

### **ARCHIMED Remuneration Policy – Incorporation of Sustainability Risks**

Incorporation of sustainability risk (Art. 5 of the SFDR)

In December 2019, the European Union published legislation concerning the publication of information on sustainability in the financial services sector which will come into effect on 10th March 2021. This legislation requires financial market players and financial advisers to include in their compensation policy any information concerning how these policies are compatible with the incorporation of “sustainability risks”.

ARCHIMED incorporates the environmental and social characteristics of its investments as part of investment strategy, as detailed in our Responsible Investment Policy. This incorporation takes place from the commencement of the investment cycle, enabling the process of portfolio creation to be intrinsically linked to ARCHIMED’s healthcare objectives which are aimed at reducing the sustainability risks of the portfolio. This ESG incorporation is performed with respect to several key themes based on the United Nations Sustainable Development Goals (SDGs). Full details on the incorporation of sustainability risks and their implications can be found within our ESG and Sustainability Risks Policy.

#### **ARCHIMED’s Remuneration Policy**

ARCHIMED has designed and implemented a compensation policy that ensures that the Firm maintains and applies a sound remuneration process that is compliant with the Group’s duty to act in the best interests of investors. The policy seeks to identify and appropriately manage any potential conflicts of interest on remuneration in a way that is consistent with the integration of sustainability risks, including any activities that give rise to misrepresentation or ‘greenwashing’ of investment strategies. ARCHIMED’s Remuneration Policy seeks to exert competent risk management processes that are consistent with the pre-defined risk profile of the Funds under management. The Remuneration Policy stipulates that the balance between the fixed and variable component of remuneration shall be reasonable and not encourage excessive risk taking; instead, it will encourage the consideration and mitigation of inherent sustainability risks. The management of the team members and the Funds’ portfolio companies who are subject to the Remuneration Policy shall be assessed on their adherence to the Impact Roadmaps over the course of the holding period, as defined within 100 days of investment closing.

#### **Alignment of variable remuneration with impact objectives**

All team members, including Partners, have Impact Investment objectives. These objectives are linked to the systematic application of all elements of the Impact Investment strategy. An explanation of how this works in practice is included within our [2021 Impact Report](#), while an in-depth explanation of our investment strategy can be found in our Responsible Investment Policy.

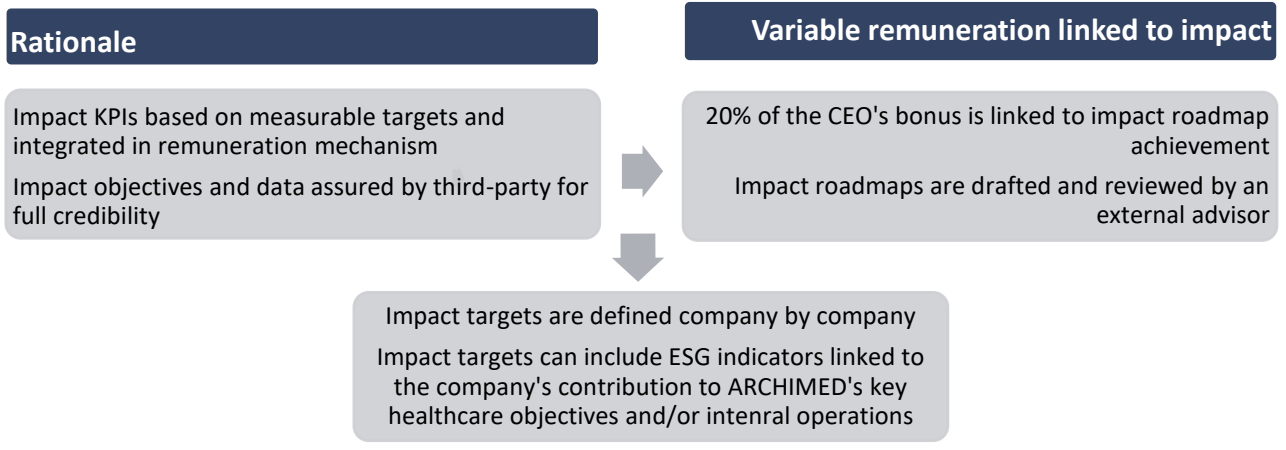
All team members must contribute to responsible practices within ARCHIMED. Pre-investment, the investment team must identify the company’s main risks and opportunities on ESG topics as well as contributions to the relevant healthcare objective. They must ensure the impact due diligence questionnaire is complete, and, once acquired, they must work with portfolio companies to implement the Impact Roadmap and then with Partners to identify sustainability progress indicators and set up reporting systems to ensure these are monitored.

Each team member’s contribution to the achievement of the Impact Investment strategy is assessed on an annual basis and included in the decision to distribute its variable remuneration. A discretionary assessment of the performance of the employee is carried out in line with the [Responsible Investment Policy](#), taking into

account their integration of sustainability risk within investment decisions, as well as their management of the ESG and impact implementation across the portfolio which thereby contributes to the specific healthcare and impact objectives.

**Portfolio level**

A significant part of our Impact Investment strategy revolves in properly advising our portfolio companies to define a Corporate Social responsibility (CSR) strategy, with clear objectives, assigned responsibilities and concrete actions. We strongly believe that driving impact goes through good CSR governance. To embed our Impact approach at all levels, following the implementation of the Impact roadmaps, all companies established a CSR governance initiative. As such, impact KPIs based on measurable targets are integrated into the remuneration mechanism. To fully align interests around scaling sustainability, we have decided to link a portion (20%) of CEO’s remuneration package to the achievement of the Sustainability Roadmap of all Article 9 Funds’ investments. For full credibility, impact KPIs and roadmaps are assured by a third-party advisor.



**Oversight**

Remuneration shall be justified in accordance with the performance of the individual concerned; the total amount will be based on combination of the assessment performance of the employee or the adherence of the company CEO to the Impact Roadmap. The Remuneration Policy is approved by the CFO. It is reviewed on an annual basis by the CFO and Director of Impact Investment, with ad-hoc updates carried out as deemed necessary.