

## ARCHIMED Report on Principle Adverse Impacts (PAIs)

### Information pursuant to Article 4 Regulation (UE) 2019/2088 of the European Parliament and of the Council with regard to Regulatory Technical Standards (RTS)

#### A) Summary of the main negative impacts on sustainability factors

The investment Funds managed by ARCHIMED are classified as follows under the European Sustainable Finance Disclosure Regulation (SFDR):

- MED I, MED II, and MED Platform I (MP I) are classified under Article 8 and thus, amongst other characteristics, investments in these Funds seek to promote environmental and social characteristics.
- MED III is classified under Article 8 and thus promotes environmental and social characteristics amongst others, but also goes beyond this by having a significant part of the Fund pursuing a social sustainable investment objective in line with the investment strategy of an Article 9 Fund (marketed as Article 8+; a category emerging from market practice).
- MED Platform II (MP II) is classified under Article 9 and as such it pursues a social sustainable investment objective, namely ARCHIMED's Health Objectives, alongside financial objectives.

Principal adverse impacts on sustainability factors (PAIs) are systematically considered pre-investment through ARCHIMED's Internal Sustainability Tool, as well as further ESG due diligence conducted by external experts. Post-investment, the PAIs are monitored on a quarterly basis at the board level of portfolio companies, and on an annual basis through data collection of ESG & Impact indicators, inclusive of the PAIs. Please refer to the "Description of policies to identify and prioritize principal adverse impacts on sustainability factors" section below, or to [ARCHIMED's Sustainability Report](#) for more information.

This PAI Statement covers the reference period from 1<sup>st</sup> January to 31<sup>st</sup> December 2022. ARCHIMED considers the PAIs of its investment decisions on environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters in the manner prescribed by the SFDR and Delegated Regulations. The PAIs include the following:

- Environmental damage, in particular GHG emissions; carbon footprint; GHG intensity of portfolio companies; exposure to companies active in the fossil fuel sector; 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 ratio.
- Social and employee matters, respect for human rights such as health and safety of workforce; unfair advantage; community relations; human rights, violation of UN Global Compact principles and 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; exposure to controversial weapons.
- Governance, anti-corruption and anti-bribery matters, appropriate KYC is undertaken on service providers and investors, and conflict of interest risk.

In addition to the mandatory PAIs, two additional PAIs have been considered: 1) #2.4 "Investments in companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement"; and 2) 3.1 "Share of investments in investee companies without workplace accident prevention policies".

The PAIs addressed by ARCHIMED pre- and post- any investment differ depending on the sector, industry, and region of each given company. Among other PAIs, ARCHIMED assesses systematically the following indicators before making any investment and monitors these impacts across the ownership period:

- The Company has set up an action plan to reduce its energy consumption and GHG emissions.
- The Company tracks its GHG intensity.
- The Company has no or limited exposure to the fossil fuel sector
- The Company tracks its energy consumption intensity per high impact climate sector.
- The Company uses renewable energy as a significant part of its energy mix.
- The Company has measured its carbon footprint.
- Effluents are fully collected, analyzed, and treated to abide by best emission standards.
- The Company tracks its hazardous waste ratio (Tons of hazardous waste generated per million euro).
- The Company has developed initiatives to reduce or recycle its waste.

- The Company monitors activities negatively affecting biodiversity-sensitive areas.
- Several initiatives to increase gender parity and equal opportunities are undertaken by the Company.
- There is a similar proportion of men and women among total staff as among managers.
- No exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons).
- No violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises.
- Enough process and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

In addition, ARCHIMED has a list of excluded activities that have adverse impacts on sustainability factors including the sector of tobacco and distilled alcoholic beverages, thermal coal, weapons and ammunition, casinos and gambling, pornography and prostitution, embryonic stem cell research, activities related to human reproductive cloning, activities relating to gestational surrogacy, activities relating to recreational cannabinoids. Also, ARCHIMED maintains and constantly updates a list of watchlist activities and practices that may have adverse impacts on sustainability factors and for which a higher level of scrutiny is applied, including animal testing, medical treatments with high risks of substance dependence (opioids, cannabinoids, anti-obesity medicines), inflated prices and aggressive marketing campaigns, data protection, conflict of interests, etc.

## B) Description of policies to identify and prioritize principal adverse impacts on sustainability factors

### Management and monitoring of principle adverse impacts during the due diligence process

During the due diligence process, the investment teams use our internal sustainability tool, containing a list of potential adverse impacts the company can have on sustainability factors, which includes all the principle adverse impacts as listed above, along with several other adverse environmental, social, and governance impacts. Results of this first assessment must be presented in the investment committee paper to inform investment decision. In the case specific risks are identified through the results of the internal sustainability tool, deep-dive due diligence is carried out by external consultants and industry experts. An impact referent is appointed for any new investment target identified, they drive internal action to identify and reduce PAIs, and to monitor all potential adverse impacts. The adverse sustainability impacts are systematically analyzed, documented, and presented to the Investment committee as early as possible to inform the investment decision.

### Management and monitoring of principle adverse impacts during the holding process

ARCHIMED Investment team and Impact investment team engage with portfolio companies to help them reduce the adverse impacts on sustainability factors of their business activities all through the holding period. Post-investment, a Sustainability Roadmap is developed systematically for each new portfolio company, with the help of external consultants and initiatives are set to limit and monitor its potential adverse sustainability impacts. Progress against the roadmap is assessed regularly during board meetings of investee companies. ARCHIMED oversight continues through quarterly portfolio review meetings, and through a comprehensive annual ESG reporting campaign that includes all PAIs, which allow us to report to our investors regularly on PAIs and their integration at portfolio level. The responsible investment approach of ARCHIMED uses the targets of the U.N. Sustainable Investment Goals as well as other internationally recognized standards for ESG assessment, due diligence, and reporting, and is framed around the six principles of the PRI.

## C) Engagement Policy

ARCHIMED is committed to fully exercising its responsibility as a shareholder by investing with a long-term outlook and analyzing unlisted companies in detail, with the aim of creating value. To this end, the managers analyze the economic and financial performance of the companies in which they invest, paying particular attention to good governance practices, as well as their social and environmental footprint. Our engagement strategy covers the entire portfolio of companies and reinforces the systematic integration of an ESG lens throughout the investment process. During the due diligence phase, an ESG review is always conducted alongside financial, legal and tax due diligence, and it includes a thorough ESG risk and opportunity assessment. During the investment phase, the Sustainability Roadmap, developed within 100 days of closing, is an official requirement as part of the post-completion action plan and progress against it is monitored regularly by the investment team and a formal follow-up review process is scheduled annually with the Sustainability and Impact team. The ARCHIMED team systematically takes multiple board seats with portfolio companies and therefore can influence, review sustainability, impact and ESG progress directly. Dialogue with portfolio companies concerning ESG topics is structured through governance bodies, such as the board, working groups, and

ad-hoc requests, whereby the ARCHIMED team continuously supports and engages with portfolio management to advance progress on their sustainability objectives. The portfolio is reviewed each month by the investment committee and ARCHIMED partners during the Monthly ARCHIMED Meetings (MAM) based on monthly reports provided by each portfolio company, which include key events and progress on sustainability topics as well as areas for further improvement. Please refer to [ARCHIMED's Engagement Policy](#).

## D) Reference to international standards

- United Nations Principles for Responsible Investment (UN PRI): ARCHIMED has been a signatory since 2018, illustrating our long-standing commitment to responsible investment.
- United Nations Development Goals (UN SDGs): the SDGs have been used as the foundation on which our Responsible Investment Policy has been built.
- Initiative Climat International (iCI): ARCHIMED has been a signatory since 2022 and our Climate Policy will set a carbon reduction strategy aligned with the Paris Agreement's objectives.
- Impact Management Project (IMP): is the impact assessment framework utilized as the base of the positive screening analysis we carry out systematically during the pre-investment stage.
- Sustainability Accounting Standards Board (SASB): as part of our annual ESG Reporting Campaign, we collect and report on healthcare specific SASB indicators across our portfolio.
- France Invest: ARCHIMED has been an active member of the Sustainability Commission GT1 Climate, a working group whose mission is to promote ESG within the investment realm. ARCHIMED is also a signatory of the France Invest Charter on Diversity.

## E) Description of the principal adverse impacts (period: 1<sup>st</sup> January – 31<sup>st</sup> December 2022)

PAI	Metric	ARCHIMED Portfolio	MED I	MED II	MED III	MP I	MP II
1. GHG emissions	Scope 1 GHG emissions	3,214.73	231.54	139.06	255.25	2,480.35	108.53
	Scope 2 GHG emissions	2,114.51	148.79	478.95	339.69	872.14	274.93
	Scope 3 GHG emissions	98,605.22	4,124.95	8,116.49	3,828.05	52,285.14	30,250.59
	Total GHG emissions	103,934.46	4,505.29	8,734.50	4,422.99	55,637.63	30,634.05
2. Carbon footprint	Carbon footprint	34.66	32.17	15.46	45.18	45.36	23.14
3. GHG intensity of investee companies	GHG intensity of investee companies	66.12	65.38	53.34	91.08	60.41	73.91
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	0%	0%	0%	0%
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 of total energy sources	76% (production), 64% (consumption)	56% (production), 51% (consumption)	N/A (production), N/A (consumption)	N/A (production), N/A (consumption)	97% (production), 45% (consumption)	0% (production), 39% (consumption)

# ARCHIMED

IMPACTING HEALTHCARE

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	0	0	0%	0	0	0
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	0%	0%	0%	0%	0%	0%
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	0.44	0	0	0	1.92	0
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1.0	0.6	0.9	0.2	7.8	0
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	0%	0%	0%	0%	0%	0%
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines	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	75%	76%	52%	100%	62%	100%

for Multinational Enterprises	mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises						
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	16%	16%	24%	21%	14%	15%
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	8%	8%	9%	12%	6%	10%
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	0%	0%	0%	0%	0%	0%
<b>Other indicators for principal adverse impacts on sustainability factors</b>							
15. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	92%	86%	100%	100%	85%	100%
16. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	20%	36%	0%	22%	34%	0%

PAI	Explanation, actions taken, and planned and targets set for the next reference period
1. GHG emissions	Compared to last year, 5 portfolio companies had a full carbon footprint assessment under GHG protocol conducted on the three scopes. The results of these carbon footprint assessments were used instead of proxies used last year. In 2023, ARCHIMED SAS engaged with Carbone 4 to support our portfolio companies in conducting their carbon footprint assessments and setting carbon reduction action plans.
2. Carbon footprint	
3. GHG intensity of investee companies	
4. Exposure to companies active in the fossil fuel sector	Not applicable
5. Share of non-renewable energy consumption and production	ARCHIMED engages with portfolio companies to install renewable sources of energy when the company owns its site (e.g., DIESSE Biotech Campus) and recommends switching to renewable energy providers when energy is bought from external providers.
6. Energy consumption intensity per high impact climate sector	Not applicable

7. Activities negatively affecting biodiversity- sensitive areas	In 2021-2022, ARCHIMED conducted an analysis of our portfolio's biodiversity-related dependencies, footprint, and risks, aiming to assess overall exposure to biodiversity and ecosystem services. This analysis was performed by a third-party consultant, using the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) sectorial database.
8. Emissions to water	Only 1 portfolio company generates emissions to water (SUANFARMA) and reported a slight increase in tons emitted this year. This year, the indicator was calculated using a different methodology based on the latest ESMA Consultation Paper (JC 2023 09). ARCHIMED has engaged with the portfolio company to ensure that measures are in place for the collection, analysis and treatment of effluents abiding by emission standards and limiting the discharge of pollutants into water sources.
9. Hazardous waste and radioactive waste ratio	The tons of hazardous and radioactive waste decreased across the portfolio in 2022 compared to 2021. The indicator was calculated this year using a different methodology based on the latest ESMA Consultation Paper (JC 2023 09). ARCHIMED has supported portfolio companies in the implementation of several waste management and reduction initiatives with specific focus on ensuring the proper treatment and disposal of hazardous waste.
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	N/A
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	N/A
12. Unadjusted gender pay gap	ARCHIMED encourages portfolio companies to conduct a gender pay gap analysis and implement corrective actions to close this gap.
13. Board gender diversity	N/A
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Not applicable
15. Investments in companies without carbon emission reduction initiatives	ARCHIMED aims to continue to reduce the number of companies without carbon reduction initiatives. As part of our climate strategy, we are working with large emitters in the portfolio to carry out carbon footprint assessments and develop carbon reduction strategies aligned with the Paris Agreement.
16. Investments in companies without workplace accident prevention policies	This indicator was not measured this year. We selected this PAI due to the particular importance of health and safety in the workplace of healthcare businesses, which may be exposed to chemicals, machinery or other occupational hazards beyond that of a typical office environment.