

**SOFINNOVA PARTNERS (“Sofinnova”)**

**Responsible Investment Policy 2020**

**Version 2020**

**05 October 2020**

*Paris, October 2020*

## Table of Contents

Introduction	3
Our Vision on Responsible Investment	4
Key Principles	4
Scope of our Responsible Investment Policy	5
Implementation of our Responsible Investment Policy	5
Governance of our Responsible Investment Policy	6
Roles and Responsibilities	6
Annual Reporting	6
Update Procedure	6
Investing Responsibly: Implementation	7
Pre-investment	7
Post-investment	7
Responsible Exit	8
Exclusion Policy	8
Operating Responsibly: ESG Integration within Sofinnova	9
Environmental	10
Social	10
Governance	10
Appendix 1. Policy Overview	12
Appendix 2: Intended adherence to the Global Principles and Standards	13

### **Clarification note**

*This Responsible Investment Policy of Sofinnova Partners SAS. ("Sofinnova"), originally adopted in 2020 and is intended to be reviewed on an annual basis.*

### **Important legal information**

*This document is for internal guidance purposes only and is not intended to be relied upon by any third party. The policy may be subject to change at any time.*

© 2020 Sofinnova Partners SAS.

## Introduction

Sofinnova Partners SAS (hereinafter “Sofinnova”) is a leader in global life sciences and healthcare venture investing. We strive to extend and improve the quality of life and environment for an incalculable number of people across the globe through our investments in game-changing technologies. With more than €2 billion in assets under management, we are aware of our potential impact and therefore seek to incorporate Environmental, Social, and Governance (“ESG”) factors in our investment decision-making and engage with our portfolio companies to increase their impact through a collaborative effort.

Sofinnova invests in life-changing solutions in biopharmaceutical, medical devices, and industrial biotechnology sectors. Our investments are directed towards transforming ideas, potential solutions, and technologies that are intended to have a positive impact on society into available products that directly address healthcare and environment-related challenges. We do this while generating healthy financial returns for our investors.

Our dedicated teams commit to long-term partnerships with entrepreneurs, primarily in Europe and North America, to support their innovation and growth, working together to develop their ideas and companies. Sofinnova supports companies across different sectors and stages in maturity to deliver consistent, high returns for their investors while simultaneously addressing the healthcare needs of current and future generations.

We strongly believe that responsible investing provides for the generation of positive social and/or environmental impact alongside attractive financial returns. At Sofinnova, we believe that we deliver these positive factors to our investees, investors, patients and those who benefit from the innovations and solutions created by our portfolio companies, our employees, and the communities in which we and our investees operate.

To formalise our commitment to contribute towards solutions for the environmental and social challenges we collectively face, Sofinnova is in the process of becoming a signatory to both the United Nations Principles of Responsible Investment (“PRI”) and the United Nations Global Compact (“UNGC”). Such principles are already at the heart of how we operate and this policy, a document that describes our vision, commitment, and approach to responsible investing. Through the implementation of this Responsible Investment Policy, Sofinnova pursues a further integration of material ESG matters and positive impacts in our investment processes.

## Our Vision on Responsible Investment

Sofinnova invests in early- to late-stage companies in the biopharmaceutical, medical device and industrial biotechnological sectors. By definition, building and supporting the growth of products, businesses, and innovation in these areas has a significant impact on the quality and duration of individual lives, as well as the environment. At Sofinnova, we aim to make a positive impact by bringing new medicines, devices, and industrial technologies to the market efficiently and safely. We do this with an ambition to enable therapeutic, paradigm-shifting technologies to address complex health care needs and technologies that are designed to promote sustainability and enhance the efficient use of resources.

As a responsible investor, Sofinnova believes that sustainable growth (accompanied by attractive financial returns) can be achieved simultaneously with a positive impact on the environment, as well as employees, patients, and the communities in which it operates. Through its position on the board of its portfolio companies, Sofinnova is an active partner, with a relationship based on mutual respect and trust. We use this position to identify new ways to improve and develop our portfolio companies, which may include areas within the remit of our responsible investment strategy.

We view responsible investment as a key driver of both financial and societal value creation. A deeply integrated and embedded ESG approach to the various investment activities is one of the ways to deliver impact through an investment program. Sofinnova encourages and supports its portfolio companies' efforts to focus on developing solutions that yield a positive impact on people and/or planet and improve the ESG performance of their operations. It looks to develop a philosophy, within its portfolio companies, that raises awareness on conducting their operations in a manner that accounts for, and respects, their impact on the environment, their economic space, and their employees. As we are convinced that in every success, human factors are decisive, we actively engage in the dialogue about ESG and impact-related factors with our portfolio companies to improve our impact through determined collaboration.

### Key Principles

In 2011, Sofinnova formally documented and institutionalised its responsible investment strategy and defined its ESG policy. The key principles underlying our responsible investment strategy are, to the extent possible, aligned with the Ten Principles of the UN Global Compact, PRI's six Principles for Responsible Investment, and the UN Guiding Principles on Business and Human Rights.

#### General investments principles

- Ensure a healthy financial return for our investors.
- Strengthen the management capacity of our investees.
- Prioritise investments in solutions for societal challenges (i.e. therapeutic and industrial sustainability).
- Follow the major principles of medical ethics.
- Contribute to sustainable medical solutions.
- Contribute to innovative solutions to address global environmental challenges.
- Support the transition to a sustainable and circular economy.

#### Environmental principles

- Prevent or minimize any potential detrimental impact on biological diversity and conservation of business operations and/or products.
- Support the continuous improvement of the environmental performance of our own and our investees' operations by reducing our negative impact on the environment.

- Reduce the consumption of environmentally scarce and non-renewable resources with relevance for the specific business operations.
- Comply with relevant EU and country-specific legislation relevant to biomedical research.

### **Social principles**

- Respect and support internationally recognized fundamental human and labour rights.
- Guarantee a safe and healthy workplace and promote employee satisfaction.
- Promote diversity, equity, and inclusion.
- Adopt zero-tolerance against any type of discrimination or harassment.
- Encourage and facilitate opportunities for lifelong learning to our employees.
- Engage with local communities through our corporate social responsibility and community outreach activities.

### **Governance principles**

- Implement well-defined and documented corporate governance structures.
- Uphold high standards of business integrity and strong corporate governance.
- Refrain from adopting tax planning strategies such as base erosion and profit shifting (BEPS) that utilise gaps and mismatches in tax rules.
- Comply with applicable data protection and privacy laws.

Through our adherence to these key principles, our Funds directly aim to contribute to the Sustainable Development Goals such as:

- SDG 2: Zero Hunger
- SDG 3: Good health and well-being;
- SDG 9: Industry, innovation, and infrastructure;
- SDG 12: Responsible consumption and production;
- SDG 13: Climate action; and
- SDG 15: Life on land.

### **Scope of our Responsible Investment Policy**

The Responsible Investment Policy applies to all our funds. Regardless of the magnitude of our ownership, we encourage the compliance with and implementation of this policy, or elements thereof (as appropriate to the stage, i.e. incubation, seed, series A etc.) amongst all our investees.

### **Implementation of our Responsible Investment Policy**

Sofinnova has the ambition to further integrate ESG factors and impact metrics into its investment processes. This applies to all our investments, as described above. As part of this ambition we will continue to be actively engaged with our portfolio companies and support them in improving their ESG performance and ability to record and report on the impact they have made.

## Governance of our Responsible Investment Policy

### Roles and Responsibilities

The overall responsible investment oversight and control lie with the Sofinnova Managing Partners Committee. The Sofinnova Managing Partners Committee meets between ten and fifteen times a year. Twice a year, our Responsible Investment Policy is included as a specific agenda topic.

The further integration of responsible investment practices in Sofinnova's investment strategy and engaged ownership practices will be overseen by the Responsible Investment Strategy and Oversight Committee ("RISOC"). The RISOC includes the Head of Investor Relations (Robert Carroll), a member of each Sofinnova Fund strategy Investment Team and Sarah Lafaye (who is responsible for the administration and reporting aspects) and is chaired by Sofinnova's Chief Operating Officer (Monique Saulnier). One of the core tasks of the RISOC is the development and promotion of Sofinnova's responsible investment approach and philosophy. Moreover, RISOC's role is to safeguard the integration of our Responsible Investment Policy in the various funds managed by Sofinnova. Accordingly, Sofinnova will actively communicate the Responsible Investment Policy to the various Fund Strategy teams within Sofinnova and provide, where necessary, ESG training to these teams. Furthermore, we aspire to utilize our Responsible Investment Policy as a basis to engage both internal and external stakeholders on ESG management and impact measurement, as deemed appropriate.

The day to day responsibility for supporting the various investment committees for each of Sofinnova's Funds lies with Sarah Lafaye, who is also responsible for the implementation of our internal CSR practices.

### Annual Reporting

Sofinnova supports and promotes the acceptance and implementation of the principles and practices of responsible investment and ownership within the venture capital industry. Sofinnova is committed to annually publish a Responsible Investment Report. In this report, we will share with our investors the overall progress made in the implementation of our Responsible Investment Policy, the ESG performance of both Sofinnova and its investees, and the impact of our investments. Our commitment to annually report on our progress highlights our dedication to transparency and concurrently addresses the need from investors to have access to measurable and material ESG and impact metrics.

### Update Procedure

On an annual basis, the relevance, quality, and effectiveness of our Responsible Investment Policy and its implementation will be reviewed by the RISOC. This review will take place in close consultation with the General Counsel and a designated Managing Partner. The annual review intends to evaluate the extent to which the various components of the policy are still sufficiently supportive of Sofinnova's commitment towards responsible investment. As part of the annual review, an assessment will also take place on the progress towards the continued integration of ESG criteria in our investment and engagement practices. By looking at both policy and practice, we are convinced that we can ensure the integration of ESG in our work yields our desired results. Any updates of the policy will be disclosed in our Responsible Investment Policy (See Appendix 1: Policy Overview).

## Investing Responsibly: Implementation

Sofinnova believes that the incorporation of our key responsible investment principles requires it to be an integral part of the analysis and management of our investments. Our responsible investment principles, material ESG factors, and focus on creating a positive impact are therefore included in the investment cycle, i.e. during pre-acquisition, post-investment (ownership) and exit phases.

### Pre-investment

We (will) review and assess ESG-related risks and ESG factors during the due diligence phase. The evaluation of existing and potential ESG risk factors includes, but is not limited to:

1. Environmental risks such as biodiversity-related ecological risks.
2. Social risks such as risks relative to occupational health and safety of the workforce.
3. Governance risks such as risks relative to data privacy and security, ethics, and regulatory compliance.

When considering potential new investments, we screen these against our Exclusion Policy (See page 9). This list is regularly reviewed by the RISOC and outlines the sectors, activities and types of products and services in which we will not invest.

To further streamline this ESG-risk assessment Sofinnova aims to roll-out a standardized ESG due-diligence screening and information tool. These documents and recommendations coming from the ESG due diligence will be integrated into the investment recommendation that is submitted to a particular investment committee. When the ESG-risk assessment highlights that the risks are too great and we have reasons to expect that these will not be addressed in a timely or satisfactory manner, no investment will be made. For new potential investees, where any improvement areas towards adherence to our responsible investment principles are identified, we will ensure a commitment from the investee to implement appropriate remedial measures within a reasonable and jointly agreed timeframe.

### Post-investment

We believe that the quality of management matters as much as the product itself. Building on the pre-acquisition analysis, Sofinnova aims to collaborate closely with the management of our investees to identify and communicate the steps to resolve the earlier identified ESG risks. Our activities during the ownership phase include periodic discussions on various relevant and potentially emerging ESG risks. These discussions allow us to ensure we observe our responsible investment principles and support our investees to mitigate potential material ESG risks and realise ESG opportunities on an ongoing basis.

As a responsible investor, Sofinnova strongly encourages our investees to adhere to good corporate governance practices and to address ESG factors that are integral to value protection. We do this based on mutual trust and collaboration. In case of serious violations of our investment principles, we will raise our concerns and engage with investee management to identify improvements. If the violations are systematic and the investee is incapable of preventing non-compliance from occurring in the future, the responsible Sofinnova Partner will request to RISOC to provide a recommendation to the Sofinnova Managing Partners Committee for the appropriate next steps.

For an investor, timely and adequate information is vital. This requires a level of transparency on key material topics and Sofinnova is committed to providing transparency on general and fund related ESG topics. In the selection of material topics, we take into consideration the significant economic, environmental, and social impacts and value which can substantially influence the analysis and

investment decisions. As part of our commitment to transparency we will continue to report annually on the ESG performance of our internal operations and those of our investees. An important data input for this report will be the results of our annual investee survey. This survey is composed of questions relevant for all our investees and questions related specifically to investee specific material topics. The key material topics on which our survey and ESG related engagements focus are the following topics:

**Environmental**

- Climate change and carbon emission reduction
- Biodiversity conservation and promotion
- Waste management
- Adherence to biomedical research legislation and prevailing principles of ethics in biomedical research

**Social**

- Employee wellbeing and occupational health and safety
- Workforce diversity, inclusion, and equal opportunity
- Employee development, engagement, and retention

**Governance**

- Information security & patient privacy
- Business ethics
- Corporate governance
- Bribery, corruption and anti-competitive behaviour
- Regulatory compliance e.g., compliance with the FDA and EMA

**Impact: Contribute to Sustainable Development Goals**

- Contributions to improved health outcome
- Contributions towards a circular zero-carbon economy

**Responsible Exit**

Sofinnova has a strong track record in working with our investees to build responsible exit readiness. Our general investment strategy involves taking a significant ownership stake in our investee. This enables us to support the building of strong management teams and support our companies in their development, including for partnerships, acquisitions, and or exits. These investment intentions and expected exit timeframes are always clearly communicated at the pre-acquisition phase.

During the post-investment phase, we already systematically test exit readiness of our investee with corporates and bankers. At the exit phase, we carefully evaluate the buyer profile, transaction model, fair treatment of various shareholders (employees, stock option holders, etc.), and aim that the investee’s product and intellectual property are used to achieve the intended positive impacts. It is thus our aspiration to have a more sustainable company at exit. We will evaluate the extent to which we have done so by evaluating the progress made by investees on ESG aspects during the holding period. Finally, to complete the ESG investee-cycle within Sofinnova, we will consider whether, which, and how ESG aspects were evaluated and valued by the acquirer(s).

**Exclusion Policy**

We expect the companies we invest in to act in line with the ten principles of the UN Global Compact (see Appendix 2). Sofinnova’s RISOC governs the definition and application of the Exclusion Policy subject to the approval of the Sofinnova Managing Partners Committee. Our Exclusion Policy is reappraised on an annual basis unless a specific event necessitates an out-of-cycle reappraisal.



Sofinnova does not invest in companies that produce or intend to produce products that conflict with international treaties signed by relevant international treaties, or whose products are/will conflict with the core principals as stipulated in this Responsible Investment Policy. Furthermore, Sofinnova does not invest in companies/partnerships/projects that consist of any of the following activities:

- The production, marketing or use of, or trade in, weapons of mass destruction or inhuman weapons or technologies which are subject to existing international prohibitions<sup>1</sup>;
- The ownership, operation, marketing or management of gambling facilities (including online gambling);
- The production, distribution, marketing or trade in tobacco or tobacco products;
- The exploration, mining, refining, or trade in non-renewable energy sources such as thermal coal and oil sand;
- The production, distribution, hosting or marketing of material or activities relating to pornography;
- Any resulting in the limitation of the individual rights or freedoms of individuals, or human rights violations;
- Any activity related to endangering our biodiversity and habitat;
- Any entity with operations in countries that are on the sanctions lists of the European Union, the United States, and the United Nations;
- The production of or trade in pharmaceuticals, pesticides/herbicides, and other hazardous substances subject to international phase-outs or bans<sup>2</sup>;
- The production of specific products and healthcare solutions that Sofinnova recognizes as (potentially) adverse to sustainable development.

Besides the overall Exclusion Policy, some of our funds also apply tailored investment selection and exclusion criteria.

Sofinnova's approach towards responsible investment has been that it is in its interest to maintain ownership of the conditions of management, costs, transparency, and voting rights wherever possible and to be able to implement the above-mentioned exclusion policy. We strongly believe in engaging in a dialogue with existing and potential investees. We do so in the spirit of collaboration with the objective to improve business processes that would address existing and potentially emerging ESG risks. For each of our funds, we will consider appropriate mitigating and corrective actions when commonly agreed upon ESG measures are not adequately implemented. This may also apply to entities that are not directly involved in violations of our Responsible Investment Principles, but where aggregate findings of their behaviour, activities, or partnerships raise serious ethical questions.

## Operating Responsibly: ESG Integration within Sofinnova

Sofinnova strives to integrate ESG factors into both its investment activities and its operations. Our commitments to operate responsibly are listed below.

---

<sup>1</sup> This includes nuclear, chemical, biological and radiological weapons, landmines, cluster bombs, materials such as depleted uranium and dedicated delivery systems for such weapons.

<sup>2</sup> Reference documents are EU Regulation (EEC) No 2455/92 Concerning the Export and Import of Certain Dangerous Chemicals, as amended; UN Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; WHO Classification of Pesticides by Hazard.

## Environmental

Sofinnova carefully manages its environmental footprint a part of our ambition to become a carbon-neutral investment company. We currently are striving to achieve that through some of the following activities:

- **Travel:** We fully support our employees to use public transport or travel to work by bicycle to reduce the impact of commuting. In any case where business travel is necessary for an optimal continuation of our activities, we compensate our CO<sub>2</sub> emissions.
- **Purchasing and offices:** We aim to minimise the impact on the environment by adopting, where possible, green purchasing practices such as eco-labelled paper, energy-efficient office facilities and equipment.
- **Recycling and re-use:** We aim to recycle or re-use products and resources whereas possible, including but not limited to paper, cardboard, plastic, used batteries, and ink and toner cartridges. The company restaurant redistributes surplus food to local organisations, homeless shelters, and the Red Cross as part of the fight against food waste.

## Social

Sofinnova believes long term value creation and outsized returns can only be achieved when top talent is attracted, fully motivated, and retained. As a result, topics such as employee development, diversity, employee welfare and occupational health and safety are not just ESG topics, but topics that make sound business sense and which support the goal of delivering superior returns to our investor base.

- **Employee wellbeing and development:** We view our people as our most important asset and thus try our utmost to allow them to perform to the maximum of their abilities. Part of our approach is in remuneration, as employees participate in a profit-sharing system and are provided with excellent levels of employer-paid health and pensions plans. We are increasingly investing in training and skills development and actively contribute to social cohesion and well-being at work.
- **Diversity and equal opportunity:** We view differences in perspectives, backgrounds, and experiences as an opportunity to learn from each another and enrich the entire team; equity, diversity and inclusion have always been core tenants of our values. This diversity can be found throughout the organisation, with a fair gender balance at every level of Sofinnova and a broad diversity in nationalities and spoken languages.
- **Supply chain:** We support the practice of sustainable, ethical, and local sourcing and expect that our suppliers uphold appropriate standards on corporate responsibility issues.
- **Community development:** We support community development initiatives by making donations to organisations that operate in areas that are of particular importance to us, namely education, diversity, research, and health. Furthermore, we aim to work together with local suppliers that prioritize social inclusion as part of their business strategy.

## Governance

- **Business ethics and anti-corruption:** We uphold high standards of honesty and integrity across all our activities by putting processes in place ensuring these standards. The prevention of corruption and bribery in all forms is an important continuous objective. All employees sign the Internal Code of Ethics upon joining Sofinnova and commit to comply with the Code of Ethics of France Invest, the French association for private equity. The RCCI (Compliance Officer) manages all conflicts of interest and compliance matters within Sofinnova.

- **Responsible tax behaviour:** We are aware and supportive of the role of taxation in creating societal impact. Our internal tax policy and objective are to comply in good faith with the letter and the spirit of all applicable tax laws and obligations. For our investees, we also encourage them to pursue a tax strategy that is sustainable and transparent and refrain from using tax havens for tax avoidance purposes

## Appendix 1. Policy Overview

<b>Adopted by</b>	Managing Partners Committee
<b>Date of adoption</b>	05 October 2020
<b>Date of previous adoptions</b>	Not applicable
<b>To be revised/adopted</b>	At least annually
<b>Applies to</b>	Sofinnova Partners SAS
<b>Document owner</b>	Head of Investor Relations
<b>Accessibility</b>	Sofinnova website ( <a href="https://www.sofinnovapartners.com/">https://www.sofinnovapartners.com/</a> )
<b>Classification</b>	Public

### Date of Previous Adoptions/Revisions

<b>Date</b>	<b>Description of amendments</b>	<b>Version</b>
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

## Appendix 2: Intended adherence to the Global Principles and Standards

### Principles for Responsible Investment

Sofinnova intends to become a signatory to the United Nations-supported Principles of Responsible Investment (“PRI”). PRI encourages enhancing returns and better managing risks through responsible investment. Incorporating PRI in our organisation means that we integrate environmental, social and governance (ESG) factors into our investment decision-making. PRI has been the guiding principle in this document and the implementation of responsible investment in our processes.

UN Principles of Responsible Investment:

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will seek appropriate disclosure on ESG issues by the entities we invest
3. We will work together to enhance our effectiveness in implementing the principles
4. We will be active owners and incorporate ESG issues into our ownership policies and practices
5. We will promote acceptance and implementation of the principles within the investment industry
6. We will each report on our activities and progress towards implementing the principles

### The UN Global Compact Principles

Sofinnova expects its investees to follow, next to local (industry) regulations, the Ten Principles of United Nations Global Compact (“UNGC”). The UNGC principles focus on four areas: human rights, labour, environment, and anti-corruption. Following UNGC means to incorporate these principles into an organisation’s strategies, policies, and procedures and act accordingly. Through these principles both Sofinnova and its investees are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success. Any violation of these principles will be taken seriously and has to lead to improvements.

#### Human Rights: Businesses should...

Principle 1: Support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure that they are not complicit in human rights abuses

#### Labour Standards: Businesses should uphold...

Principle 3: The freedom of association and the effective recognition of the right to collective bargaining

Principle 4: The elimination of all forms of forced and compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment and occupation

#### Environment: Businesses should...

Principle 7: Support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

#### Anti-Corruption: Businesses should...

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

*Last page*

The information presented in this document is for information purposes only. It is a general disclosure on the Responsible Investment approach of Sofinnova Partners PAS. This document should, therefore, not be considered as (i) investment advice, (ii) an endorsement or recommendation in a financial product or service, (iii) an order to sell or a solicitation of an order to purchase any securities or other financial instruments. All views expressed are those of Sofinnova Partners SAS.

Issued by Sofinnova Partners SAS, a company incorporated under the laws of France, having its registered office located at 7-11 Boulevard Haussmann 75009 Paris, registered with the Paris Trade and Companies Register under number 413 388 596, and a Portfolio Management Company, holder of AMF approval no. GP 97-140, issued on November 7, 1997.