



**NEWTON**  
BIOCAPITAL

*Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852*

**January 5, 2024**

***Newton BioCapital II***

*pricaf privée de droit belge sous la forme d'une société anonyme - limited liability company*

*Avenue de Tervueren 273, 1150 Woluwe-Saint-Pierre, Belgium*

*Belgian registration Nr. - N° d'entreprise: 0779.335.513*

*RPM Bruxelles*

**Product name:** Newton Biocapital II, pricaf privée de droit belge, SA (the “Fund”)  
**Legal entity identifier:** none

**Fund Manager:** Newton Biocapital II Partners SRL – (the “Manager”)

## Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

**Yes**
   **No**

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul> <input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>
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**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

*Through its website and its investment policies, goals and targets (companies involved in the treatment of major chronic diseases), the Fund promotes the environmental (E) and social (S) characteristics listed under (E) and (S) in the table in [Annex 1](#), the ESG screening table.*

*The Fund mainly promotes that it targets to invest in investee companies that focus on developing medical solutions for chronic diseases with high impact on society. Note that the Fund is also allowed to invest in investee companies that focus on developing medical solutions for non-chronic diseases when such diseases have a similar, long-term impact. In what follows, the word “chronic” is to be interpreted as such. The Fund also promotes that through its investments it will contribute to sector*

employment, thereby contributing to the growth of local life science ecosystems in Japan and in Europe. Finally, the Fund promotes that it monitors overall environmental management policies in investee companies, focusing on how each investee company evolves in ensuring environmentally friendly supply chains and waste management.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

For each of the promoted (E) and (S) characteristics, the indicators for assessing and monitoring investee companies, are outlined in the Investment Manager’s Sustainability Risk Policy, available on the Manager’s website and in Annex 1. This overview also shows the governance (G) characteristics the Manager intends to monitor. This set of ESG characteristics is inspired by the 17 UN Sustainability Development Goals.



To monitor the performance of the sustainability indicators, twice a year the Manager will carry out a thorough ESG Compliance analysis of each of its investee companies by attributing a scoring to each of the sustainability indicators. For each of the sustainability indicators, the Manager has defined a set of auditable, quantitative or qualitative scorings from 0 (indicator is not implemented) to 5 (indicator is meeting the best practices as put forward by the Manager, matching with the industry’s best practices). Note that these scorings are cumulative, i.e. a higher scoring assumes that also targets related to lower scorings are met. The Fund’s scoring methodologies to assess the investee company’s adoption level of each of these indicators are in greater detail described in Annex 2.

The assessment of the scorings on the indicators for each of the investee companies will be audited by a professional third-party linked to the Fund’s statutory auditor each calendar year.

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund does not have as its objective a sustainable investment, nor does it commit to make any such investment. In line with the Fund’s categorization under Article 8 of Regulation (EU) 2019/2088.

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

*The Fund's Investment strategy is focused on the contribution to one or more of the UN SDGs and relevant targets. This strategy dictates that the investments of the Fund will undergo a pre-investment screening, using a combination of (i) exclusion and controversy management policies, (ii) compliance policies with the key Social characteristics the Fund promotes, and (iii) an ESG due diligence map how the Fund's investee companies contribute to the Environmental/Social (E/S) characteristics promoted by the Fund and to ensure that they will 'do no significant harm' (DNSH) to other sustainable investment characteristics.*

**How have the indicators for adverse impacts on sustainability factors been taken into account?**

*The ESG indicators used by the Fund to carry out the pre-investment screening are based on the SFDR Principal Adverse Impacts indicators. See the Annexes for details on the Fund's ESG indicators.*

**How are sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

*The Fund's investment policy rules out and helps 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.).*

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

The Fund does not currently consider the adverse impacts of its investment decisions on sustainability factors (Principal Adverse Impacts on Sustainability - PAIS) in accordance with Article 7 of Regulation (EU) 2019/2088, 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.

## What investment strategy does this financial product follow?



**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

Any investment decision by the Fund is, first of all, subject to a set of exclusion criteria. These exclusion criteria are based on the 10 principles of the UN Global Compact (<https://unglobalcompact.org/what-is-gc/mission/principles>) derived from Human Rights, Labour, Environment and Anti-Corruption conventions. They 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. The following criteria are assessed:

- Incidents of unethical conduct (human rights issues, labor rights issues, severe environmental damage, corruption...)
- Business activities in excluded industries
- AML compatibility issues (Anti Money Laundering issues)
- Violations of preclinical or clinical practices (violations related to protocol adherence, clinical records, informed consent, drug accountability, adverse events)
- Dishonest Communications of Results (Fraud/misconduct can lead to a study losing its entire credibility and to ineffective or harmful treatment being available or patients being denied of effective treatment)

The Fund's mission is to invest in companies that develop healthcare solutions for unmet medical needs of patients with chronic diseases. The Fund's investment strategy is funding "early-stage" companies, i.e. companies that are still in an early phase of development, ranging from basic research and preclinical work to First-In-Human clinical trials, helping them to select the indications and/or patient population best suited to achieve Proof-of-Concept, and demonstrate first evidence supporting therapeutic effectiveness and benefit for the patient. In funding such early-stage companies, the Fund contributes to the development of therapeutic improvements bearing the potential to reduce the disease burden, as well as high societal costs associated with chronic diseases. Doing so, the fund also contributes to the growth of local Life Sciences ecosystems.

With this investment strategy, the Fund is contributing to improving sustainability in society. Noncommunicable (chronic) diseases are the leading cause of morbidity and mortality in the world. This invisible "epidemic" is an under-appreciated cause of poverty and hinders economic development of many countries. The burden is growing; the number of people, families and communities afflicted is increasing. Chronic diseases kill 41 million people per year, equivalent of 74% of all deaths globally. Each year, more than 15 million people between the ages of 30 and 69 years (the "economically active" population) die from a chronic disease ("premature deaths"). The UN 2030 Agenda for Sustainable Development recognizes chronic diseases as a major challenge for sustainable development. Heads of state and government committed to develop ambitious national responses, by 2030, to reduce by one-third mortality in the economically active population caused by chronic diseases through prevention and treatment.

(Source: website of the World Health Organization)

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The Fund will give effect to the promoted characteristics via binding investment criteria for investee companies through a combination of methodologies in the investment decision-making process: exclusion policies, evaluation of the social objectives (see below) and thematic investing (biopharma).

The Fund promotes a set of E/S characteristics ([Annex 1](#)) and selects its investments based on:

- a match of the Social objectives of the investee companies with the three key Social characteristics promoted by the Fund based on the criteria in [Annex 3](#); and
- the commitment of investee companies to gradually improve adoption of all promoted characteristics during the investment journey: the Manager will assess this based on scorings of the defined indicators for each of the E/S characteristics ([Annex 2](#)) ; for avoidance of doubt, no minimum scoring is required as an investment criterium. The Manager will annually report the progress made based on the scorings on each of the indicators and will engage with the investee company to implement continuous improvement. The investee company will receive every six months a questionnaire to evaluate if it has reached the next scoring level. For each of the investee companies and consolidated for the Fund, the Manager will visualize the progress status in a radar plot.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

No investments were considered prior to the application of the above-decried investment strategy. Therefore, there is no need to reduce the scope of such .

● **What is the policy to assess good governance practices of the investee companies?**

The Fund promotes a set of Governance characteristics ([Annex 1](#) under (G)). The Manager will engage with the investee company to improve adoption of these characteristics during the investment journey. The Manager will assess this based on scorings of the defined indicators for each of the Governance characteristics ([Annex 2](#) under (G)) and will annually report the progress made.

**What is the asset allocation planned for this financial product?**

As a consequence of the binding elements of the investment strategy used to select the investments (requiring a match of at least three of the social objectives of the investee companies with the social characteristics promoted by the Fund based on the criteria in [Annex 3](#)), the Fund's asset allocation will be 100% to investee companies with a sustainable, social objective.

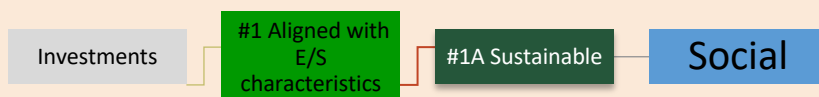
**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.



**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

N/A

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

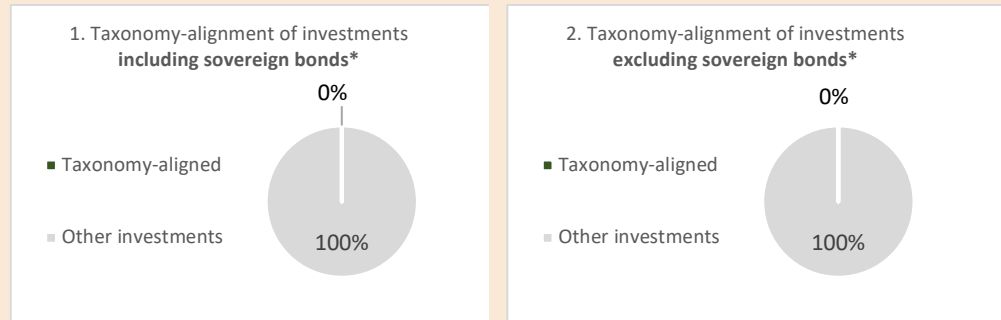
**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

*The Fund does not conduct sustainable investments with an environmental objective aligned with the EU taxonomy.*

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**What is the minimum share of investments in transitional and enabling activities?**

N/A

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

N/A



**What is the minimum share of socially sustainable investments?**

N/A



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

N/A



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

N/A

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

N/A

- *How does the designated index differ from a relevant broad market index?*

N/A

- *Where can the methodology used for the calculation of the designated index be found?*

N/A



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://newtonbiocapital.com>

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**For the Fund Manager**

*Alain Parthoens*

Thu, 15 Feb 2024 14:36 JST

**Newton Biocapital II Partners SRL, represented by Alain Parthoens**

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*Annexes: 3*

**Annex 1:** ESG screening table / promoted environmental and social characteristics

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 than 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		

**Annex 2:** table explaining the meanings of the different ESG scores

<b>Environmental indicators</b>	<p><b>supply chain sustainability:</b> to what extent is the Company putting pressure on its suppliers to meet industry standard sustainability levels?</p> <p><u>Scoring:</u></p> <p>0. Supply chain sustainability is not monitored</p> <p>1. Selection criteria for suppliers (reliability, flexibility to anticipate on changes in trial programs, agility toward market and regulatory changes, risk exposure and cost impact) are monitored but no formal protocol is in place.</p> <p>2. Protocol with selection criteria is approved by the board of directors</p> <p>3. The supply chain protocol is periodically reviewed by the Board of Directors</p> <p>4. Sustainability clauses describing expected performance of the defined selection criteria are intrinsically part of supplier agreements</p> <p>5. The Company is periodically auditing its supply chain sustainability</p>
	<p><b>waste management:</b> to what extent is the Company meeting industry standard waste management levels?</p> <p><u>Scoring:</u></p> <p>0. Waste management is not considered a priority</p> <p>1. The company declares it follows std business practices related to waste management, but no formal policy is in place</p> <p>2. A SOP policy including waste management criteria is approved by the board of directors</p> <p>3. The waste management policy is periodically reviewed by the board of directors</p> <p>4. The company systematically reports the results of the implementation of the company's waste management policy</p> <p>5. The company is demonstrating in an audit report that it systematically reduces its waste (weighted).</p>

**Development of treatments for patients with a chronic disease:** to what extent has the company reached its research and development objectives, expressed as “Probability of Success” (including technical, commercial and financial risk) to develop (a) new treatment(s) for patients with chronic diseases?

Scoring:

0. the company has a 0% to 20% probability to reach the targets expected by the Fund;
1. the company has a 20% to 40% probability to reach the targets expected by the Fund;
2. the company has a 40% to 60% probability to reach the targets expected by the Fund;
3. the company has a 60% to 80% probability to reach the targets expected by the Fund;
4. the company has a 80% to 100% probability to reach the targets expected by the Fund;
5. the company has reached the targets expected by the Fund, leading to an exit of the Fund as an investor in the company.

**Reduce societal Burden of Disease:** how is the company progressing in developing new treatments that will finally have the potential to reduce the Disease Burden?

Scoring:

0. The development program of the main objective is in research (lab) stage
1. The development program of the main objective is in pre-clinical stage (e.g. testing on animal models)
2. The development program of the main objective is in Ph1 (clinical) trial stage (or equivalent)
3. The development program of the main objective is in Ph2 (clinical) trial stage (or equivalent)
4. The development program of the main objective is in Ph3 (clinical) trial stage (or equivalent)
5. The developed treatment has achieved approval for market by at least one of the three most important regulatory bodies (FMA, EMA, PDMA)

**Access to qualitative capital:** what is the leverage capacity of the Fund to help the company to attract professional investors?

Scoring:

0. No leverage (=1)
1. Leverage is < 2
2. Leverage is < 3
3. Leverage is < 4
4. Leverage is < 5
5. Leverage is > 5

**Social indicators**

**Patents and publications:** To what extent has the company an Intellectual Property strategy in place?

Scoring:

0. A long-term IP strategy is not considered a priority

1. The company is filing patents and claims a long-term IP strategy incl ownership, non-infringement, protection and enforceability.

2. The company has a written document related to its IP strategy, including patent landscaping, scientific publication schemes and FTO analyses

3. The company has a written document related to its IP strategy, approved and periodically reviewed by the Board of Directors

4. The company periodically reports to the Board of Directors to what extend it has followed its IP strategy in terms of # patents filed, life span of the patents, FTO updates and # scientific publications in reputable journals

5. The company has hired or contracted an internal or external IP expert that periodically reports to the Board of Directors

**Governance indicators**

**Cybersecurity:** To what extent does the company have policies on data protection including Cybersecurity?

Scoring:

0. Data protection and Cybersecurity is not considered a priority

1. The company declares it follows std industry practices with regard to Data protection and Cybersecurity but has no formal policy.

2. The company has a policy on Data protection and Cybersecurity

3. Compliance with the policy on Data protection and Cybersecurity is reported to the Board.

4. A data protection and Cybersecurity committee reports recommendations to the Board

5. No issues related to Data protection and Cybersecurity were identified since the last reporting period.

**HR policy:** to what extent has the company implemented HR policies to enable recruitment and retention of talented people and to stimulate diversity and equal remuneration?

Scoring:

0. HR management is not top-of-mind

1. the company declares it follows std business practices related to HR but no formal policy is in place

2. The Company has a written HR policy in place

3. A Remuneration Committee systematically reports HR matters to the Board.

4. The Remuneration Committee systematically follows industry trends related to sector-specific remuneration and periodically evaluates how the company is positioned.

5. The company has a Remuneration Policy in line with industry and ethical standards and can demonstrate with facts and figures that it is capable to attract and retain essential staff functions.

**Governance indicators**

**Health & Safety:** To what extent does the company have policies on health & safety and well-being at work?

Scoring:

0. Creating a Healthy and safe working environment is not considered a priority

1. The company declares it follows std industry practices with regard to Health & Safety measures on the work floor.

2. The company has a policy on Health & Safety

3. Compliance with the policy on Health & Safety is reported to the Board.

4. A Health & Safety committee reports recommendations to the Board involving feedback from all employees and co-workers

5. Demonstrate decreasing # of Health & Safety issues reported to the Board since the last reporting period.

**Code of Conduct** related to exclusion criteria: To what extent has the company implemented a "Code-of-Conduct" policy related to the follow up of the identified exclusion criteria?

Scoring:

0. No "Code-of-Conduct" is in place and no reference is made to external Codes
1. the company has no INTERNAL "Code-of-Conduct" in place and declares to follow std industry practices (eg industry code of conduct guidelines)
2. a "Code-of-Conduct" is in place
3. the exclusion criteria listed in the "Code-of-Conduct" are periodically reviewed by the Board
4. no infringements of exclusion criteria were detected or if infringements were monitored, adequate mitigating actions have been taken on the Company level
5. the company is systematically evaluating whether its EXTERNAL suppliers are infringing exclusion criteria and if yes, adequate mitigating actions have been taken

**Governance indicators**

**Business Ethics:** To what extent does the company have policies on business ethics in its development processes? (note: how does the Company manage to avoid that its staff uses unethical business proposals to get things done)

Scoring:

0. Behavior in terms of ethical product development is not monitored
1. The company declares it follows std industry practices with regard to ethical product development but no formal policy is in place.
2. The company has a policy related to ethical product development.
3. Compliance with the company's policy related to ethical product development is reported to the Board.
4. Staff contracts contain obligations to follow the company's policy related to ethical product development and penalties in case of infringements.
5. Decreasing # infringements reported to the Board since the last reporting period reported to the Board.

**Corporate Governance policy:** to what extent is the company legally structured to guarantee the best Corporate Governance practices?

Scoring:

0. the company is not a legal entity with adequate Corporate Governance obligations, i.e. Belgian SA/NV type of obligations
1. the company is a legal entity with adequate Corporate Governance obligations, i.e. Belgian SA/NV type of obligations
2. the company is benchmarking its Corporate Governance policy with national, sectorial... Corporate Governance practices
3. the company has formalized its Corporate Governance policy
4. Compliance with the Corporate Governance policy is regularly reported to the Board of Directors
5. The company demonstrates to the Board that no infringements have taken place or mitigating actions have been taken

**Conflict-of-interest management:** To what extent has the Company a Board that is completely independent from Management and Shareholders?

Scoring:

0. The company is not incorporated yet or is a legal entity in which board and shareholders' responsibilities do not need to be clearly identified.
1. The company is incorporated as a legal entity and complies with applicable law related to board and shareholders' responsibilities.
2. The responsibilities of the three bodies of the company - the Board, the Shareholders and the Management - are clearly defined but a majority of the Board Directors is part of the Management of the Company.
3. The responsibilities of the three bodies of the company - the Board, the Shareholders and the Management - are clearly defined but at least one of the Board Directors is part of the Management of the Company.
4. The responsibilities of the three bodies of the company - the Board, the Shareholders and the Management - are clearly defined and Management has no representative in the Board but at least one of the Board Directors is a direct representative of a Shareholder.
5. The company has established a Direction Committee that is supervised by the Board that reports to the Shareholders without mixing responsibilities amongst the three bodies.

**ESG reporting / monitoring:** To what extent is the company reporting its ESG compliance?

Scoring:

0. The Company has not evaluated its potential risks when not being compliant in terms of ESG
1. The Company has evaluated its potential risks when not being compliant in terms of ESG but has no specific ESG reporting structure in place
2. The Company has evaluated its potential risks when not being compliant and informs its Board and Shareholders about this when asked
3. The company systematically informs its Board about its ESG compliance as part of the Board agenda (min. once per year)
4. On top, the company systematically informs its Shareholders about its ESG compliance - e.g., as part of the agenda of the annual meeting
5. The Company is performing an external audit on its ESG performance once per year and communicates the results to its shareholders

**Governance indicators**

**Annex 3** : social objectives the sustainable investments contributed to, and Manager’s methodology to assess the contribution to the social objectives

In line with the European Commission’s confirmation that the SFDR is not prescriptive on how to determine the “contribution” to an environmental or social objective, it is the responsibility of the Manager to determine how this “contribution” is to be measured, and the Commission’s recommendation to fund managers is to exercise caution and provide transparency regarding the assessment method used to assess the “contribution”.

The Manager promotes that the Fund will invest in companies (i) with R&D activities specifically aimed at treating patients with chronic diseases, (ii) in disease areas with the highest social burden, and (iii) that contribute to the growth of local Life Sciences ecosystems. An investment qualifies if the investee company meets the 3 criteria against which these characteristics are assessed.

**The Manager’s methodology to assess the contribution to the social objectives**

**Focus on development of treatments for patients with a chronic disease**

**The investee company is dedicating at least 80 % of its R&D budget to the development of treatments for patients with a chronic disease.**  
*Investing in the development of treatments for patients with chronic diseases will eventually result in a noticeable effect on improving sustainability in society.*

*Criterion: the assessment will be based on the budget in the business plan proposed by the investee company and approved by the Fund’s Investment Committee. For follow on, the evolution of the Probability of Success to reach the envisaged development target will be monitored.*

**Focus on disease areas with the highest societal burden**

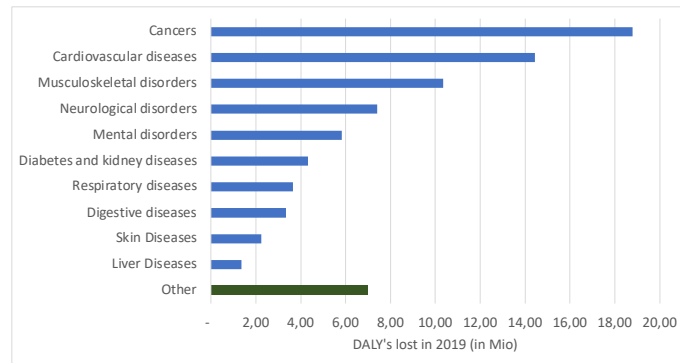
**The investee company’s activity focusses on chronic disease areas with the highest prevalence, hence with the highest patient reach and the highest potential to reduce societal costs associated with chronic diseases.**

*Assessing reach and impact of chronic diseases (or Non-Communicable Diseases - NCDs) by both mortality and morbidity provides a good encompassing view on health outcomes. The sum of mortality and morbidity is referred to as the 'burden of disease' and can be measured by a metric called 'Disability Adjusted Life Years' (DALYs). DALYs are measuring lost health and are a standardized metric that allow for direct comparisons of disease burdens of different diseases across countries, between different populations, and over time. Conceptually, one DALY is the equivalent of losing one year in good health because of either premature death or disease or disability. One DALY represents one lost year of healthy life.*

*DALYs are published by researchers at the Institute of Health Metrics and Evaluation (IHME) and the 'Disease Burden Unit' at the World Health Organization (WHO), which was created in 1998. The IHME continues the work that was started in the early 1990s and publishes “Global Burden of Disease” studies. Assessing the burden of the disease area(s) on which the investee company is focusing its research is based on the publication “Burden of Disease - How is the burden of disease distributed and how did it change over time?” by Max Roser, Hannah Ritchie and Fiona Spooner, - first published in 2016; most recent update in September 2021. Reference: Institute for Health Metrics and Evaluation, Global Burden of Disease (2019)/ World Health Organization (via World Bank) – processed by Our World in Data. The table below gives the prevalence in DALYs lost in 2019 for the top 10 of NCDs in the core regions in which the Fund invests (in Mio). The world figure is included for information and shows that NCDs are a dominant factor of the Disease Burden in developed countries.*

DALYs lost in 2019 NCDs (in Mio yrs)	World	Japan	Belgium	France	Germany	Luxemburg	Netherlands	Switzerland
Cancers	251,39	7,42	0,66	3,83	5,32	0,03	1,12	0,40
Cardiovascular diseases	393,11	5,54	0,48	2,31	5,13	0,02	0,64	0,31
Musculoskeletal disorders	150,08	4,73	0,32	1,84	2,68	0,02	0,48	0,27
Neurological disorders	97,72	3,18	0,26	1,45	1,98	0,01	0,35	0,17
Mental disorders	125,31	1,80	0,23	1,44	1,76	0,01	0,38	0,20
Diabetes and kidney diseases	112,73	1,69	0,15	0,59	1,58	0,01	0,20	0,10
Respiratory diseases	103,53	1,29	0,18	0,58	1,22	0,01	0,29	0,09
Digestive diseases	88,99	1,30	0,12	0,62	1,11	0,01	0,13	0,06
Skin Diseases	42,88	0,78	0,09	0,58	0,60	0,00	0,13	0,06
Liver Diseases	46,19	0,49	0,05	0,26	0,50	0,00	0,04	0,02
Other	188,30	2,03	0,31	1,63	2,35	0,02	0,42	0,22
	World	Japan	Belgium	France	Germany	Luxemburg	Netherlands	Switzerland
% impact of NCDs on total DALYs lost	63,84%	85,45%	84,67%	84,88%	89,17%	86,46%	88,40%	86,32%

Graphic representation of the consolidated figure for the core regions:



The same publication also addresses the link between Disease Burden and NCD Health Expenditure. Using population figures of 2019, the total NCD Health Expenditure in 2019 was USD 1,5 trillion in the core regions. For the whole world, this was USD 7,5 trillion. A study by the World Economic Forum in 2011 predicted a growth of this figure to over USD 40 trillion by 2030. It clearly shows that focusing on treatments for chronic diseases with the highest prevalence also has an immediate, huge impact on societal cost pressures.

Criterion: the assessment will be based on the potential of the Investee company's development program sponsored by the Fund to address (an) indication(s) within the top 10 of the chronic disease areas with the highest Disease Burden as shown in the chart above. In case the company is addressing indications in an acute disease area with chronic or epidemic consequences, the DALYs of this disease area need to fall within the range of the top 10 of the chronic disease areas. For follow on, the evolution of the preclinical / clinical development stage will be monitored.

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**The investee company contributes to the growth of local (European, Japanese) life sciences start-up ecosystems.**

An innovation ecosystem is a network of innovators, startup companies, stakeholders, funders, and venture capitalists that interact together to drive ideas into products that add value in the marketplace. (Ref: "ENTREPRENEURIAL ECOSYSTEMS AND GROWTH ORIENTED ENTREPRENEURSHIP" By Prof. Colin Mason and Dr. Ross Brown - Background paper prepared for the workshop organized by the OECD LEED Program and the Dutch Ministry of Economic Affairs in The Hague, Netherlands, on the 7th November 2013. Six groups of factors to measure its performance can be identified (Isenbergs-model-of-an-entrepreneurship-ecosystem): Human Capital, Market Reach, Policy, Finance, Innovation Culture and Support.

**Contribution to growth in local life science ecosystems**

- Human Capital indicators:
  - Labor - innovators as well as skilled and unskilled workforce members
  - talent acquisition and development strategies and structures
- Market Reach indicators:
  - immediate and direct access to marketplaces and a broad customer base
  - robust supply chains
- Policy Indicators: a broad spectrum of parameters (e.g. provide social legitimacy, regulatory framework around many topics such as intellectual property rights)
- Innovation Culture indicators: parameters that foster creativity and risk-taking in the ecosystem;
- Funding indicators: quality, quantity, and accessibility to capital (including micro-loans, angel investors, friends and family, zero-stage venture capital, venture capital funds, private equity, robust capital markets, and access to debt);
- Support indicators: a broad spectrum of parameters amongst which access to infrastructure, innovation hubs, accelerators, conferences, networking events...

The Fund will follow up on many of these indicators (see Annex 1). As a Venture Capital Investor with a strong syndication policy, the following indicator will be assessed as qualifying criterium for an investment: quality, quantity, and accessibility to capital.

Criterion: the investment agreement must demonstrate that > 20% from the funds the investee company is raising in the first round of investment in which the Fund participates is coming from other professional investors such as reputable business angels, family offices and venture capitalists. For follow up: the Investee company demonstrates its commitment to further strengthening the investor syndicate in follow-on rounds.