

Policy for Responsible Investments: Life Sciences



FCPM III SERVICES B.V.

Forbion.
Impacting the future

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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 greatest 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 and 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. These goals can only be achieved if we focus on all critical factors, including environmental, social, and governance (ESG) considerations. We are convinced that by helping companies address all factors that impact the company's performance we play an instrumental role in guiding companies to develop as sustainable businesses, ultimately enabling novel therapies to reach patients and generate positive impact.



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 ESG issues are important and can affect the performance of investment portfolios. We

integrate ESG considerations in our investment management process and in our own operations, as described in this policy. Furthermore, we support the creation of a sustainable global financial system and therefore became 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 six principles:

- 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.

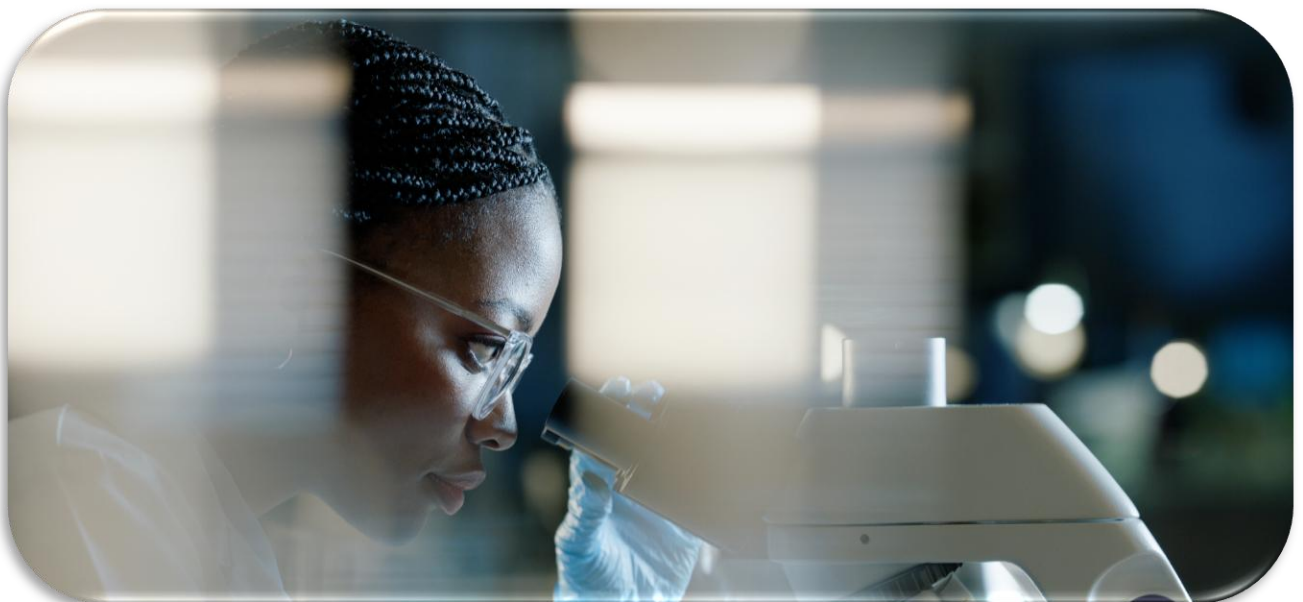
Furthermore, Forbion continues to reaffirm its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment, and Anti-Corruption. As a member of the United Nations Global Compact, we participate in the annual Communications on Progress, disclosing our continuous efforts to integrate the Ten Principles into our business strategy, culture, and daily operations, and contribute to United Nations goals, particularly the Sustainable Development Goals (SDGs).

In its life sciences investments Forbion particularly contributes to the following two 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”.

In December 2023 Forbion also became a member of the Global Impact Investing Network (GIIN). Our membership signifies a commitment to deepening our engagement in the impact investing industry, by joining a group of peers to connect, learn and exchange best practices around impact investing.



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 management 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 the promotion and further development of Forbion's ESG and impact methodology. Currently, the FRIC consists of the following members:

- Geert-Jan Mulder (Chairman), MD; Managing Partner
- Machteld Groeneveld, LL.M MBA; Chief Compliance Officer & Legal Affairs
- Vincent van Houten; CFO and Risk Officer – General Partner
- Silva Dezelan (Vice-Chair), PhD; Head of Impact & ESG
- Robbert van de Griendt, MSC; General Partner IR & Impact



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 throughout portfolio management are important across Forbion's strategies: ventures and growth. Individual funds may add additional criteria to account for their sector- or strategy-specific characteristics.

Policy updates

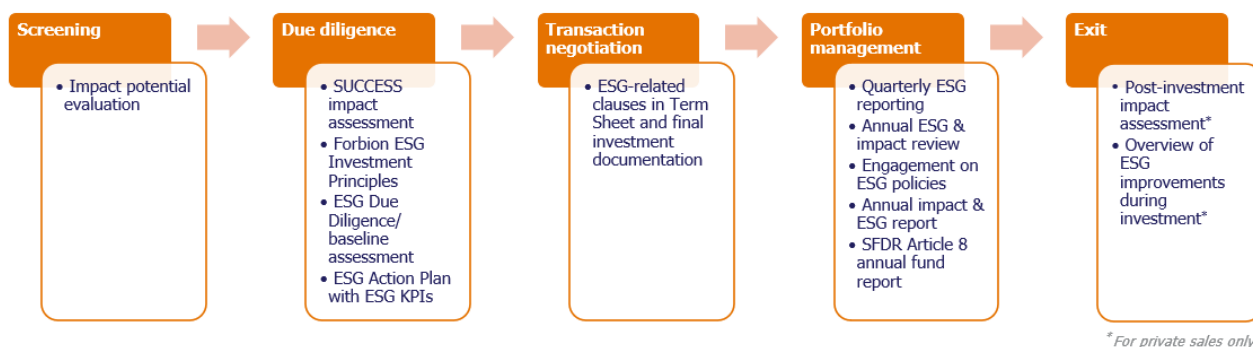
Forbion continues to refine and elevate its approach to responsible investing, which is based on exclusions, ESG integration and impact measuring, among others. The FRIC shall review this policy at least once a year on effectiveness, and whether it is still up to date, including whether it is in line 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 MANAGEMENT PROCESS

In order to create economic and societal value, Forbion has integrated ESG and impact considerations in each stage of the investment management process. 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. Forbion has integrated ESG and impact factors in the assessment of investment opportunities as part of screening and due diligence. Prior to investing Forbion expects companies to adhere to Forbion's ESG Investment Principles. As part of portfolio management, Forbion aims to influence companies, including on sound ESG practices, by taking board seats and engaging with the management team. Throughout its ownership, Forbion monitors and reports on the impact that the companies have. Finally, Forbion conducts an ESG and impact assessment for private sales at exit. We illustrate and describe our process per stage in more detail below.

Impact & ESG integration in Forbion's investment process



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.

During **due diligence**, our investment team thoroughly assesses 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 conduct the ESG due diligence analysis and screen each deal against the *Forbion Responsible Investment Policy*. Our ESG due diligence questionnaire is based on the risks identified as material for our portfolio companies. The assessment serves to ensure that investment managers are well positioned to make informed investment decisions, taking into account ESG and impact.

In the **negotiation** phase ESG-related clauses are incorporated in our term sheets and in final investment documentation. These include the results of the ESG due diligence analysis, and follow-on actions defined on that basis. By signing up to *Forbion's ESG Investment Principles*, each portfolio company commits to sound management. Forbion has a hands-on approach to investing and in principle negotiates that representatives are assigned board seats for further support.

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 portfolio companies and are reported 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, as summarized in the ESG KPIs.

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
- Health & Safety
- Good governance
- Business integrity & ethics
- Data governance
- Human capital
- Climate change
- Waste

Forbion funds generally make investments in life sciences companies of a relatively early maturity stage, with limited number of employees and corporate governance structures yet to be set up. With this in mind, Forbion endorses good governance structures 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 early stage on. Their carbon emissions and broader environmental footprint are typically limited as they outsource most research and manufacturing activities to specialized contract- clinical research and manufacturing organizations and do not mass-produce drugs. Nevertheless, Forbion finds it important to create awareness about the companies' carbon emissions and waste. Forbion's policy on these material ESG topics is further explained in the table below.

Forbion's policy regarding material ESG factors for life sciences companies

ESG topic	Description	Forbion Policy
Drug safety	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.
Access and affordability	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.
Quality assurance	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.

Research practices	Ethical and safe research practices; minimize animal testing, promote animal well-being	Forbion uses best efforts for the portfolio companies to • abide by all applicable guidelines and regulations regarding animal care in each country in which it operates. • comply with the application of industry standard “three R principles” (replacement, reduction, refinement); • facilitate that any animal experimentation is carried out in accordance with EU- (as enacted into national laws) and/or US-regulations; • 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.
Health and safety	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 working environment.
Good governance	Ensuring independence, variety of profiles, expertise and appropriate composition of the management & board teams steering the companies.	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.
Business integrity & ethics	Acting in accordance with company values. No corruption, fraud and bribery.	Forbion supports our investments in drafting policies and adopting best-practices.
Data governance	Managing and protecting an organization's data assets, including data privacy & data integrity.	We require our companies to adhere to the applicable data privacy regulations in their geographies. We monitor companies’ adoption of data security, privacy and integrity standards & policies as part of our annual monitoring and due diligence, taking actions where gaps are identified.
Human Capital	Recruitment and retention, diversity	We support the staffing of teams through our wide network and reputation, and we monitor diversity within our team and portfolio companies as part of our annual ESG reporting. As a firm, we support the United Nations Global Compact and its ten principles, requiring our portfolio companies to adhere to its fundamental, internationally recognised principles on human rights and labour standards.
Climate change	Reducing energy consumption and limiting carbon footprint.	We stimulate our investments to monitor and manage carbon emissions.
Waste	Minimizing waste production and adequate handling of hazardous waste streams.	We require our companies to adhere to regulations and provide operational guidance.

Forbion is committed to monitor and manage material ESG factors and has incorporated them in the due diligence assessment and value creation stage. For the post-investment, value creation stage, Forbion has formulated ESG KPIs that correspond to what Forbion considers material to the companies it invests in. These ESG KPIs form are an integral part of the engagement with portfolio companies and are an inherent part of

reporting by the funds to their investors. Additionally, tailored actions and deliverables may follow from due diligence for specific portfolio companies.

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 abide by the industry standard “3Rs” (replacement, reduction, refinement) for animal testing and do not comply with applicable regulations regarding animal care in each country in which they operate.
- 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. These *Principles* are attached to this Policy as **Appendix 1**.

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 seven criteria. These 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.

Forbion SUCCESS impact factor scoring guide

Category	Definition of scoring				
	5	4	3	2	1
Severity of disease	Life threatening	Debilitating	Considerable impact on quality of life	Modest impact on quality of life	Lifestyle interaction
Unmet medical need	No alternative treatment	Very considerable treatment advantage	Considerable treatment advantage	Modest treatment advantage	No treatment advantage
Cost-Savings potential	Evident	Very considerable	Considerable	Modest	Minute
Curative potential	Cure / disease modification	Clinical meaningful change	Severe symptom relief	Mild/moderate symptom relief	Minimal difference
ESG considerations	Fully integrated by company	Implementation toward compliance in place	Resolve minor non-compliance issues, plan in place	Overcoming major non-compliance issues	Non-compliant
Size of addressable patient population	> 5 million	1 – 5 million	0.1 – 1 million	1000 – 0.1 million	0 – 1000
Significance of innovation	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*, and exclusion criteria, investment managers are well positioned to make informed investment decisions, taking into account both, impact and ESG factors.

EXCLUSION POLICY

Forbion does not engage in developing drugs which may be addictive (e.g. opioids) 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,
- 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 focus on sustainability and greater transparency brought by this regulation. The funds managed by FCPM III Services B.V are classified as **Article 8 SFDR**. 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, the investment management process is followed as detailed in Forbion's System Description. We refer to the *Service Organization Control Report of Forbion* for this purpose. Part of the investment management 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 when making investment decisions.

Remuneration policies

Forbion pays its staff a combination of fixed and variable remuneration (including a possible bonus). Variable remuneration for relevant staff is based on performance criteria which also take into account compliance with all policies and procedures which are in effect within Forbion, including those related to sustainability risks. Employees are periodically trained on the applicable policies and procedures, and are required to execute an adherence form acknowledging that they will comply with such policies and procedures.

No consideration of adverse impacts of investment decisions on sustainability factors

In accordance with article 4 sub 1(b) of the SFDR, Forbion states that it does not consider the principal adverse impact 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. Forbion cannot reasonably gather and/or measure all the relevant data of portfolio companies, taking into account reasonable costs for the companies, clients and investors. Given the small size of Forbion as an organization, and the impact on some of the portfolio companies, such disclosures as set forth in article 4 sub 1(a) of the SFDR and the administrative burden in connection therewith would not be proportional.

¹ Regulation (EU) 2019/2088.

RESPONSIBLE BUSINESS OPERATIONS

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 financial services firm is limited, we do strive to mitigate our environmental, and in particular carbon footprint. We calculate our emissions on an annual basis and neutralize them by supporting tree planting projects of Land Life. Furthermore, we use videoconferencing and encourage employees to use sustainable travel options.

PEOPLE

Within our own team we aim to actively create an atmosphere of transparency and of 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.

Forbion embraces its employees' differences and is aware of the benefits that a diversified team brings. It is for this reason that diversity considerations are incorporated in our recruitment and selection, compensation, professional development and training, promotions, and other employee-related matters. We refer to Forbion's *Diversity, Equity & Inclusion Policy* for more details.

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. These policies cover *Anti-Money Laundering, Compliance, Conflicts of Interest, Diversity, Equity & Inclusion, ICT and Cyber Security, Remuneration, Transparency and Valuations*, among others.

Any ESG risks, opportunities or initiatives related to our internal business operations are being suggested by Forbion's Impact & ESG team and brought for discussion in Forbion's Responsible Investments Committee. Recommendations are then submitted to the Firm's General Partners or Forbion's Board.



Appendix 1: FORBION ESG INVESTMENT PRINCIPLES – Life Sciences

Forbion ESG Investment Principles - Life Sciences		
Environmental		Yes/No
Climate	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 ethanol or other relevant greenhouse gasses.	
Hazardous waste	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.	
Sustainable production	The company's management confirms that the company does not and will not develop or produce products in a way that is considered non-sustainable. In particular, it will not disproportionately use scarce raw materials.	
Social		Yes/No
Diversity	The company management confirms that it respects and will promote diversity, equity & inclusion of its employees.	
Human rights	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 (https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr_en.pdf).	
Consumer protection	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.	
Unethical/Harmful activities	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.	
Animal Welfare	The management of the company confirms that it is the company's policy to use 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
Management Structure	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 (https://www.oecd.org/corporate/ca/Corporate-Governance-Principles-ENG.pdf), to the extent applicable, taking into account <i>i.o.</i> its size and phase of development.	
Management Structure	The management of the company confirms that an audit committee has been appointed/ will be appointed.	
Management Structure	The management of the company confirms that a remuneration committee has been appointed/ will be appointed.	
Management Structure	The management of the company confirms that an independent auditor has been appointed/will be appointed.	
Employee Relations	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.	
Executive Compensation	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
Information	The management of the company confirms it will periodically report on requested ESG and impact indicators, including material sustainability and ESG initiatives implemented for value creation and risk mitigation.	
External	The management of the company confirms that it is aware of and adheres to the <i>Forbion Policy on Responsible Investments</i> and <i>Forbion Diversity, Equity & Inclusion Policy</i> , as updated from time to time.	
Company Management: Name, Date, Signature		

Appendix 2 :

International Finance Corporation (IFC) 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.¹
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Gambling, casinos and equivalent enterprises.¹
- 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.

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 activities involving harmful or exploitative forms of forced labor²/harmful child labor.³
- 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 labor²/harmful child labor.³
- 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 labor²/harmful child labor.³

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.