

INNOVESTOR

INNOVESTOR LIFE SCIENCE FUND

ESG Report 2023

Environmental, Social, and Governance
Including Sustainability and DEI



DISCLAIMER:

This ESG Report ("Report") has been prepared by Innovestor Life Science Ltd as the alternative investment fund manager of Innovestor Life Science Fund Ky ("Fund" or "ILS").

This Report is accurate as of 31st March 2023, and no representation or warranty is made as to its continued accuracy after such date.



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DEAR INVESTOR, (See next page for Finnish)

We all know why ESG matters. Therefore, we will save you from the usual “CEO’s greetings” with pretty words and pictures of rain forests. Let’s cut to the chase: This Report discusses ILS’ impact in Environment, Social, and Governance issues. And since the fund was just launched in 2022, it is still hard to assess the impact of our investments.

Just one thing: Please keep in mind that ILS is a Life Science fund. We invest in [life saving science](#). That is associated with moderate direct impact on the environment, and huge potential impact on social aspects, which is also apparent in this Report.

Innovestor Life Science team
Matias, Sara, Pekka, Milla, Petri & Marko
(From left to right in the picture below)



HYVÄ KANSSASIJOTTAJA, (See previous page for English)

Tiedämme kaikki ESG:n merkityksen. Päätimme säästää sinut tavanomaisilta toimitusjohtajan terveisiltä kauniine sanoineen ja sademetsän kuvineen. Asiaan: tässä raportissa kerrotaan ILS:n ESG-toiminnasta. Rahaston toiminta käynnistyi viime vuonna, joten vaikuttavuutta on vielä varhaista arvioida.

ILS sijoittaa terveystieteisiin: englanniksi tiivistettynä [life saving science](#), ”henkiä pelastavaan tieteeseen”. Sen seurauksena, kuten raportista ilmenee, rahastolla on maltillinen mahdollisuus ympäristövaikutuksiin ja valtava mahdollisuus positiivisiin sosiaalisiin vaikutuksiin.

Innovestor Life Science -tiimi
Matias, Sara, Pekka, Milla, Petri & Marko
(kuvassa vasemmalta oikealle)



ILS' ESG POLICY SUMMARIZED

1. **Independent Ethics Committee.** ILS has its own Independent Ethics Committee, which shall review all ILS' portfolio companies pre or post investment, and be consulted with matters pertaining to ethical aspects of investing. Any ILS investment decision deviating from the recommendation of the Ethics Committee shall be reported to the LPs of the fund.
 2. **Responsibility at deal sourcing.** When screening for new investments, cases are immediately rejected upon identifying any of the following criteria:
 - Any illegal activity
 - Involvement in the development or production of weapons of any kind
 - Fossil fuel based energy production
 - Energy-intensive or high CO2 emitting
 - Any breach of human rights, international treaties, or anti-bribery actions
 - Significant harm on the environment
 - Not committing to general ESG expectations
 - Controlled by any party sanctioned by the United Nations or the European Union
 3. **ESG Due Diligence.** Our DD process always includes an ESG DD. All ESG findings are presented to the Investment Committee and they may result in either i) rejecting or postponing the investment, or ii) post-closing actions for the investee, documented in the SHA or other binding closing documentation as appropriate. The ESG DD shall assess the company's commitment to ESG related aspects.
 4. **ESG at investment decision.** Positive investment decision requires, in addition to the Investment Committee reviewing the ESG DD and finding its outcome acceptable, that the investee commits to:
 - All post-closing ESG actions
 - Adhering to ESG principles and practices, including frequent review of ESG matters in the meetings of the Board of Directors
 - Providing annual ESG reports
 - Compliance with laws, adhering to good Corporate Governance, anti-money laundering directives, transparency, anti-fraud policy, UN sanctions etc.
 5. **ESG through active ownership.** ILS is an active shareholder and holds a Board seat in most of its portfolio companies. Each portfolio company is appointed a responsible partner from the ILS team. The partner shall ensure that each of her or his portfolio companies take ESG seriously, address all ESG issues, and meet their ESG targets. If necessary, the partner shall escalate ESG issues to the Compliance Officer of Innovestor and/or report them to the LPs of the fund.
 6. **Responsible exits.** When exiting our portfolio companies, we aim at a fair and equal treatment of all interest groups. We also consider ESG matters upon exits through e.g. assessing potential acquirers from a sustainability viewpoint while protecting the financial interests of our LPs.
- The publicly available [Sustainable Investment Policy](#) of Innovestor Group applies to all our work.

ESG QUESTIONNAIRE 2022

ILS has implemented its own annual ESG questionnaire for portfolio companies. While partially adapted from Finnish Venture Capital Association's (FVCA) template, it considers the typical attributes of ILS portfolio companies:

- Life science companies have moderate chances to positively impact the environment. Therefore, our ESG questionnaire focuses less on environmental topics and more on social, and governance topics.
- Our current portfolio companies have small teams, in most cases well below 10 employees, which makes it difficult to require employee satisfaction surveys or other meaningful metrics on employee well-being. We will develop this part of our surveys as the portfolio matures.
- Lack of gender diversity of management and Board of Directors is a common visible ESG DD finding, and a special topic for attention in the early days in our fund.

Further, our investment portfolio is very young. We have made six investments, most of which were closed within the last quarter. Consequently, our currently available ESG metrics are limited. Selected data are presented on the following pages; we will present more ESG metrics on ILS starting 2024.



ENVIRONMENTAL

While the ILS strategy allows for limited environmental impact, we encourage all our portfolio companies to consider their potential for benefits for the environment, including for example better and more equitable access to care and reduced transport. We also monitor, and try to prevent, any actual or risk of essential harm to the environment.

In this first ESG report we will omit this section due to very limited amount of data. Our future annual ESG reports will provide a portfolio summary on at least the following environment related metrics:

- % of companies having an environmental policy
- Compliance with applicable environmental licenses and regulations
- Measurable positive impact on the environment
- Negative impact on the environment

As of the date of this report, we are not aware of any serious environmental incidents or regulatory breaches in our portfolio companies in the last three years.



SOCIAL

This first ESG report's Social section will focus on gender equality, as that can be reasonably presented based on based on the very limited amount of data available in these early days of the portfolio development. Our future annual ESG reports will include at least the following social issues metrics:

- % of companies having a health and safety policy
- % of companies having a diversity and anti-discrimination policy

Innovestor is also an active participant in the DEI (Diversity, Equity, and Inclusion) working group of FVCA. By 2024, we hope to have – and follow – the DEI reporting guidelines of the FVCA.

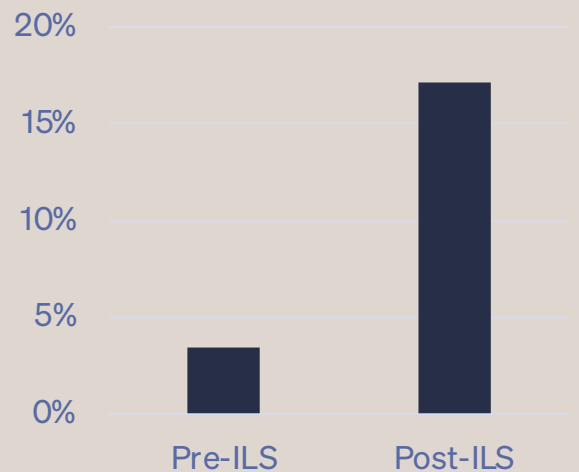
As of the date of this report, we are not aware of any serious social and health related incidents, complaints, claims, or enforcement actions in the last three years.



SOCIAL - DIVERSITY

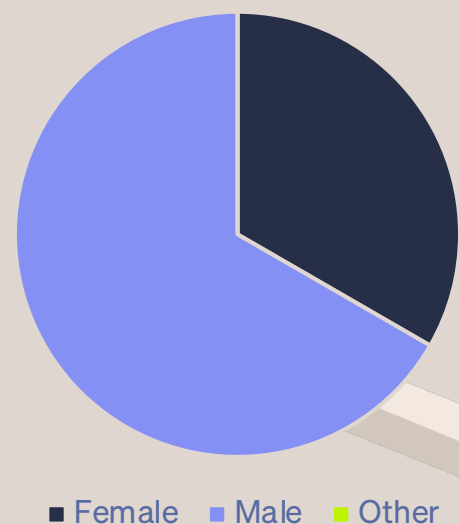
Portfolio company Board diversity: female members before and after ILS investment

One very common ESG DD finding in our work has been the lack of diversity in the Board of Directors. As an active shareholder, we have already significantly impacted the (gender) diversity in our first investments, increasing the female member share from 3% to 17%.



Portfolio company CEO diversity by gender

We are happy to report a 33% female CEO rate in our current portfolio, compared to our deal flow where female founders and CEOs represent a small minority.



GOVERNANCE

In this first ESG report we will omit this section due to very limited amount of data. Our future annual ESG reports will provide a portfolio summary on at least the following governance related metrics:

- % of companies with a whistleblowing system for the personnel to report e.g. bribery, corruption, money laundering, discrimination, and harassment
- GDPR compliance and data security

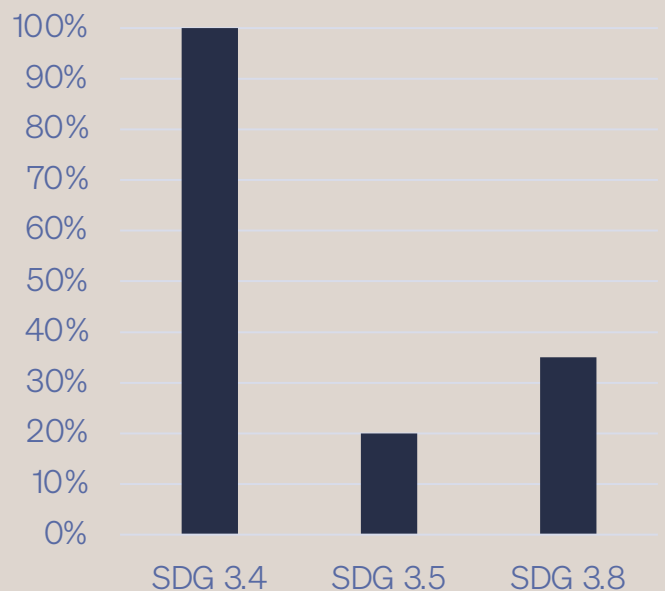
As of the date of this report, we are not aware of any warning letters, complaints, enforcement actions, or other material governance issues in our portfolio companies in the last three years.



SUSTAINABILITY - UN SDGs

We monitor the most relevant of the United Nations' Sustainable Development Goals (SDGs) for ILS, which are under **SDG 3: Good Health and Well-being**

- 100% of ILS investments contribute to SDG 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*
- 20% contribute to SDG 3.5: *Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol*
- 35% contribute to SDG 3.8: *Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all*



In future reports, we will also consider monitoring SDG 5 (**Gender equality**) and SDG 10 (**Reduced inequalities**) as we have already recognized the impact of ILS on those areas.

MATERIAL ESG ISSUES

We are happy to confirm that to date, no material ESG issues have been identified or reported either in our portfolio companies or in our own operations. Also, our Independent Ethics Committee has not raised any issues, nor has the fund manager acted against any of its recommendations.

We have rejected one potentially strong investment case due to ethical reasons already at pre-DD analysis stage.

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**THANK
YOU**

