

Bellevue Healthcare Trust plc WS Bellevue Healthcare Fund

EU Regulatory Disclosure Report

EU Disclosure Regulations 2019/2088

April 2022

The following information summarizes the regulatory requirements of the EU Disclosure Regulation 2019/2088 (EU SFDR) with respect to individual strategies that have uniform ESG characteristics.

a) Summary

The investment strategy takes into account social, environmental as well as governance-related characteristics (ESG) as part of the implementation of its investment objectives, in accordance with the provisions of Article 8 of the EU Disclosure Regulation 2019/2088 (EU SFDR).

b) No sustainable investment objective

The investment strategy takes into account social, environmental or governance-related characteristics, but does not pursue a sustainable investment objective. The strategy invests to some extent in sustainable investments. While the adverse impacts on sustainability goals mentioned in Annex I of the RTS are not explicitly taken into account until the RTS is ratified, harmful ESG practices are evaluated by means of involvement in controversial business areas, ESG ratings, and by taking into account the standards of the UN Global Compact, the UN Guiding Principles for Business and Human Rights, and Conventions 1 and 2 of the International Labor Organization (ILO).

c) Environmental or social characteristics of the strategy

The strategy takes into account social as well as environmental characteristics. These essentially comprise the following elements:

- 1) Exclusion of serious violations of global norms
- 2) Value-based exclusions based on revenue thresholds
- 3) ESG integration into fundamental company analysis
- 4) ESG stewardship through constructive corporate dialogue (engagement) and the exercise of voting rights (proxy voting)

d) Investment strategy

The investment objective of the strategy is to achieve long-term capital growth by investing in equities and other equity securities. In doing so, the sustainability characteristics described under c) are taken into account as follows:

Serious violations of global standards in the areas of the environment, human rights and ethical business practices are excluded. This is measured by compliance with the principles of the UN Global Compact Compliance, UN Guiding Principles for Business and Human Rights, and standards of the International Labor Organization.

In contrast to exclusions based on violations of global standards, **value-based exclusions** are based on social, ethical and moral views. Percentages of sales per business segment are defined which a company must not exceed in controversial business areas such as conventional weapons, thermal coal or tobacco production. Issuers whose annual sales exceed the defined tolerance limits are excluded.

In addition, Bellevue Asset Management (UK) Ltd follows an "ESG integration approach" in its investment process with the sub-aspects environment ("E" for Environment), social ("S" for Social) and good governance ("G" for Governance).

Further information on the application of its sustainability approach can be found here: <https://www.bellevue.ch/uk-en/institutional/esg/sustainability>

e) Proportion of sustainable investments

In principle, Bellevue Asset Management (UK) Ltd aims to invest the entire assets of the above-mentioned strategies in a sustainable manner. However, since some companies do not yet have an ESG rating, a minimum percentage allocation to sustainable investments is defined. Investments that do not fully meet the criteria of Bellevue Asset Management (UK) Ltd's ESG

integration approach are allocated a maximum permissible residual share. In order to calculate the minimum allocation to sustainable investments, asset classes that cannot be assessed in advance according to ESG criteria, such as cash and cash equivalents or foreign currency forwards, are excluded from consideration and the minimum proportion is calculated based on the net invested assets.

The minimum proportion of sustainable investments is determined as follows:

Strategies	Minimum proportion of sustainable investments ("ESG investment allocation")	Maximum proportion of investments that are not fully sustainable ("Residual allocation")
Bellevue Healthcare Trust plc	60%	40%
WS Bellevue Healthcare Fund	60%	40%

For derivatives with one underlying instrument, the underlying instrument as well as the issuer must meet the asset manager's sustainability criteria, otherwise they are allocated to the portion of the assets that is not classified as sustainable.

For derivatives with several underlying instruments (e.g. index, basket), the underlying instruments of the derivative on average as well as the issuer must meet the sustainability criteria of the asset manager, otherwise they are allocated to the portion of the assets that is not classified as sustainable.

f) Monitoring of environmental or social characteristics

The ESG characteristics mentioned are recorded and documented at least on a quarterly basis. Compliance with the specifications with regards to the global standards as well as the value-based exclusions is checked by Risk Management. Exposure regarding value-based controversial business areas, potential/assumed ESG Laggards (MSCI ESG rating CCC or B), as well as current engagement and voting activities are discussed with the portfolio management teams during internal reviews. A quarterly summary of key ESG characteristics of the individual strategies is provided to management of Bellevue Asset Management (UK) Ltd.

g) Methodology

Global norms

Compliance with the given ESG characteristics is checked using various methodologies. Compliance with global standards, including compliance with the exclusion of controversial weapons, is measured against the standards and principles of the UN Global Compact, the UN Guiding Principles for Business and Human Rights, and Conventions 1 and 2 of the International Labor Organization (ILO). Based on assessments by leading ESG research providers (currently MSCI ESG), Bellevue Asset Management (UK) Ltd maintains an exclusion list which is updated quarterly and approved by the Compliance Office.

Norms-based exclusions

Business areas that are controversial in terms of ethical and moral values are excluded if their sales exceed the tolerance limits for annual sales defined below:

Potential issue/controversy	Threshold
Unconventional weapons	0%
Conventional weapons & military contracts	2%
Thermal coal	2%
Other fossil fuels	2%
Nuclear power	2%
Palm oil	5%
Responsible mineral sourcing	2%
Environmentally damaging agricultural chemicals	10%
Alcohol production (beverages)	2%
Tobacco production	2%
Tobacco sales	10%
Cannabis-based products ¹⁾	n/a
Pornography	2%
Gambling	2%
Predatory lending practices	2%
Animal testing and related animal welfare issues ²⁾	n/a
Genetic research ³⁾	n/a
Use of embryonic stem cells	5%

¹⁾ The investment manager can invest, and has invested, into holdings that offer therapeutic products derived from, or containing cannabinoids. However, the investment manager would not knowingly invest into a holding involved in the production or supply of recreational cannabis products.

²⁾ The use of animal disease models in pharmaceutical R&D and the undertaking of pre-clinical testing in animal species are integral parts of the regulatory pathway for approving new medicines. Given the risks involved in unproven medicines and the human suffering such products alleviate, we agree such testing is morally and ethically justified at the current time due to the absence of credible alternatives. We therefore limit our focus to ensuring that investee companies adhere to the highest standards of welfare in respect of the animals that are used for such purposes.

³⁾ Whilst we appreciate that some investors find the manipulation of genetic material in animals or human cell lines to be controversial, it has the potential to greatly enhance our understanding of human disease and, via gene therapy, gene editing and gene silencing to be directly deployed as a therapeutic intervention, particularly in areas of high unmet need. As such, we do not consider this to be controversial, as long as research follows accepted ethical guidelines and is appropriately supervised.

Governance considerations	Threshold
Dealing with oppressive regimes ⁴⁾	n/a
Bribery & corruption ⁵⁾	n/a
Equitable access to products for dev. countries ⁶⁾	n/a
Human capital development and diversity ⁷⁾	n/a

⁴⁾ Whilst it may be unpalatable to deal with corrupt or oppressive regimes, it would only compound the misery and suffering of the oppressed people if they were also denied access to healthcare products and services. As such, we do not judge our companies on who they chose to supply lifesaving products and services to.

⁵⁾ The investment manager is committed to investigating serious allegations of bribery or corruption made against investee companies and discussing these with management.

⁶⁾ Within the healthcare sector, affordable access to products for less developed countries is rightly highlighted as a controversial area and an important topic. We do engage with management teams around this topic. However, you cannot supply regulated products into markets where those products have not yet been approved and this point is often misunderstood in certain external ESG ratings, with smaller companies unfairly penalised when they only have approvals in a handful of developed countries.

⁷⁾ It is laudable that external rating agencies focus on human capital development and diversity. However, one must be pragmatic and take into account the size and geographic focus of a company. A small, research stage entity based in one location is simply not going to be able to match the diversity of a broad-based multinational, nor will it be at a stage where it is hiring inexperienced people with a view to training them up. We see inappropriate comparisons being made in these areas all too frequently.

ESG Integration

In addition, Bellevue Asset Management (UK) Ltd pursues an "ESG integration approach" in its investment process - supplementing traditional financial analysis - with the sub-aspects environment ("E" for Environment), social ("S" for Social) and good governance ("G" for Governance). The environmental aspect includes, for example, whether a company systematically measures and discloses its carbon footprint. The area of society includes, for example, product quality, data security and employee development. Good governance includes, for example, the independence as well as compensation of the board of directors, and business ethics.

Based on the assumption that sustainability risks can have a negative impact on returns, this approach aims to identify ESG risks in order to take them into account in the investment process. The analyses are then also used by Bellevue Asset Management (UK) Ltd to anticipate developments in the area of sustainability and to incorporate/integrate these findings in its investment decisions.

As a basis for integrating the criteria for sustainable action in the investment decision process, we use an ESG rating per issuer, which consists of various sub-scores. The scores are based on data from independent third-party providers (currently MSCI ESG Research Inc, www.msci.com). Only companies with a minimum rating of BB according to MSCI ESG are considered in the sustainable investment quota.

Further information on MSCI ESG's ESG Rating Methodology can be found at: www.msci.com or under the search term MSCI ESG Metrics Calculation Methodology.

In a next step, ESG factors relevant for the respective industry or for the respective company, such as product quality, data security, employee development, good business ethics are

integrated into the fundamental analysis of metrics such as valuation, sales growth, margin strength and competitive position and contribute to an integral decision regarding stock selection and stock weighting.

BAM's website contains further information on this subject: <https://www.bellevue.ch/uk-en/institutional/esg/sustainability/sustainability-portfolio>

The evaluation of good governance practices, such as sound management structures, employee relations, compensation practices and tax compliance, is included in the overall assessment of ESG ratings and compliance with global standards. As an asset manager focusing on bottom-up stock selection, good corporate governance is also an essential part of any company analysis.

In addition, the aggregated Scope 1 + 2 CO2 intensity¹ of the strategy measured and published on a quarterly basis.

h) Data sources and processing

The strategy uses various data sources to assess and measure ESG characteristics. Primarily, data from MSCI ESG Research is used as a basis for compliance with global norms and value-based controversial business areas. The same applies to the measurement of CO2 intensities and the assessment of overall ESG ratings. Based on insights from our proprietary fundamental analysis, aggregated ESG ratings from external providers are assessed. In some cases, suspected ESG laggards are subject to additional analyses. Both our own analyses and the sustainability data from external providers are suitable for this purpose. The determination of an internally revised ESG rating does not take place due to a lack of external traceability. Information on the degree of coverage of external ESG research is published in the client reporting.

i) Limitations of the methodology and data

The data sources used may be incomplete or may not lead to an appropriate assessment of the ESG characteristics described in all cases as a result of systematic weaknesses in the ESG methodology of third-party providers. For example, in the case of biotechnology companies, MSCI ESG heavily weights the "Access to Healthcare" criterion. Innovative biotech companies that are only at the research stage cannot, by definition, fulfill this criterion or can only do so inadequately and are thus systematically undervalued.

Isolated data gaps and any objective misjudgments resulting from weaknesses in the ESG rating methodologies are filled to the best of our knowledge and belief by our own assessments from fundamental stock analysis or by consulting other data sources and third-party providers (e.g. Bloomberg, Sustainalytics). Issuers without ESG research coverage are automatically allocated to the quota for which an assessment of the social or environmental characteristics cannot be made in full.

j) Due diligence

The due diligence of the portfolio and the processes described are part of Risk Management's area of responsibility. Control mechanisms for compliance with sustainability requirements are implemented in the portfolio management system. Further ESG risk reviews are part of the regular review meetings with the portfolio management team. The Compliance Office is responsible for the oversight and review of all compliance-related topics, in particular the issuance, monitoring and updating of sustainability-related directives, both at portfolio level and at corporate level. Relevant ESG issues are periodically discussed by representatives of Risk Management, Product/Sustainability Management and Compliance of Bellevue Asset Management AG.

¹ Scope 1 emissions: Direct emissions caused by a company's activities; Scope 2 emissions: The second group includes all emissions caused by the production of energy used by a company.

k) Engagement policy

Portfolio managers engage in an active and constructive dialogue with the management or other relevant representatives of the portfolio companies with regard to environmental, social and governance aspects. If there are indications of controversial sustainability aspects in the run-up to the company discussions, these are constructively raised with the company and progress (e.g. strategy, process adjustments or improvement of ESG rating) is documented over time. Furthermore, Bellevue Asset Management (UK) Ltd represents the long-term interests of its investors by actively exercising its voting rights at the general meetings of portfolio companies through proxy voting.

l) Designated reference benchmark

Unless otherwise stated in the strategy documents or on the website, a standard benchmark is used for the respective strategy to measure relative performance. This standard benchmark is used as a reference value in the monthly factsheets and quarterly ESG reports.

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