

AXCEL

2016

**Responsible
investment report**





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 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 a second followed in spring 2017.

Axcel has noted greatly increased interest in CSR issues among investors and other stakeholders in recent years. We have continued to develop our CSR procedures, and statutory requirements have evolved. As a private equity firm, Axcel is covered by new legislation on alternative investment fund managers with additional requirements for compliance and corporate governance, and more stringent CSR legislation will affect future reporting at our Danish companies.

Each year, portfolio companies prepare a Communication on Progress (COP) which is published on the Global Compact website. The principles for how Axcel works with companies on the development of CSR systems are documented in Axcel's CSR manual.

Axcel invests only in companies that comply with, or are ready to comply

with, the Global Compact principles. We consider potential CSR risks ahead of each investment.

Companies' ability and willingness to work on the basis of the principles are therefore also part of Axcel's due diligence when acquiring new companies. We have developed a Responsible Investment Policy in this context which can be downloaded from our 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.

Our goal is continuous improvement in our companies' CSR work. This is a demanding process to which companies need to commit both time and resources.

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.

Axcel therefore engages actively with its companies on progress in their CSR work.

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

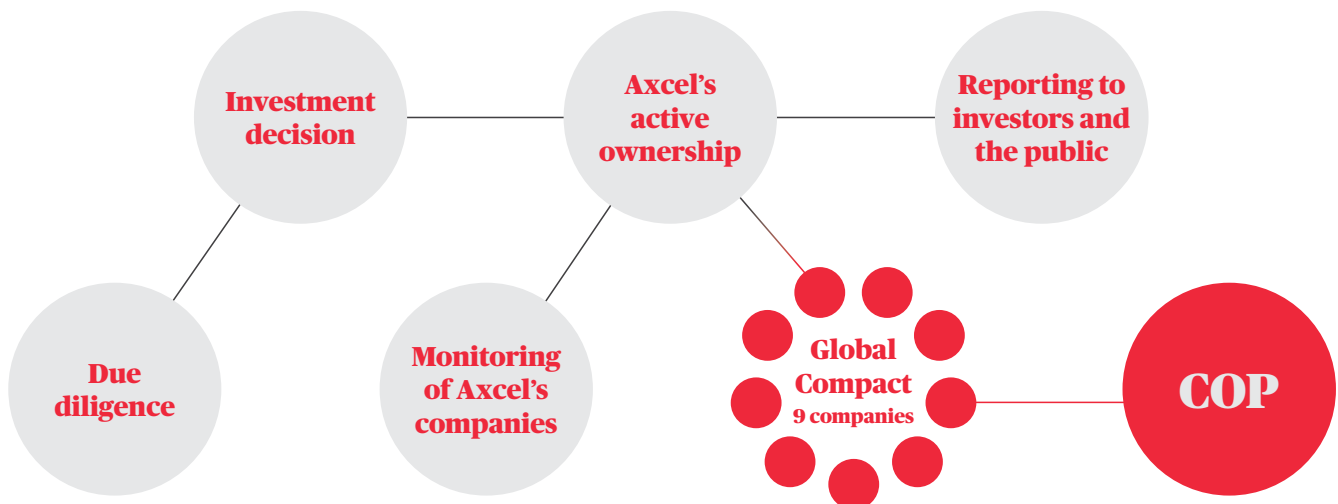
- are in a position to meet the requirements and expectations of customers and business partners concerning supply chain management and codes of conduct
- consider future business opportunities and positioning in relation to CSR
- comply with the DVCA's guidelines on openness and transparency

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

Axcel regularly suggests improvements and will also be encouraging all companies to introduce KPIs in relevant areas.

Global Compact status of Axcel-owned companies as at 30 April 2017

	Joined Global Compact	First COP
Ball Group	X	2012
Conscia	X	2017
Danmarks Skibskredit	X	2017
Delete Group	X	2015
Driconeq	X	2013
EG	X	2015
Frontamec	New investment	–
LESSOR Group	New investment	–
Mita-Teknik	X	2015



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

Assessment of risk by category COP 16

Portfolio Assessment Form. Please rate your overall assessment of the portfolio companies in each fund within each of the categories (scale 1 to 3): 1 = Low risk 2 = Medium risk 3 = High risk

Human Rights

Risks regarding equality, life and security, personal freedom, economic, social and cultural freedoms.

Labour

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.

Environmental Issues

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

Corruption issues

Risks regarding corruption in all its forms, including extortion and bribery

Key Performance Indicator(s)

Please identify the most relevant ESG-related KPI for the portfolio company, and provide data if available

Assessment of risk by category

Fund	Portfolio Company	Human Rights	Labour	Environment	Corruption
Axcel III K/S	Ball Group	1	1	1	1
	Driconeq	1	1	1	1
	TCM Group	1	1	1	1
Exited 2016	TCM Group	1	1	1	1
Axcel IV K/S	Exhausto	1	1	1	1
	Mita-Teknik	1	1	1	2
	Netel	1	1	1	1
Exited 2016	Netel	1	1	1	1
Exited 2017	Nordic Waterproofing	1	1	1	1
EG	EG	1	1	1	1
	Delete Group	1	1	2	1
	Conscia	1	1	1	1
Lessor Group	Lessor Group	1	1	1	1
	Frontmatec	1	1	1	2
	Danmarks Skibskredit	1	1	1	1

Annual ESG assessment questionnaire 2016

Assessment of portfolio companies' compliance with ESG criteria

	Mita-Teknik	Danish Ship Finance	Bail Aps	EG
Environmental practice of the portfolio company	Is there any written environmental policy in place within the company (1)?	Yes		Yes
	Has the company obtained any environmental label/certification? (e.g. ISO 14000, Eco-label européen...)	Yes	Not applicable	No
	If yes, please give name of label/certification	ISO 14000		
	Has the company measured its carbon footprint ?	No	Not applicable	No
	Has the company benefited from energy cost savings ?	Yes	Not applicable	Not applicable
	Number of employees at year-end (2016)	252	68	334
	Number of employees at year-end (2015)	238	69	373
	Has the company completed any acquisition in 2016 ?	No	No	Yes
	If yes, please indicate the number of employees of add-ons prior to integration			22
	Has the company benefited from a reduction of:			
Social behaviour of the portfolio company	absenteeism rate?	No	No	Yes
	incident rate?	No	No	Not applicable
	Do employees have access to capital of the company/stock option plan?	Yes	No	Yes
	If yes, please select proportion of employees benefiting from such policy?	0-10%		0-10%
	Has the company established a safety and/or a health plan for its employees?	Yes	Yes	Yes
	Does the GP seat at the portfolio company board?	Yes	Yes	Yes
	Has the company implemented internal procedures or ethical code covering:			
	Child labour and forced labour	Yes	Not applicable	Yes
	Bribery	Yes	Yes	Yes
	Money laundering	Yes	Yes	Not applicable
Governance within the portfolio company	Has the company been under investigation for any fraud, or subject to any lawsuit in relation to ESG criteria ?	No	No	No
	If yes, please provide additional information			

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

Yes
No
Not applicable
Information not available

0–10%
10–30%
30–50%
More than 50%

Annual ESG assessment questionnaire 2016

Assessment of portfolio companies' compliance with ESG criteria

	Frontmatec	LESSOR Group	Conscia	Delete Group
Environmental practice of the portfolio company	Is there any written environmental policy/ in place within the company (1)?	Yes	No	Yes
	Has the company obtained any environmental label/certification? (e.g. ISO 14000, Eco-label européen...)	No	No	Yes
	If yes, please give name of label/certification			ISO 14000
	Has the company measured its carbon footprint ?	No	No	Yes
	Has the company benefited from energy cost savings ?	Yes	No	Information not available
	Number of employees at year-end (2016)	889	135	749
	Number of employees at year-end (2015)	Not applicable	113	650
	Has the company completed any acquisition in 2016 ?	Yes	Yes	Yes
	If yes, please indicate the number of employees of add-ons prior to integration	889	113	
	Has the company benefited from a reduction of:			
Social behaviour of the portfolio company	absenteeism rate?	Yes	No	Yes
	incident rate?	Yes	No	Information not available
	Do employees have access to capital of the company/stock option plan?	Yes	Yes	Yes
	If yes, please select proportion of employees benefiting from such policy?	0-10%	10-30%	0-10%
	Has the company established a safety and/or a health plan for its employees?	Yes	Yes	Yes
	Does the GP seat at the portfolio company board?	Yes	Yes	Yes
	Has the company implemented internal procedures or ethical code covering:			
	Child labour and forced labour	Yes	No	Yes
	Bribery	Yes	No	Yes
	Money laundering	Yes	No	Yes
Governance within the portfolio company	Has the company been under investigation for any fraud, or subject to any lawsuit in relation to ESG criteria ?	No	No	No
	If yes, please provide additional information			

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

Yes
No
Not applicable
Information not available

0–10%
10–30%
30–50%
More than 50%

Annual ESG assessment questionnaire 2016

Assessment of portfolio companies' compliance with ESG criteria

	Driconeq AB	Drico Interessenter AB	Driconeq Brasil	Driconeq Australia
Environmental practice of the portfolio company	Is there any written environmental policy in place within the company (1)?	Not applicable	Not applicable	
	Has the company obtained any environmental label/certification? (e.g. ISO 14000, Eco-label européen...)	Not applicable	Not applicable	No
	If yes, please give name of label/certification			
	Has the company measured its carbon footprint ?	No	No	No
	Has the company benefited from energy cost savings ?	Not applicable	Not applicable	
	Number of employees at year-end (2016)	2	2	17
	Number of employees at year-end (2015)	2	2	17
	Has the company completed any acquisition in 2016 ?	No	No	No
	If yes, please indicate the number of employees of add-ons prior to integration			
	Has the company benefited from a reduction of:			
Social behaviour of the portfolio company	absenteeism rate?	No	Not applicable	
	incident rate?	No	Not applicable	
	Do employees have access to capital of the company/stock option plan?	No	Yes	No
	If yes, please select proportion of employees benefiting from such policy?		More than 50%	
	Has the company established a safety and/or a health plan for its employees?		Yes	
	Does the GP seat at the portfolio company board?	Yes		
	Has the company implemented internal procedures or ethical code covering:			
	Child labour and forced labour			
	Bribery			
	Money laundering			
Governance within the portfolio company	Has the company been under investigation for any fraud, or subject to any lawsuit in relation to ESG criteria ?	No	No	No
	If yes, please provide additional information			

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

Yes
No
Not applicable
Information not available

0–10%
10–30%
30–50%
More than 50%

Annual ESG assessment questionnaire 2016

Assessment of portfolio companies' compliance with ESG criteria

	Driconeq Africa	Driconeq Production AB	Härdeknö i Kristinehamn AB	Driconeq Australia
Environmental practice of the portfolio company	Is there any written environmental policy in place within the company (1)?			Not applicable
	Has the company obtained any environmental label/certification? (e.g. ISO 14000, Eco-label européen...)	No	Yes	No
	If yes, please give name of label/certification		ISO 14000	
	Has the company measured its carbon footprint ?	No	No	No
	Has the company benefited from energy cost savings ?			
	Number of employees at year-end (2016)	43	52	0
	Number of employees at year-end (2015)	43	52	0
	Has the company completed any acquisition in 2016 ?	No	No	No
	If yes, please indicate the number of employees of add-ons prior to integration			
	Has the company benefited from a reduction of:			
Social behaviour of the portfolio company	absenteeism rate?		Yes	Not applicable
	incident rate?		Yes	Not applicable
	Do employees have access to capital of the company/stock option plan?	No	Yes	No
	If yes, please select proportion of employees benefiting from such policy?		0-10%	
	Has the company established a safety and/or a health plan for its employees?		Yes	
	Does the GP seat at the portfolio company board?			
	Has the company implemented internal procedures or ethical code covering:		UN Global Compact	
	Child labour and forced labour		Yes	
	Bribery		Yes	
	Money laundering		Yes	
Governance within the portfolio company	Has the company been under investigation for any fraud, or subject to any lawsuit in relation to ESG criteria ?	No	No	No
	If yes, please provide additional information			

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

Yes
No
Not applicable
Information not available

0–10%
10–30%
30–50%
More than 50%