

Disclosure related to Article 4 of the Sustainable Finance Disclosure Regulation – PAI Statement

ARCHIMED Statement on Principle Adverse Impacts

Art. 4 of the SFDR

ARCHIMED considers the principal adverse impacts (PAI) 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 Article 4 of the SFDR.

The adverse impacts regarding sustainability factors addressed by ARCHIMED before and after any investment, differ depending on the sector, industry, region of each given company. Among other adverse impacts regarding sustainability factors, ARCHIMED assesses systematically the following **Principle Adverse Impacts** 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 dully collected, analysed and treated to abide by best emission standards
- The Company tracks its hazardous waste ratio (Tonnes 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 (antipersonal 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.

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.

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

During the due diligence process, the investment teams use an 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 diligences are carried out by external consultants and industry experts. A sustainability 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 analysed, documented and presented to the Investment committee as early as possible to inform the investment decision.

Management and monitoring of principal 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 the board of investee companies. ARCHIMED oversights 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 recognised standards for ESG assessment, due diligence and reporting, and is framed around the six principles of the Principles for Responsible Investment (PRI).