Newton Biocapital II Partners

POLICY ON THE MANAGEMENT OF SUSTAINABILITY RISKS AND ADVERSE IMPACTS

INTRODUCTION

Newton Biocaptial's mission is to leverage innovation and support the growth of our portfolio **companies to create value for patients** by providing affordable healthcare solutions to their unmet medical needs**, for society** by alleviating pressure on reimbursement systems burdened by chronic health conditions**, for local ecosystems** by supporting company growth which leads to greater sector employment**, and for investors by** setting the scene for good **financial returns.**

At **Newton Biocapital II Partners SRL (hereinafter "NBC")**, fund manager of **Newton Biocapital II, pricaf privée de droit belge, S.A. (hereinafter the "Fund")**, we believe that if a company operates sustainably, it is more viable to generate long-term, risk- adjusted returns. Companies whose policies and practices meet **Environmental, Social and Governance (hereinafter "ESG")** criteria build more sustainable business models, thereby improving their adaptability to externally imposed business risks. Considering a company's larger sustainability context means gaining a more comprehensive view of the long-term risks and opportunities faced by the company, and its potential for sustainable success. Thus, taking account of ESG factors gives greater insight into the value, risk and return potential of each of the Fund's portfolio companies. This increases the potential for achieving a higher financial return from the Fund's portfolio.

We are convinced that mitigating sustainability risks by taking material ESG factors into account improves our investment decisions and lowers the financial risks for our investors. We see the integration of sustainability risks as a natural step in our investment process.

This announcement relates specifically to the European Union's Sustainable Finance Transparency Regulation (hereinafter "SFDR")[1]. In this section, we outline all of the ways in which we integrate sustainability into the way we manage risk, generate revenue, build our portfolio and continue to manage investments, to help improve business results , as required under Article 3 SFDR.

[1] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

SUSTAINABILITY RISK POLICY

Sustainability risks are integrated into our assessment of portfolio companies via a quality and risk analysis. We integrate sustainability risks in various ways:

- following extremely stringent **Exclusion Policies**;
- following an additional **Controversy Management Policies**;
- performing a **ESG Screening for selected criteria**;
- and pursuing with transparent **Monitoring and Engagement Policies**.

We combine various actions to single out ESG events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment.

1) EXCLUSION POLICIES

Our exclusion criteria are based on fundamental, general and sector-specific, ethical concerns that present major risks to companies and their future financial returns. Aim is to rule out all companies with ESG risks from the Fund's portfolio and thus prevent any risks that could have an actual or potential material negative impact on the value of the investment.

Excluded for investments by the Fund are companies that are responsible for, contribute to, or have inadequately responded to previous incidents of **unethical conduct, such as human rights issues, labor rights issues, severe environmental damage, and corruption.**

Other exclusions include companies with business activities in **the following specific industries:** tobacco, pornography, firearms, narcotics (non-medical use), armaments, weapons and ammunition of any kind or the manufacture of arms or other military-related activities, distilled alcoholic beverages, casinos and equivalent enterprises and the operation of casinos or other gambling facilities or activities directly associated with the gambling industry, coal or any other fossil fuels, the research, development or technical applications relating to electronic data programs or solutions, which aim specifically at supporting any activity included in the exclusions mentioned or which are intended to enable to illegally enter into electronic data networks or to illegally download electronic data.

We also exclude companies with **AML compatibility issues** (suspect for money laundering, bribery, suspicious shareholders, etc.).

Furthermore, we apply **sector-specific exclusion criteria** in order to rule out companies that violate clinical practices, practice dishonest communication of testing results, or have major ethical concerns regarding their current pricing policies.

STANDARD EXCLUSION CRITERIA	SECTOR-SPECIFIC EXCLUSION CRITERIA
VIOLATION OF HUMAN RIGHTS (S)	VIOLATION OF PRECLINICAL OR CLINICAL PRACTICES (E, S, G)
SEVERE ENVIRONMENTAL DAMAGE (E)	DISHONEST COMMUNICATION OF RESULTS (G)
GROSS CORRUPTION (G)	UNETHICAL PRICING POLICIES (S, G)
OTHER SERIOUS ETHICAL BEHAVIOR	
SPECIFIC INDUSTRIES	
AML INCOMPATIBILITY	

2) CONTROVERSY MANAGEMENT POLICIES

We adopt strict Controversy Management Policies that rule out and help to avoid all companies that are **proven to contravene a range of fundamental responsibility standards**, to contravene main principles of internationally established standards (such as the United Nations Global Compact agreement and the OECD guidelines) as regards human rights, labor rights and business ethics, as well as environmental protection, or that have been publicly facing accusations of negative behavior on environmental issues (pollution, waste management, etc.), social aspects (respect for human rights, labor legislation, etc.) or governance (lack of transparency, fraud, etc.).

3) ESG SCREENING

Our risk management and assessment policy considers **insights into ESG aspects to screen investment opportunities and assess current and potential sustainability risks.**

This policy considers current and future trends that shape the economic and financial system, as well as ESG challenges inherent in the biotech and life sciences business sector.

When it comes to smaller, often non-revenue-generating biotech companies that predominantly focus on the R&D stage of drug development, long-term success factors such as safety during preclinical and clinical development and innovation capability, are included in the screening policy to capture their true performance. Therefore, our approach to assessing the ESG performance of small- and mid-cap biotech companies will require a more active ownership by engaging with the companies on ESG policies.

Our **ESG screening factors**, and the indicators that are used to assess them, are presented in our **ESG Screening Table** below.

FACTORS	*ESG*	*CHARACTERISTICS*	*INDICATORS*	*Consequences for value creation*	*Evaluation & scoring methodology*
Environmental management	*E*	*E. Supply chain*	*Sustainability of suppliers in terms of reliability and environment*	*Unreliable / unprofessional sourcing undermines the sustainability*	*Evaluation of control mechanisms and protocols in place*
		E. Waste management	*Treatment of industrial and general waste*	*Respecting waste treatment standards avoids litigations*	*Evaluation of business practices and protocols in place*
Medical solutions with high impact	***S***	***S. Development of treatments for patients with a chronic disease***	*Quality of the Development process*	*Efficient development practices lead to optimal use of Resources*	*Minimum % of the R&D budget earmarked for the envisaged development and evaluation of progress made in the development process, expressed as "Probability of Success"*
		S. Reduce societal Burden of Disease	*Current and future potential disease areas targeted*	*Focusing on disease areas with the highest prevalence reaches the highest patient population and has the highest potential to reduce societal cost.*	*Ranking of the targeted disease area(s) based on lost DALY statistics (= loss of healthy years of life due to a disease) and evaluation of progress made in the development process (preclinical / clinical stage of development)*
Contribution to Life Science Ecosystems		***S. Access to qualitative capital***	*#professional investors attracted*	*Attracting professional investors is key for funding development programs in successive rounds of financing*	*Minimum % of funds raised by professional investors other then the Fund and monitoring of the evolution of the leveraged funds.*
Corporate Business standards	*G*	*G. Protection of Know how*	*Patents and Publications*	*Protection of know how is key in building value*	*Evaluation of patent / publication strategy*
		G. Data Protection	*Compliance with Data Protection standards (avoiding Cybercriminality)*	*Cybersecurity is key to protect sensitive (patient) data.*	*Evaluation of business practices and protocols in place, infringements*
		G. HR Policy	*Diversity and remuneration policy*	*The ability to hire and retain talented people is key to value creation.*	*Evaluation of HR policies implemented to stimulate recruitment and retainment.*
		G. Health & Safety	*Health & Safety compliance and well-being at work*	*Workers perform better in a good working environment*	*Evaluation of business practices and policies in place*
		G. Code of Conduct related to exclusion criteria	*Avoidance of exclusion criteria*	*Shareholders will withdraw and ask for compensations in case of breach of exclusion criteria*	*Evaluation of business practices and policies in place*
		G. Business Ethics	*Ethical standards and values*	*Companies may face direct or indirect financial losses through fines, penalties, litigations or reputation damage.*	*Evaluation of business practices and policies in place, infringements*
		G. Corporate Governance policy	*Legal and internal Corporate Governance obligations*	*Neglecting Corporate Governance rules may result in litigations.*	*Evaluation of legal and internal obligations, infringements*
		G. Conflict-of-interest management	*Independence of Decision-making bodies in the company*	*Conflict-of-interest situations may lead to non-optimal decisions*	*Board composition*
		G. ESG reporting	*Transparency in reporting to shareholders*	*Shareholders are assets helping the company and need to be sufficiently informed*	*Evaluation of quality of ESG reporting and frequency*

The identified criteria are **described individually** hereinafter, with an explanation of the potential **consequences if the risk materializes**.

Environmental Management

We strive toward environmentally sound business practices and will evaluate and monitor how each portfolio company deals with sustainable supply chain management and waste management. This reduces the risk of value creation as unreliable or unprofessional sourcing undermines the sustainability of the production process and respecting waste treatment standards avoids litigations.

Affordable Medical Solutions

Our mission is to fund companies with affordable solutions for patients with chronic health conditions where the societal impact burden on healthcare systems is high. Fair pricing strategy and accessibility to healthcare systems is key to ensure access to the largest, relevant patient groups worldwide ("patient reach") to provide long-term health and socioeconomic benefits to these patients and society, which will be reflected in the value created by these companies for the Fund's investors.

Sector Employment

With our investments we create employment for talents in local Life Sciences Ecosystems. We focus to a large extent on investing in early-stage companies in a preliminary phase of research and has the ambition to support these companies in their journey from lab research to pre-clinical testing and clinical, "in human" trials. The capability of young companies to attract talent and retain their key managers and employees is key for value creation and will be monitored.

Protection of Know how

We invest in companies with a solid knowledge base, both in terms of intellectual property (patents, publications) as in terms of proprietary know how. Data protection - especially with regard to sensitive patient data - must meet the highest standards.

Corporate Business standards

We will evaluate and monitor how trial protocols are being implemented in accordance with internationally accepted best practices related to the well-being and safety of humans or animals involved. We will also evaluate how ethical standards are being respected in clinical programs and/or product development projects. Companies may face direct or indirect financial losses through fines, penalties, litigations or reputation damage, unless they work in accordance with requirements, standards, guidelines, and ethical codes.

We believe a company is better off with key management and a board of directors that are diverse, qualified and remunerated for the stage at which the company is. The board must at least have independent directors (independent from the largest shareholders in the company), and there must be a fair compensation structure in place. We also highly emphasize the degree of transparency between the company and its investors (transparent reporting). Long-term performance depends on the quality of a company's corporate governance, which refers to mechanisms, processes and relations by which the company is governed. Governance quality determines the company's risk management and strategy.

CONCLUSION ON THE INVESTMENT SELECTION PROCESS

Our various policies, along with our screening and extended ESG analysis provide a more **expansive view of the long-term risks and opportunities faced by potential investees**. We use these insights to inform our decision-making, and seek to select companies with good performance relative to peers. A good score may be given to companies yet to have unlocked their full potential for sustainable operations if they demonstrate a commitment to improve the management of material ESG issues in the long-term.

The first step in our screening process can result in the exclusion of unsustainable companies based on our Exclusion and Controversy Management Policies.

Investment proposals introduced to our Investment Committee will contain a clear statement that no infringement of our Exclusion and Controversy Management Policies has been detected.

The second step in our screening process is to perform an investment analysis to evaluate the companies' risk and success factors related to our ESG screening policy. Our dedicated teams work on analyzing ESG risks and their potential impact on the portfolio companies' businesses.

Investment proposals submitted to our Investment Committee will describe how companies comply with ESG base indicators (if applicable) based on the set of evaluation and scoring parameters listed in our ESG Screening Table. We will consider the company's publicly disclosed evidence of programs, progress and targets as well as data directly requested from companies to capture ESG opportunities and mitigate risks where relevant.

4) MONITORING AND ENGAGEMENT POLICIES

We commit to **monitor the evolution** of our portfolio companies to make sure they remain in line with our Sustainability Risk Policy. We engage in an ongoing dialogue with the companies on ESG matters to better inform and to **positively influence ESG policies and reporting.**

After completing the investment in a company, we will keep track of the evolution of the scoring parameters related to the applicable ESG base indicators to make sure the company remains in line with our Sustainability Risk Policy. We will survey investees on ESG issues pertinent to their business on a biannual basis (e.g. ask the investee companies to disclose relevant ESG data allowing making judgments of their risk exposure and management). Our ambition is to guide portfolio companies to a more sustainable organization in terms of ESG compliance.

Engagement in the ownership process facilitates positive outcomes for both investors and company investees.

Due to NBC's long-term investment horizon, we opt to pursue a working relationship and conversation with the portfolio companies. An active and transparent dialogue enhances our ability to evaluate companies, select high-grade candidates, and monitor companies' standing (for example, asking the smaller biotech companies to disclose relevant ESG data to better inform judgments of their risk exposure and management).

By promoting ESG disclosure, we aim to create awareness around ESG issues material to the given company and the life science industry as a whole. If we believe it would benefit long-term performance, we may decide to engage in a conversation on one or more ESG goals when possible and appropriate. If the companies do not take action on material ESG issues, holdings will be divested.

POLICY ON THE INTEGRATION OF SUSTAINABILITY RISKS INTO THE REMUNERATION POLICY

Consistent alignment of the Remuneration Policy with the sustainability objectives.

This section sets out the disclosures in respect of the integration of sustainability risks into our Remuneration Policy, as required under Article 5 SFDR.

We take ESG seriously and therefore decided to integrate sustainability risks into our Remuneration Policy, by linking the progress of our portfolio companies on identified ESG matters to a portion of our global remuneration.

At the end of each fiscal year, we will issue an ESG Monitoring Report to give an overview and interpretation on the evolution of the parameters identified in the ESG scoring table of our Sustainability Risk Policy, and to disclose the potential challenges faced by the Fund's portfolio companies in the implementation of this Policy, together with the actions that were taken to face those challenges.

The annual ESG Monitoring Reports will be audited by the statutory auditor of the Fund and submitted to its Board of Directors for approval. The statutory auditor will evaluate the quality and the progress made based on the evolution and interpretation of the identified ESG parameters and will decide how it impacts NBC's remuneration.

POLICY ON THE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

This section sets out the disclosures in respect of the integration of Principal Adverse Impacts on Sustainability (hereinafter "PAIS") in the investment decision-making process, as required under Article 4 SFDR.

NBC does **not currently** consider the adverse impacts of its investment decisions on sustainability factors but adopted a phased approach to be ready to report on adverse impacts and is determined to set out governance on these aspects in its procedures, as well as in the roles and responsibilities of the various teams in the upcoming years.

At this stage, we are not able to monitor the indicators based on relevant source of data with regard to adverse sustainability impacts.

We will review our Policy on the Integration of PAIS when we will be in a position to provide such monitoring.