

Sustainability Related Disclosures

Sagard Healthcare Partners (Europe) ILP

Sagard



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Introduction

Summary

Sagard Healthcare Partners (Europe) ILP (“the Fund”) invests in royalties and credit backed by approved and commercialized biopharmaceutical products, diagnostics and medical devices. The Fund invests in companies aligned with high standards of drug- and clinical-trial safety, with fair pricing and access to medicine, and with ethical business conduct and marketing practices.

The Fund has a socially sustainable investment objective: all investments must contribute to Sustainable Development Goal 3 (SDG3) "Ensure healthy lives and promote well-being".

The Fund only makes sustainable investments. The financial instruments that do not qualify as sustainable are liquidities. The Fund only makes direct investments.

The Fund applies an exclusion policy that acts as a first ESG filter in the selection of investments. The Fund does not invest in companies involved in the production, manufacturing, distribution or sale of cannabis or opioids. In addition, companies with substantial operations in industries such as adult entertainment, weapons and armaments, bars and similar establishments, alcohol, gaming, cigarettes and tobacco are not aligned with the investment strategies' focus on the healthcare sector.

Prior to investment, an ESG analysis is conducted to assess alignment with the Fund's sustainable investment objective.

An ESG checklist is also used by the investment team to assess the risks and opportunities of the investment. This analysis is based on the Sustainability Accounting Standards Board (SASB) Biotechnology & Pharmaceuticals sector analysis.

As part of the pre-investment ESG analysis, the principle of Good Governance is analyzed through four pillars: sound governance structures, employee relations, employee remuneration and tax compliance. Data is collected and assessed at the product marketer level by an external provider and then analysed by the investment team.

The investments do not cause significant harm as Principal Adverse Impact (PAI) indicators are considered in the pre-investment ESG assessment using data collected from data providers on the product marketer and then monitored annually during the holding period to identify any potential deterioration.

The investment team also analyses product marketers' compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This analysis is also based on data and the assessment of a data provider.

These elements are assessed internally by the investment team during the due diligence phase, with some oversight by the sustainability team whenever deemed relevant.

The data sources used to achieve the sustainable investment objective of the financial product include regulated documents (clinical trial reports, FDA reports, etc.) provided by the product developers in the data room or available publicly during due diligence.

The Fund uses data provided by Bloomberg to monitor the Do No Significant Harm and Good Governance principles. The full methodology is available on the provider's website, including the methodology and data quality mechanisms.

Data and methodological limitations have been identified. The data used to assess PAI and Good Governance is sourced from Bloomberg. Additional due diligence is conducted by the investment team to gather further information. The data used to measure the achievement of the sustainable objective are derived from regulated information (clinical trial reports, FDA reports, etc.) as provided by the product developers. Therefore, the data is more exhaustive in this case.

The sustainable investment objective and the sustainability indicators used to measure the achievement of the sustainable investment objective are monitored throughout the lifecycle of the financial product and published at least annually in the SFDR annexes to the periodic reports. However, it should be noted that due to the asset class (royalties and credit from approved and commercialised biopharmaceuticals, diagnostics and medical devices), there is no variation in the contribution of the assets to the sustainable investment objective, nor in the impact indicator.

No engagement policy has been implemented due to the specific nature of the asset class. No reference benchmark has been set to measure the achievement of the social sustainability objective.

No significant harm to the sustainable investment objective

Indicators relating to the PAIs are considered during the ESG assessment phase, based on data and assessments carried out by Bloomberg. If Bloomberg does not cover the product marketers'/developers, the investment team conducts additional due diligence to gather the necessary information.

The 14 PAI indicators listed in Table 1 of Annex I of Delegated Regulation (EU) 2022/1288 are systematically taken into account. However, given the specific characteristics of the asset class (royalties), Sagard does not prioritise the PAIs and does not engage with product marketers to mitigate PAIs.

These elements are reassessed and published at least annually in the SFDR annexes to periodic reports.

The alignment of sustainable investments with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is reviewed during the ESG assessment, based on the analysis provided by Bloomberg. Companies with a lack of policies to monitor compliance with the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises or with grievance/complaints handling mechanisms to address violations of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises receive a lower compliance score. The violations of said principles are also monitored through Bloomberg. Common Red flags (UNGC/OECD Violations; Absence of Modern Slavery Statement; Absence of child labor policy) are available via Bloomberg and taken into account during the initial ESG assessment. If Bloomberg does not cover the product marketers'/developers, the investment team conducts additional due diligence to gather the necessary information.

Bloomberg also identifies whether or not a company is compliant with the UN Guiding principles on Businesses and Human Rights.

Companies that have violated the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles on Business and Human Rights are systematically excluded from the investment universe.

Sustainable investment objective of the financial product

The Fund invests in royalties and credit backed by approved and commercialized biopharmaceutical products, diagnostics, and medical devices. The Fund invests in companies aligned with high standards of drug- and clinical-trial safety, with fair pricing and access to medicine, and with ethical business conduct and marketing practices.

The Fund is committed to a social sustainable investment objective: all investments must contribute to the Sustainable Development Goal number 3 “Ensure healthy lives and promote well-being.”

The Fund focuses on the following sustainable themes: accelerating innovation, reduction of medical costs and improving patient access to medical care, effectiveness, and improving the healthcare system in terms of quality of life for patients and efficiency of the healthcare system.

Given the nature of the investments, no reference benchmark has been set to monitor the achievement of the sustainable investment objective.

Investment strategy

The Fund applies an exclusion policy that acts as a first ESG filter in the selection of investments: the Fund will not invest in companies involved in the production, manufacturing, distribution or sale of cannabis or opioids. In addition, companies with substantial operations in industries such as adult entertainment, weapons and armaments, bars and similar establishments, alcohol, gaming, cigarettes and tobacco are not aligned with the investment strategies’ focus on the healthcare sector.

Furthermore, Sagard aims to avoid investments that are not aligned with:

- The International Bill of Human Rights,
- UN Security Council sanctions,
- The ten principles of the UN Global Compact.

An ESG analysis is conducted to assess the contribution to the fund’s sustainable investment objective prior to the investment.

An ESG checklist is also deployed by the investment team to assess the risks and opportunities of the investment. This analysis is based on the SASB Biotechnology & Pharmaceuticals sector analysis and assesses, for example, the following elements:

Topic	Accounting Metric
Safety of Clinical Trial Participants	Discussion, by world region, of management process for ensuring quality and patient safety during clinical trials
	Number of FDA Sponsor Inspections related to clinical trial management and pharmacovigilance that resulted in: (1) Voluntary Action Indication (VAI) and (2) Official Action Indication (OAI)

	Total amount of monetary losses as a result of legal proceedings associated with clinical trials in developing countries
Access to medicines	Description actions and initiatives to promote access to health care products for priority diseases and in priority countries as defined by the Access to Medicine Index
	List of products on the WHO List of Prequalified Medicinal Products as part of its Prequalification of Medicines Programme (PQP)
Affordability & Pricing	Number of settlements of Abbreviated New Drug Application (ANDA) litigation that involved payments and/or provisions to delay bringing an authorized generic product to market for a defined time period
	Percentage change in: (1) average list price and (2) average net price across US product portfolio compared to previous year
	Percentage change in: (1) list price and (2) net price of product with largest increase compared to previous year
Drug Safety	List of products listed in the Food and Drug Administration's (FDA) MedWatch Safety Alerts of Human Medical Products database
	Number of fatalities associated with products as reported in the FDA Adverse Event Reporting System
	Number of recalls issued; total units recalled
	Total amount of product accepted for take-back, reuse or disposal
	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP) by type
Counterfeit Drugs	Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting
	Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products
	Number of actions that led to raids, seizure, arrests, and/or filing of criminal charges related to counterfeit products

Ethical Marketing	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims
	Description of code of ethics governing promotion of off-label use of products
Employee Recruitment, Development & Retention	Discussion of talent recruitment and retention efforts for scientists and research and development personnel
	(1) Voluntary and (2) involuntary turnover rate for: (a) executives/senior managers, (b) mid-level managers, (c) professionals, and (d) all others
Supply Chain Management	Percentage of (1) entity's facilities and (2) Tier I suppliers' facilities participating in the Rx-360 International Pharmaceutical Supply Chain Consortium audit program or equivalent third-party audit programs for integrity of supply chain and ingredients
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with corruption and bribery
	Description of code of ethics governing interactions with healthcare professionals

This analysis is carried out in full or in part, depending on its relevance to the investment under consideration.

Other ESG aspects can be analysed prior to the investment, especially in line with Sagard Group's sustainable targets regarding Diversity, Equity & Inclusion (DEI), cybersecurity and climate.

The Good Governance principle is analysed prior to the investment, as part of the ESG analysis, on four pillars:

- Sound management structures,
- Employee relations,
- Remuneration of staff and
- Tax compliance.

The data is collected and evaluated via an external provider at the product marketer level, then analysed by the investment team (cf. Data sources and processing).

Governance pillar	Indicators
Sound management structures	Percentage of independent directors
	Independent chairperson

	Independent lead director
	Ethics policy
Employee relations	Employee protection / Whistleblower policy
	Equal opportunity policy
	Health and safety policy
	Human rights policy
	Policy against child labour
	Training policy
	Anti bribery ethics policy
Remuneration of staff	Percentage of independent directors on compensation committee
	Clawback provision for executive compensation
	Company has executive share ownership guidelines
Tax compliance	Percentage of independent directors audit committee
	Auditor's opinion

Proportion of investments

The Fund only makes sustainable investments, using the methodology and analysis method described in section 1. The financial instruments that are not considered sustainable are liquidities.

These investments do not consider the environmental and/or social characteristics promoted by the Fund. Cash and cash equivalents have no environmental and/or social characteristics.

The Fund only makes direct investments.

Monitoring of the sustainable investment objective

The sustainable investment objective and the sustainability indicators used to measure the achievement of the sustainable investment objective are monitored throughout the lifecycle of the financial product and published at least annually in the SFDR annexes to periodic reports. However, it should be noted that due to the asset class (royalties backed by approved and commercialized biopharmaceutical products, diagnostics, and medical devices), there is no variation in the contribution of the assets to the sustainable objective. Same goes for the impact indicator.

Methodologies

The contribution of investments to SDG 3 is analysed via an internal mapping between identified key sustainable development themes and the targets of SDG 3. Due to the nature of the investments (royalties and credit backed by approved and commercialized biopharmaceutical products, diagnostics, and medical devices), the contribution is assessed at the biopharmaceutical product, diagnostic, and medical device level. They must contribute to one of the themes by complying with at least one impact indicator. These social impact indicators are derived from clinical trials or are consistent with the purpose / use of the medicine or the innovation from which it is derived. This information is extracted from data provided by the product developers (companies/research institutions/etc. or from publicly available information). The information is mostly found in FDA reports, clinical trial results, etc.

The sustainable development themes are presented below, along with examples of social impact indicators:

Sustainable development theme	Social impact indicators
Improved quality of life for patients	Product / diagnostic / device is used as first-line treatment
	Improved tertiary prevention (Reduce risk of complications and / or disease recurrence for chronic diseases in order to improve patients' ability to function, quality of life and life expectancy)
	Reduction in duration / frequency of care for patients (treatment burden)
Safety of care	Improved safety of product / diagnostic / device over standard of care (in a clinical trial)
	Improved safety of product / diagnostic / device over placebo for diseases with no standard of care or no direct comparison to standard of care in a clinical trial
	Product / diagnostic / device does not have a black box warning on FDA label
	The FDA did not require the manufacturer to develop a drug safety program (e.g. REMS - Risk Evaluation and Mitigation Strategy)

Effectiveness	Increased clinical efficacy over standard of care (in a clinical trial)
	Increased clinical efficacy over placebo for diseases with no standard of care or no direct comparison to standard of care in a clinical trial
Reduction in medical costs	Reduction in patient / payor lifetime cost of therapy
	Reduction in list price to standard of care
Improving the efficiency of the healthcare system	Time efficient for healthcare providers
	Reduction in structural costs linked to operational care management
Improving patient access to medical care	Product / diagnostic / device marketer has a patient assistance program created to offer free or low-cost drugs to individuals unable to pay for their medication
	Product / diagnostic / device addresses diseases on 2022 Access to Medicines Index
	Product / diagnostic / device approved for use in rare and/or orphan disease, as defined by the FDA
	Product / diagnostic / device received label expansion to treat eligible patients within additional age groups
Accelerating Innovation	Transactions executed with academic institutions, non-profits or small-cap/or private biopharmaceutical firms (market cap <US\$2B)

These impact indicators may change according to trends and research. However, the sustainable development themes remain the same as they are used to assess the direct contribution to SDG 3.

Data sources and processing

The data sources used to achieve the sustainable investment objective of the financial product are regulated documents (clinical trial reports, FDA reports, etc.) provided by the product developers in the data room during due diligence.

The Fund uses data provided by Bloomberg to monitor the Do No Significant Harm and Good Governance principles. The full methodology is available on the provider's website. Data is collected at the company level using the following disclosure documents:

- Annual reports,
- Corporate Sustainability Reports (CSR),
- Investor Relations presentations/reports,
- ESG reports,
- Company websites.

If Bloomberg does not cover the product marketers'/developers, the investment team conducts additional due diligence to gather the necessary information.

No data estimation or modelling techniques are used.

Data quality measures: The data used is derived from regulated documents and analysed by the investment team to ensure data quality. For Bloomberg data, a series of data validation tests are used to ensure data accuracy. The technical validation tests cover 8 dimensions of data quality: Completeness, Conformity, Validity, Accuracy, Consistency, Uniqueness, Reasonableness and Timeliness. The validation tests are run on the entire dataset of data collected with the aim of identifying any inconsistencies in the data. Examples of technical validation tests include:

- Input error tests - checking that the input field has been filled in correctly (e.g. checking that the analyst has entered the correct year).
- Inconsistency tests - checking that data are consistent across consecutive years (e.g. checking that data present in one year are present in the following year).

Limitation to methodologies and data

Data and methodological limitations have been identified, particularly in assessing PAI and Good Governance. While the primary data source is Bloomberg, which may result in some gaps. In such cases, the investment team conducts additional due diligence, using data provided by the manufacturer during the due diligence phase (e.g. data room) or publicly available sources such as annual reports and other disclosures.

The data used to measure the achievement of the sustainable objective include regulated information (clinical trial reports, FDA reports, etc.) provided by the product developers or are available publicly. Therefore, the data is more exhaustive in this case.

Due diligence

An ESG checklist is used by the investment team to assess the risks and opportunities of the investment. This analysis is based on the SASB Biotechnology & Pharmaceuticals sector analysis. This analysis is carried out at the level of the underlying security and at the level of the product marketer for certain relevant indicators. This analysis is carried out in full or in part, depending on its relevance to the investment under consideration.

As described above, an impact analysis is conducted prior to investment to assess alignment with the Fund's sustainable investment objective.

These elements are assessed internally by the investment team, with some oversight by the sustainability team, where deemed relevant.

Engagement policies

No engagement policy has been implemented due to the specific nature of the asset class.

Attainment of the sustainable investment objective

This financial product does not have an environmentally sustainable investment objective, nor does it have a carbon reduction objective, and therefore no reference benchmark has been set. Due to the specific nature of the asset class, no reference benchmark has been set to measure the achievement of the social sustainability objective.