

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant

Rhenman & Partners Asset Management AB
LEI 529900Y94N8RDQWHSZ16

Summary

Rhenman & Partners Asset Management, LEI 529900Y94N8RDQWHSZ16 ("Rhepa"), who manages Rhenman Healthcare Equity L/S, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of Rhenman & Partners Asset Management.

This principal adverse impacts statement covers the reference period from 1 January to 31 December 2022.

Rhepa's overall objective is to create a long-term good risk-adjusted return on the assets under management and, as a discretionary manager, therefore has a responsibility to act in a responsible and trustworthy manner towards the investors' long-term interests. We have identified the sustainability factors and principal adverse impacts which are specifically relevant and material for the healthcare sector based on the extensive and deep sector knowledge and experience within the investment team as well as external sources such as SASB and their six sub-sectors for the healthcare industry.

Rhepa has identified (1) water usage as the optional environmental indicator and (2) lack of anti-corruption and anti-bribery policies as the optional social indicator.

Given the fund's investment strategy and thematic focus, indicators 1.15-1.18 (related to investments in Sovereigns and Real Estate) have been deemed not applicable.

Rhepa's approach to integrating sustainability and minimizing the principal adverse impacts of our investment decisions comprises three main strategies, (1) inclusion, (2) exclusion and (3) ongoing dialogue.

During Q3 2023 a new, extended sustainable investing policy will come into effect that will include an additional level of pre- and post-trade investment analysis of material sustainability factors and principal adverse impacts.

Data from Clarity.AI have been used to calculate the impacts included in this report and comprises both reported data as well as estimates. This is Rhepa's first statement on principal adverse impacts and a first historical comparison will be made in 2024, comparing impacts during 2022 with impacts 2023.

Table 1: Description of principal adverse sustainability impacts
Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period	
Climate and other environment-related indicators					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1569.5013 tons CO ₂ e	Coverage 94.5%	<p>We expect all companies to work with their emissions and to have an action plan on how to minimize them. Rhenman & Partners invests solely in the healthcare sector and therefore does not invest in fossil intense companies.</p> <p>We also expect companies to work actively on finding ways to utilize renewable energy to a larger extent going forward.</p> <p>If Rhenman & Partners is made aware of a specific case where a company is acting contrary to these expectations, Rhenman & Partners shall evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.</p>
		Scope 2 GHG emissions	1520.8827 tons CO ₂ e	Coverage 94.5%	
		Scope 3 GHG emissions	81137.5 tons CO ₂ e	Coverage 94.5%	
		Total GHG emissions	84805.42 tons CO ₂ e	Coverage 94.5%	
	2. Carbon footprint	Carbon footprint	81.03025 tons CO ₂ e / EUR M invested	Coverage 94.5%	
	3. GHG intensity of investee companies	GHG intensity of investee companies	132.59082 tons CO ₂ e / EUR M revenue	Coverage 94.55%	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0 %	Coverage 98.85%	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Consumption: 82.33 %	Coverage 51.27%	<p>We expect all companies to work with their emissions and to have an action plan on how to minimize them. We also expect companies to work actively on finding ways to utilize renewable energy to a larger extent going forward.</p> <p>If Rhenman & Partners is made aware of a specific case where a company is acting contrary to these expectations, Rhenman & Partners shall evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.</p>	
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Total: 0.18411532 GWh / EUR M revenue	Coverage 80.79%		
		Sector C: 0.18411532 GWh / EUR M revenue	Coverage 80.79%		

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period	
<i>Cont.</i> Climate and other environment-related indicators					
Biodiversity	7. Activities negatively affecting biodiversity- sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0 %	Coverage 97.21%	Rhepa expects companies to be aware of material negative impacts on biodiversity and actively work on finding ways to minimize such impacts.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0008033334 tons / EUR M invested	Coverage 5.61%	<p>Emissions to water is an important aspect within the healthcare sector and will to a greater extent be included Rhepa's extended investment analysis.</p> <p>We expect all companies to work with their emissions and negative effects on the sea, lakes and other water courses. We also expect them to have an action plan on how to minimize them.</p> <p>If Rhepa is made aware of a specific case where a company is acting contrary to these expectations, Rhenman & Partners shall evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.</p>
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	0.1113931 tons / EUR M invested	Coverage 77.99%	<p>Hazardous waste is an important aspect within the healthcare sector and will to a greater extent be included Rhepa's extended investment analysis.</p> <p>Rhepa expects companies to actively work on ways to minimize and responsibly manage hazardous waste generated.</p> <p>If Rhepa is made aware of a specific case where a company is acting contrary to these expectations, Rhenman & Partners shall evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.</p>

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period	
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	10.06 %	Coverage 97.21%	<p>Rhepa expects all companies to act in line with the principles and expectations outlined in the UNGC and OECDs guidelines.</p> <p>If Rhepa is made aware of a specific case where a company is in a serious or systematic way acting contrary to these guidelines and expectations, Rhenman & Partners shall evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.52 %	Coverage 94.37%	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	5.47 %	Coverage 29.76%	
	13. Board gender diversity	Average ratio of female to male board members in investee companies	31.41 %	Coverage 97.51%	
	14. Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0 %	Coverage 98.85%	

Indicators applicable to investments in sovereigns and supnationals

Adverse sustainability indicator		Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	NA	Rhepa does not make this type of investment.	NA
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	NA	Rhepa does not make this type of investment.	NA

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	Rhepa does not make this type of investment.	NA
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	Rhepa does not make this type of investment.	NA

Table 2 and 3: Additional indicators

Adverse sustainability indicator	Metric	Impact 2022	Explanation	Actions taken, actions planned and targets set for the next reference period
Additional climate and other environment-related indicators				
Water, waste and material emissions	6. Water usage and recycling	1. Average amount of water consumed and reclaimed by the investee companies (in cubic meters) per million EUR of revenue of investee companies 2. Weighted average percentage of water recycled and reused by investee companies	1: 91.79381m ³ 2: 0.067646794%	1: Coverage 36.19% 2: Coverage 2% Rhepa has identified water usage as particularly relevant for the healthcare sector and expects companies with water intense production processes and companies within other water intense areas of the healthcare sector to actively work on finding ways to make their water consumption and recycling more efficient. If Rhepa is made aware of a specific case where a company is acting contrary to these expectations, Rhenman & Partners shall evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters				
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and antibribery consistent with the United Nations Convention against Corruption	1.28 %	Coverage 98.46% Rhepa has identified "lack of anti-corruption and anti-bribery policies" as particularly important within the healthcare sector where a high level of competition around large contracts may involve an extra level of risk of corruption and bribery. We expect companies to have relevant policies in place and work in line with these policies to minimize the risk of corruption and bribery. If Rhepa is made aware of a specific case where a company is acting contrary to these expectations, Rhenman & Partners shall evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.

Description of policies to identify and prioritise principal adverse sustainability impacts

Rhepa's updated Sustainable Investing Policy was adopted during a board meeting in June 2023. This policy replaces the existing policy and includes more detailed descriptions of enhanced strategies and tools for integrating sustainability factors and considering principal adverse impacts. The policy will come into force during Q3 2023, and with that an additional level of pre- and post-trade investment analysis. The policy is reviewed annually and updated as necessary. Rhepa's CEO is responsible for ensuring its implementation and the investment team is responsible for adhering to it in the investment process.

We have identified the sustainability factors and principal adverse impacts which are specifically relevant and material for the healthcare sector based on the extensive and deep sector knowledge and experience within the investment team as well as external sources such as SASB and their six sub-sectors for the healthcare industry. The factors and specific risks that are considered most material and that may have a significant impact on the potential investment are considered for all potential and existing investments. The PAI indicators are reviewed in Rhepa's pre-trade analysis and potential outliers will be investigated further. The conclusions of the PAI-review may impact Rhepa's investment decision.

Rhepa's summary of the most relevant sustainability factors in the healthcare sector, and its respective sub-sector, can be found in Appendix 1 of our new Sustainable Investing Policy. This list is reviewed annually and updated as necessary.

Rhepa's approach to sustainability comprises three main strategies (1) we choose to invest in companies we deem manage their material sustainability factors and risks in a satisfactory way, (2) we invest solely in the healthcare sector which means that the fund's strategy by nature excludes companies with a core business within a number of sectors which we deem harmful to the environment and/or the society, including (1) conventional weapons, (2) commercial gambling operations, (3) tobacco, (4) fossil fuels, (5) pornography and (6) alcoholic beverages. Rhepa also excludes all companies with any involvement in the production or distribution of controversial weapons. We confirm that companies in the fund do not generate more than 5% of their revenues from these sectors through any non-core business activities and (3) although we do not exercise voting rights at general meetings we are in constant dialogue with companies both pre- and post investing to have a good understanding of the companies' current situation, outlook and general market environment and may include dialogue on sustainability matters in general or discussions around specific principal adverse impacts.

Data sources

In our analysis of principal adverse impact indicators and reporting we use Clarity.AI as well as Bloomberg.

The data used to calculate the impacts included in this report has been compiled using Clarity.AI and comprises both reported data as well as estimates. Clarity AI's SFDR PAI solution leverages reported and estimated data from a variety of sources, including CDP, EU/UN/US sanction lists, EU non cooperative jurisdiction list, Global Rights Index, which are augmented with proprietary NLP algorithms.

Impacts have been calculated as the average of the four quarters 2022.

Given the fund's investment strategy and thematic focus, indicators 1.15-1.18 (relating to investments in Sovereigns and Real Estate) have been deemed as non-applicable and will not be reported on.

Margins of error in the selected methods

It is important to note that data for many indicators is still unavailable for many companies. Total coverage data (reported and estimated) for each indicator has been calculated as a percentage of the total portfolio and is reported in the column "Explanation" in the table above. A breakdown between reported and estimated data is not available at present. It should be noted that any estimates used may under- or overstate the actual adverse impacts.

Engagement policies

Rhenman & Partners are engaged in a continuous dialogue with companies within (or under review for) the portfolio and this forms a central part of the investment process. This dialogue revolves around the company's current situation, outlook and general market environment but can also include questions around sustainability and a company's principal adverse impacts and conclusions feed into the portfolio management team's analysis and investment decisions. If Rhenman & Partners is made aware of a specific case where a company is acting contrary to our expectations in relation to environmental or social issues, Rhenman & Partners will also evaluate whether an active dialogue should be initiated to influence the company in a positive direction or if not, whether a divestment should be considered.

However, in light of the EU's Shareholder Rights Directive II (SRD II) and the holding structure of Rhenman & Partners, Rhenman & Partners does not exercise voting rights at general meetings.

References to international standards

Rhenman & Partners Asset Management is a UNPRI signatory since 2019 and we have taken the PRIs six principles into consideration when structuring our operations and investment process in support of responsible investment.

Rhenman & Partners also expects all companies to act in line with the principles and expectations of the UN Global Compact and OECDs guidelines for Multinational Enterprises.

The main PAI indicators for this are:

- 1.10 Violations of UNGC principles and OECD Guidelines for Multinational Enterprises
- 1.11 Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises
- 3.15 Lack of anti-corruption and anti-bribery policies (additional indicator from Table 3)

Rhepa's target is that indicator 1.10 should be 0% of the portfolio and that indicators 1.10 and 3.15 should trend towards 0% over time.

All the indicators mentioned above are calculated in the same way and with the same sources as the other indicators in the table.

Historical comparison

No previous data is available at present. A historical comparison between 2022 and 2023 will be made available on 30 June 2024 at the latest.