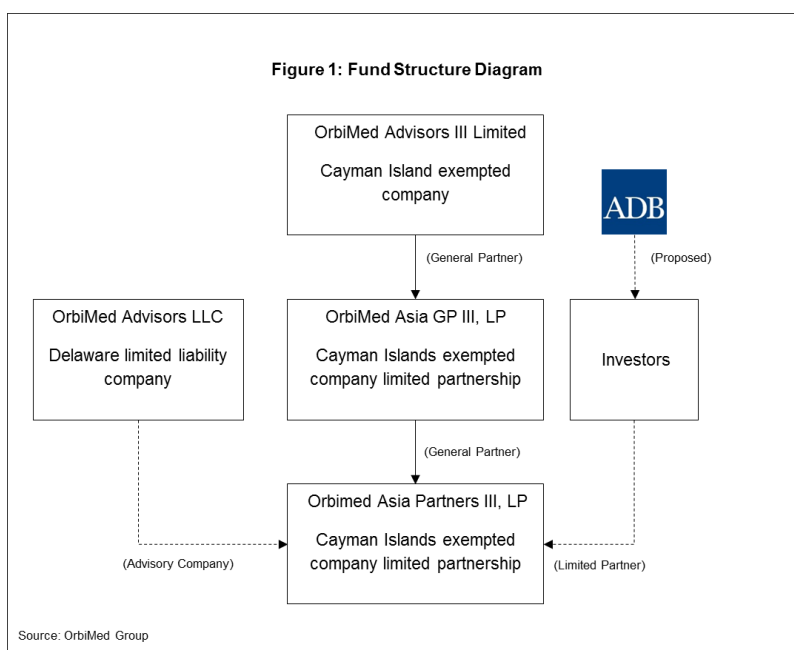


## OWNERSHIP, MANAGEMENT, AND GOVERNANCE

### A. The Fund Structure

1. The Asian Development Bank (ADB) proposes to invest in OrbiMed Asia Partners III, LP Fund (OAP III), which is a Cayman Islands exempted limited partnership seeking to raise up to \$500 million in capital commitments. It is managed by OrbiMed Asia GP III, LP (the general partner), a Cayman Islands exempted limited partnership. The sole limited partner of the general partner is OrbiMed Advisors III Limited, a Cayman Islands exempted company. OrbiMed Advisors LLC (the investment advisor), a registered investment advisor with the United States (US) Securities and Exchange Commission, will provide investment advisory services to OAP III. This structure is illustrated in the figure below. Table 1 shows the ultimate beneficial owners (UBOs) of the general partner and the investment advisor.



**Table 1: Ultimate Beneficial Owners of the General Partner and the Investment Advisor**  
(ownership stake, %)

Name	Investment Advisor	General Partner
Sven H. Borho	(~10–25%)	(~8%)
Alexander M. Cooper		(~8%)
Carl L. Gordon	(~10–25%)	(~8%) (also Director)
Geoffrey C. Hsu	(<5%)	(~8%)
Samuel D. Isaly	(~50–75%)	(~8%)
W. Carter Neild	(<5%)	(~8%) (also Director)
Jonathan T. Silverstein	(~5–10%)	(~8%) (also Director)
Sunny Sharma		(~8%) (also Officer)
Evan D. Sotiriou		(~8%)
David G. Wang		(~8%) (also Officer)
Jonathan Wang		(~8%) (also Officer)
Sam Block III		(~8%)

Source: OrbiMed Group.

2. **Investors.** The fund held a first closing of approximately \$233.5 million on 1 March 2017, and a second closing of approximately \$137.6 million on 26 April 2017. The investors are reputable institutions such as asset management firms, pension funds, trust funds, fund of funds, university endowments, and large family offices, e.g., UBS, J.P.Morgan, and Bristol-Myers Squibb. The fund has disclosed the other investors present at the first and second closings but requested that the information be treated confidentially.

## **B. Management**

### **1. Investment Management**

3. The general partner will enter into an investment agreement with the investment advisor, which was founded in 1993 and is the world's leading health care investing platform with \$14 billion in net assets under management as of 31 March 2017.<sup>1</sup> The OrbiMed Group maintains one of the strongest management teams of all health-care-focused private equity firms in the market with 80 investment professionals. This platform has enabled the firm to manage 8 prior funds, which together made more than 240 investments (with 128 realizations) producing an aggregate gross internal rate of return of 28.0% and a 2.2 times multiple on invested capital. The OrbiMed Group professionals also serve on the boards of more than 100 health care companies. It is the first health care investment firm to establish and manage a pan-Asia health care private equity fund and maintain a significant team focused on health care investments across Asian markets.

4. OrbiMed has staffed a dedicated Asia team comprising 13 investment professionals based in the firm's Shanghai and Mumbai offices, led by Jonathan Wang, David Wang, and Sunny Sharma, who will jointly manage the fund and sit on its investment committee. The committee will also include the two co-heads of OrbiMed Group's global private equity team—Carl Gordon and Jonathan Silverstein—who are based in New York. OrbiMed's investment professionals have extensive local networks in the medical, scientific, health care, and private equity industries, as well as regulatory bodies, in Asia. The Asia team will also leverage the resources and expertise of the OrbiMed Group platform, including the public equity team, the global private equity team, the royalty and credit team, and other professionals across finance, legal, compliance, trading, and information technology.

5. The profiles of the fund's investment committee members are as follows:

- (i) **Jonathan Wang, senior managing director, Asia.** He is a cofounder of OrbiMed's Asia practice. Previously, he was a partner at Legend Capital and general manager at Burrill Greater China Group. He also worked for WI Harper Group and Walden International. At WI Harper, he was a managing director, overseeing the firm's life sciences activities worldwide. He was a board director at ForteBio, Inc. and was a cofounder and board director at Bridge Laboratories. He is a board director at EA, Inc.; Response Biomedical Corporation; and Bonovo Orthopedics, Inc. He is a cofounder and former chairman of the BayHelix Group, an organization of Chinese life sciences business leaders. He holds a PhD in molecular neurobiology from Columbia University, where he obtained scientific training under the supervision of Eric Kandel, a Nobel Laureate. He was awarded

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<sup>1</sup> OrbiMed Presentation. April 2017.

the Howard Hughes Medical Institute Research Fellowship at Columbia. He also earned a master of business administration (MBA) from Stanford University.

- (ii) **Sunny Sharma, senior managing director, Asia.** Before joining OrbiMed, he was with Investor Growth Capital, the wholly owned global venture capital arm of Investor AB, and before that with Easton Capital in New York. He previously worked in the health care investment banking group of Lehman Brothers in London, and before that he practiced medicine in northern India. He holds an MBA from the Indian Institute of Management, Bangalore and a medical degree from Christian Medical College, Ludhiana, where he was awarded the Vipin Khanna Memorial Gold Medal for graduating as the best intern.
- (iii) **David Wang, senior managing director, Asia.** Most recently, he was a managing director at WI Harper Group, responsible for health care investment in the People's Republic of China (PRC). Previously, he served as head of business development at Siemens Medical Solutions, where he directed corporate strategy and new businesses in molecular diagnostics and diagnostic imaging. He was a cofounder of First Genetic Trust, a personalized medicine company. During his tenure at Bristol-Myers Squibb, he was chairman of the SNP Consortium Management Committee, the first group of its kind formed by pharmaceutical and technology industries to support the development of personalized medicine. He received his MD from Peking University Medical School. He earned his PhD in developmental biology from California Institute of Technology.
- (iv) **Carl L. Gordon, chartered financial analyst, founding partner, and co-head of global private equity.** He was a Fellow at The Rockefeller University from 1993 to 1995, and a senior biotechnology analyst at OrbiMed's asset management business from 1995 to 1997. He received a PhD in molecular biology from the Massachusetts Institute of Technology and a bachelor's degree (BA) from Harvard College. He was included on the Forbes Midas List of top venture capital investors in recent years.
- (v) **Jonathan T. Silverstein, partner and co-head of global private equity.** He joined OrbiMed in 1999 to focus on private equity and structured transactions in small-capitalization public biotechnology and medical device companies. He was previously a director of life sciences in the Investment Banking Department at Sumitomo Bank. Forbes Magazine named him one of the top 100 venture capitalists in the world when it placed him on the 2012–2015 "Forbes Midas List." He has a juris doctor (JD) degree and an MBA from the University of San Diego, and a BA in economics from Denison University.

## 2. Risk Management

6. Risk management for private equity funds is the process by which the fund selects, analyzes, structures, and exits investments with the aim of identifying and mitigating risks. OrbiMed follows a three-stage investment process based on an approach that it has developed and refined through its more than 24 years of history in health care investing: (i) investment screening of each potential portfolio company's operations, products, market opportunity, and valuation against the fund's mandate and strategy; (ii) deal structuring and due diligence; and (iii) preparation of investment proposals for presentation to the fund's investment committee.

### C. Corporate Governance

7. **Advisory committee.** The fund will also have an advisory committee of up to seven representatives of the fund's largest investors, each with one vote. The Asian Development Bank (ADB) will hold a seat on the advisory committee, which will act in an advisory capacity to the general partner and represent the interests of all investors in matters of governance (particularly conflicts of interest) and valuations of the fund's assets.

### D. Integrity Due Diligence

8. Integrity due diligence was conducted. The ultimate beneficial owners (UBOs) of the funds invested are unknown because of the pooled nature of the investments, or because of confidentiality agreements in place between the fund manager and the investor. ADB is satisfied that this does not constitute a significant or potentially significant integrity risk because the fund manager will carry out integrity and anti-money-laundering screening of investors, pursuant to its anti-money-laundering (AML) program.

9. ADB reviewed OrbiMed's AML policy and its anti-corruption policy, including its integrity due diligence processes, for (i) admitting investors into the fund and (ii) investing in portfolio companies. ADB is satisfied that sufficient integrity checks and screenings are in place. ADB will rely upon certifications to be provided by the fund manager to ADB that OAP III is compliant with its policies. ADB has obtained reasonable assurance that the transaction is not being used for the purposes of money laundering or terrorism financing.

10. The investment documentation will contain assurances that the general partner is in compliance with its AML policy, and the general partner will be required to confirm that it has complied with specified integrity due diligence requirements before ADB is required to finance the fund's investment in each portfolio company. ADB will require such other integrity provisions in the investment documentation as it considers appropriate, including the screening of investors and portfolio companies against international sanctions lists and ADB's sanctions list.

### E. Tax Integrity Due Diligence

11. Tax due diligence was conducted on the transaction because of the fund structure, which includes the Cayman Islands as an intermediate jurisdiction. This transaction presented a heightened tax integrity risk, since ADB could not verify the tax information exchange agreements for the limited partners' UBOs owing to confidentiality restrictions, and the tax information exchange agreements for the intermediate jurisdictions that OAP III will utilize when making investments in the future.

12. As a result, ADB conducted enhanced tax integrity due diligence on the following: (i) fund and general partner, (ii) Cayman Islands, (iii) UBOs of the investment advisor and limited partners, (iv) tax structuring of the fund's future investments, and (v) related-party transactions in accordance with ADB's Tax Integrity Policy. Following enhanced tax due diligence, ADB has obtained reasonable assurance that the transaction structure and the fund are not being used for the purpose of tax secrecy, tax evasion, or tax fraud, and that the tax integrity risks are low and acceptable to ADB based on the following facts:

13. **Fund and general partner.** Both are incorporated in the Cayman Islands. The investment advisor has explained that the business reasons for incorporating the fund in the Cayman Islands is to provide a tax-neutral investment jurisdiction for limited partners investing out of different

countries, and provides investors with the benefit of Cayman Islands law. US-managed investment funds raising capital from international limited partners frequently structure themselves in the Cayman Islands and select other intermediate jurisdictions.

14. **Cayman Islands.** The territory currently has agreements to exchange tax information with 36 jurisdictions—including the PRC, India, and the US—and has committed to the automatic exchange of information in tax matters by 2017, bearing in mind that the fund will focus on investing approximately 55%–65% of its funds in the PRC and 30%–40% in India.<sup>2</sup> The presence of the Cayman Islands in the transaction structure presents a low tax transparency risk for ADB given that the Cayman Islands is rated *largely compliant* by the Global Forum on Transparency and Exchange of Information for Tax Purposes.

15. **Investment advisor.** The investment advisor is registered with the US Securities and Exchange Commission and is a US tax resident corporation. The UBOs of the investment advisor and general partner are US residents (except for two individuals who have to file taxes with relevant tax authorities in the country of their citizenship). The Cayman Islands and the US automatically exchange information under Foreign Account Tax Compliance Act arrangements that began on 2 November 2013 and provide tax transparency between the two countries. Further comfort is gained from the fact that the investment advisor's UBOs hold their interest in the investment advisor on their personal account rather than through intermediate entities.

16. **Limited partners (LPs).** Each LP must disclose its UBOs and tax residency under the fund's subscription agreement to comply with the requirements of the Cayman Islands Common Reporting Standard. The LPs must also declare and undertake to allow information to be reported to tax authorities of the UBOs' country of residence pursuant to international agreements to exchange tax-related financial account information under the subscription agreement. This process provides ADB with comfort in relation to the tax transparency of each LP's UBOs.

17. Additionally, the LPs disclosed to ADB by the investment advisor are predominantly pension funds and institutional investors. Their presence provides ADB with comfort that the limited partners' tax planning approach will generally be conservative and well governed.

18. **Tax Integrity Due Diligence of future investments of the fund.** This was considered by ADB while reviewing the investment advisor's investment and tax planning governance processes. ADB will include provisions in the fund documents excluding ADB's involvement in investments that might use intermediate jurisdictions that are not tax-compliant and requiring OrbiMed to conduct its investment and management activities with tax integrity. As such, ADB has reasonable assurance that, when making investments, the fund will not utilize intermediate jurisdictions for the purposes of tax secrecy, tax evasion, or tax fraud.

19. **Related-party transactions.** ADB has reviewed the fund's related-party transaction governance process, and investment aggregation and allocation policy. The policy restricts OrbiMed from creating unfair disadvantage to clients or unfair advantage to OrbiMed. ADB will be a member of the fund's advisory committee that represents the interests of all investors in matters of governance (particularly conflicts of interest) and valuations of the fund's assets. ADB has reasonable assurance that future acquisitions and disposals of the fund's assets will be entered into at arm's length and will not be structured to facilitate tax evasion, tax secrecy, or tax fraud.

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<sup>2</sup> <http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/crs-by-jurisdiction/#d.en.345489>;  
<http://www.eoi-tax.org/jurisdictions/KY#agreements>