



ARCHIMED

IMPACT ING HEALTH CARE

ARTICLE 29 LEC

Report

June 2024

Reporting Period: 1st January – 31st December 2023

Article 29 « Loi Energie Climat »¹

2023 Report

ARCHIMED

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¹ This report follows the requirements of article 29 of law n°2019-1147 of November 8, 2019 and its implementing decree n°2021-996 published on May 27, 2021. It is based on the structure described in Appendix B of AMF instructions DOC-2008-03 and DOC-2014-01.

1. Overview of the entity's approach to environmental, social, and governance criteria

Responsible Investment Strategy

Founded in 2014, ARCHIMED was born out of the belief that setting up a private equity firm dedicated to investing in healthcare would create a positive difference for both companies and investors alike. As a specialized impact investor within the health sector, improving patient outcomes is one of our foundational goals, with contributing to better healthcare being our overarching mission. The ARCHIMED team brings decades of medical, scientific, operational, and financial experience, and is purely focused on accelerating the growth and business development of healthcare companies through innovation, internationalization, acquisitions, and capacity expansions. Through our healthcare expertise, we have consistently delivered superior performance to our investors in terms of financial returns, as well as sustainability and health improvements, serving as the underlying drivers of our responsible investment approach.

OUR VISION – We believe in human, animal, and environmental health ('Health') as a common value amongst all people and a key condition for long-term development.

OUR MISSION – We join forces with scientists, healthcare professionals, entrepreneurs, and investors to drive the sustainable development of the healthcare industry through our 3 main activities:

- **FUND** – We ensure funds are channeled into companies contributing to improving healthcare outcomes while achieving sustainability and impact objectives.
- **SUPPORT** - We empower healthcare entrepreneurs in their companies' development, seeking to drive value for multiple stakeholders and build a better healthcare future.
- **RETURN** - We deliver superior returns to our investors and fair rewards to our companies, but we also aim to have a wider impact on society by supporting charitable projects through the EURÉKA Foundation.

OUR AMBITION – By driving more resources to the healthcare industry, we are improving people's health and economic status across all levels.

Sustainable development is a key precondition for realizing our mission of advancing healthcare industries, improving health outcomes, and driving long-term value creation. This commitment permeates every aspect of our business and is positioned at the core of our responsible investment approach. This strategy guides us in prioritizing, selecting, and investing in mission-driven companies with the ambition of impacting healthcare and building leading, responsible, and innovative businesses to deliver long-term performance for investors while leaving a positive footprint on society.

As of December 31st 2023, the global amount managed by ARCHIMED was c. €3.5 billion including equities, bonds, derivatives and other financial instruments, of which c. 96% was covered by our ESG approach. To strengthen our strategy, in 2023-2024 we updated our [Responsible Investment Policy](#) and internal Responsible Investment Procedure, which reinforce our investment guidelines and strategy implementation by outlining:

- our responsible investment approach and commitments, including objectives and scope
- applicable regulations, frameworks, and definitions for responsible investment
- methodologies, tools, and processes used to integrate extra-financial and ESG criteria in the investment process
- how sustainable ('impact') investments are identified from the outset
- how we measure contribution to our Health Objectives - safety, efficacy, accessibility, affordability, and efficiency
- how sustainability and impact topics are governed, managed, and improved across the portfolio
- compliance controls applicable to certain investment procedures
- specific guidelines and position statements for dealing with watchlist topics requiring a higher level of scrutiny

Our responsible investment strategy is embedded into all steps of the investment lifecycle and is focused on accelerating our portfolio' sustainable transformation alongside ours. This strategy is encapsulated in the following four commitments:

1. Impact – Contribute to Health Objectives

- Pre-investment: Assessing the contribution to Health Objectives and SDG targets to define a clear impact thesis.
- Post-investment: Setting impact KPIs based on the Five Dimensions of Impact and monitoring progress.

2. ESG – Build Responsible Businesses

- Pre-and post-investment: Evaluating key ESG material topics and the company's maturity against these topics

- Post-investment: Developing a Sustainability Roadmap with specific objectives, milestones, and KPIs, against which progress is monitored annually. Continuous engagement with companies to support sustainability stewardship

3. Engagement- Align Interests

- Post-investment: Integrating discussions on impact and ESG topics at the board. Aligning variable remuneration of top management with Roadmap progress and of ARCHIMED deal team with sustainability objectives

4. Transparency – Monitoring and Reporting

- Pre-and post-investment: Integrating Principle Adverse Impacts (PAIs) in due diligence, periodic and annual reports
- Post-investment: Collecting annual ESG and impact information and communicating on sustainability performance and updates through ESG Scorecards, Sustainability & Impact Reports, and Quarterly Investor Reports.

Our pre-and post-investment approach is detailed below:

Pre-Investment

In 2023-2024, we implemented further improvements to our proprietary **Internal Sustainability Tool** that facilitates the streamlining of our sustainability and impact screening processes. Before every first Preliminary Investment Committee (PIC), an **Impact Referent** from the deal team is appointed and utilizes this Tool to conduct:

- (i) **a preliminary negative screening, based on our exclusion and watchlist criteria**, which filter activities that raise critical ethical risks associated with investing in healthcare, such as bioethics issues, risks of substance dependence, aggressive marketing tactics, and price increases. Subjecting potential investments to a high degree of scrutiny across these topics is essential in ensuring that we stay true to our mission of improving health outcomes for all.
- (ii) **a high-level ESG assessment, covering key topics and highlighting potential ESG risks requiring due diligence.**
- (iii) **an impact assessment, evaluating the contribution of investments to UN SDGs, especially SDG 3 “Good Health and Well-being” and SDG 9 “Industry, Innovation and Infrastructure, and our Health Objectives**, based on the Five Dimensions of Impact framework, which cover the criteria of intentionality, additionality, and measurement:
 - A) **Intentionality** corresponds to the company’s intention to generate a positive impact on health. Our decision to invest is based on each company’s capacity to demonstrate:
 - A positive and measurable contribution to SDG 3 and, where relevant, also to SDG 9. **At least 50% of revenues** are driven by business activities that have an impact on at least one of the five Health Objectives: safety, accessibility, affordability, efficacy, and efficiency.
 - No significant harm is inflicted on environmental, social, or governance-related areas, as reflected in the Do No Significant Harm (DNSH) principle and PAI indicators.
 - B) **Additionality** refers to whether the company brings forward a solution that is significantly better than the alternatives offered in the market, and whether the investment will improve the positive impact on health.
 - C) **Measurement** ensures the company’s contribution to the intended Health Objectives and associated outcomes can be quantified through specific impact KPIs.

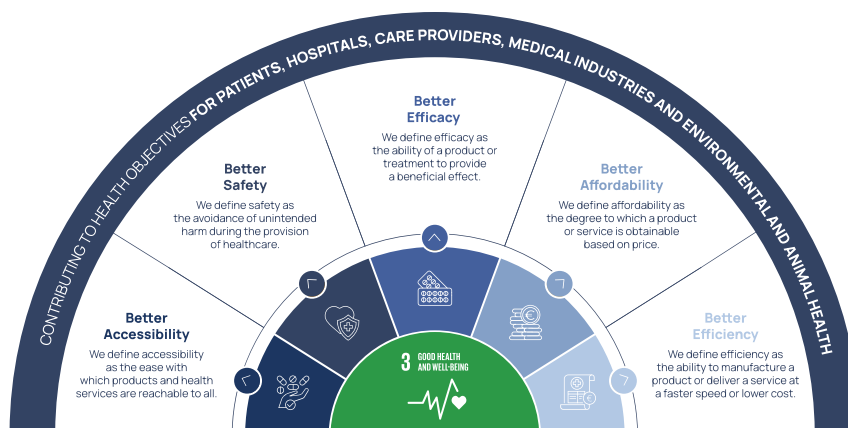


Figure 1: ARCHIMED’s Health Objectives Impact Framework

The **Impact Referent** summarizes the results of this screening exercise in the PIC memo, which is reviewed and validated by the Sustainability & Impact team. Also, an **Impact Reviewer** is appointed, typically a senior member of the investment team, to further challenge the deal team with ESG and impact questions during the PIC. Should the investment move forward, an extensive impact and ESG due diligence is performed by external consulting experts, and, if necessary, topic-specific due diligence, e.g., on environmental, supply chain, health, and safety, animal testing, etc., is also performed. The results of the due diligence are included in the PIC memo to inform the investment decision-making and the Post-Completion Action Plan (PCAP) to define mitigating actions if required. Aside from our Responsibility Investment Policy and Procedure, these outlined processes are also formalized in our investment execution checklist, the internal compliance procedure governing our investment activity. If the investment committee decides to pursue the investment in a target company, ESG, and impact criteria are also consistently integrated into the contracts regulating the investments.

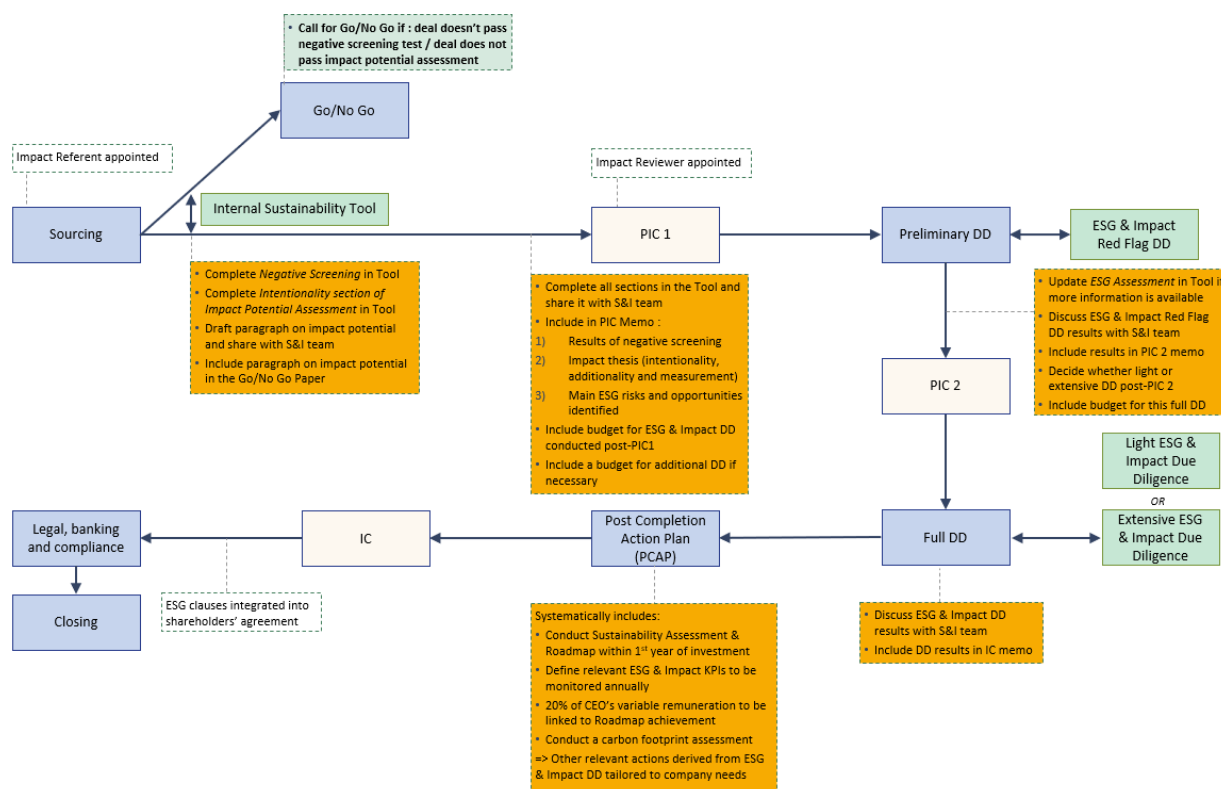


Figure 2: Integration of ESG & Impact Criteria throughout ARCHIMED's Pre-Investment Process

Post-Investment:

During the holding period, a sustainability analysis is performed by expert consultants to deliver key insights on ESG materiality and maturity based on each company's sector, activities, location, supply chain, and peer benchmarking. Based on the results, a **Sustainability Roadmap** is co-developed with the company management to define a clear ESG and impact vision, supported by objectives and improvement actions fitted in a realistic timeline, as well as KPIs to monitor performance. This Roadmap is validated at the board level and executed by management; to further align business interests, 20% of the CEO's variable remuneration is linked to the achievement of this Roadmap for MED Platform II and MED III investments. Our Sustainability & Impact team continuously engages with portfolio companies to support them in upholding high ethical, environmental, social, and governance standards and advise them in the definition and implementation of their Corporate Social Responsibility (CSR) strategy. Also, sustainability objectives are regularly discussed and monitored at the board level, with the active involvement of ARCHIMED team members who routinely occupy board seats within portfolio companies. ARCHIMED runs an annual Reporting campaign to collect both ESG and impact portfolio data as well as annual follow-up reviews to assess each company's progress against Roadmap targets. The results of these analyses are shared through Quarterly Investor Reports, annual Sustainability & Impact Reports, and company-specific ESG Scorecards. At exit, sustainability vendor due diligence is conducted as often as possible, and sustainability and impact performance are shared as part of the exit success story.

The following key ESG topics represent our minimum requirements that are investigated and promoted systematically:

ENVIRONMENT



Assessment of GHG Emissions Scopes 1, 2 & 3
 GHG Emissions Reduction Action Plan & Targets
 Biodiversity Risks
 Waste Management and Eco-design
 Environmental Pollution
 Exposure to Climate Change Risks

SOCIAL



Diversity, Inclusion, and Equal Opportunities
 Employee Engagement and Labour Relations
 Occupational Health and Safety

GOVERNANCE



Business Integrity
 Local Footprint and Philanthropy
 Innovation and R&D
 Digitalization and Telemedicine
 Risk Management (incl. Data Protection and Security)
 Safety and Health Equity in Clinical Trials
 Quality and Product Safety
 Supply Chain Management (incl. Human Rights and Environmental Impacts)
 Distribution, Marketing, and Product Labelling

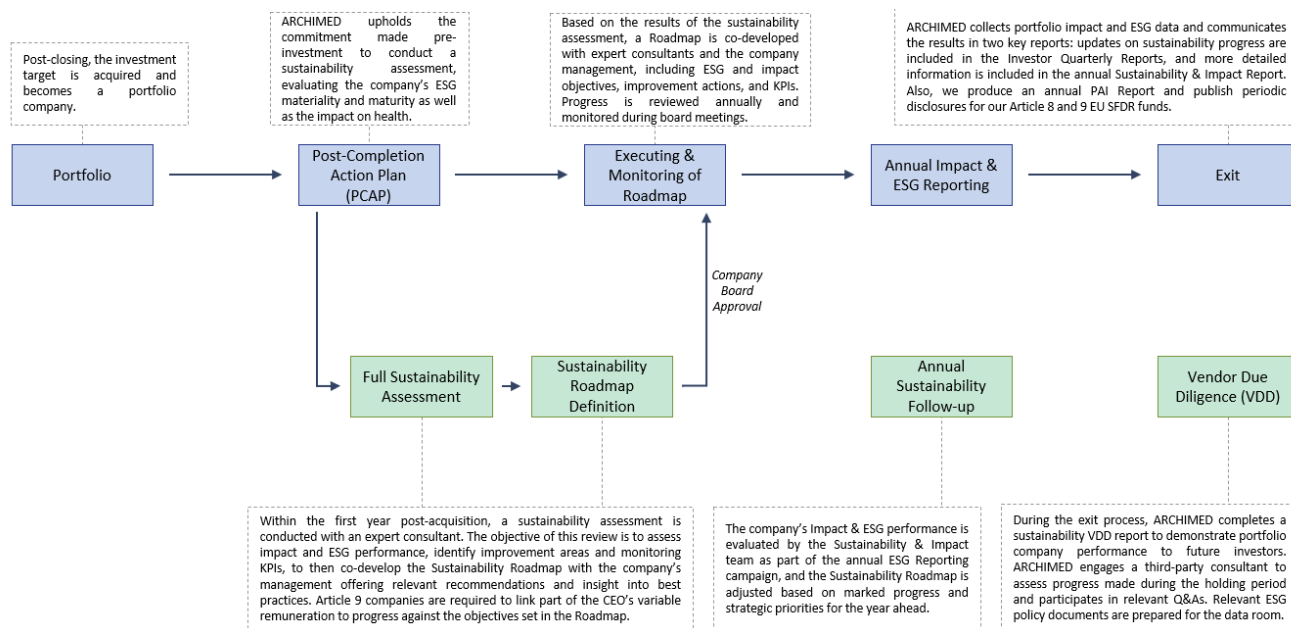


Figure 3: Integration of ESG & Impact Criteria throughout ARCHIMED's Holding Period

Engagement with Industry Initiatives:

To ensure that we follow the highest industry standards, our strategy is built upon established international sustainability and impact frameworks, including but not limited to the **Sustainability Accounting Standards Board (SASB)**, the **UN Principles of Responsible Investment (PRI)**, the **UN Sustainable Development Goals (SDGs)**, and the **Five Dimensions of Impact (previously, Impact Management Project – IMP)**. Demonstrating our commitment to integrating sustainability best practices into our investment approach, we are involved with the following industry initiatives:

- In 2018, we became a signatory of the **UN PRI**, committing to the integration of ESG criteria and recommended actions into our investment practice in line with the six principles.
- In 2020, we became a signatory of the **initiative Climat International (iCI)** and are working towards building a climate-resilient portfolio and measuring our carbon footprint to develop a climate strategy aligned with the Paris Agreement.

- Since 2022, our previous Head of Sustainability and Impact (now Operating Partner) has been an active member of the **France Invest Sustainability Commission GT1**, supporting the mission of this working group to promote ESG within the investment realm and develop action plans on priority themes such as climate change and biodiversity.

Sustainability reporting and communication:

Transparency is an essential component of building trust and long-term relationships, and so we use various means to regularly update and share accessible and accurate sustainability information with our investors and business partners:

- The [Responsible Investment Policy](#), outlining in detail our responsible investment approach, as well as the established processes, tools, and methodologies used, is readily available on our website.
- The entity and fund-level pre-contractual and periodic disclosures, including reporting on PAI indicators, based on the European Sustainable Finance Disclosure Regulation (SFDR) Annexes; the former is available on our investor data platform, the latter is accessible at our [SFDR Disclosures](#) webpage and is updated annually.
- The [Sustainability & Impact Reports](#) are published annually, including detailed information on our responsible investment strategy and our impact and ESG performance at ARCHIMED and the portfolio companies.
- The **Quarterly Investor Reports** for each Fund include a dedicated sustainability section, reporting on material ESG incidents concerning invested companies and corresponding corrective actions taken as well as broader sustainability updates and progress made during the reporting period, both at ARCHIMED and at the Fund.
- The **annual ESG Reporting Campaign** requires portfolio companies to provide data on their sustainability performance across an extensive set of indicators including Environmental - carbon footprint, energy, waste, water, and biodiversity, Social – workforce characteristics, equal opportunities (diversity, equity, and inclusion), employee development and engagement, health and safety and profit-sharing, and Governance – CSR, business ethics, charitable initiatives, cybersecurity, and data protection, as well as supply chain, impact on health, ESG policies and processes, PAIs and healthcare-specific SASB indicators. The results at individual company, fund, and portfolio levels are shared with our investors through dedicated ESG scorecards alongside general business and investor material. The annual publication of the Sustainability & Impact Reports includes key portfolio metrics from this reporting exercise.
- The **ARCHIMED website** provides access to information on how we incorporate relevant sustainability risks in our investment decision-making process, including the organizational, risk management, and governance aspects. This information is kept up to date and is consistent with our messaging across our marketing communications.

EU SFDR Fund classification

Since ARCHIMED’s inception, all funds have consistently integrated sustainability across their investment lifecycle and thus 100% of our Assets Under Management (AUM) are considering ESG criteria. Our funds are classified as either Article 8, 8+, or 9 under the EU SFDR and are subjected to corresponding mandatory pre-contractual and periodic disclosure obligations. Article 8+ is an unofficial classification but an emerging market practice, whereby funds invest in line with the Article 8 investment strategy to promote environmental and social characteristics but also go beyond this by acquiring some assets that pursue a sustainable investment objective in line with the Article 9 investment strategy. Our latest funds, MED III and MED Platform II, classified as Article 8+ and Article 9 respectively, were created to drive sustainable investments in the healthcare sector: a large portion (at least 66%) of MED III and 100% of MED Platform II invested amounts are contributing to our sustainable investment objective as previously defined through SDG 3 and our Health Objectives.

| Article 8 funds | Article 8+ funds | Article 9 funds |
|---|--|---|
| <i>The Fund promotes environmental and/or social characteristics</i> | <i>The majority of the Fund has a sustainable investment goal as its objective</i> | <i>The Fund has sustainable investment as an investment objective</i> |
| MED I (€ 43M/ 75%) MED II (€ 379M/ 98%) MED Platform I (€ 907M/ 100%) | MED III (€ 183M/ 100%) | MED Platform II (€ 748M/ 94%) |

ARCHIMED’s funds and respective Net Asset Value (NAV)/ % ESG Coverage.

2. Internal resources deployed by the entity

Internal Human Resources:

Involving our entire team in our responsible investment strategy is a key driver of its successful implementation. To that end, developing and strengthening ESG-related knowledge and skills is a priority. Our team receives regular formalized training sessions on sustainability and impact topics; additionally, our investment team receives more extensive and ad-hoc guidance covering our internal sustainability tools, processes as well as ESG best practices. In this way, we ensure our teams are properly equipped to evaluate investment targets on ESG and impact criteria, drive our portfolio’s sustainability performance, and accelerate positive impact on health. In 2023-2024, we organized mandatory internal training sessions for the investment team and Partners focused on the implementation of our responsible investment strategy during the pre-investment phase. Later in the year, we planned for training sessions on the post-investment phase, focused on portfolio engagement on ESG and impact topics during the holding period to pursue best practices and material progress. In light of the Corporate Sustainability Reporting Directive (CSRD) which entered into force in January 2024, we also coordinated a training session, led by expert consultants, for our investment team Directors, Principals, and Partners as well as relevant portfolio companies on the requirements and business implications of this new regulation. To further improve awareness of impact and ESG topics specific to the healthcare sector, we continue to circulate a dedicated newsletter to the wider team every quarter.

ARCHIMED’s Sustainability & Impact team brings in unique in-house knowledge on these topics and is entirely dedicated to the implementation of our responsible investment strategy, supporting the selection of mission-driven companies aligned with our SFDR fund classifications as well as the management of ESG and impact topics across our portfolio. This team attends the Investment Committees (ICs) of all deals to further ensure that sustainability and impact criteria are respected and share deal-specific insights that inform investment decision-making. Currently, the team composition includes a full-time Sustainability & Impact Director, an Associate, and an Analyst. In addition, a specialized Operating Partner provides strategic input to post-investment activities. Furthermore, an ESG Committee has been set up, composed of the Sustainability & Impact Director, the CEO, and the CFO, who meet regularly to discuss extra-financial objectives.

| | |
|---|--|
| ESG Committee | <ul style="list-style-type: none"> Denis Ribon – Chairman, Managing Partner and CEO Sandrine Laporte – Finance and Operations Partner and CFO Karem Kobayashi – Sustainability & Impact Director Other Partners/Strategic Partners where relevant |
| Investment Committee | The Sustainability & Impact sits at all ICs to challenge and discuss impact and ESG considerations for each target deal. |
| Sustainability & Impact Team | <ul style="list-style-type: none"> Karem Kobayashi – Director Phoebe Wright – Associate Evangelia Nteventzi –Analyst Alice Morillon – Operating Partner |
| Deal Team / Investment Team | <p><i>Pre-investment:</i> An Impact Referent from the deal team is identified for each new deal, before every first PIC. The impact referent is responsible for conducting the negative screening, the impact assessment, and the preliminary ESG assessment through our Internal Sustainability Tool and is also in charge of supporting the coordination and monitoring of the external ESG & Impact Due Diligence. Also, an Impact Reviewer, typically a senior member of the investment team, is appointed to further challenge the deal team with ESG and impact questions during the PIC.</p> <p><i>Post-investment:</i> All deal teams engage with company management on sustainability objectives and initiatives at least quarterly and assist with the execution of the Sustainability Roadmap. ARCHIMED team members who occupy board seats at portfolio companies also ensure to drive discussions on sustainability at the board. Also, part of the deal team’s variable remuneration is linked to the achievement of sustainable objectives.</p> |
| Middle Office Team | Contributes to ESG data collection and calculation of ARCHIMED’s carbon footprint assessment under the GHG protocol across all ARCHIMED offices. |
| Investor Relations Team | Contributes to the completion of Investor ESG Due Diligence and Reporting Questionnaires and the development of sustainability materials for investor events. |

As of 31st December 2023, 49% of full-time employees (FTEs) were directly involved in the deployment of ARCHIMED’s responsible investment strategy. Out of this figure, 4% of employees are fully dedicated to ESG topics – the Sustainability & Impact team – the rest represent the investment team members who, as described above, are consistently contributing to the successful implementation of this strategy. For this reporting period, the budget allocated to all internal ESG expenses supported by the management company was 612,000€; this represents 1% of the total budget.

Financial Resources:



Pre-investment, a budget is always requested from the IC to conduct external ESG and impact due diligence and where necessary, additional due diligence on specific topics, performed by expert consultants. Post-investment, financial resources are assigned to complete a comprehensive sustainability and impact assessment, including a maturity and materiality analysis, and develop the Sustainability Roadmap with tailored targets, milestones, and recommended actions for each portfolio company. During the holding period, ad-hoc spending is dedicated to supporting the implementation of ESG initiatives, such as improved energy-efficiency measures and talent recruitment schemes across the portfolio; this sum varies according to the key priorities and needs of each portfolio company. Since 2023, a specific budget has been dedicated annually to support the measurement and refinement of carbon emissions at the group and portfolio company levels, as well as corresponding actions based on the carbon reduction action plans and climate targets. At exit, a budget is also set aside as often as possible for sustainability vendor due diligence conducted by external consultants.

Technical Resources:

ARCHIMED’s main technical resource supporting our responsible investment strategy is the proprietary internal sustainability tool, developed in an Excel format and used to conduct preliminary screenings and analysis on sustainability and impact topics pre-investment. In addition, ARCHIMED uses the external digital platform Apiday to facilitate the collection and analysis of ESG data across our portfolio companies as part of our annual ESG Reporting Campaign.

External Support:

To supplement internal capacity, we leverage external expertise from the following third-party service providers:

| | |
|---|--|
|  | <ul style="list-style-type: none"> • Impact & ESG Due Diligence • Pre-investment Strategy • Portfolio CSR & CSRD Strategic Support • Sustainability Roadmaps • Thematic Training Sessions |
|  | <ul style="list-style-type: none"> • Carbon Footprint (ARCHIMED + portfolio) • Climate Strategy (ARCHIMED + portfolio) • Decarbonization Plans (portfolio) |
|  | <ul style="list-style-type: none"> • ESG Data Collection & Analysis • ESG Metrics (including PAIs) & Dashboards |
|  | <ul style="list-style-type: none"> • Legal Advice on SFDR, EET, CSRD |

3. ESG criteria in the entity’s governance

To ensure that our entire organization and especially our management teams are incorporating ESG criteria into decision-making, we have deployed various governance mechanisms both at the pre-and post-investment phases, as well as for ARCHIMED’s strategy as an investment firm, as explained in detail in the previous sections of this Report. These mechanisms include but are not limited to alignment of interests through sustainability-linked variable remuneration for deal teams and portfolio company management, and mandatory sustainability training for our management and investment teams. ARCHIMED’s ESG Committee is the governance vehicle responsible for portfolio-level sustainability oversight, enabling engagement on sustainability-related objectives and processes at the highest level of corporate management and strategy

planning. The IC is the governance vehicle that ensures ESG and impact criteria are considered for each investment target. Notably, ESG stewardship at the investee company board is driven by the ARCHIMED team's control of multiple board seats, allowing for direct monitoring of progress and a more active portfolio engagement approach leading to accelerated results on sustainability topics. At portfolio companies, deal teams work continuously with company management to define and implement the CSR strategy and related ESG initiatives. Within our Annual Control Plan, we check that the investment selection procedure and the compliance and risk control system, which incorporate the assessment and consideration of sustainability risks, are respected, and that sufficient resources are allocated to the Sustainability & Impact team. To date, formal sustainability criteria are not integrated into the internal regulations of our governance bodies, however, good governance is consistently promoted through the diversity of experience and skills within our governing bodies.

Remuneration Policy:

ARCHIMED has a [Remuneration Policy](#) in place to ensure a sound compensation and risk management process identifying any potential conflicts of interest on remuneration in a way that is consistent with the integration of sustainability risks. At ARCHIMED, this Policy stipulates that the balance between fixed and variable remuneration shall be reasonable and not encourage excessive risk-taking but instead promote the consideration and mitigation of sustainability risks. In addition, all investment team members, including Partners, have objectives linked to the implementation of our responsible investment strategy through our pre- and post-investment procedures. Performance on the integration of sustainability risk within investment decisions is evaluated on an annual basis and included in the decision to distribute variable remuneration. Part of the variable remuneration of deal team members is based on the execution of the Sustainability Roadmap as well as ESG risk management at their portfolio company. At the portfolio company level, following the definition of the Roadmap, all companies must establish a clear CSR governance, and KPIs on measurable targets are integrated into the remuneration mechanisms. **To fully align business interests with ESG and impact objectives, 20% of the CEO's variable remuneration is linked to the achievement of the Roadmap for MED Platform II and MED III investments.** The Remuneration Policy is reviewed by the CFO and the Sustainability & Impact as required, and ad-hoc updates are carried out as deemed necessary.

4. Strategy of engagement with issuers and/or asset management companies

Engagement Strategy & Voting Policy:

ARCHIMED is committed to exercising its responsibility as a shareholder by investing with a long-term outlook and evaluating companies in detail, to create 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 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 assessment of related risks and opportunities, as discussed in previous sections of this Report. During the investment phase, the Sustainability Roadmap is an official requirement as part of the PCAP; progress against this Roadmap is monitored regularly by the investment team, and a formal follow-up review is scheduled annually with the Sustainability & Impact team. **The ARCHIMED team systematically occupies multiple seats on the board of portfolio companies and therefore can influence, and review impact and ESG progress directly. Dialogue with portfolio companies concerning ESG topics is structured through governance bodies, such as the board, an ESG Committee or Taskforce, thematic working groups, and ad-hoc requests, whereby we support management to advance sustainability progress.** 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.

5. Alignment with European Taxonomy and policy on fossil fuels

Our funds, classified as either Article 8, 8+, or 9 under the EU SFDR, either promote environmental or social characteristics or were specifically created to drive healthcare investments contributing to our social sustainable investment objective. Thus, our funds are by design not subjected to alignment with the Environmental Taxonomy. Nevertheless, we are evaluating the possibility of collecting Taxonomy-related portfolio KPIs and assessing the Taxonomy eligibility of our investments. As a specialist private equity firm investing exclusively in the healthcare sector, we are not exposed to any undertakings active in the fossil fuel sector; investing in this sector is officially prohibited as per our exclusion criteria.

6. Strategy for alignment with the Paris Agreement

Climate Strategy:

Climate change mitigation and adaptation are critical levers in preventing harmful impacts on health and improving health outcomes. We firmly believe that all companies, regardless of their activities, size, and location, can implement initiatives to fight against climate change depending on their footprint and use of resources. For this reason, we have positioned climate change as a central pillar within our responsible investment strategy, focusing on monitoring both our corporate and financed emissions. We support portfolio companies in conducting their carbon footprint assessment and developing decarbonization action plans, which advance our commitment to building a clear climate strategy at the group level. Further, as part of our pre-and-post acquisition assessment processes, we monitor carbon footprint-related metrics and PAIs to identify and manage potential risks that our investments are exposed to, or that they generate through their business activities. As a result, we have been able to select investment opportunities that take environmental considerations into account, thereby facilitating the construction of a climate-resilient portfolio.

Carbon Footprint:

This year, we completed our second carbon footprint assessment of scope 1, 2, and 3 emissions, and for the first time, included our portfolio emissions (scope 3: category 15) in our calculation. This workstream, in line with the GHG Protocol, was conducted with support from Carbometrix, a carbon accounting and management consultancy. The results of both the corporate and financed emission exercises are illustrated below:

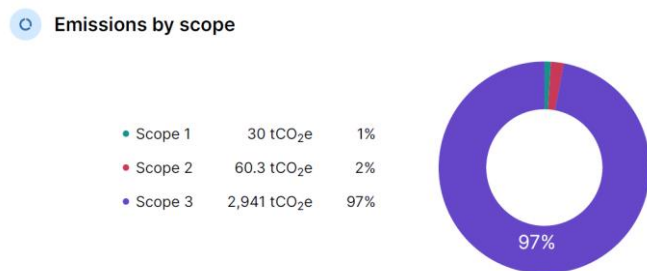


Figure 4: ARCHIMED's carbon footprint per Scope 1, 2, 3, (excluding category 15 portfolio emissions)

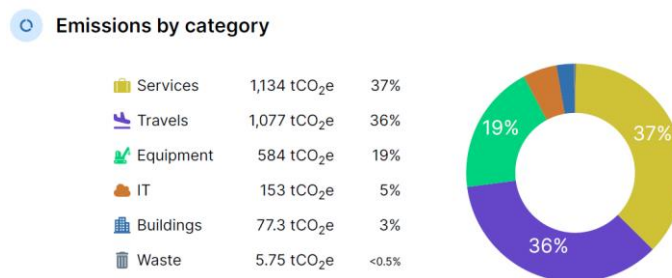


Figure 5: ARCHIMED's primary sources of carbon emissions (excluding category 15 portfolio emissions)

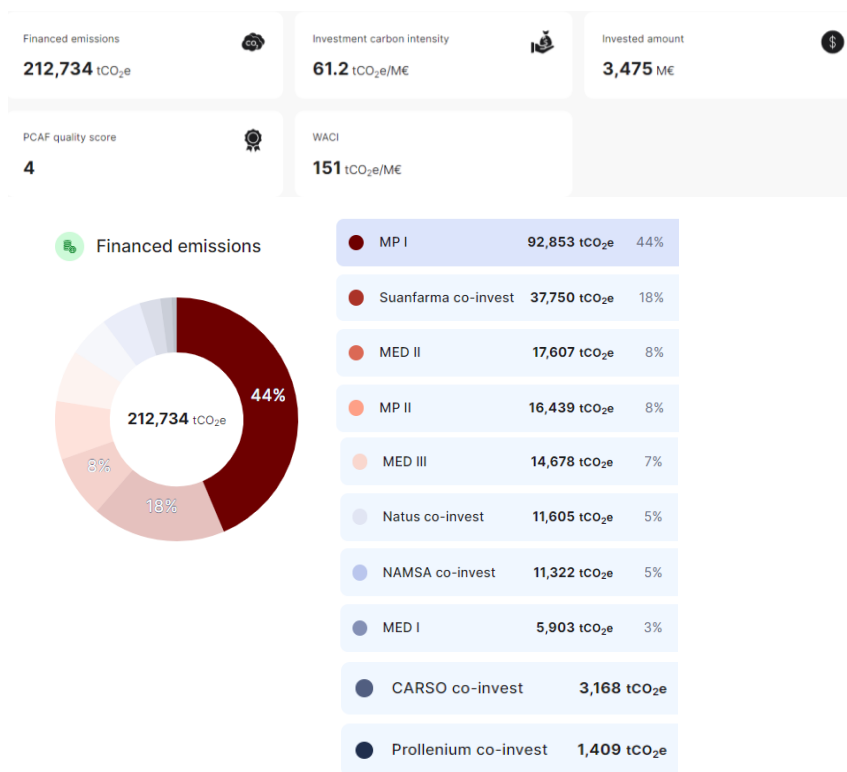


Figure 6: ARCHIMED's portfolio financed emissions (category 15 portfolio emissions)

As of Q2 2023, the PCAP for our MED Platform II investments systematically integrates the requirement of conducting a carbon footprint assessment and developing a carbon reduction action plan. To facilitate this exercise, we have engaged with Carbone 4, a specialist consultancy focused on carbon footprint calculations, which to date has supported 12 of our portfolio companies with their carbon assessments and helped them set decarbonization action plans to reduce emissions. The Carbone 4 approach is designed to actively involve portfolio companies and train them to conduct their carbon footprint exercise autonomously through a series of interactive workshops and feedback sessions as well as the provision of specialized tools facilitating the data collection and calculation process. **Building on our corporate and financed carbon footprint assessment, as well as the portfolio results, our goal is to pursue a 2030 reduction target that will establish a low-carbon trajectory in line with the objectives of the 2015 Paris Agreement.** This emphasis on measuring carbon footprint and taking concrete action to reduce emissions forms the basis of ARCHIMED's Climate Policy, due to be published later this year. We also plan to offer training courses for investee companies covering various sustainability topics, including carbon footprint assessments, to raise awareness of this exercise and facilitate the adoption of reduction trajectories.

7. Strategy for alignment with long-term biodiversity objectives

The healthcare sector has a long history of dependence on biodiversity and ecosystem services. Notably, diverse species and bioactive compounds with medicinal properties have been a critical engine for biomedical research and discovery, and a source of competitive advantage for the pharma and biopharma industries. As a healthcare investor, we recognize the contribution of biodiversity in accelerating the development of breakthrough treatments as well as the far-reaching consequences of biodiversity loss. Therefore, we aim to commit to taking concrete actions in the coming years to better understand the implications of biodiversity loss and engage with our portfolio to find ways to reduce its impact. In 2025, we plan to perform an analysis of our portfolio's biodiversity footprint and exposure to associated risks. Based on the results, we will develop a biodiversity strategy for our portfolio, in line with recognized frameworks like the Taskforce on Nature-related Financial Disclosures (TNFD) and internationally set targets by the Convention on Biological Diversity.

8. ESG criteria in risk management

All ESG factors should be taken into consideration alongside traditional financial indicators to paint a more complete picture of the potential value, risk, and performance of investments. Our Responsible Investment Procedure defines the following sustainability risks, exposure to which can have a significant effect on company valuation and thus our investment activity:

- **Environmental risk (including climate change and biodiversity loss)** referring to:
 - (i) **physical risks**, resulting from damages directly caused by meteorological and weather-related phenomena, such as loss of value of investments held by funds managed and issued by entities affected by these weather events and the increase in the frequency and cost of claims payable by insurers to policyholders.
 - (ii) **transition risks**, resulting from exposure to changes triggered by the ecological transition, in particular, when they are poorly anticipated or occur suddenly, linked to for example the depreciation of assets, following regulatory changes that would adversely impact, or even prohibit, certain activities that are deemed to emit too many greenhouse gases (GHGs), losses following the end of certain funded activities deemed to be too polluting or emitting too many GHGs,
 - (iii) **generated liability risks** (legal and reputational risks), linked to the financial impacts of compensation claims of portfolio companies from those suffering damage due to climate change, such as investments funding the development of industries and activities that pollute or emit a lot of GHGs, professional insurance, operator liability, construction of infrastructure.
- **Social risk** concerning the review of the company's relationship with its stakeholders, like employees, customers, suppliers, and civil society. It includes the protection of employees concerning health and safety, the fight against discrimination, their well-being, respect for human rights within the supply chain or the company's philanthropic approach, its relations with local communities, and customer satisfaction.
- **Governance risk** encompasses both the competence of the company's management team, the structure of the CEO compensation plan or its legitimacy, and the existence of checks and balances. The assessment of this last point entails analyzing the composition of the boards of directors, the suitability of the professional backgrounds of directors with the needs of the company, their independence, respect for minority shareholders, business ethics, and the company's commitment to CSR issues.

A preliminary analysis of any ESG risks that may affect investee company valuation is performed first through our internal sustainability tool which includes the negative screening, the impact assessment, and the high-level ESG assessment. The insights gathered from this exercise are then verified and investigated in more detail through external ESG due diligence. Based on the results, we work on mapping out these risks, considering the level of probability of occurrence and the level of severity according to a weighting system which includes the amounts invested and the weight that the funds represent concerning the capital of the companies in the portfolio. This risk analysis is refined on an individual company basis and then consolidated for each of the portfolios managed. The sustainability risks are incorporated into our Responsible Investment Procedure, ensuring impacts on sustainability are always considered in the portfolio management process and that our companies are supported in the development of ESG action plans and mitigation strategies.

9. Principal Adverse Impacts (PAIs) – Period: 1st January – 31st December 2023

| PAI Indicator | Metric | ARCHIMED Portfolio Impact 2023 | ARCHIMED Portfolio Impact 2022 | Explanation & Actions Taken |
|---|---|--|--|--|
| | | includes MED I, MED II, MED III, MED Platform I, MED Platform II | | |
| 1. GHG emissions | PAI 1.1 - Scope 1 GHG emissions | 4,115 tCO ₂ e | 3,214.73 tCO ₂ e | In 2023, ARCHIMED completed the acquisitions of three companies (Instem, Symbio, and Proinnovera), as well as several add-on acquisitions for existing investments. Our portfolio growth naturally has an impact on our portfolio emissions, which have increased twofold this year. To date, 11 portfolio companies have conducted a carbon footprint assessment across the three scopes in line with the GHG Protocol, and 7 more are conducting it in 2024. As a result, the accuracy and quality of our portfolio carbon data will continue to improve as more precise, and less proxy data is used for the calculation. Also, we are working towards setting a climate strategy for our portfolio financed emissions, which includes decarbonization action plans and targets aligned with the Paris Agreement. |
| | PAI 1.1 - Scope 2 GHG emissions | 27,551 tCO ₂ e | 2,114.51 tCO ₂ e | |
| | PAI 1.1 - Scope 3 GHG emissions | 181,068 tCO ₂ e | 98,605.22 tCO ₂ e | |
| | PAI 1.1 - Total GHG emissions | 212,734 tCO ₂ e | 103,934.46 tCO ₂ e | |
| 2. Carbon footprint | PAI 1.2 - Carbon footprint | 61.2 tCO ₂ e / €M invested | 34.66 tCO ₂ e / €M invested | |
| 3. GHG intensity of investee companies | PAI 1.3 - GHG intensity of investee companies | 151 tCO ₂ e / €M revenue | 66.12 tCO ₂ e / €M revenue | |
| 4. Exposure to companies active in the fossil fuel sector | PAI 1.4 - Share of investments in companies active in the fossil fuel sector | 0% | 0% | ARCHIMED invests exclusively in the healthcare sector and thus has no exposure to fossil fuel companies. Investment activity in this sector is officially prohibited as per ARCHIMED's exclusion list criteria. |
| 5. Share of non-renewable energy consumption and production | PAI 1.5 - 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 | 62% | 73% | In 2023, a larger portion of our portfolio transitioned to using more renewable sources in their energy mix compared to 2022. This figure is also driven by increasing energy production initiatives on site. ARCHIMED supports portfolio companies in the implementation of energy efficiency initiatives and switching to cleaner energy sources, where feasible. Also, we encourage portfolio companies to install infrastructure for renewable energy production, such as solar panels, where their sites are owned or during the construction of new buildings. Some recent examples include DIESSE, SUANFARMA, and PlasmidFactory. |
| 6. Energy consumption intensity per high-impact climate sector | PAI 1.6 - Energy consumption in GWh per million EUR of revenue of investee companies, per high-impact climate sector | 0.06 GWh/€M | 0 GWh/€M | Over half of our portfolio is engaged in industrial or manufacturing activities within the healthcare sector which as per our 2023 assessment could be considered within the scope of "high climate impact Sector C" in terms of energy consumption intensity. As mentioned above, ARCHIMED seeks to support portfolio companies in optimizing their resource consumption by promoting various energy efficiency initiatives. |
| 7. Activities negatively affecting biodiversity-sensitive areas | PAI 1.7 - 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 | 2.74% | 0% | 2 portfolio companies, WIQo and Corealis, have sites located near biodiversity-sensitive areas as identified during 2023. Both companies comply with applicable regulatory obligations, including for waste and water management, to support environmental preservation and the protected species. In 2025, ARCHIMED plans to perform an analysis of the portfolio's biodiversity footprint and exposure to associated risks. |
| 8. Emissions to water | PAI 1.8 - Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 0.07 | 0.44 | Only 1 portfolio company, SUANFARMA, generated emissions to water which were reduced in 2023 as more efficient processes were implemented to mitigate the risk of discharging water pollutants from API manufacturing. |
| 9. Hazardous waste and radioactive waste ratio | PAI 1.9 - Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 0.82 | 1.0 | Over half of our portfolio produces waste that could be classified as hazardous, primarily pharmaceutical, biological, or electronic waste. All companies concerned have specialized procedures in place for hazardous waste handling and disposal in compliance with relevant regulations and some have introduced initiatives seeking to replace or reduce the quantity of hazardous materials used and thus reduce waste. |

| | | | | | |
|---|---|---|------|-----|---|
| | | | | | In 2024-2025, ARCHIMED aims to accelerate eco-design efforts within the portfolio, which would also seek to optimize product disposal and end-of-life management. |
| 10. | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | PAI 1.10 - Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0% | 0% | ARCHIMED recognizes respect for business ethics as a priority topic and engages with the portfolio to ensure ethical guidelines are enforced and that any potential deviations are reported and rectified promptly. In 2023, there were no such incidents or violations across the portfolio. As of 2023, 72% of our portfolio companies have a formalized Code of Ethics in place and 56% have implemented a whistleblowing or grievance mechanism. In 2024-2025, ARCHIMED aims to assess the feasibility of the entity and its portfolio companies formally committing to the UNGC principles. |
| 11. | Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | PAI 1.11 - 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 | 39% | 75% | |
| 12. | Unadjusted gender pay gap | PAI 1.12 - Average unadjusted gender pay gap of investee companies | 18% | 16% | |
| 13. | Board gender diversity | PAI 1.13 - Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 9.8% | 8% | Around half of the portfolio has Diversity, Equity & Inclusion (DEI) commitments or initiatives in place, including the assessment of the gender pay gap and relevant actions to foster female representation across organizational levels and especially promote women in senior leadership or board positions. In particular, the challenge of recruiting female talent in senior scientific roles is a recognized problem within some of the industries in which our companies operate and thus we support them in building a fair and inclusive culture. |
| 14. | Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | PAI 1.14 - Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0% | 0% | ARCHIMED invests exclusively in the healthcare sector and thus has no exposure to weapons companies. Investment activity in this sector is officially prohibited as per ARCHIMED's exclusion list criteria. |
| Other indicators for principal adverse impacts on sustainability factors | | | | | |
| 15. | Investments in companies without carbon emission reduction initiatives | PAI 2.4 - Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement | 96% | 92% | To date, 11 portfolio companies have conducted a carbon footprint assessment across the three scopes in line with the GHG Protocol, and 7 more are conducting it in 2024. With the support of ARCHIMED and expert consultants, each of these companies has developed or is in the process of developing a decarbonization action plan outlining relevant carbon emissions reduction initiatives and targets. However, most companies have not yet launched initiatives that are fully aligned with the objectives of the Paris Agreement. As we are working towards setting a climate strategy for our portfolio financed emissions, we aim to actively engage with our portfolio to increase the proportion that commits to Paris-aligned climate targets. |
| 16. | Investments in companies without workplace accident prevention policies | PAI 3.1 - Share of investments in investee companies without a workplace accident prevention policy | 20% | 20% | Workplace health and safety is a highly material topic in the healthcare sector and for our portfolio as some companies operate laboratory or manufacturing facilities, which may expose employees to additional occupation hazards beyond that of a typical office environment. All our companies comply with regulatory obligations set out to ensure decent working conditions for employees and 80% have formalized policies in place, enforcing preventative and corrective measures for accidents or incidents. |