

HealthCap IX

Responsible Investment and Ownership Policy

Version: 1.0
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HealthCap

1. Introduction

HealthCap is a leading venture capital firm in Europe investing exclusively and globally in life sciences. HealthCap's investment objective is to achieve significant capital appreciation by focusing on the development of breakthrough therapies for diseases with significant unmet medical needs.

HealthCap IX is HealthCap's ninth fund and focuses on investing in precision medicine-based drug development for diseases where there is a significant unmet need, and where there is potential to make a meaningful difference to patients, payors, and society.

HealthCap is committed to acting as a responsible investor. In addition to making investments that address significant unmet medical needs, HealthCap actively seeks to promote key social characteristics, ensure good governance, and manage potential risks associated with environmental, social and governance factors.

2. Purpose

This Responsible Investment and Ownership Policy ('the Policy') describes HealthCap IX's commitment to sustainability and how it seeks to implement its sustainability commitments throughout the investment cycle, from sourcing and due diligence to ownership and exit.

3. Scope

The Policy governs in full HealthCap IX and applies to individuals with a mandate to represent HealthCap. It is the responsibility of all such individuals to observe, understand, and comply with the Policy.

The Policy shall be implemented in all investments undertaken by HealthCap IX recognizing the potential limitations due to HealthCap IX's business model to act as a minority shareholder. Nonetheless, HealthCap IX shall actively use its influence to implement the commitments outlined in the Policy, at least in a manner that is proportionate to its ownership share.

4. Principles and commitments

HealthCap IX shall comply with all applicable rules and regulations governing the integration and disclosure of sustainability in investment decisions and ownership including, but not limited to, the Sustainable Finance Disclosure Regulation (SFDR). HealthCap IX shall comply with the obligations for so-called SFDR Article 8 funds.

Further, HealthCap IX shall align its investment decisions, ownership policies and practices, and disclosures with the UN Principles for Responsible Investments (UNPRI) to which HealthCap is a signatory.

HealthCap IX's investment strategy aims to promote social characteristics, with specific reference to two of the UN Sustainable Development Goals ("SDG"):

1. *"Promoting ground-breaking treatments to address unmet needs (SDG3)":* By investing in breakthrough therapies for diseases with significant unmet medical needs, HealthCap IX seeks to contribute to UN Sustainable Development Goal 3 (SDG3): "Ensure healthy lives and promote

well-being for all at all ages”, including, but not limited to, SDG3 Target 3.4. which seeks to reduce premature mortality from non-communicable diseases.

2. “Increasing investment inflows, innovation, and jobs in R&D (SDG9)”: By investing in the development and future scaling of high-potential research ventures, HealthCap IX seeks to contribute to UN Sustainable Development Goal 9 (SDG9): “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”. This includes target 9.5. which seeks to enhance scientific research, encourage innovation, and increase the number of research and development workers.

Further, HealthCap IX shall ensure that:

- All investments meet the HealthCap’s Good Governance policy including, *inter alia*, consideration to good clinical research and laboratory practices as well as sound management structures, employee relations, remuneration of staff and tax compliance;
- Consideration to sustainability risks shall be integrated into the investment analysis and decision-making process, and material risk factors will be identified and mitigated to minimize any negative impacts on investment returns;
- Progress against the social characteristics and supporting indicators, results of risk assessments as well as significant violations of its Good Governance policy shall be reported to the HealthCap IX’s investors in an accurate, timely and transparent manner.

5. Implementing principles and commitments [Approach]

HealthCap IX aims to implement its commitments rigorously throughout the investment process.

5.1 Promoting social characteristics

HealthCap IX is committed to promoting social characteristics, with a specific reference to two specific SDGs, namely:

1. Promoting ground-breaking treatments to address unmet needs, a social characteristic linked to SDG3, Target 3.4
2. Increasing investment inflows, innovation, and jobs in R&D, a social characteristic linked to SDG9, Target 9.5

In support of HealthCap IX’s commitment to promoting these two social characteristics, a set of indicators and supporting methodologies to measure the attainment of the social characteristics has been identified:

- Jobs (in R&D) created
- € spent on R&D
- Patents filed
- Number of clinical trials
- Number of (independent) Board Members

In addition, the HealthCap has developed a bespoke methodology and scoring system, the HealthCap Health Impact Score (HealthCap HIS), that it shall take into account as part of the investment decision process as well as during ownership. The HealthCap HIS is a compositive scoring matrix that captures

five criteria on the impact potential of investees; please refer to Annex 1. The criteria are rated on a scale of 1 to 5, resulting in a composite score. The HealthCap HIS is an integral part of the investment decision alongside financial and commercial criteria that is used to determine the impact potential of an investment. A priori, investments with a high score are considered more attractive than investments with a low score.

During ownership, HealthCap IX shall continuously seek to monitor and measure the attainment of the social characteristics. HealthCap IX shall engage actively with investees to promote attainment of the social characteristics and, where possible and required, take action, including through the Board of Directors of investees when HealthCap IX holds a board seat.

5.2 Good governance

HealthCap IX is committed to upholding principles of good governance in its investments to which end HealthCap has developed a separate Good Governance Policy. The Policy shall be shared with all new investees and implementation shall be monitored throughout the investment period.

HealthCap IX's Good Governance policy is enclosed in Annex 2.

5.3 Integration of sustainability risks in investment analysis and decision-making

HealthCap IX is committed to integrating the consideration of sustainability factors throughout the investment process.

HealthCap IX recognizes that its investments may be exposed to a number of sustainability risks which could potentially affect the value of its investments.

In general, HealthCap IX believes that its investments are exposed to physical impacts of climate change only to a limited extent due to the nature, size, and location of the companies in which it invests, and that transitional risks associated with climate change such as policy and regulatory change could potentially have only a marginal impact on the value of its investments.

Other environmental risks can occur in relation to breaches to local and international regulations and frameworks, e.g. related to leakages into ecosystems, waste management, welfare of animal trial subjects, and use of genetically modified organisms.

HealthCap IX's investments may also be exposed to social risks related to inequality and discrimination, health and safety, and human and labour rights as well as design of clinical trials, the use of tissue and/or cells for therapy, and data privacy. Further, governance risks can arise in relation to fraud & bribery, unethical tax practices, conflicts of interests, and general unethical business conduct, causing legal or reputational harm.

HealthCap IX seeks to appropriately manage such and other sustainability risks throughout the investment process following the below procedures:

Raising capital: When raising capital, HealthCap IX makes available to investors information on the approach to sustainability including whether and how sustainability factors may present risks to the performance of HealthCap IX.

Deal sourcing/due diligence: HealthCap IX assesses material sustainability factors as well as the social characteristics that HealthCap IX seeks to promote. The assessment relies on internationally recognized standards for materiality of sustainability factors such as the Sustainability Accounting Standard Board (SASB) combined with industry-specific criteria identified by HealthCap IX as potentially relevant for investees in scope of the investment strategy, e.g. animal welfare practices, chemistry and manufacturing and controls (CMC), Good Laboratory Practice (GLP), and Good research Practice (GRP). In addition, HealthCap IX shall assess potential investees' good governance policies and practices relative to its Good Governance Policy. In the event that material risks are identified, HealthCap IX shall undertake additional due diligence which may include use of third-party experts.

Investment decision: The result of the assessment including recommendations for possible actions to address identified risks form part of the basis for investment decision-making. As relevant, material sustainability risks identified shall be addressed in the Investment documentation with an obligation to mitigate such risks in such a manner they do not present risk to the performance of the investment.

Ownership: HealthCap IX monitors portfolio companies' management of material sustainability factors that may influence the performance of the HealthCap IX and shall continuously seek to ensure that investees manage sustainability factors in such a manner that they do not present risk to the performance of HealthCap IX.

HealthCap IX uses its influence through regular engagement in the Board of Directors and by requiring investees to report annually on a set of sustainability key performance indicators as well as their good governance policies and practices.

Exit: HealthCap IX recognizes that sustainability performance may influence valuation, and in preparation for exit, HealthCap IX shall encourage investees to document past progress, current performance, and future improvement opportunities as well as include such information, as relevant, in any vendor due diligence report, initial public offering prospectus, and/or other relevant divestment process documentation.

6.4 Exclusion criteria

HealthCap IX has developed exclusion criteria stipulating that HealthCap IX shall not invest, guarantee, or otherwise provide financial or other support, directly or indirectly, to companies or other entities whose business activity consists of illegal economic activity, tobacco and alcoholic beverages, weapons and ammunition, casinos, and related activities. The full list of exclusion criteria is found in Annex 3 to the Policy.

7. Accountability

The Board of Directors of HealthCap IX Holding AB (the BoD) is the owner of the Policy. In the exercise of its responsibilities, the BoD is supported by HealthCap IX Advisory AB (the Advisory).

Within the Advisory, a dedicated group has been formed, the Committee of Responsible Investments (CRI), which is responsible on a day-to-day basis for the implementation of the Policy including ensuring the promotion of social characteristics, the integration of the consideration of sustainability factors into the investment process, and the adherence to HealthCap IX Good Governance Policy as well as compliance with HealthCap IX's exclusion list.

The Board of Directors of each investee is responsible for developing, as relevant, policies, procedures and controls as well as allocating resources to promote the social characteristics of HealthCap IX as well as to manage sustainability factors in such a manner that they do not present risk to the performance of HealthCap IX.

The Policy shall be reviewed annually by the BoD on the basis of an assessment and, as relevant, recommendations made by the Advisory with a view to ensure compliance with applicable rules and regulations governing the integration and disclosure of sustainability in investment decisions and management as well as commitments undertaken by HealthCap IX such as a signatory to UNPRI and limited partnership agreements. HealthCap IX may in its own discretion amend this Policy from time to time while taking note of its legal and contractual obligations.

Violations of the Policy by investees shall be reported to the BoD that shall determine required action to ensure compliance.

The BoD, with support from the Advisory, will monitor the implementation of the Policy as well as to disclose to investors performance on its implementation.

Annex 1 HealthCap IX Health Impact Score

The HealthCap Health Impact Score is a composite scoring matrix relevant to the portfolio companies of HealthCap IX based on the investment strategy and the characteristics of HealthCap IX. The data underlying the Health Impact Score may come from various sources. Data provided by companies are verified with the in-house team of scientifically qualified investment professionals, and external sources such as market data, Key Opinion Leader input, published research, and co-investors. The Health Impact Score consists of 5 parameters that are scored with a value between 1 and 5 based on the specific development programs in each company. The mean value may be calculated as a simple measure of each company's potential health impact.

Table 1.: HealthCap Health Impact Score

	5	4	3	2	1
UNMET MEDICAL NEED	<ul style="list-style-type: none"> No available therapies approved 	<ul style="list-style-type: none"> Some therapy available with shortcomings in: <ul style="list-style-type: none"> Efficacy and safety Long-term benefit May be used off-label etc 	<ul style="list-style-type: none"> Therapy available with shortcomings in: <ul style="list-style-type: none"> Safety Short-term benefit 	<ul style="list-style-type: none"> Effective therapy existing with shortcomings in: <ul style="list-style-type: none"> Convenience 	<ul style="list-style-type: none"> Limited unmet medical need
THERAPEUTIC POTENTIAL	<ul style="list-style-type: none"> Potential for a curative effect 	<ul style="list-style-type: none"> Disease modification/functional cure Life prolongation 	<ul style="list-style-type: none"> Relief of severe symptoms Positive QoL impact 	<ul style="list-style-type: none"> Relief of modest/mild symptoms Potential QoL improvement 	<ul style="list-style-type: none"> Limited therapeutic potential
SEVERITY OF DISEASE	<ul style="list-style-type: none"> Life-threatening Decreased life expectancy 	<ul style="list-style-type: none"> Severely debilitating High risk of progression into lethal disease 	<ul style="list-style-type: none"> Considerable negative impact on Quality of Life 	<ul style="list-style-type: none"> Some negative impact on Quality of Life 	<ul style="list-style-type: none"> Lifestyle aspect
DEGREE OF INNOVATION	<ul style="list-style-type: none"> Paradigm shifting therapy Novel modality 	<ul style="list-style-type: none"> Considerable innovation New mechanism of action New target for intended disease 	<ul style="list-style-type: none"> Significant innovation Improvements on MoA for known target 	<ul style="list-style-type: none"> Modest innovation Re-formulation Re-positioning 	<ul style="list-style-type: none"> No real innovation Generics Me-too
ADRESSABLE PATIENT POPULATION (GLOBAL)	>1000,000 Patients	100,001-1000,000 patients	10,001-100,000 patients	1,001-10,000 patients	1-1,000 patients

Annex 2 Good Governance Policy

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1. Purpose

HealthCap is a leading venture capital firm in Europe investing exclusively and globally in life sciences. HealthCap's investment objective is to achieve significant capital appreciation by focusing on the development of breakthrough therapies for diseases with significant unmet medical needs.

HealthCap IX is HealthCap's ninth fund and focuses on investing in precision medicine-based drug development for diseases where there is a significant unmet need, and where there is potential to make a meaningful difference to patients, payors, and society.

HealthCap IX is designated as an Article 8 financial product that seeks to promote social characteristics pursuant to the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) ("SFDR"). The SFDR specifies that the assessment of governance practices forms an integral part of financial products that promote environmental or social characteristics, and that financial market participants making available such products shall disclose information on their policies to assess good governance practices of investee companies.

The purpose of the Good Governance Policy ("Policy") is to set out the principles based on which HealthCap IX shall assess and monitor the good governance practices of investee companies.

2. Scope

The Policy applies to all investee companies in HealthCap IX regardless of the size and nature of the ownership share that HealthCap IX holds in individual investee companies. It applies to all legal entities under the control of investee companies.

3. Good Governance Principles

The Policy consists of the General Good Governance Principles ("General Principles") and Healthcare specific Principles ("Healthcare Principles"), collectively referred to as "Principles", that HealthCap shall promote.

The Principles have been designed bearing in mind that HealthCap IX invests in relatively early-stage life sciences companies with few employees, typically so-called micro-enterprises.

General Principles

Board of Directors

- i. **Composition:** The Board of Directors ("Board") shall be sufficiently independent; have the appropriate collective skills to fulfil its stewardship role, and be sufficiently diverse including by considering, as a minimum, gender, age, and nationality. HealthCap encourages all portfolio company Boards to include at least one independent director. Ideally, the Chairperson should be independent from the shareholders and the company.

- ii. **Accountability:** The Board shall be accountable to the owners of the company, namely its shareholders. Engagement with shareholders shall be a priority of the Board as well as Executive Management.
- iii. **Transparency:** The Board shall promote accuracy and transparency in financial statements subject to external audit. In addition, the Board shall endorse the formation of an audit committee and a remuneration committee.
- iv. **Rules and Procedures:** The Board should ensure the creation and implementation of formalized Rules and Procedures for the Board, and CEO Instructions. In addition, the Board shall include sustainability as a fixed agenda item at least once per year.

Remuneration

- i. Remuneration of staff shall be fair and transparent in line with regulatory requirements if applicable, and in line with applicable collective bargaining agreements and industry practice. Investee companies shall ensure regular compensation reviews and communication with its shareholders regarding remuneration policies and practices.
- ii. Remuneration of Executive Management shall be aligned with the long-term value created for shareholders and discourage excessive risk-taking that could lead to behaviors detrimental to the company's long-term success.

Employment relations

- i. Investee companies shall ensure that formal employment contracts are in place for all employees including members of Executive Management.

Tax compliance

- i. Investee companies shall have no operations in non-cooperative tax regimes as defined by the [European Union](#)

Disclosure of violations

- i. When relevant based on size and nature of the company's activities, investee companies should have a process in place to track and report to the Board company violations against the following:
 - o Breaches against human rights, labor rights and/or consumer rights (examples include legal convictions of discrimination, sexual harassment, and privacy violations)
 - o Legal convictions of corruption
 - o Legal convictions of tax evasion
 - o Breaches of competition law
 - o Breaches of environmental laws
- ii. Investee companies shall exercise relevant due diligence to prevent or mitigate the risk of violations, and take immediate and proportionate action to address identified violations

Healthcare Principles

All investee companies shall agree to comply with relevant ethical and regulatory frameworks with respect to:

- Running of clinical trials
- Pre-clinical development involving animals (animal welfare)

In case of external manufacturing, all investee companies shall agree to only work with appropriately accredited suppliers.

4. Accountability and implementation

All investee companies shall agree to the Good Governance Principles as outlined in Section 3 of this Policy at the point of investment and as outlined in the Shareholder's Agreement (SHA).

In addition, all investee companies shall agree to monitor adherence to this Policy throughout the duration of HealthCap IX's investment and as long as the Shareholder's Agreement is in force.

In case of deviations or critical gaps, these shall be reported to HealthCap IX. In such cases, as needed, HealthCap IX shall engage with the relevant company to remediate the situation by providing access to resources, experts and tools.

HealthCap IX shall implement this Policy consistent with its Responsible Investment and Ownership Policy.

HealthCap IX shall report annually on investee companies' adherence to the Policy.

5. Policy approval & review

This Policy shall be reviewed by HealthCap IX at least once per annum. Any changes to the Policy shall be communicated to all investee companies.

Annex 3 HealthCap IX exclusion criteria for responsible investments

HealthCap IX shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities whose business activity consists of:

(i) an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to HealthCap IX or the relevant company or entity, including without limitation, human cloning for reproduction purposes);

(ii) the production of and trade in tobacco and distilled alcoholic beverages and related products;

(iii) the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;

(iv) casinos and equivalent enterprises;

(v) the research, development or technical applications relating to electronic data programs or solutions, which

a. aim specifically at:

- supporting any activity referred to under (i) to (iv) above;
- internet gambling and online casinos; or
- pornography,

or which

b. are intended to enable to illegally

- enter into electronic data networks; or
- download electronic data.

In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms (“GMOs”), HealthCap IX shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.