



# Impilo Sustainability Handbook

**Impilo** Investing in a  
healthy future.



# Impilo

Impilo is a Nordic investment company focused solely on investments in companies operating in the pharmaceutical, medical technology, healthcare services and other health-related industries. Our starting point is that our portfolio companies must contribute to a positive and sustainable development of the societies and markets in which they operate in order to remain successful in the long term. This is a conviction that is deeply embedded in our investment strategy and inspires our approach to investments and how we interact with our portfolio companies. In this way, Impilo invests in people's opportunities to enjoy healthier lives in the future.



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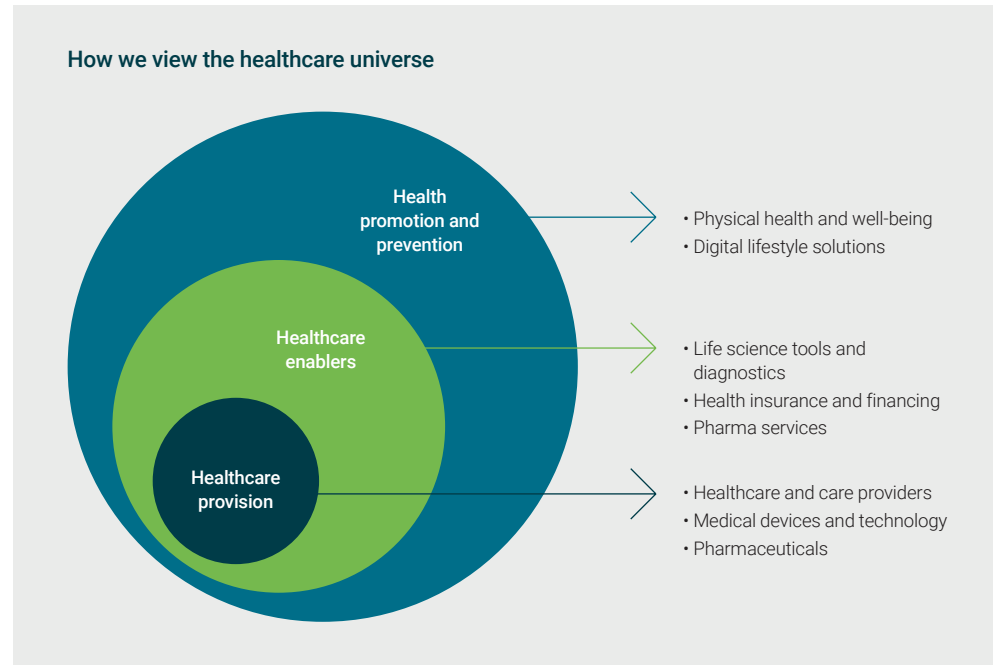
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# Investing in a healthy future

We invest in a healthy future. At the core of this bold statement lies our belief that long-term investments with positive health impacts will lead to superior returns, for society as well as for investors.



Impilo is an investment company focused on companies, primarily in the Nordics, operating in the full healthcare universe, including businesses within pharmaceuticals, MedTech and healthcare services.

Our investment strategy focuses on identifying businesses with great potential for long-term, profitable growth and positive health outcomes. At the core of our investment thesis lies our belief that investing in healthcare businesses with positive health outcomes, strong ESG performance and high growth potential will create better companies that can deliver higher returns. Hence, when we make new investments, we consider the current and potential health impacts of a business alongside commercial and financial criteria.

## The Impilo Health Diamond

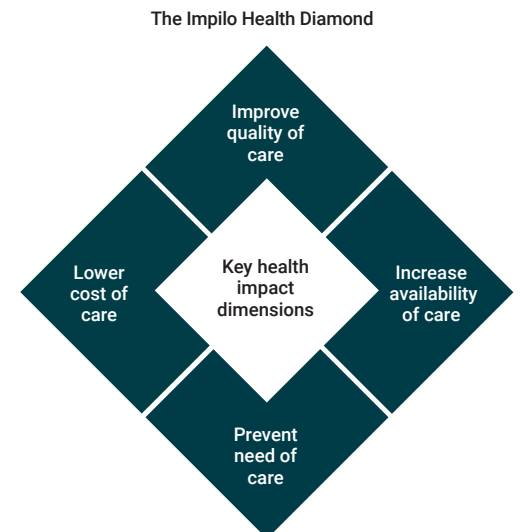
The Impilo Health Diamond represents our four main investment criteria. Any new investment must align with or have the potential to align with one or more of the criteria of the Impilo Health Diamond to be deemed attractive. Ultimately, we believe that healthcare companies with attractive solutions that either improve the quality of care, increase the availability of care, lower the cost of care or prevent the need of care make for attractive investment prospects.

As a dedicated healthcare investor, we can play an important role in bringing such solutions to scale through specialised knowledge, capital, and experience to the benefit of our stakeholders and society.

## Unlocking potential through active ownership

Accelerating positive health outcomes is a key focus during our ownership, where we work actively with our portfolio companies to unlock their full commercial and health impact potential through Impilo's proprietary Health Impact Thesis (HIT) framework.

As part of our commitment to deliver superior financial returns to our investors, Impilo also works actively with promoting environmental, social and governance (ESG) characteristics. We consider this work instrumental in protecting and increasing the long-term value of our investments.



# Impilo’s Sustainability Framework – an overview

At Impilo, we are on a mission to invest in and build leading healthcare companies. We consider sustainability a central component of this commitment and believe that the leading healthcare companies of tomorrow are also the most sustainable healthcare companies. Our efforts are guided by our mission and our three core commitments, which are firmly embedded in our sustainability framework covering all aspects of the investment process, from sourcing to exit.

Our mission

*“Generating superior returns by investing in and building sustainable and leading healthcare businesses.”*

## Our Core Sustainability Commitments (What we want to achieve)

### Three core commitments

#### Accelerate positive health impacts

- Identify new investments with a positive health impact
- Work with portfolio companies to assess, measure and accelerate positive health outcomes

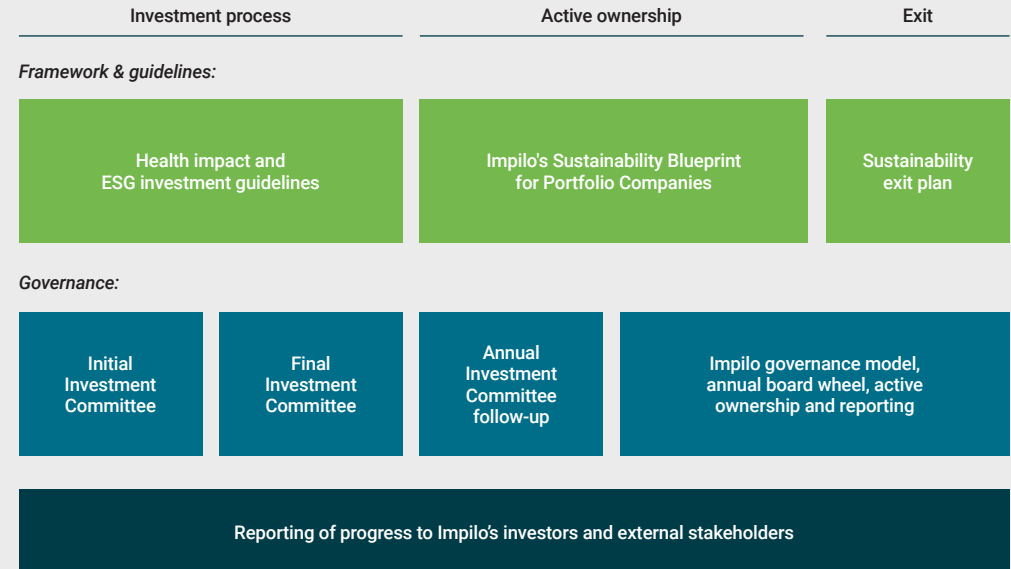
#### Manage ESG risks and opportunities

- Ensure effective mitigation of ESG risks during investment and ownership
- Identify value creation opportunities on material ESG topics during investment and ownership

#### Improve transparency and reporting

- Measure performance and progress on material health impact and ESG dimensions during our ownership

## Our Sustainability Framework (How we deliver)





**Integration of sustainability in the investment process**

Sustainability is at the core of Impilo's investment thesis and mandate as expressed by the four dimensions in the Impilo Health Diamond. All prospective investments must have the potential to fulfil one or more of these criteria. In addition, Impilo considers material environmental, social and governance issues in all prospective investments, both from a risk and opportunity perspective.

At Impilo, we always look for investment cases that present opportunities for improvement. Our investment mandate is thus focused on progress, not perfection. We identify and invest in companies where we, through active ownership,

can make a positive difference, both from a commercial, operational, financial and sustainability perspective.

In cases where we are unable to drive meaningful progress or where an investment case is associated with significant "red flags" which cannot be reasonably remediated during ownership, we will refrain from investing. This includes:

- Investments which, despite a positive impact on one dimension of the Impilo Health Diamond, cause significant and irreversible harm to other dimensions
- Investments which cause significant and irreversible harm to key environmental, social and/or governance matters

- Investments which may damage the reputational and financial capital of Impilo, its investors and its existing portfolio companies

**Impilo's Sustainability Blueprint for portfolio companies**

At Impilo, we consider our active ownership approach the key to unlocking value in our portfolio companies. This applies to sustainability as much as to other critical business disciplines.

Impilo's Sustainability Blueprint defines the main steps that all portfolio companies must take during Impilo's ownership and helps translate Impilo's three sustainability commitments – accelerate positive health impact, manage ESG

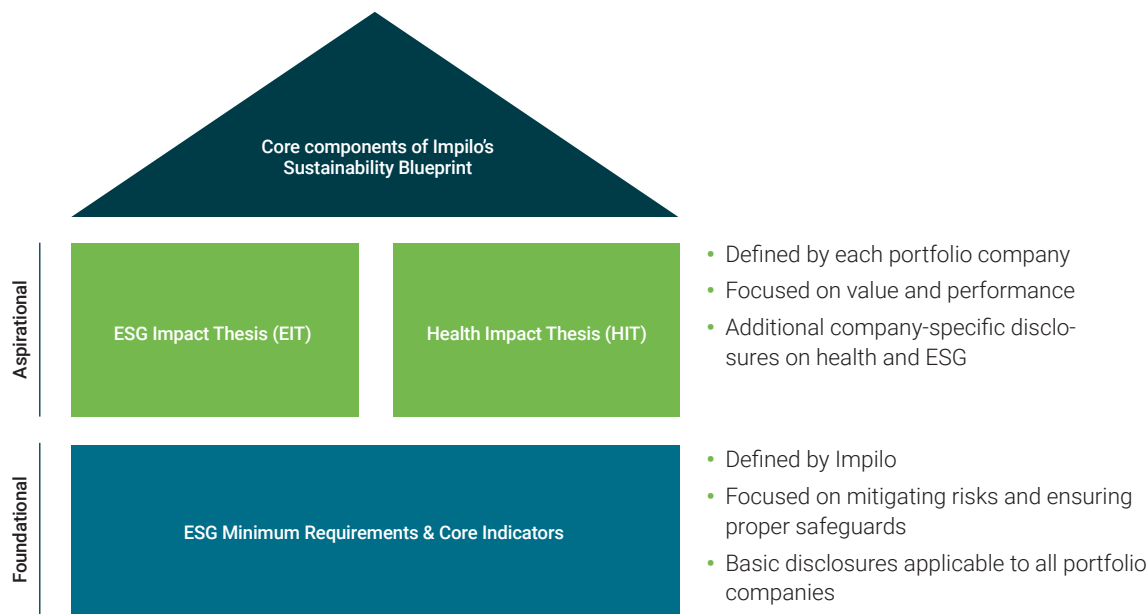
risks and opportunities, and improve transparency and reporting – into practice.

In this work, we continuously seek to balance the need for generally accepted standards and disclosures relevant to healthcare companies as reflected in the Foundational level of the Impilo Sustainability Blueprint with the need for more customised approaches that are "fit to measure" for the individual company as reflected in the Aspirational level of the Impilo Sustainability Blueprint.

**HOW IMPILO MANAGES SUSTAINABILITY RISKS IN THE INVESTMENT PROCESS**

While Impilo is not yet covered by the EU Sustainable Finance Disclosure Regulation (SFDR), Impilo is committed to adhering to the principles and spirit of the legislation. In practice, this means that Impilo seeks to align its sustainability framework – including its investment policies and procedures – with SFDR's requirements to financial market participants. In line with Article 3 of the SFDR, Impilo identifies and assesses sustainability risks for all new investments. The risk assessment is conducted by the deal teams with support from third party sustainability experts and guided by Impilo's sustainability investment guidelines focused on health impact and material ESG issues. For all potential acquisitions, a summary of potential sustainability risks as well as opportunities for value creation are presented to the Investment Committee, all of which are reviewed as an integral part of the investment decision. For more information about how Impilo works with sustainability risks in the investment as well as ownership phase, please see Impilo's Responsible Investment & Ownership policy which is available on Impilo's website.

**Impilo's Sustainability Blueprint for portfolio companies**



### Sustainability within Impilo's own organisation

To support the Impilo organization and deal teams in embedding sustainability into our core processes, Impilo has developed a set of responsible investment and ownership policies which applies to our own employees. These include:

- **Impilo Code of Ethics and Conflicts:** describes the principles that guide Impilo's daily operations and the relations with other members of the Impilo community, customers, suppliers, shareholders, stakeholders and the healthcare community as it relates to conflict of interest, insider trading, confidential information and privacy, fair competition, political involvement, anti-bribery and corruption, working environment and equal opportunities and anti-discrimination
- **Other policies:** in addition to above-mentioned policies, there are also other policies that help ensure we act responsibly, such as our Personal Account Dealing policy, our Travel Policy, and our Parental Leave Policy.

Every member of the Impilo team is accountable for putting these policies into practice, and for ensuring that sustainability is a natural part of our activities and the way we make decisions. Hence the organization is structured to reinforce strong support from leadership, engagement from the full team, and integration into our daily activities.

### IMPILO'S REMUNERATION POLICY AND HOW IT ADDRESSES SUSTAINABILITY RISKS

Impilo's remuneration policy is consistent with Impilo's commitment to integrate sustainability risks into its investment decisions. The consideration of sustainability risks is integrated in Impilo's annual performance evaluation and variable compensation framework, whereby all investment professionals are assessed according to their adherence to Impilo's Responsible Investment and Ownership (RIO) policy and sustainability framework. In addition to risks, the performance evaluation also considers the contribution of investment professionals to promoting positive sustainability characteristics which can contribute to enhanced value creation within Impilo's portfolio companies. Adherence to Impilo's RIO policy and sustainability framework is included as a distinct metric in the performance review template alongside other factors that are considered critical to enhancing and protecting the long-term value of Impilo's investments, including adherence to Impilo's values.



# Accelerating Health Impacts



# Challenges to health in our key markets



Through our investments, Impilo is committed to delivering a positive impact on health and well-being. With the Impilo Health Diamond at the core of our investment thesis, we have identified four main investment themes we want to address and where we see a positive correlation to superior health impact and returns.

Improved health and well-being for all is a critical global priority as captured by the UN Sustainable Development Goal 3, much of which focuses on the need for essential healthcare products and services, particularly in the developing world.

Europe in general, and the Nordics in particular, are generally believed to have some of the highest quality healthcare systems in the world, determined by a wide variety of factors, including the quality of the care process, access, efficiency, equity and measured by actual healthcare outcomes (e.g. low mortality rates).

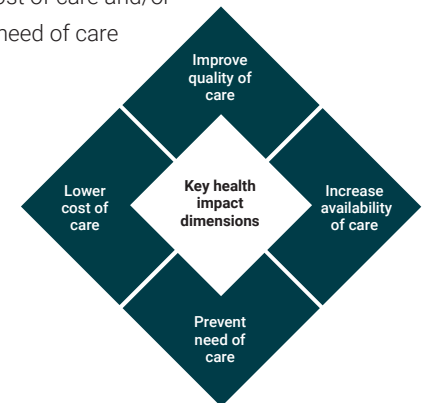
However, even in a Nordic context, the healthcare sector faces significant challenges. Aging and growing populations, greater prevalence of chronic diseases, the rising shortage of healthcare workers and inequalities in access to care are all putting pressure on the healthcare sector like never before.

This is contrasted with exponential advances in healthcare innovations. From next-generation sequencing, big data analytics and genomics to innovations in telehealth and convenient care, today's healthcare industry has tools at its

disposal that would not have been possible, even just a few years ago.

To Impilo, this offers unprecedented potential to become part of the solution to the fundamental challenges facing the healthcare sector over the coming decade. Ultimately, we look for investments which fulfil one or more of the following investment themes:

- Improve quality of care and/or
- Increase availability of care and/or
- Lower cost of care and/or
- Prevent need of care





**WHAT DO WE MEAN BY “IMPACT”?**

Impact continues to be an ambiguous term with many different interpretations in both theory and practice. While we at Impilo do not consider ourselves an impact investor, we do consider ourselves an investor with impact. So what do we mean by impact? At Impilo, we consider an impact a change in one or more health-related outcomes caused by the core products and services offered by our portfolio companies. A health-related outcome may occur at the individual level, for instance by benefiting the patient or individual who receives care, treatment or a health-related service from one of our portfolio companies. It may also occur at the health system or entity level, for instance by benefiting a healthcare clinic or pharmaceutical company who, in turn, may then be able to offer better care or treatments to their patients or customers.

**Impact terminology**

	Description	Examples	
<b>Input and activities</b>	Financial, human and material resources used to develop health-related interventions	R&D expenditure and activities involved in launching a new treatment or drug	
Results from health-related interventions	<b>Outputs</b>	Direct results from investments and activities in the form of health-related products or services	Market penetration of new drug once launched
	<b>Outcomes</b>	Short- to medium-term effects from the use of the products or services for the targeted beneficiaries	Effectiveness of drug in alleviating disease symptoms. “Differentiated outcomes” implies the new drug is better than existing treatments
	<b>Impacts</b>	Long-term effects produced over time, positive and negative, intended and unintended	Long-term effects of the new drug or treatment on the quality of life of patients and/or the overall healthcare system

*“At Impilo, we consider an impact a change in one or more health-related outcomes caused by the core products and services offered by our portfolio companies.”*

## Challenge #1: Improve quality of care

**Improved quality of care is a key focus area for Impilo and where we see the strongest contribution from our current portfolio. While quality of care has many different definitions and overlaps with several of the other investment themes of the Impilo Health Diamond, quality of care is ultimately about finding solutions that help improve the effectiveness, safety and personal relevance of care.<sup>1</sup>**

Europe in general, and the Nordics in particular, are generally believed to have some of the highest quality healthcare systems in the world, determined by a wide variety of factors including the quality of the care process, access, efficiency, equity and measured by actual healthcare outcomes (e.g. mortality rates).

Yet, the healthcare system also faces significant challenges. Many common medicines in the EU do not meet the individual preferences or needs of the people they target, thereby reducing their effectiveness.<sup>2</sup> At the same time, adherence rates to medical treatments remain suboptimal and are associated with almost 200,000 deaths annually and €80–125 billion in the European Union.<sup>3</sup>

In high-income countries such as the Nordics, 1 in 10 patients are harmed whilst receiving hospital care, further emphasising the need to improve the overall quality in the healthcare system.<sup>4</sup>

*“Poor quality health services are holding back progress on improving health in countries at all income levels. Poor quality healthcare also leads to broader economic and societal costs including long-term disability, impairment and lost productivity.”*

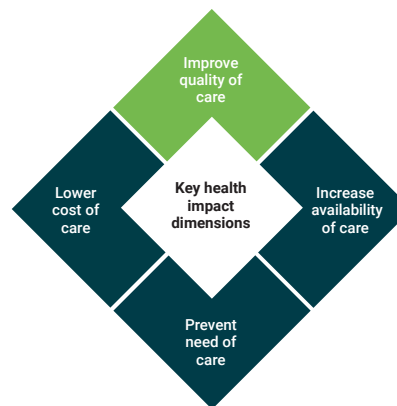
*Delivering Quality Health Services Report by The World Bank, WHO and OECD*

In this context, there is a need for companies with products and solutions that help improve the effectiveness, safety and personal relevance of care. One example is within the connected care space, which has in some instances proven to improve treatment outcomes for patients due to higher levels of patient engagement while also reducing waiting times and capacity constraints.

### Investment opportunities to improve quality of care

At Impilo, we look for companies with products or services that:

- Provide positive treatment outcomes for patients and/or individuals
- Enable companies in the healthcare system to provide a higher quality of care, e.g. better patient outcomes, improved quality of treatment etc.
- Are tailored to the specific needs of individual patients and customers
- Improve processes and quality standards in the broader healthcare value chain, e.g. by ensuring products are safe to use compared to alternative treatments



➔ **TFP FERTILITY (TFP)**

**Improving treatment outcomes for customers through high medical standards**

TFP is a leading Northern European group of fertility clinics and globally renowned IVF specialists with a commitment to creating lives and changing lives. The main health outcome sought is positive treatment outcomes, measured through pregnancies that result in live births. The group offers a range of services to increase the likelihood of successful treatment outcomes including IVF, IUI and ICSI, as well as auxiliary services. Clinics that have joined TFP have historically improved their success rates and overall quality due to improving processes and standards and benefitting from TFP’s research, accumulated knowledge, and technologies.



## Challenge #2: Increase availability of care

**Access to essential healthcare services and products is a key global priority reflected in SDG3. While the Nordics enjoy universal health coverage and have one of the most equitable healthcare systems in the world, much can still be done by investors and companies to make healthcare products and services more accessible to those who need them.**

With at least half of the world's population not being able to obtain essential health services, the majority of whom lives in developing countries, the need for public and private sector investments in making healthcare available and accessible to all is enormous.

Ensuring that we have enough healthcare services available to meet the needs of a growing and aging population is a challenge, even in a Nordic context. The imbalance between healthcare demand and supply has been further increased during the COVID-19 pandemic. Demand for healthcare has risen but the supply of healthcare in terms of resourcing, availability of staff and facilities remains constrained.

The knock-on effects of this imbalance are significant, for individuals and for society: shortages of healthcare workers mean less hands to deliver primary care and capacity constraints with primary physicians and care facilities lead to longer waiting times. As healthcare facilities and services are increasingly being centralised and consolidated to drive efficiencies in an already pressed system, the availability of care for people living outside major cities and healthcare hubs is also at risk of being reduced.

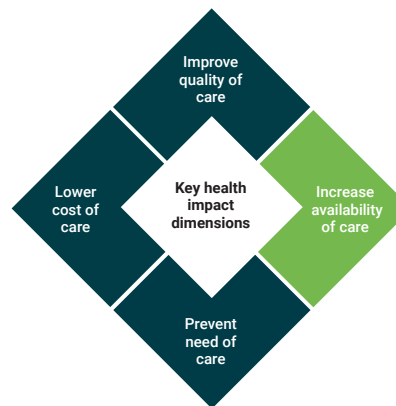
*“The COVID-19 pandemic highlighted the shortages of health workers in many countries, and the need for mechanisms to mobilise human resources quickly in times of crisis.”*

EU Health at a Glance, 2020

### Investment opportunities that improve the availability of care

At Impilo, we look for companies with products or services that:

- Make healthcare services more easily available or accessible to the people who need them at the time they need them (e.g. by increasing opening hours or opening of new facilities in unserved areas)
- Bring novel treatments to people who did not have access to these treatments before
- Provide scalable solutions (e.g. digital health), which reduce the dependency on in-clinic care
- Help increase capacity within the healthcare sector (e.g. new facilities, increase in healthcare workers etc.)



### IMMEDICA

#### Increasing availability of novel treatments for people with rare diseases

Immedica is a pharmaceutical company operating in Europe and the Middle East focused on satisfying high unmet medical needs for people with rare diseases. Globally, there are an estimated 7,000 types of rare diseases that directly affect several hundred million people, the majority of which do not receive sufficient medical, informational and psychosocial support. Immedica specialises in commercialising and launching novel and innovative treatments for rare diseases and has significant expertise in managing the regulatory approval process and ensuring market access for new products, thereby enabling access to much needed drugs for people suffering from rare diseases. The company also works actively to drive disease awareness and invests significant efforts in educating healthcare professionals, authorities and payors in how both diagnostic and treatment practices can be improved.

## Challenge #3: Lower cost of care

**The healthcare sector is one of the most significant areas of public spending. At the same time, healthcare costs continue to outpace GDP growth. Companies that can help lower costs for patients or healthcare providers without compromising on quality present attractive investment opportunities.**

The cost effectiveness of a country's healthcare system must always be seen in the context of the health outcomes it is able to deliver. In this context, the Nordic healthcare systems are among the most cost-effective in the world. As an example, the US spends 17% of GDP on healthcare but has a life expectancy of 79 years. This can be compared to Sweden which spends 11% of GDP on healthcare for a life expectancy of 83 years.

Nonetheless, the cost-effectiveness of the Nordic healthcare system continues to be challenged by upward pressures on health spending from new and more expensive technology in medical services, rising costs of pharmaceuticals, rising incomes driving higher expectations, and the growing needs of ageing populations.

According to latest available estimates (2019), the Nordic countries already devote more than 10% of their GDP to healthcare and have the highest per capita expenditure levels in all of Europe. At the same time, healthcare spending per capita have continued to increase at around 1.5–1.8% each year in real terms (adjusted for inflation) between 2013–2019.<sup>5</sup>

*“Health is a human right and all countries need to prioritise efficient, cost-effective healthcare as the path to achieving universal health coverage and the Sustainable Development Goals.”*

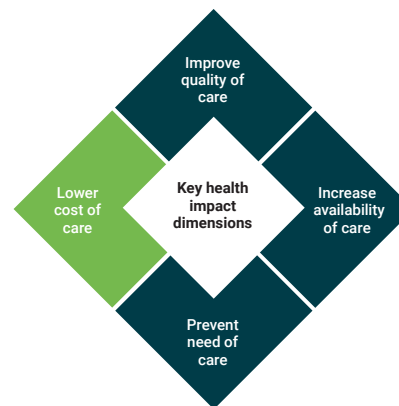
Dr Agnes Soucat WHO Director for Health Systems, Governance and Financing

While some healthcare services such as dental care involve out-of-pocket expenses for Nordic citizens, the Nordic healthcare systems remain heavily reliant on public funding, which is expected to come under pressure as their populations age. This calls for companies with innovative products and solutions that can introduce critical efficiencies in the healthcare system, ultimately bringing quality care to more people at a lower total cost to taxpayers.

### Investment opportunities that lower the cost of care

At Impilo, we look for companies with:

- Products or services that introduce critical efficiencies and cost-saving benefits compared to alternatives – either directly for patients/individuals and/or for healthcare companies or organisations that purchase them.



### LOWENCO

#### Reducing costs in pharmaceutical cold chains

Lowenco is a leading manufacturer of modular, customisable ultra-low temperature (“ULT”) storage solutions. The main impact potential of Lowenco’s products is their ability to reduce the high installation and running costs associated with establishing sufficient cold chain capacity at ultra-low temperatures in pharmaceutical supply chains. As cold chain storage represents a significant cost to pharmaceutical companies, Lowenco’s products can be an important component in reducing costs for key actors in the healthcare supply chain. Lowenco’s product has a total cost of ownership over 10 years of less than half of that of upright freezers, which constitute the main alternative.

## Challenge #4: Prevent need of care

**Existing evidence overwhelmingly shows that unhealthy diets and low physical activity are predictive of higher healthcare expenditures and premature mortality rates. In Europe alone, two-thirds of treatable and preventable deaths could be prevented through improved lifestyle choices. Even so, public and private funding for preventive health remains low.**

The need to invest in preventing diseases is becoming a growing global priority. A central target in SDG3 is to reduce premature mortality from non-communicable diseases by one-third, through prevention and treatment and promote mental health and well-being, measured through mortality and suicide rates.

Yet, attracting sufficient public and private investments to improving physical and mental health continues to be a challenge. Healthcare systems and their financing mechanisms are to a large extent geared to treat and cure, not to prevent and avoid. As a result, less than 3% of total health expenditures in the EU are spent on preventive measures and preventive care has been listed as one of the most important measures to solve some of the largest problems in Swedish healthcare.<sup>6</sup>

At Impilo, we see the preventive healthcare space as a nascent investment opportunity, which links closely to our mandate. While several of our investments have preventive features by ensuring that existing diseases/conditions do not get worse, Impilo sees

*“Societally, we devote most attention to medications and healthcare delivery, but a major opportunity for improving wellness starts long before medical care.”*

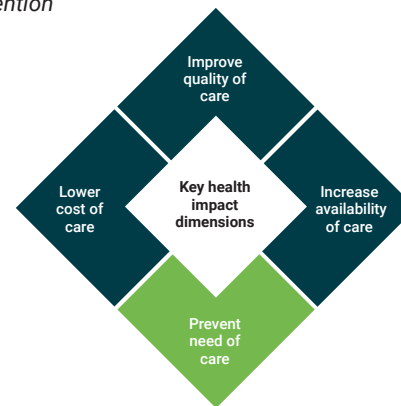
Stanford Prevention Research Center

the biggest opportunity for impact in primary and secondary prevention, which help ensure that people do not get sick in the first place.

### Investment opportunities that prevent the need of care

At Impilo, we look for companies with products or services that:

- Offer products or services that help people not get sick in the first place, e.g. through improved lifestyle choices (exercise, nutrition etc.) – **Primary prevention**
- Offer products or services that help detect current or potential diseases early on and prevent them from getting worse – **Secondary prevention**



*“The 10 leading contributors to disease burden in the WHO European region were all non-communicable diseases or mental disorders. All of these conditions are amenable to health promotion and disease prevention interventions.”*

WHO



### EURO ACCIDENT

#### Combining health insurance with preventive care

Euro Accident is a leading Swedish specialist provider in health-related insurance and employee well-being, active primarily within the long-term disability, private health insurance, group life and accident markets. The customer base consists of over 300k insured individuals across c. 35k companies. Through dedicated preventative and rehabilitative health support services, Euro Accident offers a holistic healthcare plan for employees, working actively to prevent the harmful individual and societal impacts of long-term disability. Most importantly, Euro Accident has shown to its customers that investing in preventive healthcare pays off: when entering short-term sick leave, 8 out of 10 insured individuals who receive Euro Accident’s preventative and rehabilitation support avoid long-term sick leave (sick leave above 90 days).



# Impilo's Health Impact Thesis (HIT) Framework

How we identify, measure and accelerate positive health impact

At Impilo, our commitment to advancing positive health impacts, as expressed through the Impilo Health Diamond, is ingrained in our culture and is an integral part of our investment process and ownership. Impilo's proprietary Health Impact Thesis (HIT) framework helps operationalise our commitment to identify, measure and accelerate positive health impacts of our current and future investments.

The purpose of Impilo's HIT framework is to identify and measure the specific health outcomes related to Impilo's portfolio companies' products and services and assess how these outcomes align with one or more of the four investment themes in Impilo's Health Diamond. In addition, the HIT framework aims to identify areas where portfolio companies can further accelerate their health impact during Impilo's ownership in support of their long-term commercial objectives. Examples of this could include expanding the reach of important products and services to underserved populations, developing new and better treatments or services with documented health benefits to address unmet needs, or driving important efficiencies in the wider health system.



## FERROSAN MEDICAL DEVICES CASE STUDY

Ferrosan Medical Devices manufactures and develops innovative haemostatic products used by healthcare professionals all over the world during surgeries, whenever there is a need to effectively control and stop bleedings. During 2021, Impilo engaged with Ferrosan Medical Devices to articulate an initial Health Impact Thesis (HIT) and identify relevant health-related KPIs. The products are effective in stopping bleedings during surgeries and reduce the time of surgery, complications and length of hospital stay. At the core of the HIT is the company's efforts to making their product available to even more healthcare professionals globally and invest ever more in product innovation to broaden application areas and improve efficacy. During 2021, the number of assisted surgeries (with Surgiflo) increased with 28%. During 2022, Ferrosan Medical Devices plans to further improve and refine its health impact objectives.

**What is a “HIT” and how can it be measured?**

The HIT framework is designed for use in both the investment and ownership phase and going forward it will also be an integral part of how Impilo will demonstrate progress and future potential of our portfolio companies in an exit. Impilo’s Health Impact Thesis (HIT) is a statement of intent, which specifies the main health outcomes targeted by a portfolio company, supported by concrete health-related KPIs and targets. Recognising that there is no universally accepted way to measure health impact, each HIT is based on best-available measures in line with the company’s underlying Theory of Change (ToC). Where possible, outcome-based measures are prioritised, but in lack of outcome-based KPIs, proxy indicators are often necessary. As an example: some

healthcare companies may not have real-life data on the specific health outcomes or benefits for their targeted populations. In those cases, proxy measures such as customer satisfaction, product quality deviations and/or the reach of products and services in key markets are used. Over time, Impilo expects to build more experiences and insights into measuring the health impacts of its portfolio companies in line with emerging best-practices.

*“Even though most of us intuitively know the difference our products and services make to our customers, this was the first time we actually had to put some structure and numbers around it. It has been a really useful process that has inspired us to think about the impact we have through our core business and how we can measure and communicate it in a way that helps us drive the right behaviours.”*

Thomas Petersson, Former CEO of Euro Accident



→ EURO ACCIDENT CASE STUDY

**Early detection and prevention at the core of EuroAccident’s Health Impact Thesis (HIT)**

Impilo has worked closely with EuroAccident to articulate a Health Impact Thesis in support of the company’s strategic focus on preventing need for care. At the core of Euro Accident’s Health Impact Thesis is the company’s efforts to reduce the number of people on long-term disability through preventive and rehabilitative services. To this end, evidence suggests that early detection and prevention is key and by far the most cost-effective approach to reducing long-term disability claims. Today, the Health Impact Thesis concept has been fully embedded in EuroAccident’s strategic priorities and KPIs, with measurable improvements on early engagement and intervention as a tangible result.

### How does Impilo handle trade-offs between commercial returns and health impact?

At Impilo, we always look for investments where we see the strongest alignment between positive health impact, and superior financial returns, and we believe the prospective investment universe is big enough to find attractive cases that deliver on both these dimensions. Even so, trade-offs can and will appear, both during the investment and ownership phase. As an example, Impilo may decide not to invest in a company if the health impact case is weak or unsubstantiated or if an investment is associated with adverse health impacts or unjustifiable risks to patients, despite positive financial credentials.

Likewise, Impilo may invest in new initiatives within a current portfolio company, which will substantially accelerate the company's contribution to health instead of initiatives with lower or no positive health outcomes, even if short-term financial gains may be lower. Such trade-offs are managed on a case-by-case basis by the Investment Committee, Impilo and the board as well as the management team of the relevant portfolio company. At all times, our decisions are guided by a long-term perspective in line with Impilo's values and mission and Impilo's belief that long-term value creation is directly correlated to long-term health impact.



### DISQUALIFIERS

Impilo will not invest in companies that cause or may cause significant and irreversible adverse impacts to health and well-being or other material environmental, social and governance factors, and which cannot be mitigated through our ownership. This includes:

- Investments which, despite a positive impact on one dimension of the Impilo Health Diamond, cause significant and irreversible harm to other dimensions;
- Investments which cause significant and irreversible harm to key environmental, social and/or governance matters;
- Investments which may damage the reputational and financial capital of Impilo, its investors and its existing portfolio companies.



# ESG Risks & Opportunities



# Our approach to ESG

Our investment approach is based on the conviction that strong ESG performance contributes to superior returns and is a fundamental element of creating the leading healthcare companies of the future. As active owners, we have an opportunity to help implement ESG practices that protect our investments, unlock value, contribute to society and increase valuation of our portfolio companies upon exit.

At Impilo, we consider our most important contribution to sustainability the difference our investments make in advancing health and well-being. But our sustainability commitment extends beyond making a positive impact on health. At the core of our sustainability approach, we have a long-standing commitment to the continuous integration of material environmental, social and governance (ESG) factors in our investment decisions and ownership.

## Increased ESG requirements

Major societal and planetary trends such as climate change, resource scarcity, and the need for promoting diversity and inclusion increasingly require investors and businesses to take a more forward-looking, comprehensive and action-driven approach to material ESG issues within their

sectors. The growing sense of urgency is also reflected in the evolving policy and regulatory landscape, not least the EU's sustainability disclosure regime, as well as growing stakeholder interest and expectations including from our investors and the society.



## CLIMATE ALSO MATTERS TO HEALTHCARE COMPANIES

Contrary to popular beliefs, the healthcare sector has a significant climate footprint with an estimated 4.4% of global net emissions, more than both shipping and aviation.<sup>7</sup> Even so, healthcare companies have traditionally lagged behind other sectors when it comes to decarbonisation. There are several reasons for this: the direct footprint of many healthcare companies is often relatively small, which means that the majority of the emissions reductions required sits outside healthcare companies' immediate control in form of so-called Scope 3 emissions. As a result, healthcare companies have often lacked incentive to act as investors and stakeholders have pushed for other priorities than climate. As the climate crisis is intensifying, leading healthcare companies are starting to ramp up their efforts on climate to make sure they do their part to bring the healthcare sector in line with the Paris Agreement. At Impilo, we are committed to leveraging our influence to support this development. In 2021, we introduced a new set of standard ESG Core Indicators, which will require all portfolio companies to report on their Scope 1, 2 and 3 emissions over time. Further, several of our portfolio companies are already in the progress of defining their own climate mitigation strategy and reduction targets.



# How we work with ESG in our investments

Impilo has since inception been committed to integrating ESG into its investment and ownership processes. We continuously enhance our approach, prioritising ESG topics critical to our portfolio companies. This involves minimizing risks, identifying opportunities for value creation, and increasing transparency on progress.

Impilo's Sustainability Blueprint, first introduced in 2021, is the main vehicle through which Impilo will deliver on its sustainability commitments going forward.

The ESG module of the Sustainability Blueprint has three main components:

- The ESG Minimum Requirements
- The ESG Core Indicators
- The ESG Impact Thesis (EIT)

The ESG module has been designed to ensure that all portfolio companies adopt baseline

management practices and disclose performance across a set of key ESG areas while seeking performance improvement in the ESG areas most material to their specific business. The objective is both to mitigate risks and to capture opportunities associated with key environmental, social and governance issues.

All new portfolio companies must have implemented the core components of the Sustainability Blueprint – incl. the Minimum Requirements, the ESG Core Indicators and the ESG and Health Impact Thesis (EIT and HIT) – within one year of investment by Impilo.



# Impilo’s Sustainability Blueprint for PCs – a roadmap for improving ESG performance during ownership

## ESG Minimum Requirements

Impilo’s ESG Minimum Requirements (“Minimum Requirements”) is a core pillar of the Impilo Sustainability Blueprint. The Minimum Requirements cover nine ESG topics that are important to all portfolio companies operating in the healthcare sector.

The purpose of the Minimum Requirements is to ensure that all portfolio companies have a minimum level of ESG ‘safeguards’ in place to identify, mitigate and continuously monitor key environmental, social and governance risks within their operations and in their business dealing. In addition, the updated Minimum Requirements reflect Impilo’s commitment to respect internationally recognised requirements to responsible

business in line with the 10 principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

The Minimum Requirements is not an exhaustive list of ESG topics, and Impilo expects its portfolio companies to identify and mitigate additional ESG risks not directly addressed by the Minimum Requirements.

Impilo expects its portfolio companies to take a risk-based approach to implementing the Minimum Requirements, meaning that safeguards in the form of policies, management systems, governance and reporting should be commensurate with the risks each company faces.

### Core topics included in ESG Minimum Requirements

#1: Quality & product safety

#2: Business integrity

#3: Climate and environment

#4: Diversity & inclusion

#5: Occupational health & safety

#6: Employee relations and satisfaction

#7: Supply chain due diligence and human rights

#8: Data protection and security

#9: Grievances and concerns

#### Implementation of the Minimum Requirements, incl.

- Policy requirements
- Management system requirements
- Governance requirements
- Reporting requirements



**ESG Core Indicators**

The ESG Core Indicators reflect Impilo’s commitment to improve transparency and reporting on ESG within the private equity industry and towards its investors, while taking account of current and upcoming regulatory disclosure requirements.

The purpose of the ESG Core Indicators is to ensure that all portfolio companies disclose their performance in a consistent and comparable way. To this end, Impilo has developed standardised reporting protocols consistent with international reporting standards and emerging disclosure regulations, incl. the EU Sustainable Finance Disclosure Regulation (SFDR) and the ESG Data Convergence Project.

The Core Indicators are not an exhaustive list of ESG indicators and will be reviewed and updated on an annual basis to reflect new requirements from investors and regulatory changes. In addition to the ESG Core Indicators, Impilo expects its portfolio companies to adopt additional indicators for company specific ESG topics, and meet any additional non-financial disclosure obligations that apply to their companies.

**The ESG Impact Thesis**

The ESG Impact Thesis (EIT) is the ESG equivalent of the Health Impact Thesis (HIT). The purpose of the EIT is to identify the ESG topics where there is the strongest link to value creation and where the individual portfolio companies can drive measurable improvements on the ESG issues that matter most to their business and their stakeholders and the society.

Like the HIT process, the EIT process is intended to help portfolio companies identify their most important ESG priorities and set clear objectives and targets to demonstrate progress.

**Impilo and SFDR alignment**  
 In March 2021, the European Union’s Sustainable Finance Disclosure Regulation (SFDR) came into force. The SFDR is designed to help financial market participants understand, compare, and monitor the sustainability characteristics of investment funds by standardising sustainability disclosures. Impilo is not currently covered by SFDR. Even so, we are committed to aligning our disclosure against the requirements under Article 8. In addition, Impilo intends to gradually incorporate the Principle Adverse Impact (PAI) indicators into its ESG disclosures, many of which have already been embedded in Impilo’s ESG Core Indicators.

**? Did you know?**

Impilo is a member of the ESG Data Convergence Initiative (“EDCI”) to promote convergence around meaningful environmental, social, and governance (ESG) metrics for the private equity industry.

**ESG Core Indicators**

Environment	Social	Governance
#1 Scope 1 and 2 GHG emissions	#5 Gender Diversity – Board and Management	#12 Anti-bribery and anti-corruption
#2 Scope 3 GHG emissions	#6 Gender Equality – Unadjusted gender pay gap	
#3 Renewable Energy Consumption and Share	#7 Injuries and fatalities	
#4 GHG intensity	#8 Sick absence	
	#9 Employee survey and eNPS	
	#10 Employee turnover	
	#11 Net new hires	



# Impilo

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