

## INTERNATIONAL BIOTECHNOLOGY TRUST

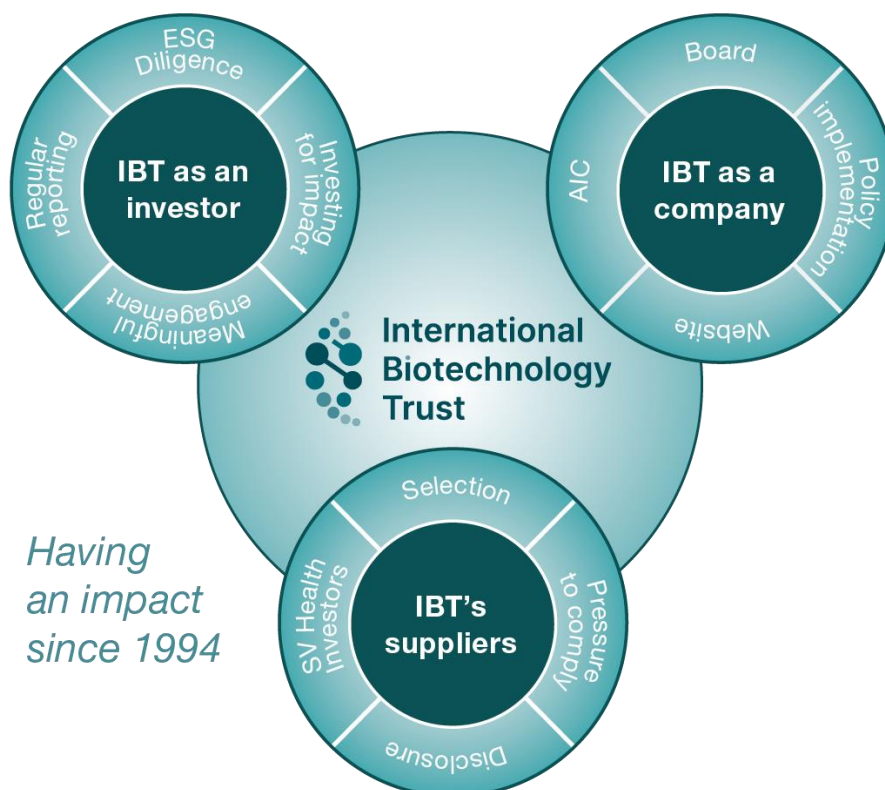
### ESG POLICY

International Biotechnology Trust (“IBT” or “the Company”) has been delivering financial value to shareholders since 1994 whilst simultaneously creating a positive social impact by investing in companies that develop innovative treatments for patients suffering with unmet medical needs. The products developed by the companies we invest in can radically change the way diseases are treated, bringing positive impact to patients and healthcare systems globally.

The Board of International Biotechnology Trust (“the Board”) recognises that a responsible and proactive approach to Environmental, Social and Governance (“ESG”) related factors can positively impact the performance and success of its portfolio companies, and the Company.

The Board sees three key areas of focus for ESG

1. IBT as an investor
2. IBT as a company
3. IBT’s suppliers



## **Section 1: IBT as an Investor**

IBT's investment approach in relation to ESG is based on three pillars:

1. Thorough ESG diligence and investing for impact;
2. Meaningful engagement with portfolio companies; and
3. Reporting to shareholders

The Board considers that focussing on the ESG adherence of its investments and engaging with the management of key portfolio companies has the potential to bring about positive change in its investment universe. In particular, IBT believes its potential for the greatest impact will generally be on its top ten quoted holdings and its private holdings where its larger investment size gives it greater influence.

The Board notes that ESG and sustainability concerns have become key considerations for many of its investors. The Board believes that through IBT's focus on ESG as an investor, it can help maximise its portfolio companies' positive impact whilst generating attractive investor returns.

### **1. Thorough ESG diligence and investing for impact**

#### ***1a: Thorough ESG diligence***

IBT will perform an ESG screening process of its quoted portfolio companies using data provided by Morningstar's Sustainalytics platform to measure performance in respect of ESG criteria. The Investment Managers will lead this process on behalf of IBT. The top ten holdings in IBT's portfolio will be screened semi-annually to coincide with IBT's interim and annual reports. Each of the top ten companies' environmental and social impact and the quality of their governance will be covered in Morningstar's Sustainalytics ESG reports and these will be factored into a broader consideration of investment decisions.

SV will conduct ESG diligence on the assets it manages in the unquoted portfolio on behalf of IBT. Details of this are set out below under IBT's Suppliers.

#### ***1b: Investing for impact***

IBT's Investment Managers have considered the various areas covered by ESG and Sustainability and have identified certain areas as those in which the most impact can be made by IBT's portfolio companies. These factors have, or have the potential to have, a direct and substantial impact on an organisation's ability to create, preserve, or erode economic value, as well as environmental and social value for the Company and its stakeholders.

- ***Environmental***

The Board expects IBT portfolio companies to be good stewards of the environment by adopting environmentally focussed initiatives, recording and monitoring resource use and, where possible, reducing resource usage through adoption of responsible water, light and heating usage programmes.

- ***Social***

*Targeting areas of unmet medical need:* A major value driver for IBT's portfolio companies is the size of the unmet need they are developing therapeutics to address. Where there is a lack of effective treatments, innovative therapeutics will improve quality of life, improve prognoses, and ultimately save lives. This is deemed to be a material social issue as well as one that enhances value for

shareholders. IBT invests in novel science seeking breakthroughs that address critical unmet medical needs and have the potential to change the practice of medicine with the ultimate intent to cure. All clinical areas are considered, and IBT strives to build a portfolio that is overweight in major unmet patient needs, including cancer, genetic diseases, and immunological disorders. Furthermore, IBT's portfolio is invested in some of the most innovative therapeutic modalities in the world including cell-based therapies, gene therapies and RNA-modulating therapies, alongside traditional biologics and small molecules.

When considering the unmet need, IBT focuses on the severity of the disease and the approach the potential companies are undertaking, i.e. whether they are addressing the underlying cause of the disease and whether their approach is "disease modifying" which would ideally change the course of the disease and its progression rather than targeting just symptom alleviation alone. Enhanced treatments have the effect of alleviating pressure on healthcare systems as well as improving patient outcomes.

IBT investment managers seek to ensure that all portfolio companies adhere to high standards of ethical and clinical best practice and safety in all aspects of their clinical trials.

Healthcare economics plays an important role in our sector and IBT expects the costs and benefits of the therapies developed by its portfolio companies to be carefully balanced. IBT would like to see its portfolio companies making drugs available to patients at an affordable price.

***Diversity, and Inclusion:*** The Board expects IBT portfolio companies to maintain diversity and have a diverse board of directors and management team; and wider teams in terms of gender, ethnicity and socio-economic background. The Managers encourage portfolio companies to have policies and processes in place to track and promote diversity.

Social impact is the key area on which IBT's experienced investment management team will focus. This includes investments in orphan diseases where the smaller number of patients may limit the scale of the social impact, but the treatment may be absolutely life changing for certain groups of patients.

- **Governance**

A key focus of IBT's investment approach is on the strength of management and the wider operating teams. IBT recognises that for innovative science to be translated into potentially life changing therapeutics effectively, the companies require the leadership of a dedicated, talented and experienced management team. Talent retention and employee satisfaction are key for successful innovation.

IBT's investment management team will always consider the strength of the board and management before making an investment for the IBT portfolio and seek to ensure that the interests of management teams are aligned with shareholders.

The IBT Board expects the management teams in IBT portfolio companies to establish and foster a good positive working environment which will attract and retain talented individuals. In particular, IBT's investment managers expect managements of portfolio companies to treat their staff with respect, which means proper pay and conditions, employee rights and protection; to actively seek out a diverse workforce; and to manage their businesses creatively, expertly and with skill, care and diligence.

IBT's investment management team expects managements of all portfolio companies to act with honesty and integrity at all times and never seek to mislead anyone.

Governance is also an important area on which IBT's experienced investment management team will focus. In addition to the factors explained above, other factors which are taken into account include shareholder structure and business policies. Certain unsavoury practices, such as price gouging or promoting the use of opiates or activities which lead to negative impacts on public health or wellbeing, would lead to these companies being excluded from potential investment.

## 2. Meaningful engagement with portfolio companies

Using the results of the screening process, IBT's investment managers engage with the top ten holdings of IBT on ESG related issues with the aim of improving long-term sustainability and increasing benefits for all stakeholders. IBT's investment management team will engage with its portfolio companies through management meetings and through the voting process if there are areas highlighted by the ESG screening process that are of concern to them.

Even where the ability to impact or implement changes to ESG matters directly is limited, such as where IBT is a minority shareholder, IBT's managers recognises that the pressure from minority shareholders by engaging in discussion regarding ESG factors can in itself be beneficial and will endeavour to use that to drive such portfolio companies to a more pro-active approach to ESG matters.

## 3. Reporting to shareholders

The Board of IBT will include commentary in respect of its findings about the top ten quoted holdings which make up circa 50% of the Net Asset Value of the Company in its annual and interim reports to shareholders. The findings of SV's monitoring of the unquoted assets is also included in the annual report to shareholders.

### **Section 2: IBT as a Company**

IBT is a public limited company (plc), listed on the London Stock Exchange. It has no office of its own, and its only employees are its Directors. IBT is committed to the principles of ESG compliance and endeavours to implement positive changes in all areas.

*Environmental:* The Board is UK based which limits the carbon footprint of attending board meetings in person. Board meetings can also be joined remotely.

*Social:* IBT's Board is committed to maintaining a diverse board of directors. Currently IBT's Board comprises three women and two men.

*Governance:* The Board adheres to the highest standards of the regulatory bodies in terms of its reporting and governance obligations.

All Directors are deemed by the Board to be independent in both character and judgement, and have performed their duties in an independent manner at all times. The independence of Directors will continue to be assessed on a case by case basis. The Board has set a policy on tenure that, in normal circumstances, Directors will retire at the AGM in their 10th year of service. The Board is of the opinion that long service does not necessarily compromise the independence or contribution of Directors of

investment trusts where continuity and experience can significantly benefit a board, a view supported by Association of Investment Companies (“AIC”). The Board carries out an annual evaluation, covering attendance, balance of skills, experience, independence, knowledge, diversity effectiveness and performance. All Board members stand for re-election annually. A maximum aggregate level of remuneration for Directors is set within IBT’s Articles of Association. The Company Secretary provides a regular analysis of fees payable to other investment trust companies with comparable investment objectives, of a similar size and also self-managed trusts which is taken into consideration in setting the level of individual remuneration. No Director is responsible for setting their own remuneration and no compensation is payable to Directors on leaving office. It is the intention of the Board for this policy to continue to apply in future years.

IBT adheres to the Shareholder Rights Directive<sup>1</sup> in all areas except where the Board considers a different approach to be in shareholders’ best interests.

IBT is a member of the AIC and will publish this ESG Policy on the AIC website (<https://www.theaic.co.uk/esg-and-investment-companies>). As an investment trust, IBT hopes that its consideration of ESG factors and adoption of this ESG policy will be considered best practice among its investment trust peers.

IBT maintains a website at [www.ibtplc.com](http://www.ibtplc.com). This policy will be published on the website, which will also be populated over time with links to IBT’s suppliers’ ESG policies and commentary on ESG matters relating to its portfolio companies.

IBT’s Board will be responsible for this policy and will oversee its implementation.

### **Section 3: IBT’s Suppliers’ Sustainability Policy**

Other than the oversight role played by the Board, all the key functions of the Company are undertaken by external suppliers. The Board recognises the opportunity which that creates to influence and improve the ESG policies of a range of different financial services providers and other related companies.

The Board will request all the key suppliers to the Company to supply details of their own ESG policies and efforts made to enhance their ESG profile annually. Where permitted, links to these will be added to IBT’s website. In the event of a supplier consistently failing to supply such credentials, and/or failing to implement suitable ESG measures in their business, the Board will engage with them on this matter and ultimately, in the case of continued non-compliance, will consider changing suppliers. Key suppliers to the Company include

- Fund Manager of the Company
- Fund Manager of the assets in the unquoted portfolio
- Broker
- Auditor and Reporting accountants
- Legal advisers
- Public Relations Consultant
- Investor Relations Consultant
- Research Providers

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<sup>1</sup> EU Directive 2017/828 as implemented in the UK through the Shareholder Rights Directive (Asset Managers and Insurers) Instrument 2019

- Company Secretary
- Trader
- Data providers
- Registrar
- Custodian
- Depositary
- Administrator

### **SV Health Investors**

The principal supplier to IBT is SV in its role as Investment Manager of the Company and Investment Manager of the assets in the Company's unquoted portfolio. As such, some details of SV's Sustainability Policy are included here but should be read in conjunction with SV's full Sustainability Policy which is available on request.

SV recognises that climate change is a risk for all industries and therefore all industries must contribute to its prevention. SV works to reduce its own carbon footprint as a business with practices such as recycling, renewable energy use in the office, use of carbon friendly lighting and encouraging cycling to work.

SV recognises that diversity of thought is a proven value driver for all companies. SV is committed to the adoption of policies and practices which promote and maintain diversity both internally and in its investments. For example, SV has become a signatory to the Investing in Women Code, a commitment by financial services firms to improve female entrepreneurs' access to tools, resources and finance. Currently IBT's lead investment managers are one woman and one man and the partners at SV are two women and five men.

In terms of creating targets and measuring its progress, SV is working to align with global standards such as the UN Sustainable Development Goals ("SDGs"). SV's core investment thesis means it primarily contributes to Goal 3: Good Health and Well-being. However, it takes a more holistic view to the goals and so also strives to contribute to others identified as key value driving opportunities and risks for its portfolio, and that of IBT, including Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation, Goal 12: Responsible Consumption and Production and Goal 17: Partnerships for the Goals.

SV and IBT adhere to the six UN Principles for Responsible Investment and supports the ten principles of the UN Global Compact.

### **SV's commitments in relation to its role as investment manager of the assets in the unquoted portfolio:**

For the SV biotech venture investments that are held in IBT's portfolio, SV will take a measurement ahead of initial investment to form the baseline against which it intends to set targets to promote improvement within its portfolio companies. IBT's private biotech portfolio companies will be required to complete the SV Portfolio Impact Measurement Questionnaire ("SPIMQ") annually thereafter. In addition, SV encourages its principal private biotech portfolio companies, within a reasonable timeframe, to deploy sound ESG standards in their operations and as a first step, it

encourages its private biotech portfolio companies to be aware of SV's Business Principles and to adopt their own responsible business principles and to adopt SV's Minimum ESG Standards (see Annexe 1 and Annexe 2).

The strength of management and leadership is a prominent feature in SV's investment decision making process. SV can often exert influence and control over the management of private investee companies; and therefore has the ability to help support and improve management teams. If during due diligence, the investment case is compelling, but the management team lacks experience, SV may insist on improvements in the management capability as a pre-requisite to investing.

SV will engage with the private portfolio companies of IBT on ESG related factors focussed on improving a company's long-term sustainability and increasing benefits for all stakeholders. SV will support private portfolio company management teams in further understanding the business case for developing and implementing positive ESG standards if needed. Additionally, SV intends to act as a resource for company management teams on ESG related factors to facilitate sharing of best practices.

Diversity, equity and inclusion related factors are areas where SV feels it can have a marked impact on its portfolio through its engagement processes, which will in turn have a knock-on effect on the biotechnology industry.

On the private biotech portfolio, SV will report to its investors (including IBT) annually after the completion of the external audit of its private funds and commentary on this will be provided for inclusion in the next report to IBT shareholders. SV initially intends to report on its targets at both the investment and Fund level based on its data collection and its portfolio's progress towards them thereafter.

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Effective Date of this Policy: February 2023

Reviews: At least annually (last updated February 2023)

Policy owners: IBT's Board of Directors

## Annexe 1 – SV Health Investors Minimum ESG Standards

- Ensure offices and business operations make efficient use of natural resources and mitigate environmental risk and damage;
- Respect the human rights of workers and contractors;
- Target a diverse workforce;
- Maintain safe and healthy working conditions of employees and contractors;
- Treat employees fairly;
- Uphold high standards of business integrity, avoiding corruption in all its forms and complying with applicable sanctions and anti-bribery, anti-fraud, anti-tax evasion and anti-money laundering laws and regulations; and
- Maintain a positive and strong culture of good corporate governance and risk management which is proportionate to company size and complexity.



## Annexe 2 – SV Health Investors Business Principles

- Act with honesty and integrity at all times and never seek to mislead anyone;
- Treat everyone SV deals with, both internally and externally, with respect, courtesy and fairness;
- Do not discriminate against anyone on grounds of race, religion, age, colour, gender, sexual orientation or disability;
- Be sensitive to the wellbeing of everyone SV deals with both internally and externally;
- Comply with both the letter and the spirit of all applicable laws, regulations and contractual obligations;
- Maintain the confidentiality of all information and personal data SV receives in connection with its business, except where disclosure is authorised or required;
- Manage all conflicts of interest fairly and appropriately; and
- Ensure SV's employees' actions protect and enhance the reputation and values of SV.

In addition, SV encourages each of its portfolio companies to become familiar with these principles and, in due course and as practicable:

1. Develop and deploy sound ESG practices that add sustainable value to their operations
2. Adopt SV's minimum ESG Standards (private companies only)
3. Develop and abide by their own business principles