



EUROPEAN  
COMMISSION

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ANNEX 4

**ANNEX**

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**COMMISSION DELEGATED REGULATION (EU)**

**Amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in precontractual documents and periodic reports for financial products investing in environmentally sustainable economic activities.**

ANNEX IV

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

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

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

**Product name:**

- MED II SLP

**Legal entity identifier:**

- MED II A SLP: 830837944

## Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b></p> <p><input type="checkbox"/> It made <b>sustainable investments with an environmental objective</b>: ___%</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul> <p><input type="checkbox"/> It made <b>sustainable investments with a social objective</b>:</p>	<p><input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b></p> <p><input checked="" type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of 100% of sustainable investments, while the remainder promoted E/S characteristics.</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul> <p><input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b></p>



**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

MED II (or 'the Fund') and its management approach is focused on the contribution of social and environmental factors and uses the Sustainable Development Goals and respective targets to analyze

companies' responsible and sustainable factors. A particular focus is applied on improving outcomes related to the UN SDGs 3 "good health and wellbeing", SDG 8 "Decent work and economic growth", SDG 12 "Responsible production and consumption", 13 "Climate Action", and 16 "Peace, justice and strong institutions" and their relevant targets, included but not limited to targets 3.2, 3.4 and 3.8 for SDG 3 in particular. To date, MED II has promoted environmental and social characteristics through its investments.

MED II has defined Environmental and Social (E/S) characteristics that companies should promote:

1) The Fund has a focus on healthcare companies promoting **eco-conception and sustainable use of natural resources and contributing to carbon neutrality**. We therefore have sought to promote the following environmental characteristics:

- Mitigation of adverse impact on the environment,
- Companies' carbon footprint and exposure to climate-related risks,
- Use of renewable energy,
- Formalized environmental policy,
- Hazardous and non-hazardous waste management.

2) MED II's investment strategy also seeks to invest in healthcare companies with initiatives implemented regarding **employees' and stakeholders' work conditions and promoting business ethics**. We therefore promote the following social characteristics:

- Employees' wellbeing, safety, satisfaction, and retention,
- Business ethics,
- Gender equality.

In addition, as mentioned above the investment strategy uses the SDGs and respective targets as a framework against which to analyse companies' responsible policies and sustainable factors. A particular focus is applied on improving outcomes related to SDG 3 and SDG 9, and their associated relevant targets.

To date, MED II has contributed to the promotion of its environmental and social characteristics through its investments:

- All investee companies of MED II have fully completed the ESG reporting on 2022 data and provided information on all ESG indicators.
- All investee companies within MED II have had a Sustainability Assessment carried out by external consultants and a Sustainability Roadmap developed and approved at Board level or are currently involved in the process of conducting such Assessment and Roadmap.
- A specific analysis of progress regarding the promotion of environmental and social characteristics was conducted on each portfolio company in 2023, with two objectives: (i) verifying and validating ESG and Impact 2022 data reported within the Reporting21 platform, and (ii) assessing progress and initiatives of the company on ESG material topics. This analysis allowed us to create a Sustainability Scorecard for each company that investors can find on their dedicated data site access.
- ARCHIMED's Sustainability & Impact team and Investment team have engaged with the management of each portfolio company to assess progress against its specific KPIs and will continue to do so on an annual basis during the holding period of each investment.

### ● **How did the sustainability indicators perform?**

On this period, all investee companies of MED II have fully completed the ESG reporting on 2022 data and provided information on all ESG indicators. A list of 140 sustainability indicators on the 2022 reporting period were collected on all investee companies, through a reporting platform (reporting21).

The sustainability indicators include topics including:

- Carbon footprint assessment
- Environmental footprint
- Impacts on biodiversity
- Employment

- Equal opportunities
- Training
- Profit-sharing
- Health & Safety
- Corporate governance
- Business ethics
- CSR governance
- Cyber security and data protection
- Supply chain management
- Human rights
- SASB indicators on impact on health

Results of this reporting can be found in the ESG scorecards per company available on MED II investor's website. The Fund's Impact Report also contains the investee companies' performance on these sustainability indicators, as well as in ARCHIMED's Sustainability report available on our website. Finally, specific results on the principle adverse Impact indicators (PAIs) are available in Annex I of this document.

### ● ***...and compared to previous periods?***

Our 2023 reporting campaign on 2022 data corresponds to the first year of SFDR reporting. Comparison to previous periods will be available starting 2024, on 2023 reporting.

Our next ESG Reporting cycle will be launched in January 2024 to collect relevant information from our portfolio companies for the 2023 period. We will use this data to show historical comparisons for 2022-2023 in an updated PAI Statement that will be published on our website in June 2024. These indicators will also be included in the next iteration of our Impact Report.

### ● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

To ensure the Fund attains the promotion of environmental and social characteristics, the Management Company has implemented an exclusion policy and a watch-list for additional vigilance. Investments into Healthcare sectors or companies exposed to strict regulations, having potential negative impacts, or limited positive impacts are thus restricted. In addition, vigilance is applied to a watchlist of 7 healthcare sectors. Every investment in these sub-sectors is discussed on a case-by-case basis during the Investment Committee, with the presence of the Management Company's Advisory Board:

- Vigilance due to strict regulations on: Human reproductive cells (embryonic stem cell research), Drug Discovery Services and preclinical development (animal testing conditions), and Stem cells, Cell therapy and Gene therapy (only for preventive, diagnostics, or therapeutic purposes)
- Vigilance due to potential negative impacts on: Biocontrol (risks of chemically based fertilizer and pesticides), Pain relief and sleep aids (risks of substance dependence), Assisted living (risks regarding quality of care)
- Vigilance due to limited positive impacts on health: Aesthetics (non-essential plastic surgery). Probiotics, Vitamins, and minerals (only products with clinical studies considered impactful).

This approach enables us to ensure that the investments are contributing to positive environmental and social characteristics and ultimately to a healthier society. For more detailed information on the positive contributions made by MED II investments, please refer to ARCHIMED's latest Sustainability Report, which will be published on our website in July 2023.

***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

MED I's Investment strategy is focused on the promotion of E/S characteristics. This strategy dictates that the investments of the Fund will undergo a pre-investment screening and ESG due diligence to ensure that not only does the Fund contribute to social objectives, but that it will 'do no significant harm' (DNSH) to other sustainable investment objectives mainly through the collection and analysis of Principal Adverse Impacts indicators. Please refer to Annex III of the Fund's Limited Partnership Agreement for more information on how DNSH principle is implemented for all new investments.

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

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

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

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

During the investment cycle, the ESG Due diligence assesses indicators that would indicate presence or absence of a principal adverse impact (PAI). These indicators include, in compliance with the SFDR and Delegated regulation, the following principal adverse impacts:

- Environmental damage, GHG emissions; carbon footprint; GHG intensity of Portfolio Companies; exposure to companies active in the fossil fuel sector; share of non-renewable energy consumption and production; energy consumption intensity per high impact climate sector; activities negatively affecting biodiversity-sensitive areas; emissions to water; hazardous waste ratio.
- Social and employee matters, respect for human rights such as health and safety of workforce; unfair advantage; community relations; human rights, violation of UN Global Compact principles and 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.
- Governance, anti-corruption and anti-bribery matters, appropriate KYC is undertaken on service providers and investors.
- Conflict of interest risk.
- In addition to the mandatory PAIs, two additional PAIs are taken into account: 1) "Investments in companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement", which was chosen due to ARCHIMED's focus on climate as a central pillar within our responsible investment strategy; and 2) "Share of investments in investee companies without workplace accident prevention policy" which was selected due to the particular importance of health in safety in the workplace of healthcare businesses, which may be exposed to particular chemicals, machinery or other occupational hazards beyond that of a typical office environment.

Furthermore, our responsible investment strategy is embedded into all steps of our investment lifecycle and is focused on supporting and accelerating our portfolio companies' sustainable transformation alongside ours. For this purpose, we bring advice on the definition of their Corporate Social Responsibility (CSR) strategy and assist them in developing actionable Sustainability and Impact Roadmaps that help set clear objectives, assign internal responsibilities, and monitor progress over time through the PAIs and tailored impact KPIs. These Roadmaps are validated at board level executed by the company's management team as a concrete action plan to advance ESG and sustainability performance, as well as ultimately their PAI results, while also simultaneously contribute to the achievement of the social sustainable objective of the fund. If risks or incidents arise, ARCHIMED identifies any potential corrective action plans and implements active measures to mitigate the identified risks.

The ARCHIMED team unceasingly mentors and assists the portfolio companies with their sustainability journey through regular engagement with company management and monitors company progress against this Roadmap through formal follow-up reviews which are performed on an annual basis. Results on the PAIs for this Fund are available at the end of this document.

Our annual Sustainability Report provides a consolidated statement for the PAIs of all funds, consistent with the requirements of Table 1, Annex one of the SFDR Delegated Regulation. The most recent statement covers the period from 1 January 2021 to 31 December 2021; our 2022 report is due to be published on our website by July 2023.

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

Yes, the Management Company ensures portfolio companies are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This information is gathered as part of our annual ESG reporting process and is carried out across all portfolios. ARCHIMED policies require MED II to perform appropriate due diligences on its own activities, investments, and business relationships to enable appropriate action to be taken in the event of any findings of non-compliance. ARCHIMED ensures human rights, equality and anti-bribery and corruption policies are in place and that there are not any instances of child, forced, or compulsory labour.



## **How did this financial product consider principal adverse impacts on sustainability factors?**

PAIs were considered throughout the entire investment cycle, from the initial negative and positive screening phases. After the screening is complete, our Internal Sustainability due diligence tool contains PAI-related questions, and from which it is determined if additional due diligence is required from an external consultant.

If any PAIs are identified during the screening or due diligence processes, ARCHIMED's Impact Investment team discusses with the management of the investee company and it is decided whether these impacts can be mitigated, and the investment can go ahead, or if the transaction must be dropped based on the incompatibility with the Fund's social and environmental characteristics.

As explained above, our ESG reporting process monitors this by asking portfolio companies for PAI-related data on an annual basis, enabling a table containing PAIs to be included within our Sustainability & Impact Report.

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



## What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: **01/01/22 - 31/12/22**

Largest investments	Sector	% Assets	Country
ActiGraph	MedTech	14.3	USA
Zyto Group	MedTech	11.9	Germany
Diesse	Pharma Services	11.5	Italy
ImaBiotech	Healthcare IT	9	France

## What was the proportion of sustainability-related investments?

MED II currently holds investments in 4 companies within the healthcare industries which are all actively promoting E/S characteristics.



### ● **What was the asset allocation?**

As at 31/12/22, 100% of the Fund's invested amount were allocated to investments that promotes E/S characteristics.

### ● **In which economic sectors were the investments made?**

All investments made through MED II were made in healthcare industries across seven different sectors:

- Biopharma Products
- Consumer Health
- Healthcare IT: 1 investment
- In Vitro Diagnostics
- Life Science Tools and Biologic Services
- MedTech: 2 investments
- Pharma Services: 1 investment

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

Taxonomy-aligned activities are expressed as a share of:

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



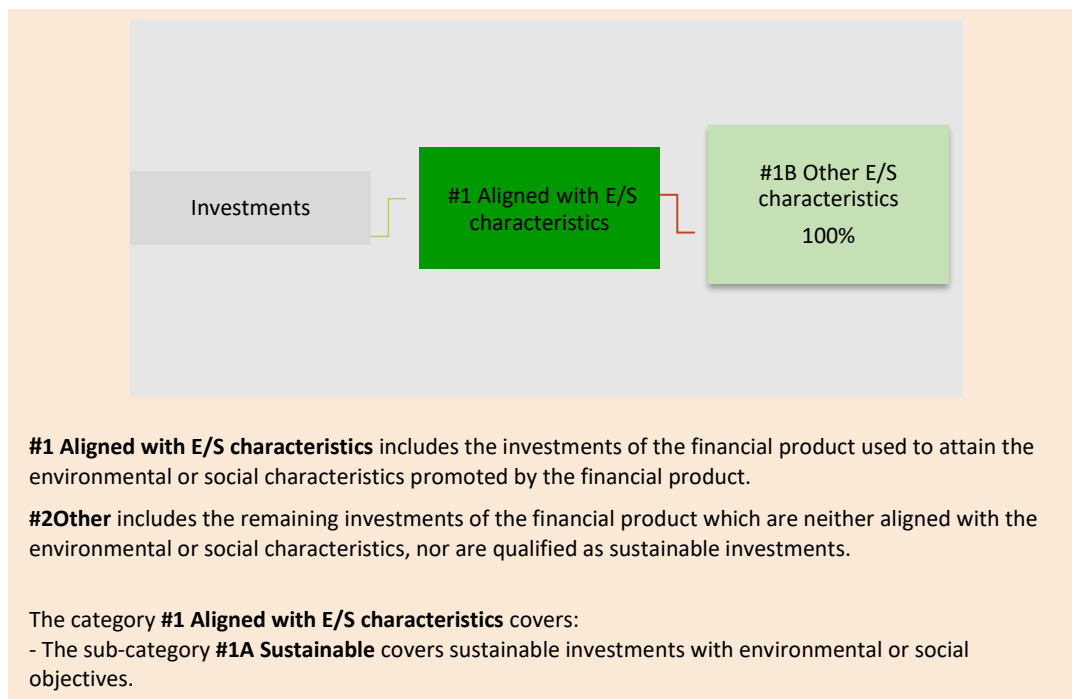
## To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not Applicable. MED II does not conduct sustainable investments with an environmental objective aligned with the EU taxonomy. Instead, the Fund's focus is on the promotion of environmental and social characteristics.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

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



● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?**

Yes:

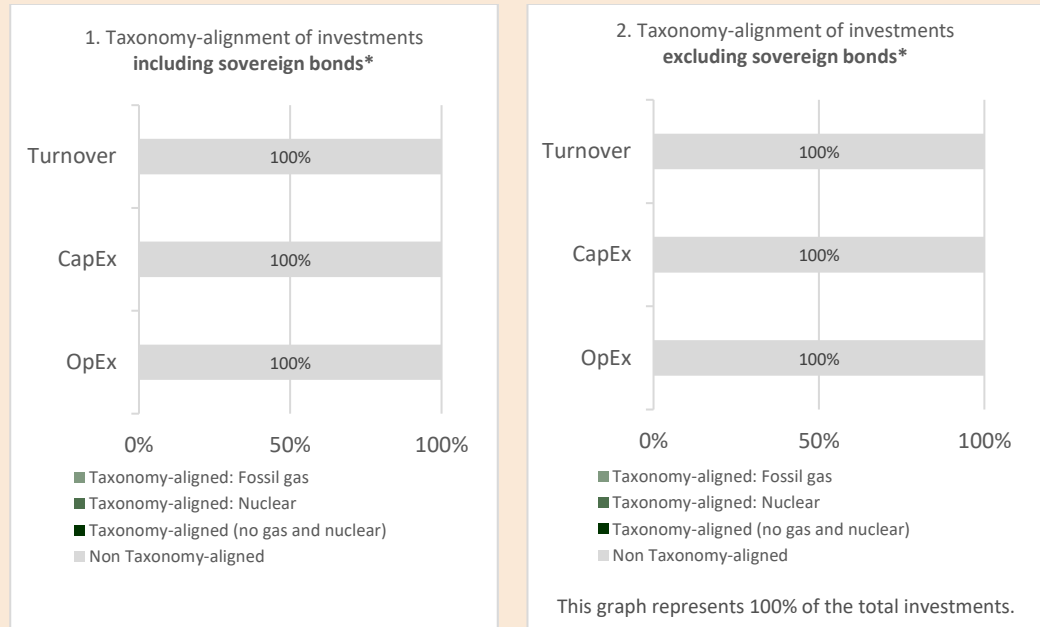
In fossil gas     In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



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



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

● **What was the share of investments made in transitional and enabling activities?**

Not applicable. The Fund does not invest or plan to invest in transitional nor enabling activities in the sense of the EU Taxonomy.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Not applicable at this stage. As stated above, MED I's investments do not follow an environmentally sustainable investment objective in the sense of the EU Taxonomy. Instead, they focus on the promotion of social and environmental characteristics.



**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

MED I's investments do not have pursue an environmental objective, nor does the Fund plans to align with the EU Taxonomy. Hence, 0% of the Fund's investments were aligned with the EU Taxonomy.



**What was the share of socially sustainable investments?**

Not applicable, as the Fund's investments contributed to E/S characteristics and do not commit to investing in socially sustainable investments.



**What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

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

None of MED I's investment fall into this category.



## What actions have been taken to meet the environmental and/or social characteristics during the reference period?

To attain the promotion of E/S characteristics, 100% of the investments of the Fund undergo a pre-investment screening and ESG & Impact due diligence to ensure that all investments are selected on their ability to contribute to promote E&S characteristics.

During that pre-investment screening, the deal teams supported by the Sustainability & Impact team conducted a negative screening and excludes investments within certain sectors, companies, and underlying assets on the basis that they are most exposed to specific risks ESG, including:

- Environmental: Climate (thermal coal), Biodiversity (palm oil)
- Social: Health (Tobacco and distilled alcoholic beverages), Human Reproductive Cloning, Human Rights, Weapons and ammunition, Casinos and gambling activities, pornography, prostitution, and UNGC breach.

Post-investment, the maturity of investee companies on ESG topics was assessed through the collection of 140 sustainable indicators as well as through qualitative calls. Results of this analysis conducted with the support of external consultants were used to create Sustainability Scorecards for each investee companies. These scorecards are available on the investors' dedicated data site.

Additionally, deep dive sustainability assessments were carried out (or are currently being carried out) by external consultants on each of MED I's investee companies. These Sustainability Assessments enable to obtain a clear understanding of each company's most material ESG topics and the level of maturity of the company against these topics. Based on this analysis a Sustainability Roadmap is designed with the help of external consultants and approved at Board level. Progress against the Roadmap is assessed yearly by external consultants and ARCHIMED engages with the management of investee companies to ensure progress is made.

Specific actions have been implemented at investee companies' level that are specified in the Fund's Impact Report as well as in ARCHIMED's Sustainability Report, and regularly to our investors in quarterly reports of the Fund.



## How did this financial product perform compared to the reference benchmark?

Not applicable. The Fund does not use a benchmark.

- **How does the reference benchmark differ from a broad market index?**

Not applicable.

- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

Not applicable.

- **How did this financial product perform compared with the reference benchmark?**

Not applicable.

- **How did this financial product perform compared with the broad market index?**

Not applicable.

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

Description of the principal adverse impacts (period: 1<sup>st</sup> January – 31<sup>st</sup> December 2022)

<b>Adverse Sustainability Indicator</b>	<b>Metric</b>	<b>ARCHIMED Portfolio Impact</b>
<b>MED II</b>		
1. GHG emissions	PAI 1.1 - Scope 1 GHG emissions	139.06
	PAI 1.1 - Scope 2 GHG emissions	478.95
	PAI 1.1 - Scope 3 GHG emissions	8,116.49
	PAI 1.1 - Total GHG emissions	8,734.50
2. Carbon footprint	PAI 1.2. - Carbon footprint	15.46
3. GHG intensity of investee companies	PAI 1.3 - GHG intensity of investee companies	53.34
4. Exposure to companies active in the fossil fuel sector	PAI 1.4 - Share of investments in companies active in the fossil fuel sector	0%
5. Share of non-renewable energy consumption and production	PAI 1.5 - Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A (production), N/A (consumption)
6. Energy consumption intensity per high impact climate sector	PAI 1.6 - Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	0%
7. Activities negatively affecting biodiversity-sensitive areas	PAI 1.7 - Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%
8. Emissions to water	PAI 1.8 - Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0
9. Hazardous waste and radioactive waste ratio	PAI 1.9 - Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.9
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	PAI 1.10 - Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	02%
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	PAI 1.11 - Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	52%
12. Unadjusted gender pay gap	PAI 1.12 - Average unadjusted gender pay gap of investee companies	24%
13. Board gender diversity	PAI 1.13 - Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	9%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	PAI 1.14 - Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%
<b>Other indicators for principal adverse impacts on sustainability factors</b>		
15. Investments in companies without carbon emission reduction initiatives	PAI 2.4 - Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	100%
16. Investments in companies without workplace accident prevention policies	PAI 3.1 - Share of investments in investee companies without a workplace accident prevention policy	0%