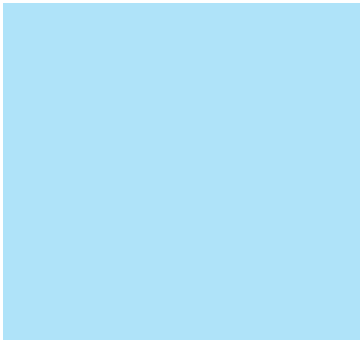
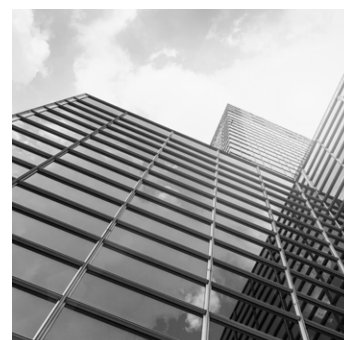
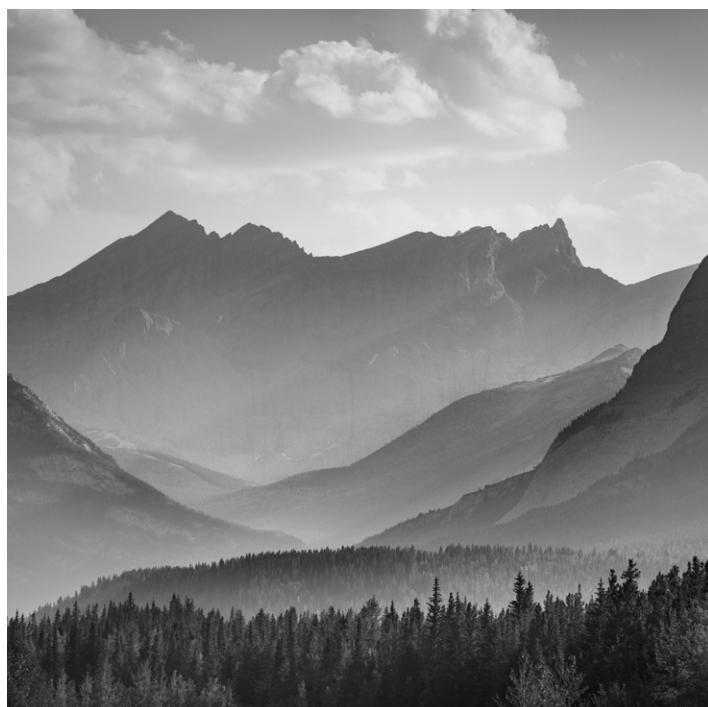


2017
IK Investment
Partners'
**Communication
on Progress**



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Letter from our CEO

IK Investment Partners (IK) has been a signatory to the UN Global Compact initiative since 2013. This third Communication on Progress (COP) report highlights activities undertaken between 9 December 2016 and 7 December 2017.

FIRST, I AM pleased to reaffirm IK's support for the Ten Principles of the UN Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

For IK, the COP is an important demonstration of our commitment to transparency and accountability. Importantly too, it is a tool through which we can update stakeholders on our sustainability performance. In this report therefore, we describe our actions to support the Global Compact and its principles. We also commit to share this information with our stakeholders using our primary channels of communication.

As a private equity firm, we have become increasingly aware of a profound shift in our industry, as more and more participants recognise the importance of environmental, social and governance (ESG) issues, with regard to both portfolio companies and their own internal structures and behaviours.

IK has a rather different perspective. As a firm with Nordic roots, responsible investing (RI) has been central to our philosophy and culture for many years, not simply because we believe that it is right but also because it makes sound commercial sense.

IN RECENT YEARS, we have both formalised and strengthened our commitment to RI across IK Investment Partners and among the portfolio companies that we invest in. Last year was no exception.

In our previous COP report, we said that we would be forming an ESG steering committee during 2017 to provide guidance and direction for our firm and our portfolio companies. We have duly established that committee, run by our internal ESG champion, Mikaela Hedborg, alongside partners drawn from across the firm. We have also created an ESG Manual and an ESG Knowledge Library, which act as a locus of information for all our professionals, providing advice and support operationally and strategically. The library includes guidance on drafting ESG-related policies, self assessment tools as well as case studies, and is updated continuously.

We have been diligent in our approach to ethics more broadly. In 2016, for example, we established a Code of Ethics, as part of a determination to deliver sustainable value for all our stakeholders, by maintaining high standards of governance and business ethics across the firm and our portfolio companies. The Code is continually adapted to ensure it is fit for purpose.



We have published a Modern Slavery Act Transparency Statement, declaring our zero tolerance approach to modern slavery. By reviewing our suppliers, IK is in a better position to understand all potential modern slavery risks related to our business.

Internally, we have also conducted ESG training to the investment teams so that they may perform their work in accordance with IK's responsible investment commitment.

IN LINE WITH our long-standing support for RI and the actions that we have taken, we felt it was time also to become a signatory to the UN Principles for Responsible Investment (PRI), the main industry ESG-focused body representing asset owners and managers. PRI's platform allows its signatories to pool resources and share information. For IK, climate change is an area of particular focus where we believe engaging with the PRI will foster long-term value creation as we transition to a low-carbon economy. Fundamentally, success cannot simply focus on what we and our portfolio companies do to generate revenues; it is about how we achieve those revenues and the effect that our actions has on all our stakeholders.

We believe that building better businesses is intrinsically linked to responsible investment and that sustainable growth is best achieved by implementing the right approach to ESG. This has been a key part of our investment approach for decades. We are more committed than ever to investing responsibly and fostering respect for ESG issues within our firm and across our stakeholder universe.

Christopher Masek
Chief Executive Officer, IK

IK Investment Partners

Leading
Pan-European
private equity firm

Accountability

>€9 billion
of capital
raised

Commitment to
investing
responsibly

113
investments

Building stronger
and better
businesses
since 1989

Integrity

Unique Northern
Continental
European footprint

Active
ownership
model

85 exits

Generated
strong returns
across
economic
cycles

Defining and
delivering
transformational
agendas

Venture
philanthropy
activities with
IKARE

Multiple
Fund
Strategies

Professionalism



Private equity as an ownership model

PRIVATE EQUITY AS an ownership model is an asset class for institutional investors such as banks, pension funds and insurance companies designated to help companies grow and develop in a sustainable way, working closely with the management team of the portfolio company. In general, a private equity investment has three stages: the initial transaction, the development of the portfolio company and the sale of the company.

Once a private equity fund has acquired a portfolio company, the advisor applies its expertise to drive the company's corporate strategy, accelerating growth organically, through strategic acquisitions or by restructuring - in each case improving efficiency and profitability. As private equity fund managers

invest their own money alongside their fund investors, they have a direct stake in the company's success.

When the strategies and plans identified at the time of the investment have been carried out, the fund will look to divest the portfolio company through different exit routes, such as a trade sale, when the company is sold to an industrial buyer, a secondary sale, in which the company is sold to another fund which can continue to develop the company, or an IPO, where the private equity fund often stays on as an owner for a period of time.

According to data from Invest Europe, the total amount of equity invested in European companies by private equity funds reached €52.5bn in 2016.

Connecting the dots: IK and ESG

At IK, Responsible Investing (RI) lies at the heart of who we are and what we do

HAVING ACCUMULATED CLOSE to 30 years' experience in the private equity market, IK knows that strong environmental, social and governance (ESG) practices correlate positively with enhanced financial performance within portfolio companies as well as enrich society more broadly. As such, Responsible Investment (RI) is integral to IK's business philosophy.

Focused on investing in companies with strong underlying potential, we are proud to support the IK Funds as they partner with management teams and investors to grow businesses, improve performance and create sustainable value for all our stakeholders.

We strive to create sustainable value for all IK stakeholders by instituting and maintaining high standards of governance and business ethics within the Firm, IK Funds and portfolio companies. Working with management teams, we help portfolio companies recognise and manage the opportunities and risks associated with ESG factors.

Deeply committed to fostering growth, we apply an active approach to our investments and aim to create robust, well positioned companies with solid long-term prospects. Our portfolio companies represent more than 25,000 employees across the globe and revenues of €3.7bn. We are proud of our portfolio companies which, under IK's stewardship, have provided domestic and international employment opportunities, enhanced economic growth and contributed to local communities.

This year we strengthened our internal processes in a number of ways to ensure that our commitment to RI is both recognised and consistently implemented across the firm. We believe we have made progress but we are keenly aware that there is always more to do to enhance ESG practices at our portfolio companies and within IK itself.

Creating sustainable value: How we do it

IK ensures a structured approach to investment from the moment we consider a potential investment to the point at which we invest. With the help of the "IK Way toolkit", ESG is embedded into every stage of the investment process

PRE-INVESTMENT

ACTIVE OWNERSHIP

EXIT

01.



During the pre-investment stage, ESG-related risks and opportunities are identified for each investment opportunity. If it transpires that a potential investment does not conform to IK's RI policy, the opportunity will not be pursued.

02.



Each investment opportunity is discussed at a bi-weekly Business Development Meeting, enabling the deal teams to benefit from the collective experience of the entire investment team. A detailed presentation is made to the Investment Committee, which includes financial and non-financial information as well as a mandatory assessment of ESG factors relevant to the investment.

03.



Depending on the materiality of the ESG risks identified, IK may choose not to pursue an investment opportunity or to invest, but in such case embed corrective actions in the post-acquisition Full Potential Plan.

04.



Not all ESG factors are equally impactful for all companies. Therefore we ask portfolio companies to focus on ESG factors "with a direct or indirect impact on an organisation's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large". Following acquisition, IK commissions an independent ESG review to better understand which ESG factors should be considered being of material character.

05.



Successful sustainability practices depend on continuous improvement in combination with monitoring results and acting when performance is unsatisfactory. IK has developed a process for monitoring its portfolio companies' ESG progress. Portfolio companies disclose ESG information through our reporting toolkit Baxon, which brings to life an integrated reporting view across the full investment cycle.

06.



Once an investment is divested, IK's ESG team strives to assess the ESG-related contribution to value creation throughout the active ownership phase. The original ESG review serves as a baseline against which the ESG performance is analysed.

Definition of ESG



- Climate change
- Pollution and contamination of land, air and water
- Eco-efficiency and resource efficiency
- Waste management
- Natural resource scarcity
- Biodiversity



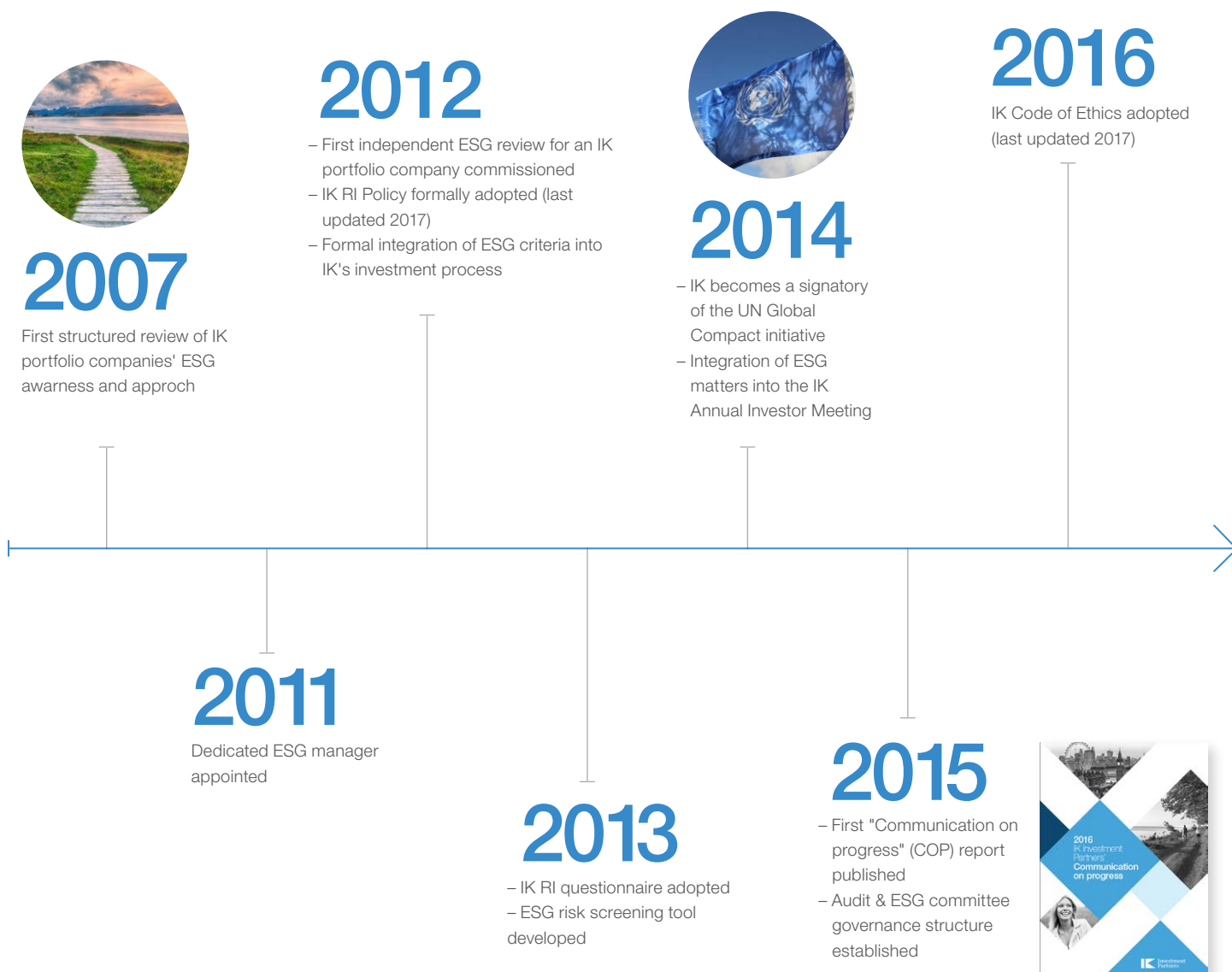
- Labour rights and labour conditions
- Health and safety
- Treatment of customers and communities
- Human rights
- Diversity
- Supply chain management
- Data privacy and cyber security



- Regulation
- Anti-bribery and corruption measures
- Business ethics
- Transparency and accountability
- Board composition and independence
- Shareholder rights

IK's ESG journey

Engaging in RI has been an integral part of IK's culture since the firm was founded. For the past 10 years, we have been developing a more structured approach to help us create sustainable value.



Making the most of ESG opportunities in 2017

IK ESG Steering Committee

established in order to provide support, guidance and oversight of IK's ESG progress

ESG training

IK RI questionnaire revised

ESG monitoring process

ESG Manual

developed to further strengthen IK's internal ESG processes

Carbon Footprint measured for the first time

UN Principles for Responsible Investment (PRI)

signatory

UNGC roundtable on EU Minerals Regulation hosted

510 downloads of IK's RI policy (2017YTD)

E&S Assessment Tool implemented to screen for inherent sector risks

ESG Knowledge Library

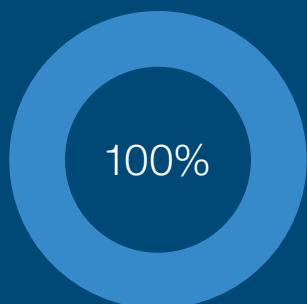
established to support the implementation of ESG-related policies across the portfolio

Modern Slavery Act

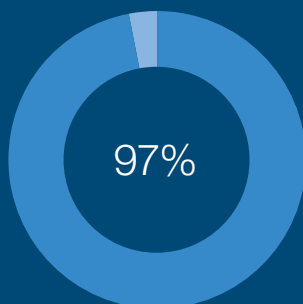
Summary of IK's ESG commitment

All information below is based on the investments in the IK VIII Fund, IK VIII Fund and IK Small Cap I Fund unless otherwise stated.

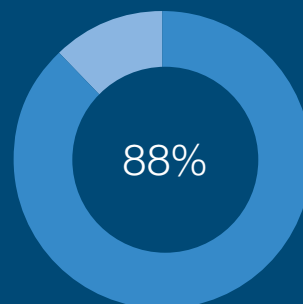
Not including Debitor Inkasso and Studienkreis which were signed on 27 October 2017 and 22 November 2017 respectively.



ESG ASSESSMENT INCLUDED
IN INVESTMENT COMMITTEE
MEMORANDUM



PART OF PORTFOLIO COMPANIES
FOR WHICH AN INDEPENDENT ESG
REVIEW HAS BEEN COMMISSIONED



PART OF ANNUAL REVIEWS
WHICH INCLUDED AN ESG
SECTION¹⁾

ESG Risks



ESG Opportunities



Links to the UN Sustainable Development Goals

At IK, we recognise the importance of supporting the 2030 Agenda for Sustainable Development. The following Sustainable Development Goals have been deemed of relevance for the portfolio companies in IK Funds. The size of the box represents the numbers of portfolio companies linked with the goal. The higher the box is placed, the larger opportunity it represents in terms of value creation.



¹⁾ Based on the 3 investments held by the IK VIII Fund, 15 investments held by the IK VII Fund and 7 investments held by the IK Small Cap I Fund in Q1-17.

The UN Global Compact initiative principles

IK is committed to the principles of the Global Compact initiative and ensuring that its portfolio companies adhere to these principles as well

Our principles

IK's responsible investment commitments, as found in our RI policy, are based on the following principles:

- Respect for the internationally proclaimed human rights principles **(Principles 1-2)**
- Freedom of association and the right to bargain collectively **(Principle 3)**
- Working conditions that surpass basic health and safety standards **(Principles 4-5)**
- Equal opportunity independent of gender, race or religion **(Principle 6)**
- Environmental responsibility **(Principles 7-9)**
- The conduct of good governance practices, in particular with relation to bribery and conflicts of interest **(Principle 10)**

1. Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights
- **Principle 2:** Make sure they are not complicit in human rights abuses

Support for individual and collective human rights is a fundamental part of the culture at IK Investment Partners. We support the Universal Declaration of Human Rights and we will not carry out business with countries and regimes where flagrant human rights abuses are known, such as torture, politically motivated disappearance, etc. As part of our Responsible Investment policy, we will not invest in companies which do not respect internationally proclaimed human rights principles.

As owners of companies with operations across the globe, we are deeply aware of our human rights responsibilities. We encourage our portfolio companies to support human rights and we are committed to continued progress both within IK Investment Partners and among our portfolio companies.

” We will not carry out business with countries and regimes where flagrant human rights abuses are known.

2. Labour

- **Principle 3:** Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** The elimination of all forms of forced and compulsory labour;
- **Principle 5:** The effective abolition of child labour; and
- **Principle 6:** The elimination of discrimination in respect of employment and occupation.

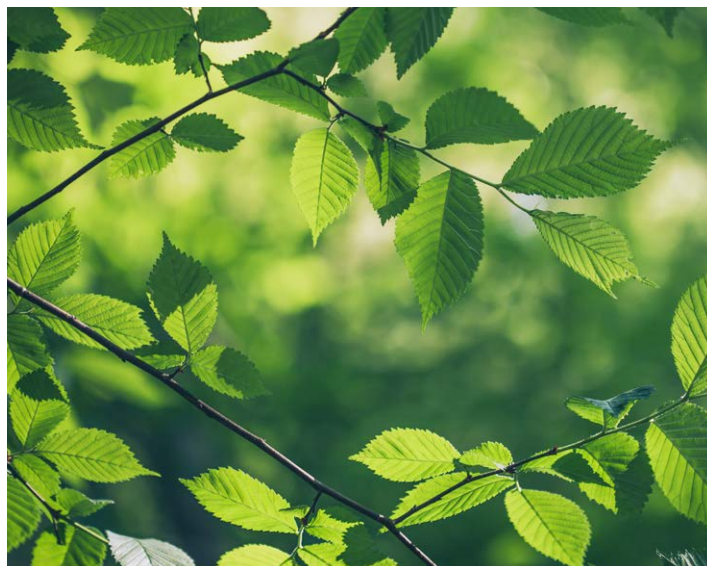
IK Investment Partners believes that a good working environment and equal opportunities for all are a fundamental right for every employee.

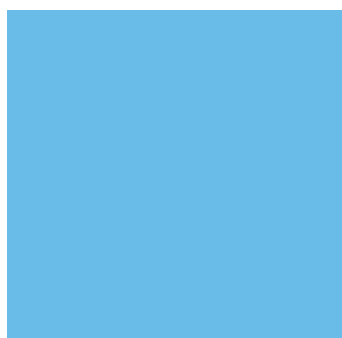
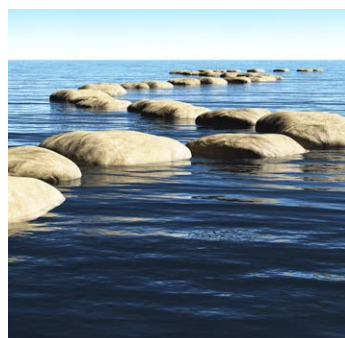
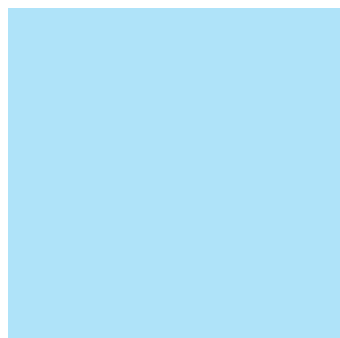
As part of our Responsible Investment policy, we will not invest in a company that is engaging in child labour or forced labour. Both within our firm and among our portfolio companies, we support diversity and we actively encourage employee engagement, development and promotion.

We believe that, as owners, we have a responsibility to lead by example. As such, our Human Resources Policy supports best practice in terms of labour and employment, including equal opportunities and diversity. We also have a Health and Safety Policy.

Our portfolio companies employ more than 25,000 people and we stress that employees' rights and working conditions must be respected. For many of our management teams, this is a priority. In 2017, 92% of IK Funds's portfolio companies had a Human Resources policy or Code of Conduct (covering HR topics) in place.

We are committed to continued progress both within IK Investment Partners and among our portfolio companies, with regard to fair, equal and effective labour conditions.





3. Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental changes
- **Principle 8:** Undertake initiatives to promote greater environmental responsibility
- **Principle 9:** Encourage the development and diffusion of environmentally friendly technologies

IK Investment Partners supports the UNGC's environmental principles and we endeavour to uphold them within our firm and across our portfolio companies.

We believe in the promotion of greater environmental responsibility and we encourage our portfolio companies, where relevant, to develop sustainable products, services and solutions.

We actively encourage our portfolio companies to be mindful of their environment and we monitor their progress throughout our holding period. External consultants provide initial input and the Board of Directors of every portfolio company ensures that environmental policies are regularly reviewed and assessed. Each portfolio company also has an Audit & ESG committee, responsible for monitoring environmental policies and reporting directly to the Board of Directors. Among the portfolio companies, 65% have an environmental and/or waste management policy (2017).

We are committed to delivering continued progress on environmental issues both within IK Investment Partners and among our portfolio companies.

4. Anti-corruption

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery

IK Investment Partners does not condone corruption, extortion or bribery in any form.

As an owner of companies with operations around the world, robust anti-corruption policies and regulatory compliance play an essential role in our ability to do business ethically and with integrity.

We understand the damage caused by bribery and corruption and we work hard to guard our employees and those of our portfolio firms against their corrosive influence.

IK Investment Partners is compliant with the Bribery Act and does not participate in corruption, bribery or extortion. Our Compliance Officer is responsible for anti-corruption within IK Investment Partners and our Anti-Corruption policy sets out what could be considered bribery in terms of business operations and relations. The policy covers the receiving of hospitality and gifts as well, and IK Investment Partners provides staff with regular training and updates. We also have a Whistleblowing policy and Conflicts of Interest policy.

Among the portfolio companies, 70% have an ABC policy (2017).

ESG in practice

SCHOCK

- The world's leading manufacturer of top-quality granite kitchen sinks
- Since 1924, the company has gained a reputation for innovation, quality and technological excellence
- Since 2007, SCHOCK has implemented a raft of measures to reduce their carbon footprint, including increasing the proportion of renewable energy sourced from power suppliers, encouraging Skype meetings and online conferences in lieu of travel, and carrying out on-site energy efficiency improvements

Environmental Achievements

- Halved water consumption
- A raw materials efficiency of 90%
- Recycled 95% of the water used in the production process

Facts

Fund: IK VIII Fund

Acquisition date: December 2016

Country: Germany

Sector: Consumer goods

SCHOCK's business links to Sustainable Development Goals:



Third Bridge

- A leading provider of expert calls to business investors and consultants, covering the US, Asia and Europe
- By leveraging its internal expert base and utilising its research analysts, Third Bridge can identify the most appropriate experts based on the client needs
- A set of robust compliance policies and procedures to reach the best possible level of compliance, and represent a safe way for investors to interact with industry experts

Governance Achievements

- Compliance training for all employees
- Industry-leading IT systems to record compliance steps
- Compliance handbook
- Code of Ethics

Facts

Fund: IK Small Cap I Fund

Acquisition date: August 2017

Country: United Kingdom

Sector: Business services

Third Bridge's business links to Sustainable Development Goal:



Ramudden

- A leading Nordic work zone safety and traffic control service provider
- The service offering includes rental of road barriers, signage, traffic and road signs, concrete systems, industrial heating solutions, traffic arrangement plans, surveillance and maintenance service as well as safety education programmes
- Since the company was founded in 2005, it has focused on staff wellbeing
- The company appointed a dedicated health coach

Social Achievements

- 'Passion for Health initiative' to encourage employees to exercise regularly
- In addition to appointing a health coach, the company has hired Thomas Fogdö, former alpine skier, as a mental coach
- Over 100 employees participated in the 'Wings for Life World Run' in this and last years to raise money for research into spinal cord injuries

Facts

Fund: IK VII Fund

Acquisition date: June 2014

Country: Sweden

Sector: Business services

Ramudden's business links to Sustainable Development Goal:



Our extended commitment: IKARE

IK Aid and Relief Enterprise (IKARE Ltd) is the venture philanthropy arm of IK Investment Partners. Founded and supported by IK Investment Partners, IKARE uses venture philanthropy principles to make a positive long-term impact

ENGAGING IN PHILANTHROPY has been an integral part of IK's culture since the firm was founded in 1989. But, as IK developed, the partners wanted to adopt a more structured approach to charitable donations and link them more closely to their core business. They wanted to make a difference, federate staff and leave something sustainable behind. That is why IKARE was set up as an independent charity, imbued with the

principles of venture philanthropy. As such, IKARE aims to overlay private equity investment techniques, and other business expertise and practices, into causes or 'investees', thereby contributing more than just funding. IKARE and IK as donors have been able to strengthen health infrastructures, providing countries with better foundations for reaching the SDGs through different initiatives.



2006

IKARE launched, mainly focusing on 'Stamp Out Sleeping sickness' in Uganda



2013

IKARE with Ceva sponsors 'Cows against Malaria' study, conducted by a group of researchers from Liverpool University and the London School of Hygiene



2015

IKARE partners with Shifo Foundation to work on MyChild system in the Dokolo district

2016

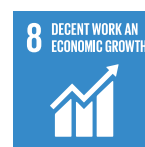
- Shifo and Dokolo District Local Government, supported by IKARE, embarks on the first-ever district wide implementation of the MyChild Card system
- WASH initiative in Bwaise was launched by SSPP in co-operation with the target communities and their CBOs

2009

IKARE invests in MYC4 micro financing platform, providing loans to small businesses in Africa

2014

IKARE embarks on Kampala Slums WASH initiative



MyChild Card



MYCHILD CARD IS a simple but highly effective platform to help ensure that no child dies or suffers from preventable or curable diseases. Developed by Shifo Foundation and supported by IKARE, the system has been successfully implemented in Dokolo district, Uganda, paving the way for global expansion.

In January 2017, six months after Shifo began training healthcare workers and implementing MyChild solution, all 16 operational health centres in the Dokolo district transitioned to MyChild cards. Piloted by IKARE, this was the first-ever district-wide implementation of MyChild solution and the effects were immediate. Time spent by health workers on administration and reporting was reduced by 70 per cent, allowing them to devote more time to health education for families with children.

By the end of September 2017, 12,867 children in Dokolo had been registered and issued with unique IDs. Within that group, 4,600 children had been fully immunized and 3,604 text reminders had been sent. Previously, there was no reliable record of the number of annual births, nor the number of under-fives in Dokolo. But IKARE and Shifo have catered for registering up to 20,000 children aged 0-5 per year for five years, or 100,000 children in total. The proportion of newborns registered, as a percentage of children aged 0-5, is gradually increasing and has now reached 63%. This hopefully implies that every child under the age of five will soon have received their MyChild Card and thus been registered and immunized.

The system has already attracted the attention of the Global Alliance for Vaccines and Immunisation (Gavi), a Switzerland-based public private partnership, whose supporters include the Bill & Melinda Gates Foundation, the World Bank, Unicef and the World Health Organisation.

Kampala Slums Wash initiative



IN 2014, THE Ugandan Student Support Philanthropy Programme (SSPP) undertook an experimental water, sanitation and hygiene (WASH) intervention in the Kikoni slum areas of Kampala. Supported and mentored by IKARE and local partner, High Heights Services, the SSPP achieved considerable success – so much so that the programme attracted the attention of the Kampala City Council Authority and Ministry of Lands. The SSPP were then asked to undertake a slightly larger pilot in the Bwaise slum, home to an estimated 90,000 people. This pilot was launched in October 2016, aiming to improve cleanliness at water sources and reduce the frequency of water-borne diseases such as diarrhoea, cholera and typhoid.

The initial outcome of the pilot scheme was very positive. Communities were highly engaged in keeping the three selected water sources clean and families with Solvatten units reported an average 70% reduction in diarrhoea cases. To further strengthen the outcomes of this pilot and ensure a longer-term sustainable impact, IKARE agreed to undertake a post-pilot programme with the SSPP.

This programme, kick-started in April 2017, focuses on building awareness around the importance of 'WASH' through a range of initiatives, including drama groups. The programme also involves strengthening accounting and reporting capacity at SSPP and assessing the sustainability and scalability of different business plans aiming at securing a sustainability platform for the SSPP.

The Power of Partnerships



UGANDA IS ONE of 38 countries in sub-Saharan Africa affected by human and animal sleeping sickness. But it is the only country to host both varieties of the parasites that affect humans. Areas endemic to the disease are heavily infested with tsetse flies. Over the past 100 years, numerous efforts have been undertaken to control the disease. Now, finally, there is progress, thanks at least in part to the Stamp Out Sleeping Sickness (SOS) initiative, supported by IKARE.

In October 2017, the Ugandan Trypanosomiasis Control Council (UTCC) and its executive arm, COCTU, celebrated their Silver Jubilee. It was a proud moment, as IKARE director Anne Holm Ranaleet, explains: "Slowly but surely our efforts over the last 10 years to control the disease are paying off and we can see a steady lowering in the number of Human African Trypanosomiasis (HAT) cases to very few cases per year." Two initiatives in particular have contributed to this development. The Tiny Targets + Rapid diagnosis activities carried out in the West Nile region, and our SOS initiative in Northern Uganda.

2018 and beyond

Measure and
reduce IK's
Carbon
footprint

Engage with
the UN PRI

to further enhance
IK's ESG practices

Develop IK's
RI questionnaire
and ESG
monitoring tools

Expand the
IK ESG
Knowledge Library

Continue to support the
UN Global
Compact

Assess and
address climate
change impact
for IK and portfolio companies



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