

AXCEL

2018

Communication
on Progress



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.

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Christian Schmidt-Jacobsen,
Managing Partner, Axcel.



Running a sustainable business is a central issue on the agenda of every company today. For Axcel, this responsibility also extends to the companies under our management.

For new investments to be successful, both the investor and the company itself need to be alert to potential ESG issues. Therefore, this year Axcel has sharpened its focus on ESG in the due diligence process, which now includes a more thorough

initial screening of potential investments, and a more structured analytical process as the company moves forward in the investment process.

Our goal is to improve sustainability, and we aim to steer potential investments in this direction. By putting in time and effort in the initial phases of the investment, we hope to optimise companies' priorities and thereby solve ESG challenges at a faster pace.

Corporate social responsibility

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.

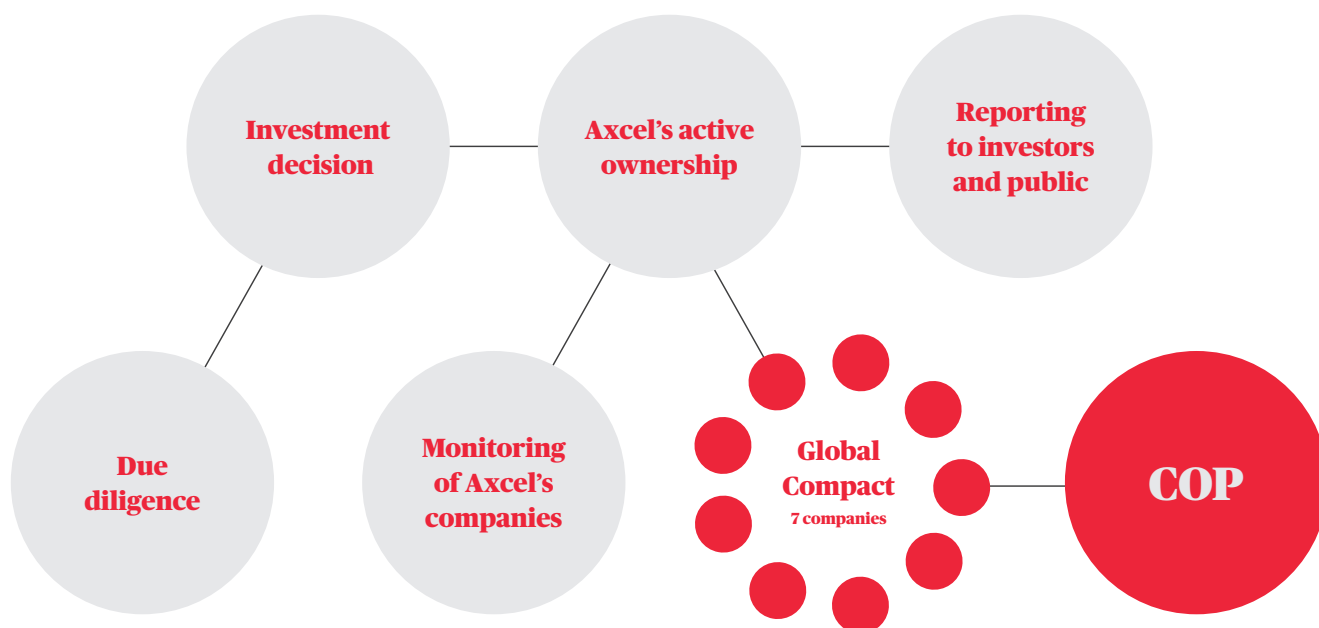
We submitted our first report under the UN's Principles of Responsible Investment (PRI) initiative in 2016, and the most recent was filed in April 2018.

Axcel aims to invest in companies which behave responsibly, as this will ensure the best possible risk profile.

However, we also wish to promote socio-economic development in general and therefore encourage portfolio companies to contribute to their local communities and their development where this makes commercial sense, in line with the UN's 17 Sustainable Development Goals.

We are also keen for individual boards to be involved in reporting to the Global Compact, and it is a requirement that each annual Communication on Progress (COP) is considered at board level.





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

Axcel is also working 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

2018 saw Axcel stepping up its focus on portfolio companies' moves towards greater sustainability. Objectives were drawn up in five specific areas on which all companies are to report so that Axcel can monitor their progress on CSR.

Axcel also looked to improve the screening of potential investments both before and during the due diligence process, teaming

up with an external partner tasked with producing independent reports on environmental, social and governance risks at both company and sector level. The aim is to ensure that all future investments live up to sustainability expectations.

Axcel works with portfolio companies on developing CSR and sustainability not only in their day-to-day operations but also in their reporting, including the annual CSR reports required by the Global Compact and Danish legislation.

Annual networking meetings give portfolio companies an opportunity to share knowledge, compare approaches to sustainability, and draw inspiration from external speakers.

All this forms part of Axcel's active ownership and helps ensure that every aspect of the investment process is followed up.

Global Compact status of Axcel-owned companies as at 30 April 2019

	Joined Global Compact	First COP
Danish Ship Finance	✓	2017
Delete Group	✓	2015
European Sperm Bank	New investment	-
Frontmatec	✓	2019
GUBI	New investment	-
IsaDora	✓	-
Loopia Group	New investment	-
Mountain Top Industries	✓	-
Nissens	✓	-
Orion Diagnostica	✓	-



Sustainable innovation at Delete

In order to grow and add value, today's companies need increasingly to be both innovative and sustainable. Axcel actively encourages sustainable innovation at its companies, and Delete Group's SkipUp concept is a shining example.

Delete Group has developed a solution – SkipUp – that can halve carbon emissions from on-site logistics. Sustainability has been a priority for Delete Group in recent years, especially reductions in environmental impact.

The company has focused on the circular economy by ensuring that materials from demolition projects are re-used, and it has worked on making the transportation of building waste and equipment more efficient. This can have a big impact in an industry that makes great use of machinery and various materials.

The SkipUp system enables skips to be stacked on top of one another like LEGO bricks. This avoids having to drive around with empty skips, as they are instead stacked on top of a full skip on the same truck.

By doubling the number of skips that each truck can carry, both costs and carbon emissions on the transport side of a demolition project can be halved. This is a great example of how Axcel's portfolio companies are adapting to the sustainable agenda.

ESG in the investment phase

In 2018, Axcel revised its approach to ESG factors in the due diligence phase as part of a process to ensure that future investments meet not only Axcel's own sustainability requirements but also those of society in general.

ESG criteria have long been part of the analysis when Axcel screens potential investments. However, in order to ensure that the assessment of every potential investment covers all ESG risks, Axcel has engaged an external advisor to provide insights into the individual company as well as the surrounding business environment. By integrating this ESG assessment model into our current due diligence process, we will be able to identify and evaluate possible risks and incorporate these into our valuation process.

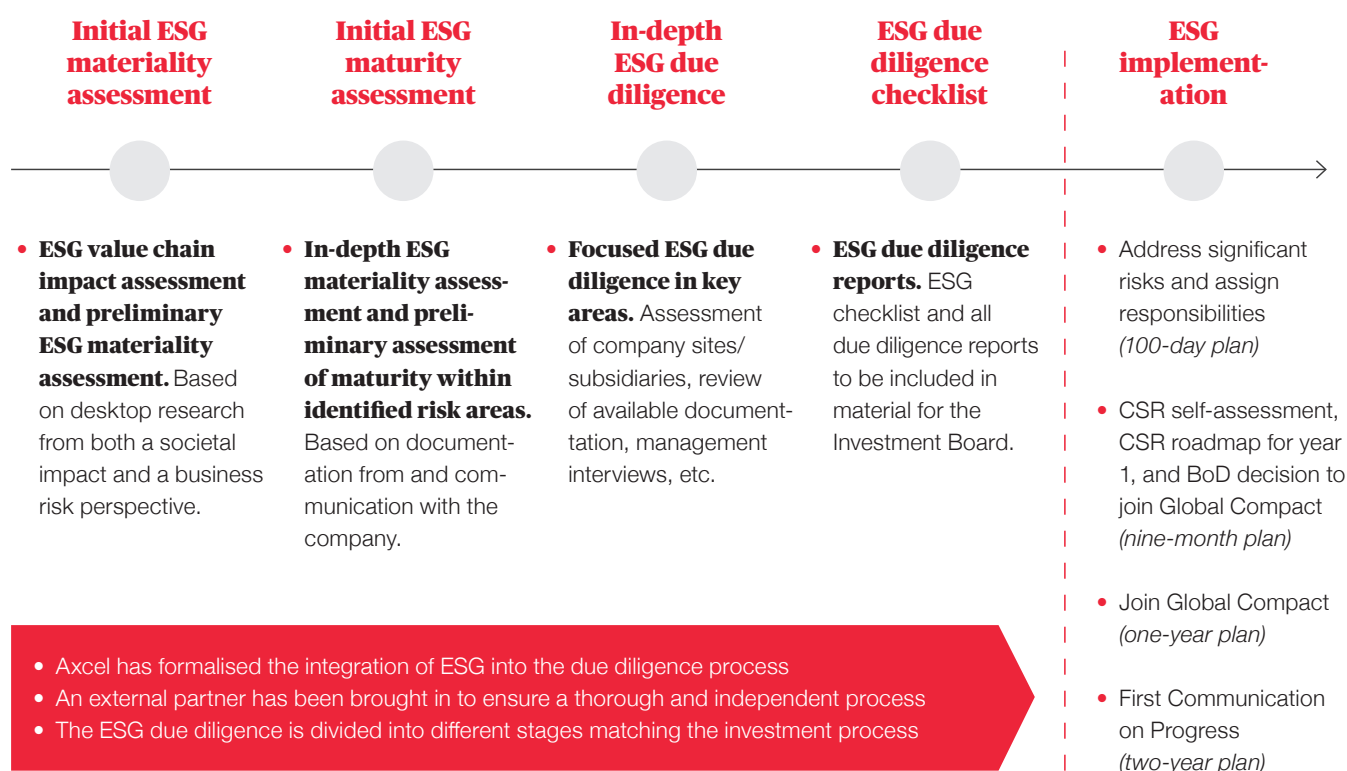
The ESG assessment process is a three-stage model where the depth of analysis ramps up as the process continues.

Initially, a screening of the company will identify the most obvious risks associated with the business in terms of geography, sector, supply chain, etc.

Secondly, if the company still seems attractive to Axcel, a risk assessment of the company's ESG issues will be performed.

Lastly, an in-depth ESG analysis will be conducted with the purpose of identifying issues that could affect Axcel's valuation of the investment. The assessment will also include recommendations for resolving any issues.

Axcel's ESG due diligence approach



Status of portfolio companies

Human rights	Risks regarding equality, life and security, personal freedom and 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, and elimination of discrimination in respect of employment and 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

Assessment of risk by category:  = Low risk  = Medium risk  = High risk

Assessment of risk by category

Fund		Portfolio company	Human rights	Labour	Environment	Corruption
Axcel IV K/S	Exited 2019	Conscia				
		Danish Ship Finance				
		Delete Group				
	Exited 2019	EG				
		Frontmatec				
	Exited 2018	LESSOR Group				
	Exited 2019	Mita-Teknik				
	Exited 2017	Nordic Waterproofing				
Axcel V K/S		European Sperm Bank				
		GUBI				
		IsaDora				
		Loopia Group				
		Mountain Top Industries				
		Nissens				
		Orion Diagnostica				

Assessment of portfolio companies' compliance with ESG criteria

		Danish Ship Finance	Delete Group	European Sperm Bank	Frontmatec	GUBI	IsaDora	Loopia Group	Mountain Top Industries	Nissens	Orion Diagnostica
Environmental practices of the portfolio company	Is there any written environmental policy in place within the company?*	Not applicable	Yes		No	No	Yes	Yes	Yes	Yes	Yes
	Has the company obtained any environmental label/certification (e.g. ISO 14000, EU Ecolabel)?	Not applicable	Yes		No	No	No	No	Yes	Yes	No
	If yes, please give name of label/certification		ISO 14001						ISO 14001	ISO 14001	
	Has the company benefited from energy cost savings?	Not applicable	Yes		Yes	No	No	Yes	Yes	Yes	Yes
Social behaviour of the portfolio company	Did the company make any acquisitions in 2018?	No	Yes		No	No	No	Yes	No	No	No
	If yes, please indicate the number of employees of add-ons prior to integration							4			
	Has the company benefited from a reduction in										
	absenteeism rate?	No	Yes		Information not available	No	No	Not applicable	Yes	No	No
	incident rate?	No	No		Information not available	No	Not applicable	Not applicable	Yes	No	Yes
	Do employees have access to the capital of the company/stock option plans?	Yes	Yes		No	Yes	Yes	Yes	Yes	Yes	No
	If yes, please select proportion of employees benefiting from such policy	More than 50%	0-10%			0-10%	0-10%	0-10%	0-10%	0-10%	
	Has the company established a safety and/or a health plan for its employees?	Yes	Yes		Information not available	Yes	No	Yes	Yes	Yes	Yes
Governance within the portfolio company	Does the GP sit on the portfolio company board?	Yes	Yes		Yes	Yes	Yes	Yes	Not applicable	Yes	Information not available
	Has the company implemented internal procedures or an ethical code covering:										
	Child labour and forced labour	Not applicable	Yes		Yes	Not applicable	Not applicable	Not applicable	Yes	Yes	Not applicable
	Has the company been under investigation for any fraud, or subject to any lawsuit in relation to ESG criteria?	No	No		No	No	No	No	No	No	No
	If yes, please provide additional information										

* Such as energy efficiency, waste management and carbon footprint reduction.

Governance structure at Axcel's portfolio companies

Each year, Axcel sends out a reporting form to portfolio companies to check on the current state of their corporate governance. On this form, each portfolio company reports on whether the most common tools for corporate governance are in place.

	Danish Ship Finance	Delete Group	European Sperm Bank	Frontmatec	GUBI	IsaDora	Loopia Group	Mountain Top Industries	Nissens	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 shareholdings	✓	✓		✓	✓	✗	✓	✓	✓	✓	●
Employment contracts for executives	✓	✓		✓	✓	✓	✓	✓	✓	✓	●
Annual planning – "annual wheel"	✓	✓		✓	✓	✓	✓	✓	✓	✓	●
	●	●		●	●	●	●	●	●	●	

Key performance indicators

Axcel's portfolio companies are encouraged to employ key performance indicators (KPIs) where relevant in the four focus areas of the 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) reporting on the status by allocating resources to data collection.

In 2019, Axcel sent out a spreadsheet for companies to report on a set of five different indicators in order to provide a general overview of ESG challenges at each company.

	Danish Ship Finance	Delete Group	European Sperm Bank	Frontmateg	GUBI	IsaDora	Loopia Group	Mountain Top Industries	Nissens ¹	Orion Diagnostica
Employees must know and have signed an adequate data protection policy* (% of workforce)	n/a ²			n/a ³	70	-	100	100	-	52
Overall sickness absence (% of total working days)	1.7	5.73		1.59	n/a	-	1.53	n/a	-	3.5
Absence rate due to work-related injuries (lost working hours per million working hours)	0	16.10		0.045	n/a	-	0	0.115	-	0.013
Carbon intensity** (CO ₂ in tons per employee)	n/a	100 ⁴		n/a ⁵	n/a	-	n/a	n/a	-	n/a
Full integration of anti-corruption compliance and successful resolution of any incidents in the whistleblowing scheme	0	0		0	n/a	-	0	0	-	0

* Own data protection policy fulfilling EU's GDPR as at 24 May 2018, https://ec.europa.eu/info/law/law-topic/data-protection/reform/rules-business-and-organisations_en

**In the first year, companies are to report within scope 1 & 2 (standard), collect data, create a baseline and set a reduction target.

¹ Nissens will report on its KPIs in its own COP in June.

² The company has a new and adequate data protection policy, but has not asked employees to formally sign it as they are otherwise obliged to adhere to the policy.

³ Data protection policy has been implemented, and workforce signing is in progress.

⁴ Tons of CO₂ per million euros of revenue.

⁵ This indicator has been changed to accommodate three separate indicators. Please see Frontmateg's own COP.