

A close-up photograph of a microscope lens and a glass pipette, with light reflecting off the glass surfaces. The image is partially obscured by a large white circle that frames the text below.

**FORBION.**

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COMMUNICATION ON  
PROGRESS

2018/2019

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**IMPACTING THE FUTURE OF MEDICINE**

# Statement of continued support

As a venture investor in life science space we believe that ESG issues are important and can affect the performance of investment portfolios. Forbion is a signatory to the United Nations Principles for Responsible Investment and is committed partner in making efforts to realise the Sustainable Development Goals.

Moreover I am pleased to confirm that Forbion reaffirms its support to the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this, first annual Communication on Progress, we describe our commitments, strategies and policies relating each of the four areas of the Global Compact. The actions we have taken to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

Forbion is increasing its awareness on impact and remains dedicated to the UN Global Compact. We will inform our stakeholders on the progress and we will work with them to get closer to the realisation of Sustainable Development Goals. We therefore commit to sharing this information with our stakeholders through the UN Global Compact website.

Sincerely yours,



Robbert van de Griendt  
Head of Investor Relations, ESG & Impact  
MAY 2019

# Description of actions

Forbion established the Forbion Responsible Investments Committee (FRIC) in 2012. The committee oversees the implementation and development of our Environmental, Social and Governmental (ESG) related policies. Forbion only invest in companies which pass our ESG checklist and engage with Forbion's Policy for Responsible Investment.

This document shows the UN Global Compact principles in each of the four areas that are covered by our checklist and policy.

## Human Rights

**Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2** make sure that they are not complicit in human rights abuses.

As a signatory of UN Global Compact we will avoid investing in companies which clearly and openly do not respect human rights, or which are located in countries that clearly and openly violate human rights. For evaluating this aspect, we will amongst others consider the comments of organizations like Human Rights Watch as a basis for country evaluation.

In addition to the human rights aspects we have policy concerning diversity, consumer protection, sin stocks and animal welfare.

### Diversity

As a signatory of UN Global Compact we intend not to invest in companies that clearly and openly do not respect the diversity of the social environment. We intend not to invest in companies that display active policies against diversity in age, gender, religious believe or race. In general we will endorse our invested companies to adhere to the UN Global Compact principles.

### Consumer Protection

As a signatory of UN Global Compact we intend not to invest in companies that do not properly ensure the safety and well-being of consumers and/or patients they are working with in either developing, testing or selling their products. In particular we intend not to invest in companies that do not comply with local regulations relating to consumer or patient information.

### Sin Stocks

As a signatory of UN Global Compact we will avoid investing in companies that are engaged in activities that are deemed sinful. In particular we will avoid investing in companies that are engaged in production or marketing of tobacco, gambling, adult industry, alcohol or weapons. We also aim to adhere to the International Finance Corporation (IFC) Exclusion List and will avoid investing in companies active in areas described on this list. The full list is Appendix to this document (Appendix1).

### Animal Welfare

As a signatory of UN Global Compact we intend not to invest in companies that do not respect the physical and psychological well-being of animals according to the regulations set by the local governments.

## Labour

**Principle 3** Businesses should uphold 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; and

**Principle 6** the elimination of discrimination in respect of employment and occupation.

### Employee Relations

As a signatory of UN Global Compact we intend not to invest in companies that do not respect their employees and or actively create an atmosphere with a lack of transparency and open communication. If needed and appropriate we will endorse exit interviews to monitor proper executive behaviour. Respecting the employee includes that labour should not be forced and no labour for people whom are underaged.

Within our own team we intend to respect our employees, and actively create an atmosphere of transparency and open communication. Specifically we intend to have meetings on all levels to ensure that the open communication is effective and well maintained.

### Diversity

As mentioned in the Human Rights paragraph we intend not to invest in companies that clearly and openly do not respect the diversity of the social environment. We intend not to invest in companies that display active policies against diversity in age, gender, religious believe or race.



## Environment

**Principle 7** Businesses should support a precautionary approach to environmental challenges;

**Principle 8** undertake initiatives to promote greater environmental responsibility; and

**Principle 9** encourage the development and diffusion of environmentally friendly technologies.

### **Climate Change**

As a signatory of UN Global Compact we intend not to invest in companies that disproportionately make use of energy resources when developing or producing their products. More specifically we will not invest in companies that produce products that are disproportionately energy intensive.

### **Hazardous Waste**

As a signatory of UN Global Compact we intend not to invest in companies that produce products that lead to an irresponsible burden on the environment. In particular we aim to invest in companies that comply with all regulatory standards and require them to report to the relevant authorities according to the required regulations.

### **Nuclear Energy**

As a signatory of UN Global Compact we intend not to invest in companies that are engaged in producing nuclear power or handle nuclear waste products from this industry. We will allow the relevant use of products generated with nuclear power plants for medical use, for instance medical isotopes for the diagnosis and detection of diseases and the treatment thereof.

### **Sustainability**

As a signatory of UN Global Compact we intend not to invest in companies that produce or develop products in a way that we consider unsustainable. In particular we will focus on the appropriate use of raw materials, appropriate waste handling according to the environmental laws and regulations. Furthermore we will avoid investing in production systems that lead to disproportionate energy consumption.

Given the fact that in general our companies are SMEs not engaged in 'heavy production', our companies generally do not have a large 'foot print'. Furthermore, our companies are heavily regulated, which means that more than any other industry, one must file all specific actions around production, sourcing of materials, suppliers and waste handling.

## Anti-Corruption

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

### **Management Structure**

As a signatory of UN Global Compact we intend not to invest in companies that do not respect the foundations and/or best practice of proper corporate governance. In this respect we take as reference the best practices of corporate governance for private companies as described by International Finance Corporation (IFC) and Organization for Economic Co-operation and Development (OECD) and see to it that the rights of shareholders and board are embedded and described in transparent shareholders agreements. In particular, to endorse transparent financial reporting, the formation of an audit committee will be endorsed. Furthermore we will endorse that the financial audit will be done by an outside auditor in order to establish an independent and transparent reporting on the financial state of the company. We will also endorse the formation of a remuneration committee to ensure transparency regarding the remuneration of senior management.

### **Executive Compensation**

As a signatory of UN Global Compact we intend not to invest in companies that have executives with excessive compensation packages relative to their skill set and scarcity in the market. Specifically we will take into account non-cash contributions such as options and warrants and ensure they are in conformity with general market practice. In general we will endorse the formation of a remuneration committee that advises on the remuneration of Senior Management and reports and/or advises directly to the board.

### **Fund Governance**

The fund governance is aimed to align interests between LPs and the GP. Forbion is a member of Invest Europe and aims to adhere to the Invest Europe guidelines. The fund governance is transparently agreed in the Limited Partnership agreement.

## Impact

In making its investments, Forbion will consider the impact of its decisions on patients and society by focusing on:

- Addressing high and unmet medical needs
- Improving patients' (quality of) lives
- Driving down costs of healthcare

Forbion contributes to the Sustainable Development Goals (SDG), which are a collection of 17 global goals set by the United Nations. In particular, Forbion contributes to the sustainable development goal of health and wellbeing (SDG 3) and to the development goal of decent work and economic growth (SDG 8). Most of Forbion's investments work towards some of the specific targets mentioned for these areas of focus.

In order to monitor impact and drive accountability, Forbion developed a framework, which scores the impact of companies across 7 criteria. The criteria consider both ESG and life science specific factors and the weighted average score results in an overall score of impact.



# Measurement of outcomes

As mentioned in the Impact paragraph Forbion developed a framework, which scores the impact of companies across 7 criteria. This is called the SUCCESS impact factor. Forbion's impact factor on fund III is stated below.

**SUCCESS** IMPACT FACTOR

Forbion III impact factor = 4.4 / 5

	Akarna Therapeutics	Rigontec GmbH	Autonomic Technologies Inc.	enGene Inc	Laboratoris Sanifit, S.L	Replimune Ltd	Staten Biotechnology B.V.	Catalym GmbH	NeRRe Therapeutics Ltd.	KaNDy Therapeutics Ltd.	Preston Therapeutics Ltd.	Milestone Pharmaceuticals B.V.	NorthSea Therapeutics	Escalier
Severity of disease	5	5	4	5	5	5	4	5	4	5	4	4	4	4
Urgent medical need	5	4	5	4	5	5	4	5	4	5	4	4	5	4
Cost-Savings potential	5	4	4	5	5	5	3	5	5	5	4	5	5	5
Curative potential	4	4	4	4	4	4	4	4	3	3	3	3	4	4
E.S.G.	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Size of addressable patient population	5	5	4	5	4	5	5	5	5	5	5	4	5	5
Significance of innovation	2	4	5	5	3	4	4	4	3	3	3	5	4	4
IMPACT SUCCESS SCORE	4.4	4.4	4.4	4.7	4.4	4.7	4.1	4.3	4.3	4.1	4.3	3.9	4.7	4.4
#Employees	2	13	37	48	19	38	5	1	6	6	8	11	4	10
#Forbion board member	1	1	1	1	1	1	1	2	1	1	1	1	2	2
#Female management / board	0	2	5	2	2	4	1	0	6	4	0	0	1	3
#Patients treated	0	54	33	0	465	5	0	0	250	80	315	200	0	0
Sustainable Development Goals addressed	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2	3,4, 3,8, 8,1, 8,2



# Appendix 1

## International Finance Corporation (IFC) Exclusion list

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as illegal pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.<sup>1</sup>
- Production or trade in alcoholic beverages (excluding beer and wine).<sup>1</sup>
- Production or trade in tobacco.<sup>1</sup>
- Gambling, casinos and equivalent enterprises.<sup>1</sup>
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List. All financial intermediaries (FIs), except those engaged in activities specified below\*, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

\*When investing in micro-finance activities, FIs will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

Trade finance projects, given the nature of the transactions, will apply the following items in addition to the IFC Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>

### Footnotes

<sup>1</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>2</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

<sup>3</sup> Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.