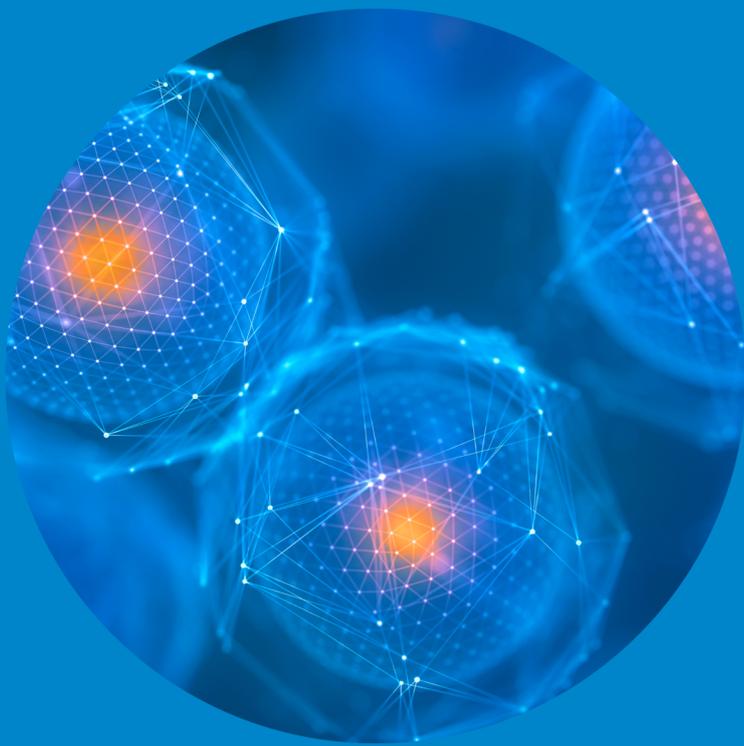


# POLICY FOR RESPONSIBLE INVESTMENTS: LIFE SCIENCES



**Forbion.**

OCTOBER 2023

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# OUR COMMITMENT



Forbion is driven by its conviction that making impact is at the core of investing in medicine; and that a focus on creating societal value goes hand-in-hand with investment returns. We continuously look for the most pressing patient needs and where we can play an additional role in creating value.

At the core of our impact is what our efforts mean for the patient. Forbion emphasizes solid research and long-term value drivers: (1) generating positive outcomes in medicine (2) creating solutions to improve quality of life as well as to promote affordability of care. Consequently, as we have shown in the past, we focus on opportunities addressing high & unmet medical needs and significant innovations with the potential to shift the paradigm. We believe the latter is instrumental in driving down the cost of healthcare.

Our role in the medicine ecosystem is to support the development of new drugs, from scientific discovery to the market. Forbion invests in those opportunities where it can play an instrumental role in reaching this goal. That is, we build and/or help develop those therapies that would not reach patients without our support. In many cases we have taken an interim operational or executive chairman role to achieve these goals.

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. As venture investor in the life sciences space, we believe that environmental, social and governance (ESG) issues are important and can affect the performance of investment portfolios. We integrate ESG considerations in our investment process and in our own operations as described in this policy.

Forbion supports a sustainable global financial system and therefore is a signatory to the United Nations Principles for Responsible Investment (PRI). We recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:



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1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will seek appropriate disclosure on ESG issues by the entities we invest
3. We will work together to enhance our effectiveness in implementing the principles
4. We will be active owners and incorporate ESG issues into our ownership policies and practices
5. We will promote acceptance and implementation of the principles within the investment industry
6. We will each report on our activities and progress towards implementing the principles.

In signing the PRI, we as investors publicly commit to adopt and implement them, where consistent with our fiduciary responsibilities. We also commit to evaluate the effectiveness and improve the content of the Principles over time. We believe this will improve our ability to meet commitments to beneficiaries as well as better align our investment activities with the broader interests of society. We encourage other investors to adopt these principles as well.

In making its investments, Forbion considers the impact of its decisions on patients and society, using the Sustainable Development Goals (SDG) set by the United Nations. In its life sciences investments Forbion particularly contributes to two of the following SDGs:

- SDG 3, “to ensure health and well-being for all”
- and SDG 8, “to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.



As a firm, we strongly believe that setting the right culture and operating principles is paramount to achieving our investment and impact goals. Hence, we are committed to operating in a responsible way and following good practices with respect to environment, people and corporate governance.

## **ENVIRONMENT**

Although our direct environmental footprint as a relatively small financial services firm is limited, we do strive to mitigate our environmental, and in particular carbon footprint. Among other things, we use videoconferencing to minimize travel, and encourage our employees to use electric cars.

## **PEOPLE**

Within our own team we intend to actively create an atmosphere of transparency and open communication. We are committed to fostering, cultivating and preserving a culture of diversity, equity and inclusion, given that our people are the most valuable asset we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities and talent that our employees invest in their work represents a significant part of not only our culture, but also our reputation and our achievements.

## **GOVERNANCE**

Throughout the company, we have implemented a number of policies and procedures to ensure we are adequately governed as an organization of our size and stature. This includes policies covering Conflicts of Interest, ICT and Cyber Security, Remuneration, Risk Management, Responsible Investing, Diversity, Equity & Inclusion, and Compliance, among others.

# GOVERNANCE

In 2012 Forbion established the *Forbion Responsible Investments Committee* (FRIC) and introduced its Policy for Responsible Investments. FRIC ensures that this policy is implemented in the investment process of the funds Forbion manages. FRIC also reviews Forbion’s annual impact & ESG report and reviews initiatives related to sustainability and ESG to strengthen Forbion’s organizational capabilities. Furthermore, FRIC advises Forbion’s investment team and is responsible for promotion and further development of Forbion’s ESG and impact methodology. Currently, the FRIC consists of the following four members.

## FORBION RESPONSIBLE INVESTMENTS COMMITTEE

	<p><b>GEERT-JAN MULDER, MD</b>          Co-founding partner of Forbion          Role: Chairman</p>
	<p><b>SILVA DEŽELAN, PHD</b>          Head of Impact &amp; ESG          Role: Vice-Chair</p> 
	<p><b>ROBBERT VAN DE GRIENDT, MSC</b>          General Partner IR &amp; Impact          Role: Member</p>
	<p><b>MACHTELD GROENEVELD, LLM MBA</b>          Legal Counsel &amp; Compliance Officer          Role: Member</p> 

## POLICY SCOPE

The *Forbion Policy for Responsible Investments* applies to all funds currently managed by Forbion. Good management of material ESG factors and their incorporation in corporate strategy and operations are relevant across Forbion’s strategies: ventures and growth. Individual funds may add additional criteria to account for their sector- or strategy-specific characteristics.

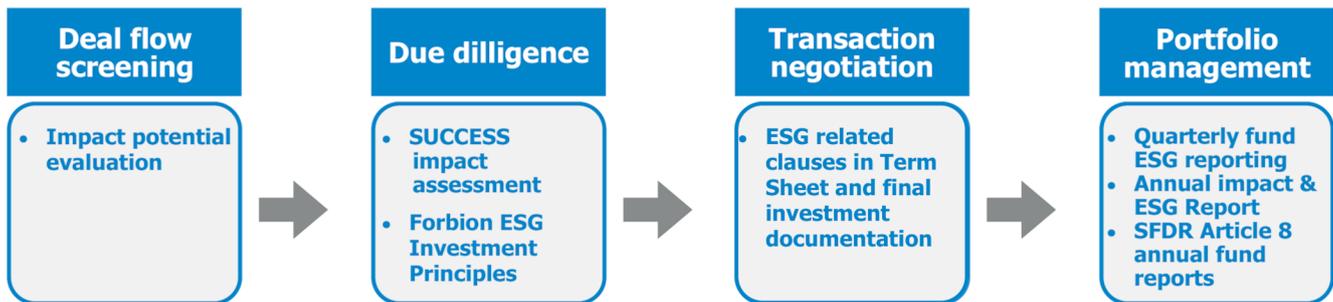
## POLICY UPDATES

Forbion continues to refine and elevate its approach to responsible investing, which is based on exclusions, ESG integration and impact measuring, among others. The FRIC shall review this policy at least once a year on effectiveness, and whether it is still up to date, including whether it is in line with industry developments and our strategy and commitment to responsible investment. Findings are shared with the Compliance Officer who shall report on this and its review to the Board.

Policy changes and updates are submitted to and approved by the Board of Forbion. The Compliance Officer ensures that this Policy, as well as any updates thereof, are made available to all Employees.

# INTEGRATION IN THE INVESTMENT PROCESS

In order to create economic and societal value, Forbion has integrated ESG and impact considerations in each stage of the investment process. We aim that our portfolio companies incorporate ESG policies and processes that are material for the life sciences sector. We have identified the factors that we consider material and incorporated them in the tools we use to analyze, monitor and manage positive and potentially negative impact of the companies we invest in. We illustrate and describe our process below.



## DEAL FLOW SCREENING

During deal flow screening, we evaluate the impact potential of each opportunity. Impact is a dominant investment criterion for Forbion. Because Forbion generally invests in early-stage ventures and often has a minority share and can't merely impose its view as a sole shareholder, selecting the right companies is most vital.

## DUE DILIGENCE

During due diligence, our investment teams thoroughly assess the impact potential of each opportunity using the seven *SUCCESS Impact Factor* criteria. This framework helps us monitor and score impact, collect data and select opportunities with exceptional impact potential in an accountable way. Simultaneously, we apply negative selection using our *ESG Investment Principles*, which helps us eliminate deals which do not comply with the Forbion Policy for Responsible Investments. In this way, our investment managers are well positioned to make informed investment decisions, taking into account ESG factors and impact.

## TRANSACTION NEGOTIATION

In the negotiation phase ESG-related clauses are incorporated in our term sheets and in final investment documentation. In this way we receive company management's commitment to ESG management and realization of impact. Forbion's representatives on companies' boards further support companies in reaching their milestones.

## PORTFOLIO MANAGEMENT

Post-investment, in the value creation stage, we help our companies deliver on their impact potential particularly through providing support in the design of clinical trials and reaching defined milestones. Additionally, we have formulated ESG KPIs that we believe are material for the Pharmaceutical and Biotechnology industries and specifically for our portfolio companies. These KPIs form part of the engagement with both portfolio companies and subsequent reporting back to our investors.

To promote transparency and inform our stakeholders on our ESG and impact activities, we publish an annual ESG and impact report in which we illustrate portfolio companies' drug development advancements and report on their progress with respect to key ESG factors.

# MATERIAL ESG ISSUES



Certain ESG risks are inherent to Forbion’s investments in life sciences companies. After performing the analysis of existing and potential ESG risk factors, Forbion has identified the following ones to be material to its investments in life sciences:

- Drug safety
- Access and affordability of drugs
- Research practices
- Quality assurance
- Business integrity
- Employee recruitment & retention
- Waste
- Health and safety
- Climate change

Forbion is committed to monitor and manage material ESG factors and has incorporated them in the due diligence assessment and value creation stage, where we aim to drive improvements across the ESG issues most relevant to each portfolio company.

Forbion funds make investments in life sciences companies of relatively early stage where generally a limited number of people work and corporate governance structures are yet to be set up. With this in mind, Forbion endorses good governance committees in its portfolio companies, such as an audit committee and a remuneration committee to ensure transparency regarding the remuneration of senior management.

Furthermore, Forbion endorses good environmental management of its portfolio companies from the onset. Their carbon emissions and broader environmental footprint are typically limited as they outsource most research to contract- and clinical research organizations and do not mass-produce drugs. Nevertheless, as a responsible investor and good corporate citizen, Forbion finds it important to create awareness about the companies’ carbon emissions and waste, among others. Forbion’s policy on these material ESG topics is further explained in the table below.

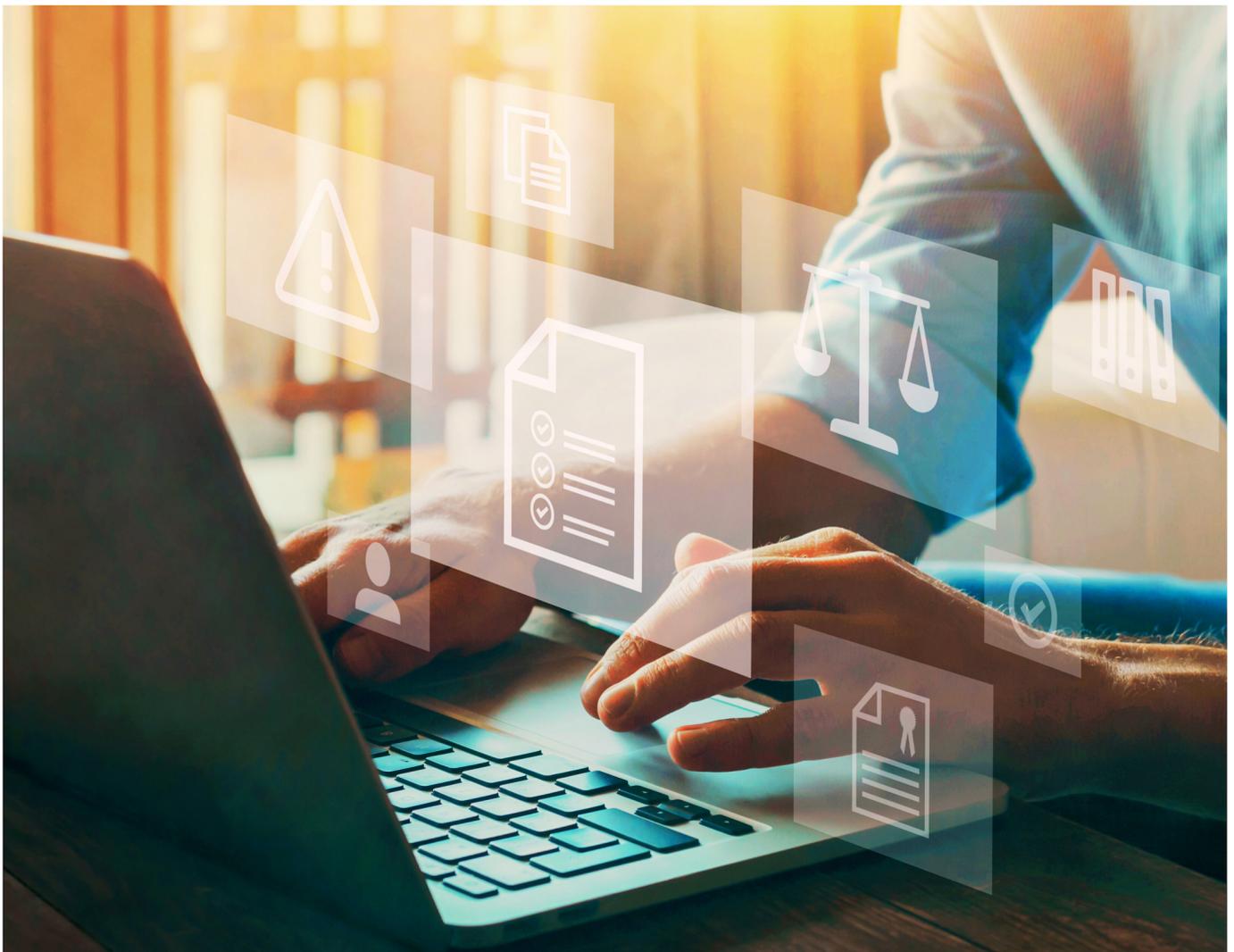
## FORBION'S POLICY ON ESG TOPICS FOR LIFE SCIENCE

ESG TOPIC	DESCRIPTION	FORBION POLICY
<b>Drug safety</b>	Safety of drugs to the patients	Forbion regards safety and efficacy of potential drugs as most important and, within its sphere of influence, adheres to the highest standards in research and quality assurance
<b>Access and affordability</b>	Promoting access to drugs; fair drug pricing	Forbion avoids engaging in repurposing old drugs at higher price points as part our funnel; the cost-reduction potential is incorporated in our impact factor. We stimulate and endorse the public discussion.
<b>Research practices</b>	Ethical and safe research practices; minimize animal testing, promote animal well-being	Forbion uses best efforts for the portfolio companies to <ul style="list-style-type: none"> <li>• abide by all applicable guidelines and regulations regarding animal care in each country in which it operates.</li> <li>• to comply with the application of industry standard "three R principles" (replacement, reduction, refinement);</li> <li>• to facilitate that any animal experimentation is carried out in accordance with EU- (as enacted into national laws) and/or US- regulations;</li> <li>• to facilitate that in case a contract is awarded to a Contract- or Clinical Research Organization ("CRO") outside of the EU, the US or the UK, such CRO must be certified by the Association for Assessment and Accreditation of Laboratory Animal Care International ("AAALAC") or have demonstrated that the CRO has applied for an accreditation by AAALAC and is adhering to the AAALAC guidelines or to a comparable standard.</li> </ul>
<b>Quality assurance</b>	Quality control of the testing process; adherence to FDA, EMA standards	During due diligence we focus on selecting strong research teams. We have board seats in many of our companies and selectively impose quality assurance audits.
<b>Business integrity</b>	Acting in accordance with company values. No corruption, fraud and bribery	Forbion supports our investments in drafting policies and adopting best-practices.
<b>Human capital</b>	Recruitment and retention, diversity	We support staffing of teams through our wide network and reputation. We endorse the UN Global compact and monitor diversity as part of our annual ESG reporting.
<b>Climate change</b>	Reducing energy consumption and limiting carbon footprint	We stimulate our investments to monitor and manage carbon emissions.
<b>Waste</b>	Minimizing waste production and adequate handling of hazardous waste streams	We require our companies to adhere to regulations and provide operational guidance.
<b>Health and safety</b>	Ensuring safety of employees at the office and in the lab	Lab-testing is governed by strict guidelines. We stimulate our investments to ensure a safe and healthy working environment

Forbion generally invests in early-stage ventures and often has a minority share, therefore selecting the right companies is most critical. Taking into account the material ESG factors for life sciences companies, Forbion will not invest in companies that:

- produce or develop products in a way that we consider unsustainable. In particular, we will focus on the appropriate use of raw materials, appropriate waste handling according to the environmental laws and regulations. Furthermore, we will avoid investing in production systems that lead to disproportionate energy consumption.
- do not respect the diversity of the social environment and display active policies against diversity in age, gender, religious believe or race.
- clearly and openly do not respect human rights, or which are located in countries that clearly and openly violate human rights.

- do not properly ensure the safety and well-being of consumers and/or patients they are working with in either developing, testing, or selling their products. Specific attention is given to adherence to local regulations relating to consumer or patient information.
- do not respect the physical and psychological well-being of animals according to the regulations set by the local governments.
- do not respect the foundations and/or best practice of proper corporate governance, as described by International Finance Corporation (IFC) and Organization for Economic Co-operation and Development (OECD). Forbion will see to it that the rights of shareholders and board are embedded and described in transparent shareholders agreements, endorse transparent financial reporting, as well as the formation of an audit committee. Furthermore, we will endorse that the financial audit will be done by an independent auditor in order to establish an independent and transparent reporting on the financial state of the company. We will also endorse the formation of a remuneration committee to ensure transparency regarding the remuneration of senior management.
- do not respect their employees and or actively create an atmosphere with a lack of transparency and open communication. If needed and appropriate we will endorse exit interviews to monitor proper executive behaviour.
- have executives with excessive compensation packages relative to their skill set and scarcity in the market.





The principles referred to above and in Forbion’s *Diversity, Equity and Inclusion Policy* are incorporated in Forbion ESG Investment Principles which we expect all our portfolio companies to adhere to, and helps us eliminate investments which are in conflict with Forbion’s view on building sustainable businesses. The Forbion ESG Investment Principles are attached to this Policy as Appendix 1.

For the post-investment, value creation stage, Forbion has formulated ESG KPIs that correspond to what Forbion considers material to the Pharmaceutical and Biotechnology industries at large, but foremost for the companies it invests in. These ESG KPIs form an integral part of the engagement with portfolio companies and are an inherent part of quarterly progress reporting by the funds to their investors.

### ESG THEMES AND KPIs MONITORED BY FORBION

<b>Governance</b>	Number of board members
	Forbion board members
	Number of independent board members
<b>Diversity</b>	Female board members
	Number of female employees
<b>Business integrity</b>	Business integrity policies in place (Y/N)
<b>Quality assurance</b>	Number of quality assurance audits (YTD)
<b>Research practices</b>	Number of errors or violations (YTD)
<b>Human capital</b>	Number of employees
	Employee turnover: number of employees who left (YTD)
<b>Health and safety</b>	Number of Health & Safety accidents (YTD)
<b>Climate change</b>	Carbon footprint in tons of CO2 equivalent (tCO2e) (YTD)

# IMPACT MONITORING

Forbion does not limit its view to ESG factors of potential investments, it also considers the impact of its investments in life sciences companies more broadly on patients and society. We do this by focusing on the following:

- Addressing high and unmet medical needs.
- Improving patients’ (quality of) lives.
- Driving down costs of healthcare.

Positive impact is a dominant investment criterion for Forbion. To aid our investment managers in the selection process of life sciences companies, we developed the Forbion SUCCESS Impact Factor to monitor and score impact, collect data and drive accountability.

Within this framework, each investment opportunity is scored across 7 criteria. The criteria consider both ESG and life science specific factors and the weighted average score results in an overall score of impact. The average SUCCESS score of an investment made by a Fund shall not be lower than 3.9. The details on the seven criteria are presented below.

## SUCCESS IMPACT FACTOR SCORING GUIDE

CATEGORY	DEFINITION OF SCORING				
	5	4	3	2	1
<b>Severity of Disease</b>	Life threatening	Debilitating	Considerable impact on quality of life	Modest impact on quality of life	Lifestyle interaction
<b>Unmet medical need</b>	No alternative treatment	Very considerable treatment advantage	Considerable treatment advantage	Modest treatment advantage	No treatment advantage
<b>Cost-Savings potential</b>	Evident	Very considerable	Considerable	Modest	Minute
<b>Curative potential</b>	Cure / disease modification	Clinical meaningful change	Severe symptom relief	Mild/moderate symptom relief	Minimal difference
<b>ESG considerations</b>	Fully integrated by company	Implementation toward compliance in place	Resolve minor non-compliance issues, plan in place	Overcoming major non-compliance issues	Non-compliant
<b>Size of addressable patient population</b>	> 5 million	1 – 5 million	0.1 – 1 million	1000 – 0.1 million	0 – 1000
<b>Significance of innovation</b>	Visionary paradigm shift	Very considerable (e.g. new MOA)	Considerable (e.g. add-on repositioning)	Modest (e.g. reformulation)	None (e.g. me-too)

The SUCCESS framework helps us to select those rare opportunities with exceptional impact potential. Together with our [ESG Investment Principles](#) containing exclusion requirements, investment managers are well positioned to make informed investment decisions, taking into account ESG factors and impact.

# EXCLUSION POLICY

Forbion does not engage in developing drugs which may be addictive and does not support repurposing drugs at much higher price points. Furthermore, Forbion will avoid investing in companies that are engaged in activities that are deemed sinful and conflict with international treaties signed by relevant international bodies. In particular, we will avoid investing in companies that are engaged in the following activities:

- production, distribution, marketing or trade in tobacco or tobacco products; ownership, operation, marketing or management of gambling facilities (including online gambling);
- production, distribution, hosting or marketing of materials or activities related to adult industry,
- production of nuclear power or handling of nuclear waste products.
- production or marketing of alcohol.
- production, marketing or use of, or trade in, controversial weapons and technologies which are subject to existing international bans.

Forbion also aims to adhere to the [International Finance Corporation \(IFC\) Exclusion List](#) and will avoid investing in companies active in areas described on this list. The full list is available in Appendix 2 to this Policy. Besides the overall Exclusion Policy, some of our funds also apply tailored investment selection and exclusion criteria.



# EU SFDR REGULATION



On March 10, 2021, the EU Sustainable Finance Disclosure Regulation 2019/2088 (SFDR)[1] became effective. Forbion welcomes the European Commission's increased focus on sustainability and greater transparency brought by this regulation. The funds managed by FCPM III Services B.V are classified as Article 8. In line with the SFDR, Forbion provides the firm-level disclosures related to sustainability risks and principle adverse impacts as part of this policy.

## **INTEGRATION OF SUSTAINABILITY RISKS**

A sustainability risk means "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment".

Before an investment decision is made on behalf of a fund that Forbion manages, an investment decision process is followed as detailed in the Administrative Organization and Internal Control guide of Forbion. Part of the investment decisions process is that the risk management function of Forbion assesses the risks attached to a potential investment opportunity, which includes sustainability risks. Identified sustainability risks are taken into account by the investment committee and the board of directors of Forbion when making investment decisions.

In addition, Forbion pays staff a combination of fixed remuneration and variable remuneration (including a possible bonus). Variable remuneration for relevant staff also takes into account compliance with all policies and procedures which are in effect within Forbion, including those relating to taking into account sustainability risks on the investment decision making process.

Employees are made aware of the applicable policies and procedures and are required to execute an adherence form acknowledging that they will comply with (updated) policies and procedures.

## **NO CONSIDERATION OF SUSTAINABILITY ADVERSE IMPACTS**

In accordance with article 4 sub 1 (b) of the SFDR, Forbion states that it does not consider adverse impacts of investment decisions on sustainability factors as set forth in article 4 sub 1 (a) of the Disclosure Regulation and therefore does not make the disclosures as described in article 4 sub 1 (a) of the SFDR. Given the small size of the organization of Forbion, such disclosure as set forth in article 4 sub 1 (a) of the SFDR and the administrative burden in connection therewith would not be proportional.

<sup>1</sup>Regulation (EU) 2019/2088.

# APPENDIX 1:

## FORBION ESG INVESTMENT PRINCIPLES

ENVIRONMENTAL		YES / NO
<b>CLIMATE</b>	The company's management confirms that the company will operate without causing disproportional use of energy, in particularly emitting substantial quantities of carbon dioxide and/or other relevant greenhouse gasses.	
<b>HAZARDOUS WASTE</b>	The company's management confirms that the company conducts and will conduct its production process(es) and waste handling in compliance with local environmental and regulatory requirements	
<b>SUSTAINABLE PRODUCTION</b>	The company's management confirms that the company does not and will not develop or produce in a way that is considered non-sustainable. In particular, it will not disproportionately use scarce raw materials and will handle waste according to the local environmental laws and regulations	
SOCIAL		YES / NO
<b>DIVERSITY</b>	The company's management confirms that it respects and will promote diversity, equity & inclusion of all its employees.	
<b>HUMAN RIGHTS</b>	The management of the company confirms that it respects human rights and will act in line with the UN Guiding Principles on Business and Human Rights ( <a href="https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshe_en.pdf">https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshe_en.pdf</a> ).	
<b>CONSUMER PROTECTION</b>	The management of the company confirms it does not and will not negligently nor willfully jeopardize the safety and well-being of its consumers and patients in testing and developing its products. Furthermore management confirms that the company complies with the relevant laws and regulations regarding patient and or consumer information.	
<b>UNETHICAL/HARMFUL ACTIVITIES</b>	The management of the company confirms that the company is not active in the production or marketing of tobacco products, gambling, adult industry, alcohol or weapons, nor in any of the activities on the Exclusion List of the International Finance Corporation and will not become active therein.	
<b>ANIMAL WELFARE</b>	The management of the company confirms that it is the company's policy to use the best efforts to abide by the industry standard "3Rs" ( replacement, reduction, refinement) for animal testing and to comply with applicable regulations regarding animal care in each country in which it operates. Furthermore, the company will only work with CMOs/CROs that subscribe to the recognized principles of the 3Rs for animal testing, are certified by the Association for Assessment and Accreditation of Laboratory Animal Care International ("AAALAC") or demonstrate that they have applied for an accreditation by AAALAC and is adhering to the AAALAC guidelines or to a comparable standard.	
GOVERNANCE		YES / NO
<b>MANAGEMENT STRUCTURE</b>	The management of the company confirms that the company is set up and organized in accordance with best practice of proper corporate governance, for instance as described by the OECD Principles of Corporate Governance ( <a href="https://www.oecd.org/corporate/ca/Coporate-governance-Principles-ENG.pdf">https://www.oecd.org/corporate/ca/Coporate-governance-Principles-ENG.pdf</a> ), to the extent applicable, taking into account i.a. its size and phase of development.	
<b>MANAGEMENT STRUCTURE</b>	The management of the company confirms that an audit committee has been appointed/will be appointed.	
<b>MANAGEMENT STRUCTURE</b>	The management of the company confirms that a remuneration committee has been appointed/will be appointed.	
<b>MANAGEMENT STRUCTURE</b>	The management of the company confirms that an independent auditor has been appointed/will be appointed.	
<b>EMPLOYEE RELATIONS</b>	The management of the company will work towards creating a culture that promotes transparency and open communication, employee autonomy, knowledge, sharing, the importance of building relationships and growing employees.	
<b>EMPLOYEE COMPENSATION</b>	The management of the company confirms that the company has not employed and will not employ executives, or other personnel, with excessive compensation packages relative to their skill set and scarcity in the market.	
PROCESS/ORGANIZATION		YES / NO
<b>INFORMATION</b>	The management of the company confirms that it will periodically report on requested ESG and Impact indicators, including material sustainability and ESG initiatives implemented for value creation and risk mitigation.	
<b>EXTERNAL</b>	The management of the company confirms that it is aware of and adheres to the Forbion Policy on Responsible Investments and Forbion Diversity, Equity & Inclusion Policy, as updated from time to time.	
<b>COMPANY MANAGEMENT: NAME, DATE, SIGNATURE</b>		

## APPENDIX 2: INTERNATIONAL FINANCE CORPORATION (IFC) EXCLUSION LIST



A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List. All financial intermediaries (FIs), except those engaged in activities specified below\*, must apply the following exclusions, in addition to IFC's Exclusion List:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as illegal pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES.
  - Production or trade in weapons and munitions.<sup>1</sup>
  - Production or trade in alcoholic beverages (excluding beer and wine).
  - Production or trade in tobacco.<sup>1</sup>
  - Gambling, casinos and equivalent enterprises.<sup>1</sup>
  - Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
  - Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
  - Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
  - Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
  - Commercial logging operations for use in primary tropical moist forest.
  - Production or trade in wood or other forestry products other than from sustainably managed forests.
- \*When investing in micro-finance activities, FIs will apply the following items in addition to the IFC Exclusion List:
- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>
  - Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
  - Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Trade finance projects, given the nature of the transactions, will apply the following items in addition to the IFC Exclusion List:
- Production or activities involving harmful or exploitative forms of forced labor<sup>2</sup>/harmful child labor.<sup>3</sup>

### Footnotes

1. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.
2. Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.
3. Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.