

2018

# ESG and Corporate Responsibility Report



ESG knowledge, experience and passion



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## CEO's foreword

MTIP is committed to high ethical standards and to act as a responsible investor on behalf of our clients. They are the cornerstones, allowing us to be a better fund manager with a greater impact.



After having worked with the ESG criteria during more than one year, we quickly understood the potential of value creation they represent for our portfolio companies.

Indeed, early to growth stage companies have not always developed adequate governance policies and risk frameworks alongside their business expansion, because they were highly focused on short term milestones.

Therefore, an independent and objective observer like MTIP can help them to see the big picture and to tackle unidentified risks or to seize any opportunity.

The first feedbacks we received from our CEOs on our ESG approach were positive, and often they mentioned that we were the first partners who brought these topics to them.

From these actions resulted an additional trust towards MTIP, which strengthened our position as knowledgeable partner for our portfolio companies.

While MTIP's investment portfolio was spreading in the digital health sector, we also identified the need to adapt our ESG criteria. Indeed we had to take into account these new digital business models, which differentiate strongly from the medical technology company model.

This improvement in our ESG approach helped MTIP to gain a better understanding of the different healthtech operating models and reinforced the ESG added-value we are creating.

MTIP will continue to refine its ESG questionnaire and to promote the ESG factors to deliver value for its portfolio companies and for the healthcare stakeholders.

Dr. Christoph Kausch, CEO of MTIP.

## **PURPOSE OF THIS REPORT**

MTIP's ESG and Corporate Responsibility Report is prepared yearly and covers the calendar year 2018.

It should help the readers of this report to understand how MTIP is including meaningfully the ESG factors in the healthtech companies from being close to market entry to growth stage. Our report includes the following topics:

- First chapter gives historical background about MTIP and the ESG factors.
- Second chapter presents how we invest responsibly by integrating the ESG factors through our investment process.
- Third chapter outlines how the investment team works with the ESG factors.
- Last chapter presents some insights about MTIP's ESG proprietary model and how it materializes in some use cases.

## MTIP AS RESPONSIBLE INVESTOR

The concept of responsible investment refers to an approach of investing which explicitly acknowledges the relevance of ESG factors in investment decision making. It recognizes that ESG factors have the potential to impact directly the creation and the protection of economic value, as well as environmental, social and governance value for the company and its stakeholders.

MTIP became a signatory of the United Nations Principles for Responsible Investment (UN PRI<sup>1</sup>) in December 2017 and we have integrated the ESG factors in our investment process.

Since then a policy has been put in place in December 12, 2017 to frame its investment activities in adherence with the UN PRI principles.

MTIP commits to consider material ESG issues during the pre and post investment phases and to always include the ESG factors alongside the investment value chain, because we believe that inclusion of ESG factors will reduce risk exposure and lead to higher sustainable returns.

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<sup>1</sup> In early 2005, the United Nations Secretary-General Kofi Annan invited a group of the world's largest institutional investors to join a process to develop the PRI. A 20-person investor group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organizations and civil society. The Principles were launched in April 2006 at the New York Stock Exchange and since then, the number of signatories has grown from 100 to over 1,800 representing \$ 70 trillion of assets under management (31.12.2017 figures).

The Principles for Responsible Investments, voluntary and aspirational, aim to further understanding of the implications of sustainable investing and support signatories to incorporate ESG issues into their decision making and ownership practices.

## OUR POLICY AND METHODOLOGY

ESG factors are integrated alongside the investment process at MTIP. It ensures the early identification during the due diligence phase and where to further focus our attention in case of an investment.



ESG criteria are part of the pre- and post-investment process and are constantly examined by the investment team.

Once the investment has been decided, the 100 day plan is prepared based on an Healthcare ESG questionnaire filled by the portfolio company. The plan is presented to the portfolio company and agreed with them.

Monitoring is performed through the implementation of the 100 day plan and the half-year ESG checklist.

### Healthtech ESG questionnaire

MTIP has developed its own criteria tailor-made for digital health and medical technology. Its relevance and utility are already demonstrated and applied in the development of solutions for portfolio companies.

### ESG due diligence tool

MTIP proprietary ESG due diligence tool allows us to build an overview of portfolio company ESG factors to perform an assessment and to identify the risks and opportunities in order to protect and/or create value for the firm.

### Half-year ESG checklist

Twice a year, MTIP surveys its portfolio companies on key aspects of their ESG performance. We use the data to review our portfolio on ESG factors, to assess the overall ESG results per company and to identify any ESG issues, incidents or improvement points.

## ESG INTEGRATION ALONG THE INVESTMENT PROCESS

The members of the investment team are responsible for the integration of ESG criteria in their respective portfolios. Our dedicated ESG officer coordinates the process of ESG integration across all portfolio companies and develops and shares ESG best practice across investments.

During the pre-investment phase, ESG criteria are reviewed with an ESG questionnaire to determine if companies did not have any particular issues or risks.

After the investment target has become a portfolio company, the ESG questionnaire is deeply analyzed, whose answers serve to build the 100 day plan. As part of it, the investment team and the ESG officer prepare an analysis of identified risks and opportunities based on the firm answers and the industry best practices.

Potential solutions are discussed with the firm and jointly we works to implement a tailor-made plan if needed.

MTIP sees this exercise as an important value creation driver for its portfolio companies and allows portfolio companies to benefit from the best in class solutions. It is also an important source of additional information to better understand our portfolio companies and their internal operating processes.



### ESG Officer

**Florian Volery,**  
Finance Manager

"MTIP is seeing the ESG assessment as an opportunities to create value in its portfolio companies."



### Investment team

**David Germonpré,**  
Investment Partner

"ESG information gives us a window into the intersection of big macro trends and the portfolio companies' abilities to navigate them."



### Investment team

**Dr. Marc Dietrich,**  
Investment professional

"Responsible investment creates social value and this is what matters to me!"



### Investment team

**Dr. Claudia Colciago,**  
Investment professional

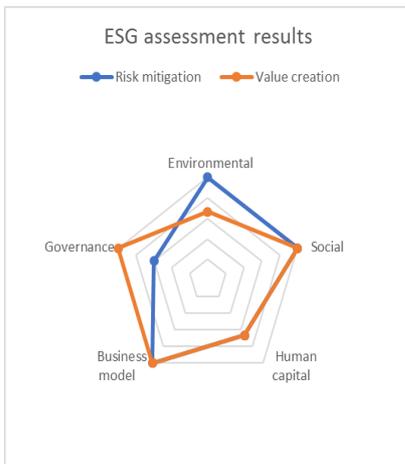
"ESG engagements create a dialogue between companies and investors to generate stronger assets and better performances."

## ESG CRITERIA IN HEALTHCARE

Healthcare firms, where MTIP has invested in, cover a broad range of sectors and stages from early to growth.

MTIP has developed a stage agnostic method to review companies through its proprietary ESG spectrum to allow assessment and comparability for benchmarking analysis.

Our key ESG topics are classified through five dimensions (Environmental, Social, Human Capital, Business model and Governance), and here below, we obtained the following results for one of our top portfolio company.



### How did we use these data?

After having received the completed ESG questionnaire, MTIP identified the company had improvement potential in its risk governance.

Then we proposed to build a risk strategy and assessment model for the firm.

We presented to the company this model and they decided to include it in their enterprise risk framework.

### Lessons learned

MTIP has refined its approach for the digital health companies and has created a dedicated digital health ESG questionnaire to include specificities related to this business model.

Even if business models, industries or stage of the companies vary, portfolio companies needs always a sparring partner to support them in solving any kind of challenges.

### Value created with ESG factors

MTIP discussed a broad range of topics with its portfolio companies while assessing their risk exposure or identifying any opportunity.

We covered the GDPR regulations, the cybersecurity and the retention of key employees. According to our portfolio companies, MTIP was always the first investor, who brought ESG relevant topics to discuss.

## ESG ENGAGEMENT AND USE CASES

During the year 2018, MTIP has supported its portfolio companies in many different aspects, where we have selected here below three use cases.

### 1. Adherence to the global data protection regulation (GDPR)

GDPR was introduced in May 2018 as the new EU law on data protection and privacy for all individuals within the European Union and the European Economic Area. The GDPR aims primarily to give control to individuals over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU.

As consequences, controllers of personal data must put in place appropriate technical and organisational measures to implement the data protection principles and therefore business processes handling personal data must be (re)designed with adherence to this law.

MTIP brought pro-actively this topic to its portfolio companies and asked about which measures were implemented by them. In conclusion we understood our portfolio companies were all adhering to the law.

### 2. Cybersecurity

Data leakage or out-of-order systems can become material risks to any organisation, especially to companies being not in a mature stage.

MTIP engaged with its portfolio companies to talk about the remediation measures they have put in place to protect or mitigate this risk. As result of our analysis, we concluded our portfolio companies were taking this risk seriously and all of them had some mitigating measures to avoid material exposure.

### 3. Retention and turnover of the employees

As part of the social risk exposure analysis we performed, MTIP always asked which measures has the company put in place to avoid a high employee turnover, which would potentially lead to more costs and less operational efficiency.

Our CEOs welcomed this discussion and they confirmed it is always a challenge to retain the good employees, especially due to the money constraints the early to late stage companies are facing. Therefore, enthusiasm at work and job purpose are some key drivers for retention. Our CEOs responded they focus on developing good working conditions to create a strong basis for an attractive corporate culture in order to retain their best employees.

## MTIP FACTS AND FIGURES

MTIP is a Swiss-based growth investor that specializes in scaling up healthtech companies in rapidly expanding global markets. We invest in digitally-connected, decentralized and patient-centric medical technology leaders, based primarily in Europe, with offerings that provide clear health-related economic benefits. We are focusing on:



- 1) EHR: Electronic Health Record
- 2) CRM: Cardiac Rhythm Stimulation
- 3) FES: Functional Electrical Stimulation
- 4) POC: Point Of Care

Finally, MTIP invests in companies fulfilling following attributes:

- Clear **competitive advantage** with a **scalable business model**
- Technological **innovation** backed by **strong patents**
- Solid concept and **execution plan** supported by a **dedicated management team**

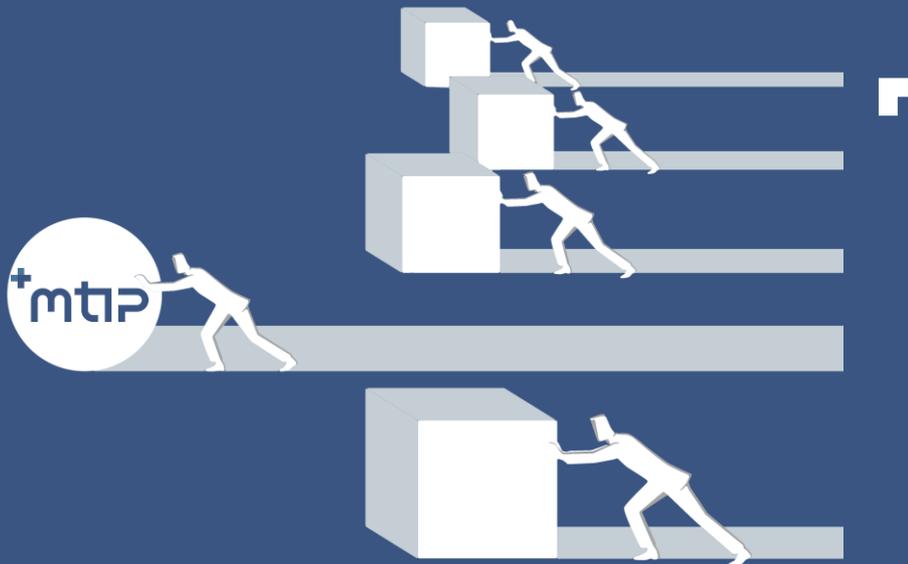
MTIP is headquartered in Basel, Switzerland and has its fund domicile in Luxembourg.

## MTIP CONTACT DETAILS

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innovation that  
improves lives*

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