

AXCEL

2017

Responsible  
investment report



# Letter from our Managing Partner

Axcel's mission is to generate a return for our investors by acquiring, developing, improving and selling medium-sized Nordic companies. Working towards this mission, we believe not only in economic sustainability, but also in sustainability when it comes to the environment, our social responsibility and good corporate governance. For this reason, Axcel has pledged to act responsibly towards the companies we own and in the way we run our business in general.

These days, it is essential for the success of an investment that the owner is aware of CSR issues and actively addresses them. Sustainability is therefore a consideration whenever we make an investment. As investors become more and more interested in environmental, social and governance (ESG) issues, financial success is increasingly dependent on sustainability performance.

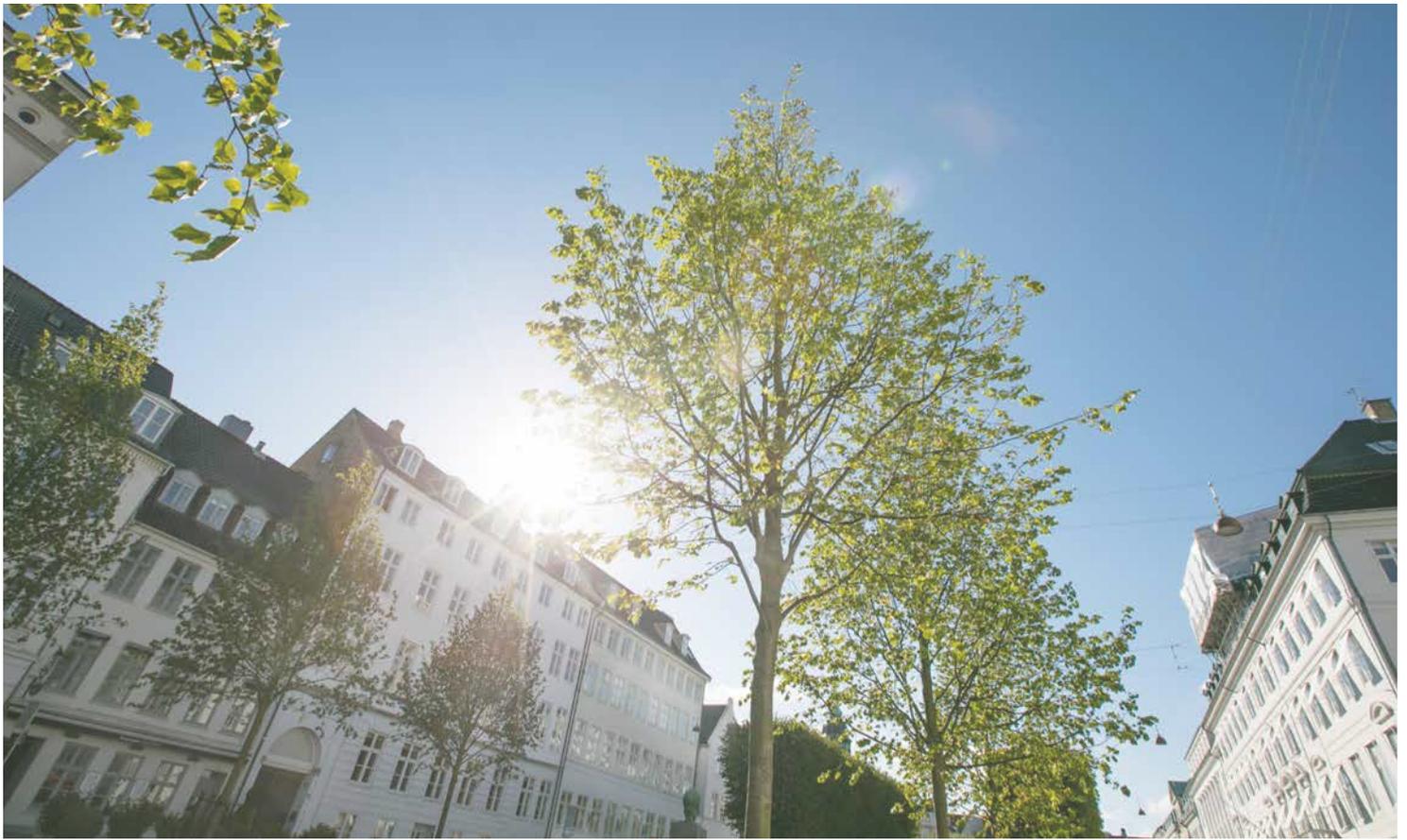
At Axcel, we strive to implement ESG criteria both in pre-investment processes and during our ownership. When Axcel screens future investment opportunities, we incorporate ESG factors into the eval-

uation. As an active owner in the companies we invest in, Axcel also takes responsibility for considering ESG factors in day-to-day business activities.

CSR is moving at a fast pace, and the bar is raised every year. Our goal is continuous improvement in our companies' CSR work, which is a demanding process to which Axcel and our portfolio companies need to commit both time and resources. At Axcel, we therefore put great effort into constantly improving our CSR work.

Christian Schmidt-Jacobsen  
*Managing Partner*





# CSR at Axcel

Axcel believes sustainability at both fund and company level to be crucial for successful investments. Sustainability issues are therefore on the agenda at all portfolio companies.

Axcel joined the UN Global Compact back in 2010 and has worked strategically with corporate social responsibility (CSR) at both fund and company level ever since.

We submitted our first report under the UN's Principles of Responsible Investment (PRI) initiative in 2016, and the most recent was filed in April 2018.

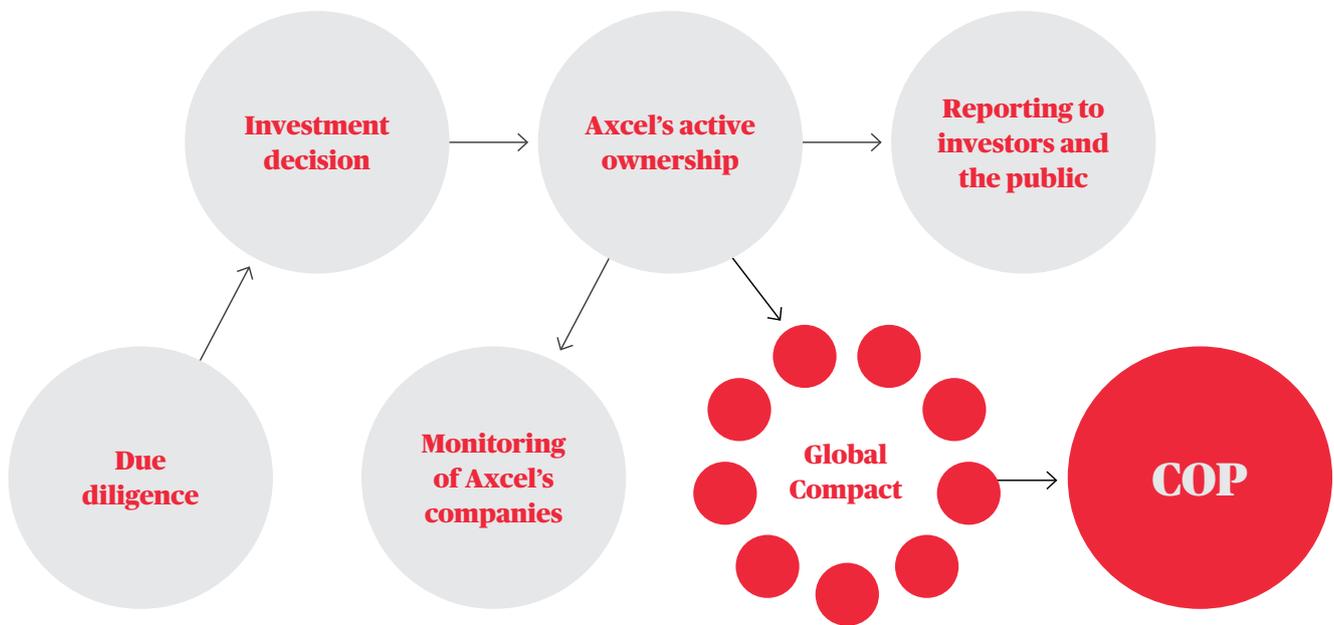
Axcel has noted greatly increased interest in CSR issues among investors and other stakeholders in recent years. Axcel therefore continues to develop CSR procedures. More stringent CSR legislation will affect future reporting at our Danish companies.

The principles for how Axcel works with portfolio companies on the development of CSR systems are documented in Axcel's CSR handbook. The handbook guides management and CSR staff at portfolio companies through the first steps towards fulfilling the CSR requirements during the first 24 months of ownership, which includes joining the UN Global Compact. Axcel invests only in companies that comply with, or are prepared to com-

ply with, the Global Compact principles, and portfolio companies prepare an annual Communication on Progress (COP), which is published on the Global Compact website.

While the Global Compact focuses on CSR at company level, the PRI look at environmental, social and governance (ESG) issues at fund level. By signing up to both schemes, Axcel has the best possible basis for creating a framework for CSR reporting that is familiar to both companies and investors.

Axcel wants to make sure that we follow up on ESG matters in all parts of the investment process. When screening future investment opportunities, Axcel incorporates ESG factors into the general evaluation criteria. Before any final decision to invest in a company is made, Axcel performs a due diligence analysis, which incorporates a systematic review of the company's ESG performance. As an active owner, Axcel also takes responsibility for considering ESG in day-to-day business activities. Axcel puts great effort into



↑ **All portfolio companies** are required to join the Global Compact within one year and work on continuous improvement against its ten principles.

offering continuous support to its companies by providing tools, guidance and knowledge-sharing opportunities on CSR and corporate governance issues.

Axcel has developed a CSR policy explaining Axcel's commitments, which can be downloaded from our website.

Axcel aims to invest in companies which behave responsibly, as this will ensure the best possible risk profile. However, we also wish to promote socioeconomic development in general and therefore encourage portfolio companies to contribute to their local communities and their development where this makes commercial sense.

We will also be focusing more on individual boards' involvement in COPs, and in future it will be a requirement that these reports are considered at board level.

**Axcel works to ensure that its companies:**

- comply with relevant laws, rules and internationally recognised principles
- consider risks relating to CSR issues and address them proactively
- are in a position to meet the requirements and expectations of customers and business partners concerning supply chain management and codes of conduct
- consider future business opportunities and positioning in relation to CSR
- comply with the DVCA's guidelines on openness and transparency

Most of Axcel's companies have published a COP, and the rest are on the way to doing so.

Axcel regularly suggests improvements, and in 2017, we improved our supervision to ensure compliance by encouraging all companies to introduce KPIs in relevant areas. Axcel also decided to include governance in the COP.

Axcel has also improved ESG matters internally by establishing a whistleblowing solution that allows anonymous reporting of violations of financial regulations within Axcel Management as well as any unethical behaviour. The reporting system is hosted by an independent party, guaranteeing the system's security and anonymity, while the investigation of reported incidents is performed by the compliance unit.

**Global Compact status of Axcel-owned companies as at 30 April 2018**

	Joined Global Compact	First COP
Ball Group	X	2012
Conscia	X	-
Danish Ship Finance	X	2017
Delete Group	X	2015
EG	X	2015
Frontmatec	X	-
IsaDora	New investment	-
Mita-Teknik	X	2015
Mountain Top Industries	New investment	-
Nissens	New investment	-
Orion Diagnostica	New investment	-

# Status and development in companies

<b>Human Rights</b>	Risks regarding equality, life and security, personal freedom, economic, social and cultural freedoms.
<b>Labour</b>	Risks regarding freedom of association and recognition and the right to collective bargaining, elimination of forced and compulsory labour, abolition of child labour, elimination of discrimination in respect of employment & occupation.
<b>Environmental issues</b>	Risks regarding environmental impact, damage to ecosystems, pollution, land degradation, the impacts of chemicals use and disposal, waste production and depletion of non-renewable resources.
<b>Corruption issues</b>	Risks regarding corruption in all its forms, including extortion and bribery.

Assessment of risk by category COP17. Please rate your overall assessment of the portfolio companies in each fund within each of the categories ✓ = Low risk — = Medium risk ✗ = High risk

## Assessment of risk by category

Fund	Portfolio Company	Human Rights	Labour	Environment	Corruption	
<b>Axcel III K/S</b>	Ball Group	✓	✓	✓	✓	
	Exited 2018	Driconeq	✓	✓	✓	
<b>Axcel IV K/S</b>	Mita-Teknik	✓	✓	✓	—	
	EG	✓	✓	✓	✓	
	Delete Group	✓	✓	—	✓	
	Conscia	✓	✓	✓	✓	
	Exited 2018	Lessor Group	✓	✓	✓	✓
		Frontmatec	✓	✓	✓	—
		Dansk Skibskredit	✓	✓	✓	✓
<b>Axcel V K/S</b>	Nissens	✓	—	—	✓	
	Mountain Top Industries	✓	✓	✓	✓	
	IsaDora	✓	✓	✓	✓	
	Orion Diagnostica	N/A	N/A	N/A	N/A	

# Assessment of portfolio companies compliance with ESG criteria

Assessment of portfolio companies' compliance with ESG criteria

		<b>Ball Group</b>	<b>Conscia</b>	<b>Danish Ship Finance</b>	<b>Delete</b>
<b>Environmental</b> practice of the portfolio company	Is there any written environmental policy in place within the company (1)?	No	No	Not applicable	Yes
	Has the company obtained any environmental label/certification? (e.g. ISO 14000, Eco-label européen...)	No	No	Not applicable	Yes
	If yes, please give name of label/certification				ISO14000
	Has the company measured its carbon footprint?	No	Not applicable	Not applicable	Yes
	Has the company benefited from energy cost savings?	Information not available	No	Not applicable	Yes
<b>Social</b> behaviour of the portfolio company	Number of employees at year-end (2017)	398	323	72	936
	Number of employees at year-end (2016)	334	137	68	490
	Has the company benefited from a reduction of: absenteeism rate?	No	No	No	No
	incident rate?	Yes	No	No	No
	Do employees have access to capital of the company/stock option plan?	No	Yes	Yes	Yes
	If yes, please select proportion of employees benefiting from such policy?		10% - 30%	More than 50%	0-10%
	Has the company established a safety and/or a health plan for its employees?	Yes	Yes	Yes	Yes
<b>Governance</b> within the portfolio company	Does the GP seat at the portfolio company board?	Yes	Yes	Yes	Yes
	Has the company implemented internal procedures or ethical code covering: Child labour and forced labour	Yes	Yes	Not applicable	Yes
	Bribery	Yes	Yes	Yes	Yes
	Money laundering	Yes	No	Yes	Yes
	Has the company been under investigation for any fraud, or subject to any lawsuit in relation to ESG criteria?	No	No	No	No
	If yes, please provide additional information				

# Assessment of portfolio companies compliance with ESG criteria

Assessment of portfolio companies' compliance with ESG criteria

		<b>EG</b>	<b>Frontmatec</b>	<b>Mita-Teknik</b>	<b>Nissens</b>
<b>Environmental</b> practice of the portfolio company	Is there any written environmental policy in place within the company (1)?	Yes		Yes	Yes
	Has the company obtained any environmental label/certification? (e.g. ISO 14000, Eco-label européen...)	No	No	Yes	Yes
	If yes, please give name of label/certification			ISO 14001	ISO 14001
	Has the company measured its carbon footprint?	No	No	No	Not applicable
	Has the company benefited from energy cost savings?	No	Yes	Yes	Yes
<b>Social</b> behaviour of the portfolio company	Number of employees at year-end (2017)	1821	991	224	1282
	Number of employees at year-end (2016)	1856	885	252	1282
	Has the company benefited from a reduction of:				
	absenteeism rate?	Not applicable	Information not available	Yes	Information not available
	incident rate?	Not applicable	Information not available	No	Information not available
	Do employees have access to capital of the company/stock option plan?	Yes	No	Yes	Yes
	If yes, please select proportion of employees benefiting from such policy?	0-10%		0-10%	0-10%
Has the company established a safety and/or a health plan for its employees?	Yes		Yes	Yes	
<b>Governance</b> within the portfolio company	Does the GP seat at the portfolio company board?	Yes	Yes	Yes	Yes
	Has the company implemented internal procedures or ethical code covering:				
	Child labour and forced labour	Yes	Yes	Yes	Yes
	Bribery	Yes	Yes	Yes	No
	Money laundering	Not applicable	Yes	No	No
	Has the company been under investigation for any fraud, or subject to any lawsuit in relation to ESG criteria?	No	No	No	No
If yes, please provide additional information					

(1) such as energy efficiency, waste management, carbon footprint reduction, etc.

Yes	0–10%
No	10–30%
Not applicable	30–50%
Information not available	More than 50%

# Governance structure in Axcel portfolio companies

Axcel shall annually send out a reporting scheme to the portfolio companies to check up on the current state of corporate governance. In the reporting scheme, each portfolio company shall report on whether the most common tools for corporate governance are in place.

	Ball Group	Mita-Teknik	EG	Delete Group	Conscia	Frontmatec	Danish Ship Finance	Nissens	Mountain Top Industries	IsaDora	Orion Diagnostica
Rules and Procedures for the BoD	✓	✓	✓	✓	✓	✓	✓	✓	✓		●
CEO Instructions	✓	✓	✓	✓	✓	✓	✓	✓	✓		●
Code-of-conduct	✓	✓	✓	✓	✓	✓	✓	✓	✓		●
Ethical Guidelines	✓	✓	✓	✓	✓	✓	✓	✗	✓		●
Environmental policy	✓	✓	✓	✓	✗	✓	✓	✓	✓		●
Whistleblower protection	✗	✓	✓	✓	✓	✗	✓	✗	✓		●
Evaluation of Executive Management	✓	✓	✓	✓	✗	✓	✓	✓	✓		●
Evaluation of the BoD	✓	✓	✓	✓	✗	✓	✓	✗	✓		●
Agreements covering executive shareholding	✓	✓	✓	✓	✓	✓	✓	✓	✓		●
Employment contracts for executives	✓	✓	✓	✓	✓	✓	✓	✓	✓		●
Annual planning - 'annual wheel'	✓	✓	✓	✓	✓	✓	✓	✓	✓		●
	●	●	●	●	●	●	●	●	●		

# Annual ESG assessment questionnaire 2017

Further Axcel portfolio companies are encouraged to employ Key Performance Indicators (KPIs) where it is relevant in the four issue areas of UN Global Compact; human rights, labour, environment and anti-corruption. Employing KPIs means (1) formulating the specific KPI, (2) setting a target, (3) explaining the actions taken and (4) finally reporting on the status by allocating resources to data collection. From 2019 Axcel will send out an annual reporting spreadsheet with a number of KPI's that Axcel portfolio companies are expected to report status, target and action on.