

Thuja Capital Management

Impact and ESG Policy

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THUJA
Healthcare Investors

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1 Introduction

Thuja Capital Management B.V. ("Thuja") is an independent venture capital fund manager, managing several venture capital funds. Thuja invests in ventures that are driven by global healthcare challenges regarding disease prevention, diagnosis, cure, and care. At Thuja, we are committed to create not just financial value, but also value for patients and healthcare professionals. This commitment is reflected in the way we select and manage investments. Our support includes financial support as well as practical advice and guidance.

By supporting the improvement of healthcare, we strive to generate positive, measurable impact, alongside a financial return. We believe that impact is an important determinant for the success of an investment in any healthcare venture. As such, impact on human health should be part of a business' value proposition and impact goals should be central to strategy formulation and the selection of performance indicators.

This policy statement provides a guideline for our approach to impact investment specifically, as well as for our broader approach to sustainable investment. The latter concerns our view on, and method of dealing with, a range of environmental, social and governance (ESG) factors that may have a material effect on the performance of an investment. Increasingly, such factors are affecting the industry and at Thuja we believe that properly managing them can substantially reduce risks, increase business efficiency and effectiveness, and even uncover business opportunities. Integrating ESG factors in the investment and portfolio management processes expands the traditional management approach by identifying potential risks and opportunities beyond technical and financial factors.

2 Alignment with international standards

2.1 Impact investing

At Thuja, we believe that the objective to improve healthcare is inextricably interwoven with social impact, i.e. the need to address the quality and the long-term affordability of healthcare. As such, Thuja's investment strategy strongly aligns with the United Nations (U.N.) Sustainable Development Goals (SDGs)¹, adopted by all U.N. Member States in 2015. We focus on SDG 3 (Good Health and Well-being) and 9 (Innovation, Industry and Infrastructure), but alongside, we also actively contribute to SDGs 5 (Gender Equality) and 8 (Decent Work & Economic Growth).

This policy has been developed in line with internationally recognised frameworks for impact investing, including the Theory of Change and the Core Characteristics of Impact Investing, from the Global Impact Investing Network²

2.2 ESG

This policy has been developed in line with relevant international ESG standards, guidelines and principles, notably:

- United Nations Global Compact³
- Invest Europe Professional Standards Handbook⁴
- ICGN Global Governance Principles⁵
- Principles for Responsible Investment (UNPRI)⁶

Thuja is a signatory of UNPRI, as a token of our commitment to follow the guidelines as provided. In line with these principles, we propagate responsible investment practices.

¹ <https://sustainabledevelopment.un.org/>

² <https://thegiin.org/characteristics/>

³ <https://www.unglobalcompact.org/what-is-gc/mission/principles>

⁴ <https://www.investeurope.eu/industry-standards/professional-standards/>

⁵ <https://www.icgn.org/policy/guidance>

⁶ <https://www.unpri.org/>

3 Scope

This Policy statement covers all investments of Thuja (to be) made with Thuja Capital Healthcare Fund III Coöperatief U.A. (TCHF III).

For investments made with Thuja Capital Healthcare Fund II B.V. (TCHF II), which Thuja is still actively managing, we will begin to introduce the processes related to ESG risk management, outlined in this policy, where feasible. We will not introduce the processes, outlined in this policy, related to assessing impact, as this cannot be done retrospectively.

4 Roles and responsibilities

This policy is written by our Impact Officer & ESG Officer and approved by the Managing Partners. The Impact Officer & ESG Officer are responsible for implementation of the policy and for its periodic review, to assure its continued relevance.

The Investment Managers are responsible for ensuring that impact and ESG-factors are considered in the investment and portfolio management processes, following the principles and approach as set out in this policy. As such, this policy is shared with all employees. We believe that the most effective way to integrate impact and ESG factors into the investment process is to embed the analysis of impact, impact potential and ESG factors in existing processes, and to have the investment managers consider these issues alongside other factors.

Roles and responsibilities are as follows:

- The Impact Officer supports the Investment Managers and portfolio companies with setting ecosystem impact goals.
- The ESG Officer supports the monitoring of ESG performance of portfolio companies and the analysis of material ESG factors to identify risks and opportunities, and consequently the development of a mitigation strategy in collaboration with the Investment Managers and the portfolio companies.
- Both Officers monitor portfolio company progress on set goals, collect key impact and ESG figures of portfolio companies, and based on this input they prepare a yearly Impact & ESG report for investors and other key stakeholders.
- Both Officers are available as a source of guidance for portfolio companies.
- Both Officers provide guidance and support where needed to the Thuja team.

The final responsibility for implementation of this policy lies with Michel Briejer, Managing Partner. All future changes and amendments to this policy and governed documents will be approved by the Managing Partners before being internally communicated and executed.

5 Our investment beliefs

It is our responsibility to be open and transparent about our actions, to the institutions whose assets we manage. To provide greater insight into what guides our actions and decision-making, we have formulated four investment beliefs. By following these beliefs, we trust we can optimize long-term returns for our investors, in a manner that is both prudent and responsible:

1. Our investments in healthcare ventures should be driven primarily by (future) added value for patients and/or healthcare professionals that can be proven in clinical and/or field trials; our ventures must have a potential for genuine impact on healthcare.
2. A long-term horizon is essential to build healthcare ventures and create value.
3. ESG-related risks and opportunities should be identified and managed throughout the investment and portfolio management processes, to create and preserve value.
4. Optimizing value creation requires continued active engagement with portfolio companies.

6 Objectives

Thuja aims to make better investment decisions and support portfolio companies in creating additional value by its focus on impact investing and by integrating ESG factors into its investment and portfolio management processes. To guide this, we have defined specific objectives we seek to accomplish. This will allow us to create a focused approach to impact investing and the management of ESG factors. With our dual approach, we seek to:

1. Select those investments with the highest potential for genuine healthcare impact.
2. Foster ecosystem impact of the innovations we help develop and commercialize.
3. Optimize economic value creation through our portfolio companies.
4. Be transparent to stakeholders, amongst which investors, about our priorities and actions when it comes to seeking impact and proportionally managing ESG risks and opportunities.

7 Our approach

Our investment beliefs and objectives help us focus our efforts on where we can have significant and lasting impact. Also, they help us articulate what, for Thuja, is a fitting approach to managing ESG-related risks and opportunities.

7.1 Approach to impact investing

7.1.1 Our impact goals

At Thuja, we believe a medical innovation has potential to generate genuine healthcare impact if it aims to achieve one or more of the following goals:

- Extend life (live longer)
- Improve quality of life (live better)
- Reduce the cost of healthcare

7.1.2 Our intentionality

Through its funds, Thuja exclusively invests in companies developing innovations addressing genuine unmet medical need which are expected to have a major impact on one or more of Thuja's impact goals. Therefore, the intention of Thuja is to contribute to generating a measurable social benefit through its investments.

This intention is driven by an intrinsic aim to create value for patients and/or healthcare professionals, but also by our responsibility towards investors to provide them with a long-term financial return. In healthcare, economic, social, and financial value creation go, to a relatively large extent, hand in hand. The development of healthcare products is governed by strict governmental regulations; added value needs to be clinically proven and the product needs regulatory clearance before it may be sold. Additionally, products are mostly paid by the healthcare system via reimbursement, creating a need to prove added value to payers.

7.1.3 Our additionality

At Thuja, we provide initial capital to (very) early-stage healthcare ventures, which have limited funding options due to their high-risk nature. We provide hands-on support to these companies, which are often university spinouts, as they progress towards professionalization and achieving sustainable growth. This enables our portfolio companies to increase the net positive impact generated by their activities.

Furthermore, as an active player in the local ecosystem, a breeding ground for healthcare innovation, we aspire to directly contribute to the creation, application, and distribution of knowledge.

7.1.4 Measurability

At Thuja, we are committed to measure our positive impact, in a way that is transparent and meaningful, considering the characteristics of our portfolio. As such, we have developed a framework, outlined in our Impact Working Procedure.

7.1.5 Impact committee

In December 2021, we have established an Impact Committee to provide us with guidance concerning the development and application of our framework for measuring and managing our impact. In its role as external advisor and reviewer, the committee will stimulate us to continuously improve our performance as well as the framework.

7.2 Approach to sustainable (ESG) investing

A sustainability risk means an environmental, social or governance (ESG) event or condition that, if it occurs, could cause an actual or potential negative impact on the value of the investment. Therefore, ESG criteria form an integral part of our selection and investment processes and guide us in the interactions with our portfolio companies. As such, we engage with, manage, and monitor the sustainability of our portfolio, through ESG factors that we identify as (potentially) material to our portfolio companies. Importantly, apart from risks, this approach also enables the identification of ESG-related opportunities that may have a potential positive impact on the value of the investment.

7.2.1 Materiality

At Thuja, we seek to incorporate material ESG factors in each phase of the investment and portfolio management processes. We define "material" as "having a potentially substantial impact on a company's ability to create and preserve both economic and social value". Materiality helps us define and prioritize the ESG factors that are most important to our portfolio companies and their stakeholders, with due consideration for the priorities of our investors. To ensure that our processes are optimized to add economic and social value, Thuja aims to work in concert with portfolio company's management to identify material ESG factors. This in turn enables us to uncover risks and opportunities and capture emerging best practices.

We regularly (re)consider the relevance of different ESG factors in view of specific characteristics of portfolio companies. This assures we focus our efforts on those factors that are both relevant and manageable.

7.2.2 Exclusion

We maintain a list of industries and activities that we exclude from our investment portfolio's because, by definition, they do not comply with international agreements or treaties (i.e., chemical or biological weapons) or because they do not comply with our ethical standards (i.e.,

promotion of tobacco). The content of this list is openly aligned with the exclusion criteria set by our main investors.

7.2.3 ESG integration

We aim to embed the consideration of ESG factors throughout the investment and portfolio management cycle. To identify material ESG risks and opportunities on a portfolio company level, and to allow for progress monitoring over time, we have designed a proprietary ESG framework. The methodology addresses how we analyse ESG risks in advance of an investment as part of our due diligence process to identify key risks that need pre/post-closing mitigation, and how we monitor and actively promote good ESG practices within our portfolio companies during the holding period. Through our active role in maturing a portfolio company's ESG practices, we aim to steer them towards realising their healthcare impact. Importantly, we only steer on those ESG factors deemed material to the sector and maturity stage of the company.

7.2.4 Stewardship

We systematically integrate ESG factors into our portfolio management process. In an early stage of our engagement, we communicate to potential portfolio companies the essence of this policy, and discuss with them potential ESG risks and opportunities, to gather input and to raise awareness. After the deal has been closed, we work closely with the management of the portfolio company to help them effectively consider and manage ESG factors, through:

- The representative of Thuja, who sits on the supervisory board of the portfolio company, acting as lead for engaging the company and monitoring progress. Existing board reporting processes will be used to gather input on progress and discuss the outcome of evaluations.
- Informal contact with the ESG Officer, on an as-needed basis, will help the company understand the relevance of and manage ESG factors. Thuja aspires to act as a sparring partner on ESG, providing company management with access to our network and stimulating the sharing of best practices.

8 Reporting

Thuja issues several reports and documents:

- A yearly Impact and ESG report in which we present an overview of our approach to measuring and managing impact and ESG, along with the quantitative data and (semi)-qualitative outputs of our assessments.
- Quarterly reports at portfolio company level to our investors (LP's), which include ESG issues and mitigating actions taken.