

# SUSTAINABILITY-RELATED DISCLOSURES

## ACP ALIATH BIOVENTURES II

LEGAL ENTITY IDENTIFIER: 9598002FXSQN7A26R626

### Summary

In accordance with Article 5 of the Final Report on the Regulatory Technical Standards of Regulation (EU) 2019/2088 the Sustainability-related disclosures the following summary has been translated into English and Spanish, the remaining languages being available upon request.

(EN)

Sustainability factors<sup>1</sup>, also known as ESG (environmental, social and governance) have gained significant importance in the scope of private investments in recent years. Due to their active shareholder position in the generation of value in the company, Fund managers are generally in a position to identify sustainability opportunities and risks<sup>2</sup> at an early stage and to manage them proactively.

ACP Aliath BioVentures II, (“the Fund” or “ACP ABV II”) has as its objective sustainable investment. Altamar Private Equity, SGIC, SAU (the AIFM), together with Aliath Bioventures S.L (the Advisor) (henceforth, the AIFM and the advisor considered as “the Alliance”), have registered the Fund as an Article 9, according to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”).

The Alliance integrates sustainability factors and risks in investment decisions. In order to reinforce transparency and inform investors, the details on how these sustainability factors and risks are included in the [Impact & Sustainability guidelines](#).

The Fund intends to invest in companies that can generate a positive social impact that contributes to United Nations Sustainable Development Goals (“UN SDGs”) 3 and 9, which are sustainable investments as defined by Article 2 (17) of SFDR.

The Alliance will integrate sustainability risks and principal adverse impacts on sustainability factors into investment decisions, to ensure that there is no significant harm to the sustainable investment objective. The Alliance will report the fourteen (14) mandatory indicators and two (2) voluntary ones defined by the SFDR, although these are subject to data availability and quality.

The Fund’s investment strategy is to invest directly in equity (e.g., stocks, shares, participations, and similar) or in instruments with equity risk (i.e. participating loans) as well as other forms of financing, in biotech/biopharma or health technologies venture companies with the overall aim of providing investors with a financial return and generate a positive social impact that contributes to the UN Sustainable Development Goals 3 and 9.

At least 75% of the Fund will be invested in sustainable investments. Although the vocation is for 100% of the investments to be sustainable, there may be occasions when, due to the characteristics of the investee company, it is not possible to fully deploy the sustainable strategy. In these cases, the Fund will make its best efforts to achieve, at least, improvements in the most relevant ESG aspects of the investment.

The Fund’s sustainable objective is achieved through investing in sustainable enterprises and both, the impact targets and ESG practices, are monitored on a continuous basis. Such targets and practices are defined in the investment and monitored throughout the investment period.

Data on company performance will be obtained from the companies themselves. Given the challenges of measuring specific principal adverse impacts in venture-stage companies, the Alliance will put in place measures to collect a range of data points and will report transparently on assumptions.

ESG and impact analysis are part of the entire due diligence process prior to an investment. The Advisor internal team, together with the AIFM ESG team, assess sustainability risks and the potential impact of the company through detailed qualitative and quantitative questionnaires. The Fund only invests in companies where these sustainability risks are manageable and where the impact contributes to solutions. The findings of the analysis are incorporated into the Investment Memorandum to the Investment Committee including an action plan. If the investment is approved, the material ESG improvement actions, together with certain reporting obligations including the calculation of indicators, are included in the contractual documentation (Side Letter) to be binding on the parties.

<sup>1</sup> Mean environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matter.

<sup>2</sup> Means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

The Advisor performs an active engagement with target companies. The Advisor's investment professionals assist and work with the Board of Directors of the companies in developing and addressing the sustainable objectives set and all ESG factors identified in the investment process.

The Alliance will ensure the attainment of impact by the Fund by monitoring the performance of each portfolio company on a continuous basis. To do this, each portfolio company will have 5 impact indicators and an individualized ESG improvement plan, all set at the time of the investment. Every year, the progress towards these targets and plan will be measured for every company and aggregated portfolio.

No index has been designated as a reference benchmark.

## (ES)

Los factores de sostenibilidad<sup>3</sup>, también llamados criterios ASG (medioambientales, sociales y de buen gobierno corporativo) o su equivalente en inglés "ESG", han adquirido una importancia significativa en el ámbito de las inversiones alternativas en los últimos años. Debido a su posición activa como accionista en la generación de valor en la compañía, los gestores están normalmente en condiciones de identificar las oportunidades y riesgos de sostenibilidad<sup>4</sup> en una etapa temprana y administrarlos de manera proactiva.

ACP Aliath BioVentures II, ("el Fondo" o "ACP ABV II") tiene como objetivo la inversión sostenible. Altamar Private Equity, SGIC, SAU (la Gestora), junto con Aliath Bioventures S.L (el Asesor), (en adelante, la Gestora y el Asesor considerados como "la Alianza"), han registrado el Fondo como Artículo 9, de acuerdo al Reglamento (UE) 2019/2088 del Parlamento Europeo y del Consejo de 27 de noviembre de 2019 sobre la divulgación de información relacionada con la sostenibilidad en el sector de los servicios financieros ("SFDR").

La Alianza integra los factores y riesgos de sostenibilidad en sus decisiones de inversión. Con el fin de reforzar la transparencia e informar a los inversores, el detalle sobre la política de integración de estos riesgos y factores de sostenibilidad se recoge en las ["Impact & Sustainability guidelines"](#).

El Fondo tiene la intención de invertir en empresas que puedan generar un impacto social positivo que contribuya a los Objetivos de Desarrollo Sostenible de las Naciones Unidas ("ODS de la ONU") 3 y 9, inversiones que son sostenibles tal como se definen en el artículo 2 (17) de SFDR.

La Alianza integrará los riesgos de sostenibilidad y los principales impactos adversos sobre los factores de sostenibilidad en las decisiones de inversión, para garantizar que no haya un daño significativo al objetivo de inversión sostenible. La Alianza reportará los catorce (14) indicadores obligatorios y dos (2) voluntarios definidos por SFDR, aunque éstos están sujetos a la disponibilidad y calidad de los datos.

La estrategia del Fondo es invertir directamente en capital (ej: acciones, participaciones y similares) o en instrumentos con riesgo de capital (i.e. préstamos participativos) así como otras formas de financiación, en compañías relacionadas con las tecnologías de la salud o biotecnología/biofarmacia con el objetivo general de proporcionar a los inversores un retorno financiero y generar impacto social positivo que contribuya a los Objetivos de Desarrollo Sostenible 3 y 9 de la ONU.

Al menos el 75% del Fondo se invertirá en inversiones sostenibles. Aunque la vocación es que el 100% de las inversiones sean sostenibles, pueden existir ocasiones en las que, por las características de la empresa participada, no sea posible el pleno despliegue de la estrategia de sostenibilidad. En estos casos, la Alianza realizará sus mejores esfuerzos para lograr, al menos, mejoras en los aspectos ASG más relevantes de la inversión.

El objetivo sostenible del Fondo se logra mediante la inversión en empresas sostenibles y tanto los objetivos de impacto como las prácticas ASG se supervisan de forma continua. Dichos objetivos y prácticas se definen en la primera inversión y se monitorizan a lo largo de la vida de inversión.

La información recopilada sobre cómo las compañías contribuyen al objetivo sostenible y adoptan prácticas ASG se obtendrán de éstas mismas. Dados los desafíos al medir los principales impactos adversos de las empresas en estadios tempranos, la Alianza implementará medidas para recopilar una serie de datos e informará de manera transparente sobre los supuestos o estimaciones.

La debida diligencia ASG y de impacto forma una parte estándar de todo el proceso de debida diligencia antes de una inversión. El equipo interno del Asesor, junto con el equipo ASG de la Gestora, evalúan los riesgos de sostenibilidad y el potencial impacto de la compañía a través de cuestionarios cualitativos y cuantitativos detallados. El Fondo solo invierte en empresas donde estos riesgos de sostenibilidad son manejables y donde el impacto contribuye a soluciones. Los resultados del análisis se incorporan al Memorandum de Inversión para el Comité de Inversiones, incluyendo un plan de acción. Si se aprueba la inversión, las acciones de mejora ASG materiales, junto con ciertas obligaciones de reporte, incluido el cálculo de indicadores, se incluyen en la documentación contractual para que sean vinculantes para las partes.

El Asesor lleva a cabo un compromiso activo con las empresas invertidas. Los profesionales de inversión del Asesor ayudan y trabajan con el Consejo de Administración de las empresas en el desarrollo y abordaje de los objetivos sostenibles establecidos y todos los factores ASG identificados en las fases del proceso de inversión. Adicionalmente, cabe mencionar que no se ha establecido índice de referencia.

<sup>3</sup> Toda información relacionada con cuestiones medioambientales y sociales, así como relativas al personal, y con el respeto de los derechos humanos y la lucha contra la corrupción y el soborno.

<sup>4</sup> Todo acontecimiento o estado medioambiental, social o de gobernanza que, de ocurrir, pudiera surtir un efecto material negativo real o posible sobre el valor de la inversión.

## **No significant harm to the sustainable investment objective**

### Principal adverse impacts

The principal adverse impacts on sustainability (PAIs) factors defined in the SFDR are calculated and reported during the pre-investment due diligence and after that, annually.

The Alliance is committed to rigorous due diligence to identify PAIs and any downside sustainability risks early, ensuring that consideration of PAIs is factored into decision-making throughout the investment process, PAIs are addressed and, where possible, resolved or mitigated. The Alliance reviews all the mandatory PAIs in Table 1, and two (2) additional voluntary PAIs from Tables 2 and 3 of Annex I of the SFDR. The voluntary ones correspond to Tonnes of non-recycled waste generated and the lack of a human rights policy.

Detailed PAI reporting will be provided as required by SFDR in the annual report.

### Minimum safeguards

All investments must comply with the "OECD Guidelines for Multinational Enterprises" and "the UN Guiding Principles on Business and Human Rights", which is verified in the due diligence phase by conducting a questionnaire to the target company. The questionnaire includes the essential aspects covered by the aforementioned principles and guides, appropriate to the size and sector in which the investee companies operate.

## **Sustainable investment objective of the financial product**

The Fund's objective is to make sustainable investments through the acquisition of temporary holdings in unlisted companies whose main activity is the development of medicines (biotechnology, biopharma) or health technologies (digital health, medtech or diagnostics).

The economic activities in which the Fund invests will make a substantial contribution or facilitate the contribution to the achievement of the following social objectives:

- a) Inequalities in access to healthcare
- b) Increased global mortality from non-communicable diseases
- c) Diseases without available/effective treatment
- d) Inefficient health systems

The investee companies in which the Fund invests shall generate a financial return and a positive impact in line with the Sustainable Development Goals (SDGs) developed by the United Nations. Specifically, the Fund's investment shall be aligned with the following SDGs:

- 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.
- 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.
- 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 1 million people and public and private research and development spending.

## **Investment strategy**

The Fund's primary investment objective is to generate attractive risk-adjusted returns over the medium- and long-term through capital invested together with a social impact. The Fund will primarily invest directly in equity and equity-like securities in venture companies, with a special focus on Europe.

The overall aim of the Fund is to provide investors with a financial return and to generate a positive social impact that contributes to the sustainable investment objective, aligned with UN SDGs 3 and 9. The Alliance will carry out the activities of an impact investor, including identifying, researching and negotiating impact investment opportunities, managing and supporting portfolio companies throughout the investment cycle, and ultimately arranging their sale.

The binding elements of the Fund's investment strategy used to select investments to achieve the Sustainable Investment Objective includes the application of the exclusion policy (positive and negative screening), the application of the Impact Management Project (IMP) methodology (which enables disregard companies not contributing to solutions or not benefiting stakeholders) and the application of a Protocol & Compliance package, which is a set of policies that the investee entities must sign to become part of the portfolio and which includes a series of social, environmental and governance guarantees (including the principles of DNSH). During the life of the investment, the progress towards that final impact identified, is measured using five impact indicators that are based on standard health innovation methodologies or frameworks. These impact KPIs are linked to the team's variable remuneration so there is a direct relation between impact and portfolio management.

The Alliance has put in place a Sustainable Investment Framework, which can be found on the Aliath Bioventures website (<https://www.aliathbio.com/>), (which defines a process to ensure that all investments contribute to the sustainable investment's objectives defined in the previous paragraph):

1. Positive and negative screening: The Fund's investment strategy is based on positive discrimination, selecting those investments that, within the Fund's themes, contribute substantially or facilitate the contribution to some of the defined social objectives and avoiding those that are part of the defined exclusion list.
2. Due diligence: all deals are evaluated through an internally developed questionnaire that analyses the major features a healthcare company must have to thrive, deliver sound returns and generate a positive impact (including science, innovation, management team, ESG performance, PAIs, potential impact). All the portfolio companies are also assessed from a good governance perspective in areas such as management structures, employee relations, remuneration of staff and tax compliance.
3. Approval: investment decisions are made by the 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 decision process that is also documented in the Investment Committee Memo.
4. Portfolio management: after having maintained active communication and dialogue with the companies and being finally considered to be part of the portfolio, a sustainability and impact plan is drawn up that includes the target impact to be reached (in terms of specific impact KPIs targets) and the ESG opportunities and risks detected. This plan forms the basis of portfolio management and is continuously monitored for each portfolio company.
5. Exit: when conducting an exit, the Alliance will present the sustainability results achieved during ACP ABV II 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.

#### Proportion of investments

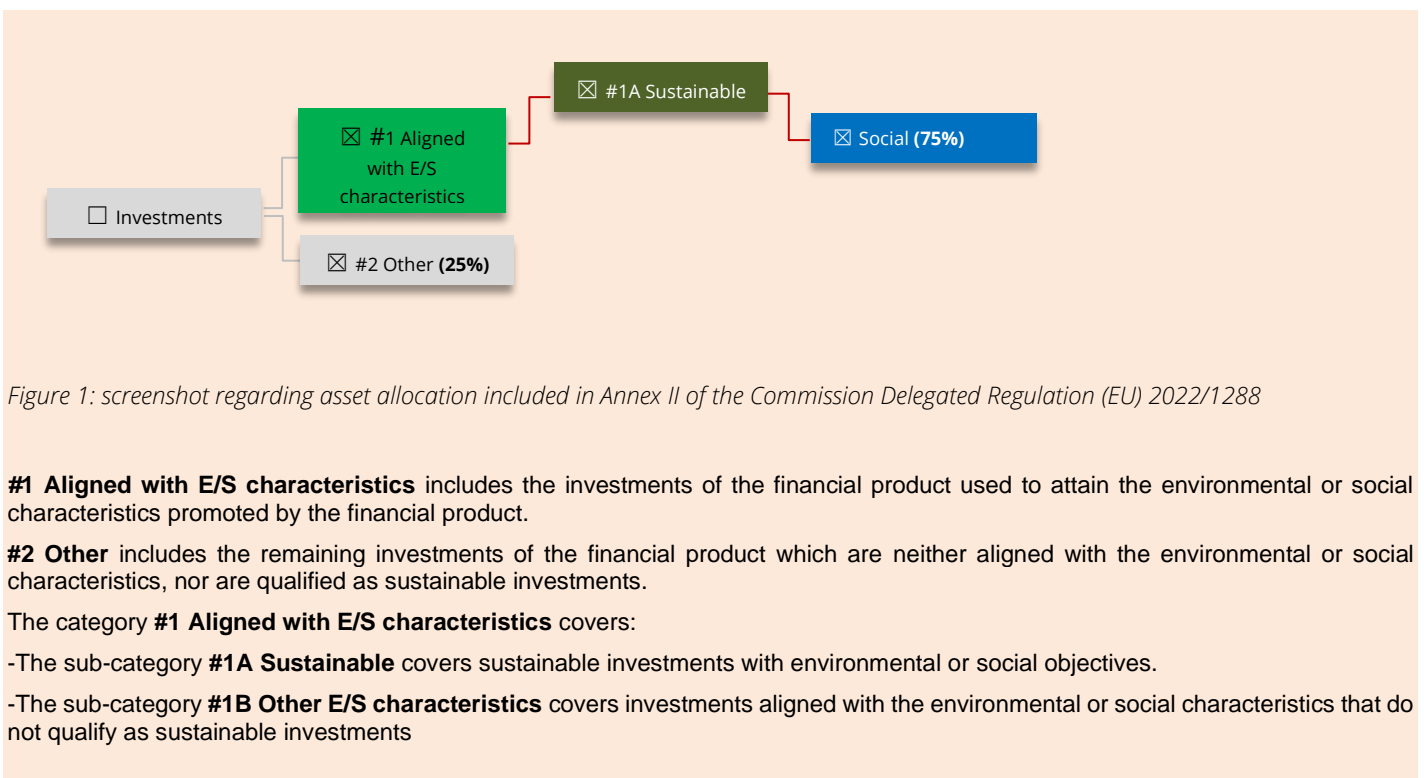


Figure 1: screenshot regarding asset allocation included in Annex II of the Commission Delegated Regulation (EU) 2022/1288

**#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.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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

-The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

-The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

At least 75% of the Fund will be invested in sustainable investments. Although the vocation of the Fund is that 100% of the investments are sustainable, there may be occasions in which, due to the characteristics of the investee company, the full deployment of the sustainability strategy is not possible. In these cases, the Fund will make its best efforts to achieve, at least, improvements in the most relevant ESG aspects of the investment. Investments in portfolio companies are anticipated to be direct.

#### Monitoring of the sustainable investment objective

The Fund's sustainable objective is achieved through investing in sustainable enterprises and the performance of each portfolio company is monitored on a continuous basis.

At the time of the first-round participation in a specific company, the Alliance elaborates an impact and sustainability plan tailored to each company

that includes ESG improvement actions, impact target KPIs and reporting requirements.

The degree of achievement of the sustainable objective will be measured with specific impact indicators that have been designed based on standard health innovation methodologies or frameworks. In addition, each company's social, environmental and governance performance will be assessed through an annual questionnaire. These indicators will measure the necessary milestones that the company must meet to achieve the desired social sustainability goal related to SDGs 3 and 9 (access to healthcare, decrease in mortality from non-communicable diseases, increase in R&D, etc.) and that is identified using the Impact Management Project Methodology.

These indicators will measure the degree of clinical progress, the company's business development progress, the regulatory progress, the CMC (Chemistry, Manufacturing and Controls) progress, and the amount spent on research and development per euro invested.

Every company will have a specific target for each of these five impact KPIs to be accomplished during the holding period.

The Advisor monitors and reviews progress at least quarterly and actively engages with portfolio companies to enhance value creation and impact. If impact targets are not being met, or sustainability risks are not being managed, the Advisor will intervene to support the portfolio company to improve its performance. Moreover, the compliance team from the AIFM will also ensure the Alliance follows sustainability processes as accorded, having all the relevant information needed after each investment phase for every company. The impact assessment process will also be externally audited on a regular basis.

The Alliance will report on impact and sustainability performance on an annual basis.

### **Methodologies**

The Fund relies on the Impact Management Project methodology to identify the potential final impact of each company before investing.

During the life of the investment, the progress towards the identified final impact is measured using five impact indicators (sustainable objective) that are based on standard health innovation methodologies or frameworks. These indicators measure the clinical, business, regulatory and CMC progress and the amount invested in R&D of the companies.

### **Data sources and processing**

The data will be mainly sourced via the invested companies. The Advisor will work closely with the portfolio companies to collect all necessary data through questionnaires and active conversations. Data will be provided to the Advisor through a dedicated reporting process, that will integrate data from the whole portfolio.

To ensure data quality, the Advisor performs a consistency check and final reports containing impact KPIs and ESG improvements are evaluated by external third parties and shared with the compliance team from the AIFM.

The Alliance will work on data to obtain conclusions and insights about progress on the sustainability plan. Impact achievement will be measured by the Advisor's team.

Although the intention is to achieve 100% of the data being real, if this is not possible due to company characteristics, an estimate will be made with the help of standard public tools or external advice. Such estimates will be reported transparently.

### **Limitations to methodologies and data**

Limitations to the methodologies and data referred to in the above sections include limited capacity from the portfolio to report certain data, as well as potential human error when inputting/calculating a KPI. The Fund expects its investee companies to improve data quality and minimize the limitations mentioned above throughout the holding period. In particular, the adverse sustainability indicators related to greenhouse gas emissions, water emissions and waste may be impossible to track with the ideal accuracy and specificity on some occasions. In such cases, the Alliance will carry out mitigation options such as direct dialogue with the portfolio company and estimations.

The Alliance does not consider any such limitations to affect the attainment of the sustainable investment objective overall as investment selection and data collection approaches will ensure that there is sufficient data to demonstrate the impact achieved by the Fund.

## Due Diligence

The Advisor's internal team analyzes during the due diligence prior to the investment – which is carried out internally, with the specific support of external advisors – the ESG/sustainability performance and impact potential of the prospective portfolio.

This evaluation is captured or reflected in the Sustainable Investment Framework which aims to evaluate the ESG performance and the potential impact of the investee.

The ESG performance (including PAIs, environmental, social and governance practices), detects ESG risks and opportunities and verifies the alignment of the invested companies concerning 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. In cases where prior to the investment, companies are found to not fully comply with the good governance practices, an analysis will be carried out to evaluate the capacity they may have to do so post-investment. In such cases, companies will commit to adhere to the ESG practices and clauses included in the Protocol & Compliance package, provided by the Alliance. This commitment will be included in a side letter or other legally binding documents at the time of the investment.

The potential impact is evaluated using the Impact Management Project methodology and screens out any company not aiming to generate impact. The IMP assesses the 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 classification based on the outcome obtained.

The ESG performance and impact assessment is added to the investment memorandum and submitted to the Investment Committee for approval.

## Engagement policies

Since the investment decision is made, the Advisor performs an active engagement with target companies/Investments.

Once an investment is approved, sustainability and impact plans are drawn up, including the target impact to be reached (in terms of specific impact KPIs) and the ESG opportunities and risks detected.

Throughout the life of the investment, the Alliance tracks and reports on the sustainability and impact progress of the portfolio companies, analyzing the fulfillment of the sustainability and impact plan and the sustainable investment objective.

The Advisor's investment professionals assist and work with the Board of Directors of the companies in developing and addressing the sustainable objectives set and all ESG factors identified in the previous investment process phases.

When there is a lack of progress in the sustainability and impact plan developed for a specific company or in the achievement of the impact indicators, those matters will be addressed on the Boards of Directors as well as through active communication and dialogue with the companies.

Tackling ESG can be daunting. Even more so for start-up companies, which often lack the resources of more established organizations. Therefore, the Alliance supports portfolio companies by providing them with internally developed protocols in consultation with external advisors. Such protocol contains the basic policies or guidelines whose adherence reflects companies' commitments to sustainable practices (e.g. adherence to the social policy describes the company's commitments to ensure fair working conditions, equal opportunities, and freedom of association).

## Attainment of the sustainable investment objective

No index has been designated as a reference benchmark, and information on how the sustainable investment objective of the Fund is being attained will be provided to investors in the annual report. As long as there are no indices or benchmarks for the portfolio companies, the Alliance will use the portfolio company's own historical performance and the portfolio composition as a baseline against which improvements can be measured.

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