

Summary (English)

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Stepping Stone Fund I Coöperatie U.A. (hereinafter the “Fund”) is a fund managed by NLC Fund Management B.V. (hereinafter “NLC” or the “Manager”).

Medical innovations are necessary to tackle healthcare challenges, but they do not reach the patient in time or at all. The Fund aims to foster bottom-up solutions by investing in medical ventures based on innovative ideas and inventions. By doing so, the main sustainable investment objective of the Fund is to improve human health and well-being, as well as making healthcare more affordable and accessible to all.

The Manager aims to achieve this sustainable investment objective through the following activities:

- Bringing science to life by transforming otherwise dormant or abandoned innovative projects into market-ready healthcare solutions;
- Making the early-stage investable by sharing and reducing entrepreneurial risks, focusing on growth financing and providing a long-term commitment to achieve success together with the Portfolio Companies;
- Attracting and developing talent into the entrepreneurial process by de-risking their journey and helping them to develop the required skills and mindset; and
- Mobilising networks and partners to speed up the process of building early-stage Portfolio Companies through knowledge transfer and access to experts and partners.

The Manager uses two sets of key performance indicators (KPIs) to measure the achievement of this sustainable investment objective; one for direct outcomes (impact achieved by actions of the Manager), as well as one for indirect outcomes (impact achieved by Portfolio Companies)

The objective of the Fund is to invest the proceeds of the offering of the Participations in approximately 40 early-stage European healthcare ventures through (i) convertible loans and (ii) equity investments. It will provide capital to increase the opportunities for novel health tech technologies to transform into healthcare solutions that benefit patients on a global level. All the Fund’s investments will be characterized as a Sustainable Investment, and they need to comply with at least one of the following criteria (as reasonably determined by the Manager):

- a. Happy Patients: improve quality of patient life;
- b. Happy Workforce: increase satisfaction and safety for healthcare professionals, reduce work pressure and burden;
- c. Happy Society: reduce costs of healthcare, the required workforce needed and the burden on caregivers and patients; and
- d. Happy Planet: decrease the environmental footprint of the healthcare system.

The selection process of the Fund’s Portfolio Companies consists of four different phases (known as the NLC

Venture Building Process), the completion of which eventually leads to the creation of a new early-stage health tech company. Every phase is concluded with documentation of the findings, on the base of which a go or no-go decision is made. For a technology to proceed to the next phase in the NLC Venture Building Process, there needs to be (significant) positive impact potential on at least one of the four main impact categories in the impact measurement framework described above (patient, workforce, society, planet), in comparison to (existing or foreseeable) alternatives.

When selecting and monitoring the Portfolio Companies, as part of the investment due diligence procedure that takes place during the selection process, the Manager employs an ESG (Environmental, Social, Governance) due diligence for each potential investment while applying a sustainability impact measurement and reporting framework. Positive impact is assessed and documented in NLC's investment proposals, structured via the Impact Management Project ("IMP") model. All (envisaged) investments by the Fund (following the restrictions as laid out in the Fund Agreement) are sustainable investments with a social objective.

In the portfolio management phase, NLC sets clear guidelines and expectations (including setting up and implementing policies). To help the Portfolio Companies meet these guidelines, NLC supports the Portfolio Companies with related tools, training and templates. Through the contact between a Portfolio Company and a Venture Partner, NLC actively monitors and steers on increasing and realising the impact potential and mitigating the ESG and sustainability risks. This is also an integral part of the quarterly and annual governance review cycles (see section below).

Despite the active engagement with NLC's Portfolio Companies as mentioned above on impact, sustainability, and ESG, the situation might still occur that unacceptable levels of ESG and sustainability risks arise within a Portfolio Company. As a last resort, in such instances, NLC and the Funds have the possibility to divest.

Due to the very early-stage nature of the Portfolio Companies, the principal adverse impacts these Portfolio Companies have will be very limited, nor will there likely be any meaningful data available. Consequently, it is challenging to report on all the different PAI indicators which have been identified. However, as part of our ESG and responsible investment approach (including Do No Serious Harm, "DNSH"), we do consider possible principal adverse impacts of our (potential) Portfolio Companies both during due diligence, as well as monitoring these potential adverse impacts post-investment and actively steering and supporting Portfolio Companies to address these.

On a portfolio level, NLC annually summarises the outcomes of all impact, ESG and sustainability assessments of the Portfolio Companies in an Impact Report. This Impact Report informs all relevant stakeholders (including but not limited to NLC shareholders and investors in the Funds) of NLC's performance in this matter. Moreover, this report allows NLC to evaluate the Portfolio Companies' impact potential, ESG, sustainability risks, and adapt its strategy where needed.

Samenvatting (Nederlands)

An English summary can be found on page 1-2 / Een Engelse samenvatting is te vinden op pagina 1-2

Stepping Stone Fund I Coöperatie U.A. (hierna het "Fonds") is een fonds beheerd door NLC Fund Management B.V. (hierna "NLC" of de "Beheerder").

Medische innovaties zijn nodig om de vele uitdagingen binnen de zorg het hoofd te kunnen bieden, maar velen hiervan bereiken de patiënt niet of niet tijdig. Het Fonds streeft ernaar hier een bijdrage aan te leveren door te investeren in medische ondernemingen welke innovatieve ideeën en uitvindingen verder ontwikkelen en commercialiseren. Hierdoor is de belangrijkste duurzame beleggingsdoelstelling van het Fonds het verbeteren van de gezondheid en het welzijn van de mens, alsook het betaalbaarder en toegankelijker maken van de gezondheidszorg voor iedereen.

De Beheerder beoogt deze duurzame beleggingsdoelstelling te realiseren door middel van de volgende activiteiten:

- Het tot leven brengen van wetenschappelijke vindingen door anderszins sluimerende innovatieve projecten om te zetten in marktklare oplossingen voor de gezondheidszorg;
- Het investeerbaar maken van de vroegste fase in de ontwikkeling van start-ups, door ondernemersrisico's te delen en te verminderen, door te focussen op groeifinanciering en door een lange termijn engagement te bieden om samen met de Portfoliobedrijven succes te behalen;
- Het aantrekken en ontwikkelen van talent als nieuwe ondernemers door hen te helpen de vereiste vaardigheden en mentaliteit te ontwikkelen en door het gezamenlijk verminderen van het ondernemingsrisico; en
- Het mobiliseren van netwerken en partners om het proces van het opbouwen van beginnende bedrijven te versnellen door middel van kennisoverdracht en toegang tot experts en partners.

De Beheerder gebruikt twee sets van key performance indicators (KPI's) om de realisatie van deze duurzame beleggingsdoelstelling te meten; één voor directe resultaten (impact bereikt door acties van de Beheerder), en één voor indirecte resultaten (impact bereikt door Portfoliobedrijven)

De doelstelling van het Fonds is om de opbrengsten van het aanbod van de Participaties te beleggen in ongeveer 40 jonge Europese ondernemingen in de gezondheidszorg door middel van (i) converteerbare leningen en (ii) investeringen in aandelen. Alle beleggingen van het Fonds worden gekenmerkt als een duurzame belegging en ze moeten voldoen aan ten minste een van de volgende criteria (zoals redelijkerwijs bepaald door de Beheerder):

- a. Happy Patients: de kwaliteit van het leven van de patiënt verbeteren;
- b. Happy Workforce: verhogen tevredenheid en veiligheid voor zorgprofessionals, verminderen werkdruk en werkdruk;
- c. Happy Society: verlagen van de kosten van de gezondheidszorg, het vereiste personeelsbestand en de belasting van zorgverleners en patiënten; en
- d. Happy Planet: verkleinen van de ecologische voetafdruk van het zorgsysteem.

Het selectieproces van de Portfoliobedrijven van het fonds bestaat uit vier verschillende fasen (bekend als het NLC Venture Building Process), waarvan de voltooiing uiteindelijk leidt tot de oprichting van een nieuw beginnend bedrijf. Elke fase wordt afgesloten met documentatie van de bevindingen, op basis waarvan een go of no-go beslissing wordt genomen. Om een technologie naar de volgende fase in het NLC Venture Building Process te laten gaan, moet er een (aanzienlijk) positief impact potentieel zijn op ten minste één van de vier belangrijkste impact categorieën zoals hierboven beschreven (patiënt, personeel, maatschappij, planeet), in vergelijking met (bestaande of voorzienbare) alternatieven.

Bij het selecteren en monitoren van de Portfoliobedrijven, als onderdeel van de due diligence-procedure voor investeringen die plaatsvindt tijdens het selectieproces, past de Beheerder een ESG-due-diligence (Environmental, Social, Governance) toe voor elke potentiële investering door het toepassen van een duurzaamheidsimpact meting en -rapportage. Positieve impact wordt beoordeeld en gedocumenteerd in de investeringsvoorstellen van NLC, gestructureerd via het Impact Management Project ("IMP") model. Alle (voorgenomen) beleggingen van het Fonds zijn duurzame beleggingen met een maatschappelijk doel.

In de portfoliomanagement fase stelt NLC duidelijke richtlijnen en verwachtingen op het gebied van impact & ESG. Om de Portfoliobedrijven te helpen om aan deze richtlijnen te voldoen, ondersteunt NLC de Portfoliobedrijven met relevante tools, trainingen en sjablonen. Door het contact tussen een Portfolio Company en een Venture Partner, monitort en stuurt NLC actief op het vergroten en realiseren van het impact potentieel en het mitigeren van de ESG- en duurzaamheidsrisico's. Dit is ook een integraal onderdeel van de kwartaalijks en jaarlijkse cycli van governance-evaluatie.

Ondanks de actieve betrokkenheid bij NLC's Portfoliobedrijven zoals hierboven vermeld, kan de situatie toch voorkomen dat er onaanvaardbare niveaus van ESG- en duurzaamheidsrisico's ontstaan binnen een Portfoliobedrijf. Als laatste redmiddel hebben NLC en de Fondsen in dergelijke gevallen de mogelijkheid om te desinvesteren.

Vanwege het zeer vroege karakter van de Portfoliobedrijven zullen de belangrijkste nadelige gevolgen (principle adverse impacts, PAIs) van deze Portfoliobedrijven zeer beperkt zijn en zullen er waarschijnlijk geen relevante gegevens beschikbaar zijn. Als onderdeel van NLC's impact beleggingsstrategie (waaronder Do No Serious Harm, "DNSH"), wordt er echter wel rekening gehouden met de belangrijkste nadelige gevolgen van de (potentiële) Portfoliobedrijven, zowel tijdens due diligence als bij het monitoren van deze mogelijke nadelige gevolgen post-investering.

Op portfolio niveau vat NLC jaarlijks de uitkomsten van alle impact-, ESG- en duurzaamheidsbeoordelingen van de portefeuillebedrijven samen in een impact rapport. Dit impact rapport informeert alle relevante belanghebbenden (inclusief investeerders in de Fondsen) over de prestaties van NLC op dit gebied. Bovendien stelt dit rapport NLC in staat om het impact potentieel én (duurzaamheids)risico's van de Portfoliobedrijven te evalueren en de strategie waar nodig aan te passen.

No significant harm to the sustainable investment objective

NLC acknowledges its responsibility toward climate change risks and other potential principal adverse impacts through our investment decisions and our contact with Portfolio Companies and other institutions. When selecting and monitoring the Portfolio Companies, as part of the investment due diligence procedure that takes place during the selection process, the Manager employs an ESG (Environmental, Social, Governance) due diligence for each potential investment while applying a sustainability impact measurement and reporting framework. Within this ESG due diligence, the Manager assesses whether the targeted Portfolio Company meets the requirement of a Sustainable Investment and whether there are any 'red flags' (for example, unmanageable ESG risks) that should prevent the Manager from proceeding with the potential transaction with the targeted Portfolio Company. By means of this ESG due diligence procedure, the Manager aims to identify the most important Sustainability Risks (and opportunities) and to identify and define appropriate mitigation activities.

Principle Adverse Impact

The concept of Principal Adverse Impact ("PAI") is defined by the European Union as follows:

"Negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity."

Due to the very early-stage nature of the Portfolio Companies, the principal adverse impacts these Portfolio Companies have will be very limited, nor will there likely be any meaningful data available. Consequently, it is challenging to report on all the different PAI indicators which have been identified. However, as part of our ESG and responsible investment approach (including Do No Serious Harm, "DNSH"), we do consider possible principal adverse impacts of our (potential) Portfolio Companies both during due diligence, as well as monitoring these potential adverse impacts post-investment and actively steering and supporting Portfolio Companies to address these.

OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

Adherence to and alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights - including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights - is included in the good governance checklist used by NLC as part of its due diligence and portfolio management processes. Adherence to the stipulations as set forth in the good governance checklist - including the guidelines mentioned above - is mandatory for all of the Fund's Portfolio Companies and is included as a binding obligation in all shareholder agreements entered into between the Fund and the Portfolio Companies from the date of this publication onwards. For all previously entered into shareholders agreements with Portfolio Companies, this obligation will be included in the next revision of such agreement (and is mandatory to be included as part of a follow-on investment made by the Fund in a Portfolio Company).

Sustainable investment objective

Medical innovations are necessary to tackle healthcare challenges, but they do not reach the patient in time or at all. The Fund aims to foster bottom-up solutions by investing in medical ventures based on innovative ideas and inventions. By doing so, the main sustainable investment objective of the Fund is to improve human health and well-being, as well as making healthcare more affordable and accessible to all.

The Manager aims to achieve this sustainable investment objective through the following activities:

- Bringing science to life by transforming otherwise dormant or abandoned innovative projects into market-ready healthcare solutions;
- Making the early-stage investable by sharing and reducing entrepreneurial risks, focusing on growth financing and providing a long-term commitment to achieve success together with the Portfolio Companies;
- Attracting and developing talent into the entrepreneurial process by de-risking their journey and helping them to develop the required skills and mindset; and
- Mobilising networks and partners to speed up the process of building early-stage Portfolio Companies through knowledge transfer and access to experts and partners.

The Manager uses two sets of key performance indicators (KPIs) to measure the achievement of this sustainable investment objective; one for direct outcomes (impact achieved by actions of the Manager), as well as one for indirect outcomes (impact achieved by Portfolio Companies). A few examples of these KPIs are listed below (non-exhaustive list):

Direct outcomes (actions Manager):

- Number of Portfolio Companies invested in;
- Total investments (in EUR) attracted by Portfolio Companies;
- Percentage of Portfolio Companies financed to need;
- Multiplier of investments attracted by Portfolio Companies (ratio total investments received by Portfolio Company / investment in Portfolio Company by Fund);
- Number of partnerships and collaborations initiated by Manager; and
- Number of active members in network and community of the Manager.

Indirect outcomes (actions Portfolio Companies):

- (Potential) number of quality-adjusted life years (QALYs) added;
- (Potential) number of patients impacted; and
- Costs reduced (in EUR) (per patient and in total);

A full list of the KPIs can be found in the Manager's ESG & Impact Policy, which can be found on the Manager's website (<https://nlc.health/about-nlc/impact-esg-policy/>)

Investment strategy

The objective of the Fund is to invest the proceeds of the offering of the Participations in approximately 40 early-stage European healthcare ventures through (i) convertible loans and (ii) equity investments. It will provide capital to increase the opportunities for novel health tech technologies to transform into healthcare solutions that benefit patients on a global level. All the Fund's investments will be characterised as a Sustainable Investment, and they need to comply with at least one of the following criteria (as reasonably determined by the Manager):

- e. Happy Patients: improve quality of patient life;
- f. Happy Workforce: increase satisfaction and safety for healthcare professionals, reduce work pressure and burden;
- g. Happy Society: reduce costs of healthcare, the required workforce needed and the burden on caregivers and patients; and
- h. Happy Planet: decrease the environmental footprint of the healthcare system.

The Manager also actively employs a good governance policy, meaning that all Portfolio Companies need to comply with standard governance rules and regulations (such as standard clauses which are included in all articles of association) to ensure continued compliance with the Manager's sustainable investment objectives. Furthermore, the Manager has developed and applies a checklist in respect of good governance standards in order to determine the level of good governance of a Portfolio Company in light of the aforementioned Sustainable Investments investment objective.

Proportion of investments

All (envisaged) investments by the Fund are sustainable investments with a social objective. Since none of the investments has an environmental objective the EU Taxonomy does not apply.

Monitoring of sustainable investment objective

On a portfolio level, NLC annually summarises the outcomes of all impact, ESG and sustainability assessments of the Portfolio Companies in an Impact Report. This Impact Report informs all relevant stakeholders (including but not limited to NLC shareholders and investors in the Funds) of NLC's performance in this matter. Moreover, this report allows NLC to evaluate the Portfolio Companies' impact potential, ESG, sustainability risks, and adapt its strategy where needed.

Active monitoring of its ESG, sustainability and impact performance indicators is key for NLC to get insight into its progress towards achieving its objectives. This data is vital input for our steering and support towards Portfolio Companies, as i) it ensures all stakeholders can be properly informed; ii) it enforces awareness and

highlights the need for decisive positive impact action and compliance, both within NLC and its Portfolio Companies and lastly iii) it provides NLC with the opportunity to influence the healthcare investment sector as a whole in moving towards more impactful and sustainability-driven investments.

Methodologies

Due to the early-stage nature of most portfolio companies, reference benchmarks are not available. To determine ESG & Impact performance, the Manager has developed their own framework, based on well-established standards such as the Impact Management Project (IMP), GRI and SFDR.

Data sources and processing

Based on the stage of development of the company (e.g. product development, go-to-market preparation, market entry), Portfolio Companies provide NLC with impact-related data on a quarterly or annual basis. A standardised data set is used and reported to NLC via a digital portal, including automated quality checks. Where useful and viable, NLC provides its Portfolio Companies with digital tools to simplify and embed data gathering (e.g. tools to estimate impact parameters or standard customer surveys which can be used).

Mandatory minimum impact reporting will be embedded in the shareholder's agreement of the Portfolio Companies and the investment agreements of the Funds. NLC monitors the quality of tools used by the companies for key impact measurements and analysis. An example of this includes a mandatory Health Technology Assessment - to be carried out by an independent third-party - as a requirement for all Portfolio Companies before starting their market certification process.

Limitations to methodologies and data

Impact data gathering and reporting will develop over time, and not all KPIs will be available immediately or at the ideal quality level. NLC provides maximum transparency about the source and quality of its impact data on a portfolio level, as well as the principles and decisions behind its reporting structure and KPI operationalisation. Having said that, these limitations currently do not prevent NLC from already actively monitoring and achieving its sustainability objectives.

Due diligence

The selection process of the Fund's Portfolio Companies consists of four different phases (known as the NLC Venture Building Process), the completion of which eventually leads to the creation of a new early-stage health tech company. Every phase is concluded with documentation of the findings, on the base of which a go or no-go decision is made. Any technologies not meeting the required objectives as outlined below are dropped from the process as quickly as possible.

The selection is based on several criteria, including (non-exhaustive list):

1. Scope assessment: does the technology offered by the company fit within NLC's venture

building scope?

2. Technology assessment: is the technology novel and innovative compared to existing products in the market?
3. Problem-solution fit assessment: is the problem that the technology aims to solve recognized by key physicians/end-users in the market?
4. IP assessment: how strong is the technology's patent position, and can it be adequately protected against competing developments?
5. Feasibility assessment: what is the technology's approximate development trajectory, what costs are associated with this and is the total obtainable market size large enough to warrant an investment
6. Sustainability: does the technology fit within the Manager's ESG & Impact Policy

For a technology to proceed to the next phase in the NLC Venture Building Process, there needs to be (significant) positive impact potential on at least one of the four main impact categories in the impact measurement framework described above (patient, workforce, society, planet), in comparison to (existing or foreseeable) alternatives.

Positive impact is assessed and documented in NLC's investment proposals, structured via the Impact Management Project ("IMP") model. Both impact opportunities, ESG and sustainability risks are considered as part of the riskiest assumptions. For any investment made by the Fund, the Risk, Impact and Compliance Officer can exercise their veto in case the ESG and sustainability risks are considered to be unacceptable.

Engagement policies

In the building phase, NLC sets clear guidelines and expectations (including setting up and implementing policies). To help the Portfolio Companies meet these guidelines, NLC supports the Portfolio Companies with related tools, training and templates. This support will be provided in the first instance by a member of NLC's Venture Partner Group, who serves as the main point of daily contact between NLC and the company. Through the contact between a Portfolio Company and a Venture Partner, NLC actively monitors and steers on increasing and realising the impact potential and mitigating the ESG and sustainability risks. This is also an integral part of the quarterly and annual governance review cycles (see section below).

Moreover, adequate performance on the realisation of impact goals and the mitigation of ESG and sustainability risks is included in the follow-on investment decisions made by NLC's Funds. In all investment proposals submitted to consider an investment by a Fund in a Portfolio Company, input on impact potential, ESG, and sustainability risks are an integral part of the investment decision-making. Moreover, the Fund's Risk, Impact and Compliance Officer has the possibility to veto any potential investment if a Portfolio Company does not comply with all impact, ESG, and sustainability requirements as set out in this Impact & ESG Policy and/or the relevant Fund Documents.

Despite the active engagement with NLC's Portfolio Companies as mentioned above on impact, sustainability, and ESG, the situation might still occur that unacceptable levels of ESG and sustainability risks arise within a Portfolio Company. As a last resort, in such instances, NLC and the Funds have the possibility to divest.

Attainment of the sustainable investment objective

Not applicable as the Fund does not have a reduction in total greenhouse gases as its goal.