the team being a valued discussion partner that can present a well informed engagement plan. It is the Portfolio Manager's experience that this improves the quality of discussions with the investee company update and accelerates the update of suggestions and improvement. A holistic approach to engagement is therefore achieved by combining the portfolio management and engagement activities.

The Fund does not directly engage in any industry or public policy engagement at the moment. Given the Portfolio Manager's capacity this is currently not feasible. Industry-wide initiatives to improve disclosure on sustainability related topics and to establish standards are monitored closely however and if an initiative fits with the Fund's engagement targets and capacity it will align and support.

D. Reference to international standards

The Fund's requires all investee companies to comply with applicable healthcare industry specific regulations in their home and host countries. In addition, any governance, environmental, social and human rights laws must also be followed. In its investment selection process and sustainability analysis, the Fund applies the following standards, as applicable:

- OECD Guidelines on Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- Sustainability Accounting Standards Board (SASB)
- IFC Performance Standard 6

With respect to the investigation of good governance, the primary standards that guide the Fund's analysis are the OECD Guidelines on Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the material governance risks for the biotechnology sector identified by SASB. A breach of the OECD Guidelines on Multinational Enterprises or the UN Guiding Principles on Business and Human Rights in the past three years is grounds for exclusion for prospective investments. For investee companies that breach these standards while in the portfolio, this triggers the relevant engagement track and if no remediation is possible within a reasonable timeframe, the ultimate result is divestment from the Fund.

The material governance risks for the biotechnology sector identified by SASB consider two main issues:

- Proper management of the investee company's supply chain. It addresses issues associated with environmental and social externalities created by suppliers through their operational activities. Such issues include, but are not limited to, environmental responsibility, human rights, labour practices, and ethics and corruption
- Ethical conduct of business including: fraud, corruption, bribery and facilitation payments, fiduciary responsibilities, and other behaviour that may have an ethical component.

Given the nature of most investee companies' business, direct impact on biodiversity, land use, resource extraction and habitat loss is considered limited. However, to better understand any residual or secondary effects that may exist, the investment manager is investigating the applicability of IFC Performance Standard 6 regarding biodiversity on its investment processes. Currently the standard is only applied to broadly identify biodiversity sensitive areas with regards to PAI 1.7. The Portfolio Manager is working on a more detailed investigation.

Historical comparisons

The earliest historical comparison will be provided in June 2024.

Annex I. Reporting template

Indicators applicable to investments in investee companies						
Adverse Sustainability Indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions				
		Scope 2 GHG emissions				
		Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	5. Share of non-renewable energy consumption	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable				

	and production	energy sources compared to renewable energy sources, expressed as percentage				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas				
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average				
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average				
	Optional Environmental PAI: Breakdown of energy	Share of energy from non-renewable sources used by investee companies				

	consumption by type of non-renewable sources of energy	broken down by each non-renewable energy source				
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTIONAND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles				

	principles and OECD Guidelines for Multinational Enterprises	or OECD Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies				
	13. Board gender diversity	Average ratio of female to male board members in investee companies				
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons				
	Optional Social PAI: Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistle blowers				