

Impact & Sustainability Guidelines

Aliath Bioventures

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Introduction

Impact investment & sustainability approach

"Responsibility" and "sustainability" are fundamental pillars in the culture of AltamarCAM Capital Partners, S.L. (hereinafter, 'AltamarCAM') and its group of advisors, such as Aliath Bioventures (hereinafter, 'Aliath'). Both concepts are critical in our relationships with our stakeholders, helping to build robust and long-lasting bonds, and in our investment decisions, promoting economic development through responsible and sustainable investments.

AltamarCAM aspires to become an ESG industry leader, bringing long-term value and sustainability to investors and society at large.

Aliath BioVentures, as part of AltamarCAM group, is fully aligned with the group's vision and considers responsibility and sustainability key factors of the investment decision making process. Sustainability risks and opportunities are integrated into our research, analysis, and investment decision-making. We believe that the consideration of sustainability risks and opportunities can have a positive impact on the long-term returns for investors.

Aliath operates within the AltamarCAM group policy framework. Aliath guidelines fall under the scope of AltamarCAM's ESG policy, Code of Conduct, Code of Ethics, Staff remuneration and Involvement policies.

Aliath Bioventures has the dual mission of achieving attractive financial returns and positive social impact, as framed by the UN SDGs. To achieve the latter, Aliath Bioventures integrates a robust impact and sustainability management system throughout the investment lifecycle.

Aliath Bioventures has designed, upon existing standards, an impact framework on which its funds are based and has launched a Fund (ACP Aliath Bioventures II FCR) which is going to make sustainable investments reported under article 9 of the EU financial disclosure regulation.

The purpose of this document is to set out the process for integrating impact and ESG considerations throughout the investment lifecycle. This is reflected in the diagram below:



Operating principles for impact management integration

The collage includes several key documents:

- AltamarCAM Partner Evaluation:** A checklist for evaluating potential partners.
- ESG/Art 9 DDQ:** A document detailing Environmental, Social, and Governance (ESG) due diligence questions.
- IMP Methodology:** A flowchart or diagram explaining the Impact Management Project (IMP) methodology.
- Aliath Bioventures Sustainability Protocol:** A comprehensive document outlining the firm's sustainability goals and reporting mechanisms.
- 65% Portfolio Impact:** A circular infographic showing the firm's commitment to achieving a 65% portfolio impact.

¹ PAIs: Principal Adverse Impacts. A Principal Adverse Impact (PAI) is any impact of investment decisions or advice that results in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.
IMP: Impact management project methodology

Impact & sustainability governance

AltamarCAM and Aliath are committed to sustainability, and proof of this is the involvement of its Senior Management in the sustainability corporate governance model, designed with the objective to carry out an efficient execution of activities in terms of sustainability.

Aliath sustainability Governance process draws on the already existing ESG governance of the AltamarCAM group taking into consideration as well the strategic objectives of ACP Aliath Bioventures II FCR.

AltamarCAM ESG governance structure has the following bodies:

AltamarCAM ESG Committee

The ESG Committee is made of members of the senior management of the AltamarCAM group. Its main objective is to define the guidelines and policy orientation of the firm, to promote sustainability activities at the firm level as well as to promote dialogue and representation before the Board and the stakeholders of AltamarCAM. It meets at least twice a year. AltamarCAM ESG Committee signs off on Aliath's responsible investment policy and will be informed of sustainability progress on an annual basis.

AltamarCAM ESG Steering Group

AltamarCAM ESG Steering Group is made up of several professionals across AltamarCAM, including an Aliath representative. They provide support, advice and guidance on ESG topics to ensure access to the best market intelligence and that all ESG initiatives are implemented across AltamarCAM. The ESG Steering Group meets at least quarterly and reports its findings to the ESG Committee. AltamarCAM ESG Steering Group is informed and reviews ACP Aliath Bioventures II FCR responsible investment strategy and will be informed of its progress on an annual basis.

AltamarCAM ESG Team

AltamarCAM ESG Team consist of five members who are responsible for the execution of AltamarCAM's ESG strategy and the implementation of action plan topics and compliance with associated objectives. They give advice and work with Aliath investment professionals to help design, execute and monitor the sustainability strategy of Aliath funds.

Aliath BioVentures Investment team

Aliath investment professionals are responsible, together with AltamarCAM ESG team, for advising on and executing the investment decisions and sustainability strategy defined for the fund and its companies.

Aliath professionals will focus on managing sustainable objectives and biotech/health technologies ESG material aspects at company level, whereas AltamarCAM's ESG professionals will focus on the additional SDGs performance and good governance practices alignment working in tandem as a team.

Information flow from and to companies will primarily be managed by Aliath investment team but shared with AltamarCAM ESG team and the teams will work together to monitor and report on outcomes.

AltamarCAM Compliance team

AltamarCAM Compliance team will work with the AltamarCAM ESG and Aliath investment teams providing oversight and internal control to the process.

Regulation and Sustainability principles

AltamarCAM funds advised by Aliath are subject to applicable European regulation. ACP Aliath BioVentures II FCR ("ACP ABV II") is an impact fund and reports under article 9 of the European Sustainability Financial Disclosure Regulation (EU 2019/2088) ("SFDR").

In addition to the above, and in relationship with the sustainable objective of ACP ABV II, to the extent materially possible, its investee companies will follow the guidelines, conventions and principles stated in the following international documents:

- OECD Guidelines for Multinational Enterprises.
- The United Nations Guiding Principles on Business and Human Rights.
- Eight fundamental conventions identified in the Declaration of the International Labour Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Aliath, as part of AltamarCAM group, whom is signatory of the Principles for Responsible Investment (PRI) since 2016, is reported for, and therefore as part of the group aligns to the following six principles:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into our ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which ACP Aliath Bioventures II FCR invests.
4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together to enhance our effectiveness in implementing the Principles.
6. Report on our activities and progress towards implementing the Principles.

Aliath's team, together with AltamarCAM, and in collaboration with the other Limited Partners that are shareholders in the investee companies, will work with companies to implement good governance practices. Good governance practices related to sound management structures (Board of Directors), employee relations, staff remuneration and specific tax and overall compliance structures.

Both, Aliath and AltamarCAM, will work with companies through appropriate governance structures on sustainability aspects with the final goal to achieve desired impact, improve ESG adherence and minimize risks. We will agree internally and with the relevant stakeholders in the companies on a predefined action plan after closing of the investment and as part of our investment management strategy. In developing this strategy, certain issues such as the size of the company or its resources will be considered.

The capacity of a company to comply with good governance practices will be evaluated prior to investing on it. If once invested, a company is identified as not fully compliant with good practices (e.g., no independent member on the board or lacking progress in other areas), the Aliath team will increase the engagement with any such company to implement the necessary steps via a medium-term pre-defined action plan to develop those practices at the company level.

Alignment of compensation with Impact & Sustainability

Aliath Bioventures' remuneration policy is based on fixed and variable remuneration (bonus).

- Variable remunerations are based on performance criteria, which include management of sustainability risks alongside financial returns.
- Aliath links the achievement of its impact objectives with its variable remuneration policy (carry).

Definition of the Sustainable Development Goals (SDGs) framework

The 17 Sustainable Development Goals reflect the scale and ambition of the 2030 Universal Agenda for Sustainable Development. Those 17 goals consider the three key dimensions any sustainable development must take into account: the economic, the social and the environmental.

Aligning the financial system with sustainable development is what stimulates action in areas of critical importance for humanity and the planet. While it is true that investments directly tied to emerging countries or climate action have become the de-facto sustainable target segments, investing in healthcare affects society at large, propelling ground-breaking and monumental change and providing solutions to several major threats to global sustainable development.

Ageing population is driving an accelerating demand for healthcare services. Fifty per cent of the world's population is still not covered by essential health services² and it is estimated that the number of deaths due to non-communicable diseases will grow by over 50% from 2016 to 2060³. Moreover, health spending continues to outpace economic growth in most OECD countries and thus the financial burden to national budgets is creating a necessary force for change using new technologies in the healthcare sector.

By investing in some of the most widespread and deadliest diseases with no current available treatment and in tackling healthcare access inequality, Aliath and AltamarCAM aim to contribute directly to the achievement of the following SDGs and targets:

- SDG 3 (3.4): By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

² Tracking Universal Health Coverage: 2017 Global Monitoring Report. World Health Organization and International Bank for Reconstruction and Development / The World Bank; 2017. Licence: CC BY-NC-SA 3.0 IGO

³ Megatrend 2 Health & Care Roland Berger

- SDG 3 (3.8): Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality, and affordable essential medicines and vaccines for all.
- SDG 9 (9.5): Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per one million people and public and private research and development spending.

Aliath will seek investments complying with what we consider defines an investment to be sustainable and impactful:

- A societal challenge or gap is identified and addressed – The investment aims to make a difference and a beneficiary group is discernible: Patients, health systems and overall population will benefit from such investments.
- Investment’s impact can benefit from ACP ABV’s capital as it goes towards unmet needs where current capital inflow is insufficient and from Aliath’s team expertise and knowledge as it can help the company reach and generate impact.
- The impact can be measured and reported.

To monitor, quantify and report progress towards these objectives, Aliath has developed five (5) internal indicators (per company) that allow to monitor the impact generated in relation to SDGs 3 and 9.

Moreover, in addition to the main sustainable objectives just described (reduce mortality from non-communicable diseases, achieve universal health coverage and enhance scientific research), Aliath will consider additional SDGs in its investment processes to improve invested companies’ ESG progress and maximize the integration of sustainability factors and risks.

Operating Principles for Impact Management

In 2019, the International Finance Corporation launched a new framework, the Operating Principles for Impact Management, that establishes a set of best practices for impact management. These principles put great emphasis on measurement and reporting and require an external audit process. As of April 2023, Aliath is a Signatory of the Impact Principles.

Aliath will engage with an external independent company to verify the alignment of our impact framework with the Operating Principles for Impact Management. Such verification will be disclosed in our website.

Impact & sustainability assessment methodologies and resources

Aliath's impact and sustainability assessment and management are based on the following tools:

United Nations Sustainable Development Goals

ACP Aliath Bioventures fund investments will be aligned with the United Nation ´s Sustainable Development Goals (UN SDGs).

We aim to play an important role in the fulfillment of the United Nations’ Sustainable Development Goals by mobilizing capital and talent to the development of companies that can tackle some of the major healthcare challenges. We have a specific focus on goals 3 and 9 but we actively promote other goals and report on them.



Impact Management Project

The Impact Management Project (IMP) began in 2016 as a time-bound forum for building global consensus on how to measure, assess and report impacts on people and the natural environment. IMP assesses current and potential contribution of the investments to the fund’s sustainable objectives across five dimensions (what, who, how much, contribution and risk) and provides a final investment class classification based on the outcome obtained.

Aliath has adopted and integrated IMP methodology in its due diligence and exit processes.

Impact KPIs

ACP Aliath Bioventures' funds' impact is monitored on a continuous basis through internally developed impact KPIs. Each portfolio company has a total of five (5) impact indicators that are set at the moment of the investment with the Investment Committee approval.

ESG Due Diligence Tools

Tailor-made questionnaire that allows us to gather in one single spreadsheet all sustainability information needed for our analysis including ESG risks and opportunities as well as regulatory requirements. Such tool ensures sustainability risk assessment and management.

Integration of Sustainability and Impact Factors and Risks in the Investment Process

Aliath pursues the integration of sustainability risks in its investment processes, both through an active analysis of sustainability factors as a fundamental part of the investment process and by giving great importance to dialogue and engagement with the companies in which it invests.

Sustainability integration requires that sustainability factors are included in the investment decision making process, risk management, portfolio monitoring, engagement, and stewardship activities.

The investment process is driven by scientific, financial, impact and sustainability considerations from inception to exit.

Screening

Negative screening

Aliath follows AltamarCAM's negative screening criteria.

AltamarCAM has developed an exclusion policy that applies to all investments made to regulate and limit or restrict investments in companies carrying out activities with significant sustainability risks. To this end, any company whose activity may be included in that list will be considered a restricted investment. If, in any case, there are doubts or concerns about the negative screening process applied to a target company, the Aliath team will refer the situation to the Investment Committee to assess the potential sustainability risks and obtain the final approval or rejection of the investment.

Positive screening

With the goal of investing in companies that align with the sustainable goals described in the present document, Aliath has developed a series of criteria that companies must meet to ensure we select those companies that by the nature of what they do, are very impactful. Criteria related to the economic activity of the company, industrial sector, or targeted medical need.

Pre investment Diligence

Aliath applies the internally developed 3i framework (innovation, intentionality, and impact) in the due diligence processes to evaluate the key elements a company must have to deliver financial returns and generate positive impact.

Such framework incorporates the impact and ESG due diligence processes that are reflected in the following steps.

Intentionality and additionality assessment

Aliath applies the IMP methodology to assess:

- The company's intentionality: The desire to generate a positive impact through the company's activity. IMP evaluates the outcome a company generates.

- The company's additionality: IMP ensures a company aims to deliver differential benefits evaluating a company's unique contribution to a specific impact. Thanks to this classification, only companies that contribute to solutions or, at least, benefit stakeholders are considered to invest in.
- The investor's additionality:
 - Financial: IMP assesses whether the fund is investing in diseases or challenges where R&D lacks or is insufficient.
 - Non-financial: IMP also helps us ensure we own the necessary capabilities to help (later on) the companies in generating desired impact.

ESG risks and opportunities

Aliath evaluates ESG risks and opportunities of the companies through a specific questionnaire sent to the companies that generates an ESG score. Most relevant industry specific ESG material factors are identified and evaluated using Sustainability Accounting Standards Board (SASB).

The Do Not Significantly Harm principle states that companies, to be sustainable, must do not significantly harm any other environmental or social objective.

The company questionnaire, the ESG scoring, will not only enable us identify risks and improvement areas, but will also be used to verify the alignment of the invested companies with respect to different standard business guidelines or principles:

- the OECD Guidelines for Multinational Enterprises,
- the United Nations Guiding Principles on Business and Human Rights, and
- the principles and rights set out in the eight core conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
- Good governance practices (sound management structures, employee relations, remuneration and tax)

To ensure compliance with the principle of DNSH, the main adverse impacts on ESG or sustainability factors⁴ will be also analyzed during the pre-investment due diligence - which will be carried out internally, with the occasional support of external advisors - following the indicators and guidelines of the European Commission in the Regulatory Technical Standards of the Regulation.

Impact metrics

Aliath sets impact goals to be achieved and impact metrics to be tracked and reported and provides clear guidance on the impact reporting cycle.

Approval

Investment decisions are made by ACP Aliath BioVentures fund's Investment Committee. The conclusions of the due diligence in matters of sustainability are presented to the Investment Committee as a core element of the investment decisions process that is also documented in the Investment Committee Memo. A sustainability and impact plan is drawn up that includes the target impact to be reached and the ESG opportunities and risks detected.

Investment Management

Impact management and measurement

The impact progress is monitored regularly and reported on a yearly basis. If the impact objectives of any of the five (5) indicators change over time, said change must be approved by the Supervisory Committee. All impact milestones achieved must be accompanied by evidence proving their achievement.

ESG scoring management

Material ESG aspects are the ones more likely to have significant effects on the sustainability of companies and on the end impact goals. They are prioritized in the company's specific sustainability plan and reviewed at least on an annual basis, being monitored, and reported with specific KPIs. Overall, the entire ESG scoring for each firm is evaluated on an annual basis to track progress over

⁴ GHG emissions, carbon footprint, GHG intensity, Exposure to fossil fuel sector, Share of non-renewable energy, Energy consumption intensity, Activities negatively affecting biodiversity sensitive areas, Emissions to water, Hazardous waste ratio, Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, Unadjusted gender pay gap, Board gender diversity, Exposure to controversial weapons

time and presented to both, AltamarCAM ESG committee and Investment committee. Such ESG scoring includes the good governance practices and principal adverse impacts.

Exit

When conducting an exit, we will present the sustainability results achieved during ACP ABV fund participation on the equity of the companies and consider the effect which the timing, structure, and process of its exit will have on the viability and perdurability of the sustainable objective.

Regarding the final impact achieved, both, the final impact KPIs and the additionality created (assessed by the impact management project framework), are measured.

In as much as possible, impact post exit will be reported over time until the fund is fully liquidated.

Reporting and engagement

An annual reporting will be disclosed to investors according to Directive 2011/61/EU. According to Article 11 (1) (b) of the SFDR, such reporting will include the disclosures prescribed by the law. The content and details of this periodic information is found in Annex I, III and V of the Regulatory Technical Standards of the SFDR.

A yearly statement disclosure regarding the adherence to the Operating Principles for Impact Management will also be disclosed.

Internal awareness

Employee training

Given the rapid evolution of market trends in relation to sustainability and the integration of sustainability factors and risks, AltamarCAM ensures that Aliath employees are aware of them through training sessions and other awareness-raising measures.

Internal communication

Additionally, on a regular basis, the Aliath ESG Team, together with the AtamarCAM ESG team, share knowledge and information on sustainability with the entire Firm through the intranet and internal meetings.