Responsible Investment Charter

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1. Introduction

Aescap Life Sciences is a global equity fund investing mainly in European and U.S. public life sciences companies. The vast majority of investments is made in companies that develop and market highly innovative medicine, also known as the biotech sector. The fund especially invests in companies with (candidate) medicines for the treatment of diseases with a high unmet medical need. Medicines that are aimed to significantly change the life of patients to the benefit of society.

Portfolio manager Patrick Krol has over 30 years of experience investing in the life sciences sector on the basis of which he developed the very focused and disciplined investment strategy of the fund. From the start, the fund has considered environmental, social and governance (ESG) risks and impact of (potential) portfolio companies and has acted on any companies in its portfolio crossing the ESG ethics it has set for the fund. By doing so, the fund aims to lead the industry in integrating ESG factors into its investment decision making. Aescap Life Sciences was launched on March 28, 2016 and has seriously outperformed its benchmark, the Nasdaq Biotech Index showing that a stringent ESG policy can go hand in hand with making good financial returns. Aescap believes such a policy is key in generating a long-term preferred return for its investors.

a. What is ESG?

ESG factors are extra-financial factors that can influence, and be influenced by, our business activities. If not addressed appropriately they can escalate into substantial risks.

Examples of ESG risks include human rights violations, over the top medicine pricing, or severe corruption allegations. We diligently manage ESG risks to ensure they do not develop further.

Alternatively, ESG factors can also present opportunities to induce positive change, such as increased requirements for environmental investments or offering solutions for emerging economies.

2. The Characteristics of the Biotech Industry from an ESG Perspective

The following environmental and social characteristics are taken into account in the investment decision process of Aescap Life Sciences:

- **Product Societal Value**

Aescap Life Sciences actively invests in the biotech sector which is responsible for the development, manufacturing and distribution of medicines worldwide. Virtually every person will come in contact with medicine at some point in their life to heal or prevent them from sickness and discomfort. Medicines improve quality of life and help people continue or go back to their day to day activities as much as possible whereas without medicines this would be severely attenuated or even impossible. Ever since we started with the widespread use of modern-day medicines in the 20th century, our life expectancy has increased and has almost doubled today since the beginning of that century..

- **R&D and Innovation**

Over the years medicines have been developed for many diseases, but they are often still far from what we call the 'magic bullet', the cure to a disease without the danger of side effects, or in other words the perfect medicine. Furthermore, almost 7,000 rare diseases are still without treatment. The biotech sector Aescap invests in, is working tirelessly to improve existing medicines and develop new medicines for diseases currently without (proper) treatment. The biopharmaceutical industry invests more in R&D relative to sales than any other manufacturing industry, investing more than 6 times the average for all those other industries. All this innovation has led to the aforementioned improvement in quality of life.

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- **Customer health and safety**

In the process of developing a new medicine, the health and safety of the patient is at the center of importance. To ensure this safety and benefit for the patience's health, a medicine candidate goes through extensive testing before going to clinical testing in humans. This ensures minimal events of safety issues once the first tests in humans are performed. In clinical trials in humans the product needs to prove its safety, efficacy, and innovative power over existing medicine in several trials before receiving a potential approval to go to the market. All these well established and transparent regulations are in place to ensure the best product.

- **Product quality and safety**

As part of the approval of a medicine, companies must perform intense quality testing and prove consistency before and after a product is approved and launched on to the market. For this, companies have Quality Assurance and Quality Control teams in place internally and their products and manufacturing plants are regularly checked by authorities like the FDA. If a product does not reach the highest standards of quality, it will not be allowed to be sold in the market.

- **Waste management**

Biotech companies often require chemicals for the development and production of their medicines. These chemicals produce waste that needs to be properly disposed of. The companies we invest in all follow strict regulations and guidelines when it comes to waste management. These guidelines come from the European Environment Agency (EEA) and US Environmental Protection Agency (EPA) and have been composed with the strictest care to ensure minimal impact on the environment as well as on animal and human health. We will not invest in companies which do not follow these guidelines and will divest from them as soon as it comes to our attention that a company is not making an effort in following these guidelines in their waste management.

- **Business ethics and competitive behavior**

Due to the nature of the medicine (biotech) industry, companies can have a monopoly position in certain diseases. This may occur especially in the case of the 7,000 so called rare diseases with no treatment available. Due to the small market size of these rare diseases, there is no room for multiple players, resulting in a higher possibility that a company is the only developer of a medicine for a disease with such an unmet medical need. We are aware of this fact and therefore do not exclude an investment based on a potential monopoly position. What does matter to us, however, is how a company handles their monopoly position. For example, in the price they set for their product(s).

- **Product pricing**

The development of medicines is a costly process due to the amount of time and money needed to develop a safe and efficacious medicine. The average time of development is in the range of 12 years and only 10% of the medicines tested in humans ultimately come to the market. Therefore, it is often hard to avoid high prices for medicines, since companies otherwise would not have the possibility to earn back their investment. The latter is also required to enable the financing of the development of future medicine.

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3. ESG Values of Aescap Life Sciences

Business ethics and competitive behavior

We believe it is important that our companies have fair business ethics and do not abuse their potential monopoly positions or keep out competition making use of loopholes in regulations. We are therefore also convinced of the importance of our talks with the management teams to see if our ethics standards are aligned. A serious 'infringement' of our business ethics will always result in a negative opinion on a potential investment in a company. A minor infringement will lead to dialogues with management to try to persuade them to correct their behavior and if the result of that is not positive over time (with a hard cut of point of a maximum of 3 years) we will divest the position.

Examples of unethical behaviors that Aescap Life Sciences will not accept from biotech companies:

- In 2017, US based large pharma company Allergan was facing several patent disputes from generic medicine companies over their blockbuster treatment sold under the name Restasis. To try to have some of patent trials dropped, Allergan made a deal with Native American tribe. In this deal, Allergan transferred all rights to Restasis patents to the tribe, who right after granted an exclusive license back to Allergan. This allowed for some patent challenges to drop because under US law, Native American tribes have immunity against patent claims. The US government, nevertheless, rightfully so, did not uphold the patent protection for Restasis.
- In 2015, a company called Turing Pharmaceuticals acquired the rights to sell a generic medicine in the US sold under the name Daraprim. Despite the medicine being generic, no other alternatives for patients in need of this treatment were sold in the US market, due to the fact that the patient population is small and since the price was low it was not worth the investment from other generic companies. To try to take advantage of this situation, Turing Pharmaceuticals decided to extremely hike the price of Daraprim, from $13,50 to $750 per pill.
- In 2007, pharmaceutical company Mylan N.V. acquired the rights to commercialize EpiPen, the epinephrine auto-injector used by a million people as a life-saving treatment for anaphylactic reactions. With the newly acquired exclusive rights, Mylan decided to gradually hike the price each year from 2009 when it was $103.50 per package, reaching $608.61 by 2016.

Product pricing

We believe, that the price of medicines should be proportional to the money, time and resources put into the development. We avoid investing in companies that set unfounded, excessive prices for their medicine that are not based on so called 'health economics' pricing data. These 'health economics' data show for every medicine what the added value is over the other options a patient and doctor have for the treatment of a disease..

An example why we do not invest in Vertex like many other funds and ETFs do:

- Pharmaceutical company Vertex commercializes medicines to treat severe disease known as Cystic Fibrosis (CF). CF is not a common disease, however with its 30,000 patients across the US it is not considered to be a rare disease, according to FDA guidelines. Nonetheless, taking advantage of its positioning in the market, Vertex has decided to market their medicines at very high prices, even despite the limited efficacy of some of them. On top of that, when confronted with the too high pricing in France, the company decided to shut off French clinical centers seeking to test the newer and better versions of CF treatments in development.

- **Access**

We believe medicines should be available for everyone. We therefore prefer companies that find partners that operate in markets that are out of reach for them, therefore giving patients in those countries the opportunity to get a hold on the medicine they need. Also, companies that provide discounts to patients with low income to provide them the possibility to get access to medicine are high on our list of preferred companies.

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- **Community development**

We prefer companies that are actively engaged to and cooperating with patient associations which help patients and their caregivers in giving them a better understanding of their disease and how to manage it. These associations do not only support patients, but also educate doctors to better identify underdiagnosed patient populations or to flag issues patients encounter that potentially are not directly visible to doctors or companies that develop treatments for the disease involved.

- **Disclosures and Labeling**

In the disclosures and labeling of medicines companies need to follow strict regulations. Biotech companies need to fully disclose potential side-effects and show all the pharmaceutical ingredients of the medicine. Therefore, it is not possible for medicine companies to hide harmful side effects to potentially increase sales. We do not invest in companies selling medicines of which the efficacy has never been proven in strictly regulated clinical trials, therefore potentially making false promises on efficacy and underreporting side-effects.

- **Diversity and Equal Opportunity**

The industry that we work in is heavily relying on highly educated and skilled people that are not very abundant. Therefore, by nature biotech companies typically represent a highly diverse mix of employees coming from all over the world and including different ethnicities as well as genders. Nevertheless, when we come across companies that contemplate any measures preventing people from a certain race or gender to be hired we will discuss our findings with management and when no obvious improvements are visible we will divest from the company.

- **Marketing and ethical advertising**

We monitor the marketing materials and advertising campaigns of our portfolio companies to screen for untrue or unethical marketing communications. Due to the strict marketing regulations that have come into place in most parts of the world over the last 20 years we do not come across unethical behavior often.

- **Animal Testing**

At Aescap Life Sciences we carefully monitor for any unnecessary animal testing and discuss any findings with the management of a company where applicable. If the result of such a discussion is not to our satisfaction we will not invest, or in case we have already invested, divest the company.

- **Travel and other Environmental Standards**

Although we highly value physical meetings with the management of the companies we intend to invest in or have invested in, we constantly question ourselves on if the added value and the related footprint of travelling is in balance with the added value of a meeting in person. To prevent unnecessary travelling we have a sophisticated video conferencing system in place which is used frequently. Also, in our use of office supplies and consumables we embrace an environmental conscious approach.

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4. Roles and Responsibilities

All investment professionals at Aescap Life Sciences are dedicated to address environmental, social and governance (ESG) issues. They all have the duty to report any suspected infringement of the Aescap Life Sciences ESG ethics to the Portfolio Manager so he can see that further investigation is performed. In case of serious infringement of the fund's ESG policy no investment, or a divestment, will be made. The fund will always start a dialogue with the management of the company involved to make them aware of the situation, if necessary, and to see how they respond. In case of a minor infringement the fund will start further monitoring and dialogue to see whether the situation is taken seriously by the company and if actions are taken. If not, the fund will still not make an investment or divest the company within a period of maximum 3 years.

The Aescap Life Sciences team is regularly supporting people that suffer from a disease when according to their doctor there are no proper treatment options available (any longer). We offer them information on potential treatments options that are on the market in other territories or for example the details of an ongoing clinical study if earlier studies have hinted that the person involved could benefit from getting such a treatment. Other than providing them with the relevant information we also make introductions to the organizations or companies involved where possible. All of this is done on a pro-bono basis.

5. Active Ownership

Active ownership is an integral part of the ESG policy at Aescap. Through systematic engagement with its portfolio companies, Aescap intends to improve the awareness of and actions related to potential companies' ESG risks and issues.

Objectives of the engagement to address ESG risks and issues

Clear objectives are defined at the onset of each engagement as described but not limited per se to the topics below:

- Call for the adoption of or adherence to international standards, best-practice, and/or frameworks
- Encourage governance and management oversight regarding sustainability topics
- Encourage transparency and communications on e.g. ESG-related policies, processes, and programs
- Clarification of controversies and or allegations

One has to take into account that especially in the engagement with smaller companies the actions described above will not (always) be taken at one moment in time but will be executed step by step to increase the chance of a positive outcome of such an engagement.

Through these objectives Aescap Life Sciences aims to raise awareness for ESG risks that can have material business impacts, to better understand companies' approaches to addressing these risks, and to act as a partner of its invested companies to improve their non-financial performance. If after three attempts to convince a company to change their business ethics no response can be seen, we will divest our investment.

Engagement operationalization

If Aescap Life Sciences comes across any concerns related to an irresponsible ESG behavior of a company, the Portfolio Manager or an analyst of the fund will engage through conference calls and meetings as needed to get a final view on the concerns and address any potential risks. Considering the information obtained through the dialogue, the Portfolio Manager will take potential next steps regarding the target/invested company. If the company's answers have shown significant action or willingness to improving their ESG risk management and/or solving and avoiding further ESG issues and controversies in future, the company engagement will be closed. Aescap Life Sciences will then either: 1) continue to monitor the company's future performance, or 2) remove the company from the future engagement list. This is depending on the level of success of the engagement's outcome. Should

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answers be insufficient, the company shows no willingness to improve its ESG performance, or if the company has not responded to any of Aescap Life Sciences's engagement communications over a given timeframe, the Portfolio Manager will decide not to invest or make a divestment. ESG audits per portfolio company are carried out on an annual basis by Aescap Life Sciences' analysts.

6. Sensitive Countries List

The sensitive countries list was developed to identify transactions in countries where systematic human rights violations occur and refer those transactions to the referral process for human rights. Criteria, to determine if systematic human rights violations occur in a given country, are based on a range of international human rights country-level assessments ranging from conflict zones to corruption levels:

- Heidelberg Institute for International Conflict Research (Country Indexes)
- Transparency International
- Corruptions Perceptions Index
- UNICEF Child Labor Database
- Global Slavery Index
- Pew Research Government Restrictions on Religion Index
- Minority Rights Group International
- Peoples Under Threat
- United Nations Development Program
- Gender Inequality Index ILGA
- List of Countries with State Sponsored Homophobia

If a company is located in any of the countries that appear on one of these lists Aescap Life Sciences will be extra alert whether the business ethics of the company involved do not infringe our ESG policy and will discuss relevant topics with management on a regular basis to raise awareness of the local issues in that territory and what the company involved is undertaking to try to improve them.

The Aescap Life Sciences ESG Policy is applied to any potential investment in those countries, we regularly update the Sensitive Countries List.

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Disclosures for Swiss Investors:

The Fund has appointed ACOLIN Fund Services AG, succursale Genève , 6 Cours de Rive, 1204 Geneva, Switzerland, as its Swiss Representative. Banque Heritage SA, 61 Route de Chêne, CH-1207 Geneva, Switzerland is the Swiss Paying Agent. In Switzerland shares of Aescap2.0 shall be distributed exclusively to qualified investors. The fund offering documents and audited financial statements can be obtained free of charge from the

Representative. The place of performance with respect to the shares of Aescap2.0 distributed in or from Switzerland is the registered office of the Representative.