



AXCEL

Communication on Progress 2019





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. In doing so, we consider not only economic sustainability but also sustainability in environmental, social and corporate governance terms. Axcel thus strives continuously for greater responsibility, both at our portfolio companies and in our own business.

SUSTAINABILITY

It has become widely recognised among companies that sustainability must become a core part of their business strategy, but this is often easier said than done. At Axcel, we acknowledge the challenges associated with the transition towards complete sustainability, but believe that ever greater sustainability must be a priority – also for future value creation.

In recent years, Axcel has prioritised ESG issues in the due diligence process, which now includes a more thorough initial screening of potential investments and a structured process of analysis as they move forward in the investment process.

This year, we have also taken on board the growing importance of the UN's Sustainable Development Goals (SDGs) for businesses and investments – more on that later in the report.

ANNUAL COP REPORT

2020 is the tenth anniversary of Axcel becoming a signatory of the Global Compact. It continues to be a requirement for all our portfolio companies to sign up and deliver an annual Communication on Progress (COP).

Our goal is to improve on 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 set a better agenda for the companies and so deal with ESG challenges sooner.



Christian Schmidt-Jacobsen,
Managing Partner

Corporate social responsibility at Axcel

Axcel believes sustainability at both fund and company level to be important for successful investments. Sustainability issues are therefore important for all of Axcel's portfolio companies, with the UN's Sustainable Development Goals playing an increasingly prominent role.

UN GLOBAL COMPACT

→ 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. All portfolio companies are also required to join the Global Compact. We are 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.

We submitted our first report under the UN's Principles of Responsible Investment (PRI) initiative in 2016, and the most recent report was filed in March 2020.



RESPONSIBLE BEHAVIOUR



Axcel aims to invest in companies that behave responsibly, as this will ensure the best possible risk profile. However, we also want 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, in line with the UN's 17 Sustainable Development Goals (SDGs).

AXCEL AIMS TO ENSURE THAT ITS COMPANIES:



- Comply with relevant laws, rules and internationally recognised principles
- Consider risks relating to CSR issues and address them proactively



THE GLOBAL GOALS

- 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

Axcel continues to monitor portfolio companies through five specifically chosen key performance indicators in order to enhance the portfolio's move towards greater sustainability and create more transparency:

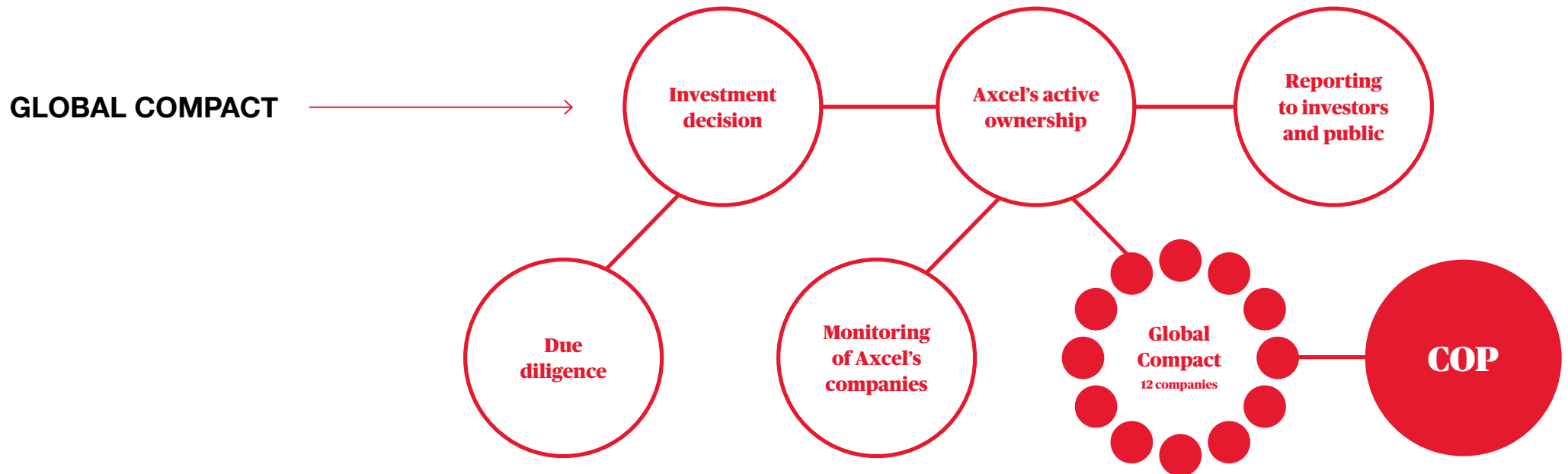
FIVE KEY PERFORMANCE INDICATORS:



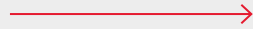
- **Human rights:** Employees must know and have signed an adequate data policy
- **Labour rights:** Overall sickness absence
- **Labour rights:** Absence rate due to work-related injuries
- **Environment:** CO₂ intensity
- **Anti-corruption:** Incidents in whistleblowing scheme

Similarly, ESG due diligence has been conducted for all new investments, giving our portfolio companies an overview of where to begin on the CSR and sustainability process.

In addition, Axcel acknowledges the growing importance of the SDGs in the business and investment world. In 2019, Axcel started work on a project to map the aggregate SDG impact of Axcel's company portfolio. To begin with, a pilot project involving three portfolio companies has been conducted, mapping how each individual company positively and negatively impacts the SDGs.



**GLOBAL COMPACT STATUS OF
AXCEL-OWNED COMPANIES
AS OF APRIL 2020**



	Joined Global Compact	First COP
SuperOffice	New investment	2022
SteelSeries	✓	2021
Phase One	✓	2021
European Sperm Bank	✓	2021
Loopia	✓	2021
GUBI	✓	2020
Aidian	✓	2020
IsaDora	✓	2020
Mountain Top Group	✓	2020
Nissens	✓	2019
Danish Ship Finance	✓	2017
Frontmatec	✓	2019
Delete Group	✓	2015

SDG mapping of Aidian, European Sperm Bank and Loopia

The UN's 17 Sustainable Development Goals (SDGs) are becoming ever more relevant to business. Companies can contribute to the SDGs regardless of size and industry. In a pilot project produced by Klinkby Enge, the SDG impact of three Axcel portfolio companies – Aidian, European Sperm Bank and Loopia – has been mapped.

AIDIAN 



Products for medical diagnostics

Development and sale of products for medical diagnostics – positive contribution to targets 3.3 (combating communicable diseases) and 3.4 (mortality from non-communicable diseases) through correct diagnostics.



CO₂ and energy use

In 2019, 100% of Aidian's electricity consumption came from renewable sources, contributing to target 7.2 (renewable energy). Reducing the company's carbon footprint by sourcing renewable energy has also contributed to target 9.4 (adopting environmentally sound technologies).

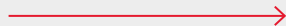




Material use and waste generation

Water use and waste generation have increased in Aidian’s production, contributing negatively to target 6.4 (waste reduction). However, the company has increased waste recycling substantially, contributing positively to target 12.5 (reducing waste generation through prevention, reduction, recycling and reuse).

EUROPEAN SPERM BANK



Donor sperm and screening

European Sperm Bank provides donor sperm to families, contributing to target 3.7 (reproductive health). All donors are taken through a screening programme. Since 2018, female clients have been offered screenings as well, contributing to targets 3.2 (mortality of newborns and children under 5) and 3.4 (mortality from non-communicable diseases).



CO₂, energy and material use

European Sperm Bank has reduced its carbon intensity by increasing its share of renewable energy consumption, contributing to targets 9.4 (adopting environmentally sound technologies) and 7.2 (renewable energy). The company’s production uses a substantial amount of CE-marked plastic, which cannot be sourced from recycled plastic, contributing negatively to target 12.5 (waste generation).



Women in management

Most management positions at European Sperm Bank are held by women, contributing to equal opportunities for leadership for men and women, in line with target 5.5 (women in leadership).

LOOPIA GROUP



CO₂ and energy use

The largest contributor to Loopia’s environmental footprint is electricity consumption and cooling. One way that Loopia has been able to reduce its CO₂ footprint is by sourcing renewable energy, contributing to target 9.4 (adopting environmentally sound technologies). In 2019, 88% of Loopia’s electricity consumption and cooling came from renewable sources, contributing to target 7.2 (renewable energy).



Material and waste generation

Another contributor to Loopia’s environmental footprint is electronic waste. This primarily comes from scrapped servers from data centres. All electronic waste is sent for recycling, which contributes positively to target 12.5 (waste generation).

“Sustainability is more than ever an integrated part of our business model, both in our due diligence and in our value creation plans, and we have now begun working with the UN Sustainable Development Goals to see where we can make the most difference and where we can improve.”

– Christian Schmidt-Jakobsen



The Sustainable Development Goals at Aidian

The UN's 17 Sustainable Development Goals (SDGs) are becoming increasingly important for companies. Axcel encourages its companies to consider the SDGs at company level, and Aidian serves as a good example of how to do this.

IMPACTS



Aidian impacts the SDGs through its primary operations, secondary operations and input use, both positively and negatively.

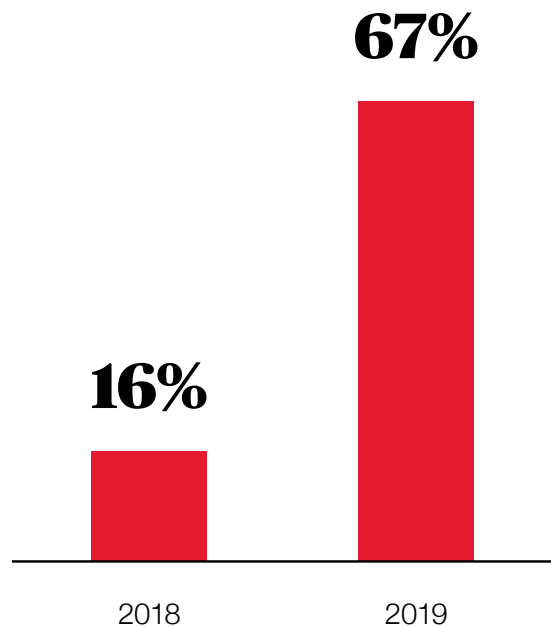
CORRECTLY DIAGNOSED

The company's primary activity is to offer a range of products that support evidence-based diagnostics and correct treatment decisions. It is estimated that 90% of patients are diagnosed correctly using an Aidian product, corresponding to more than 46 million people. As a result, Aidian positively impacts Goal 3 (good health and well-being). More specifically, Aidian contributes to targets 3.3 and 3.4 (combating communicable diseases and reducing premature mortality from non-communicable diseases).

ENVIRONMENTAL FOOTPRINT

While Aidian's secondary activities in the form of research and development contribute positively to Goal 3, the generation of waste from production, in particular water and plastic waste, has a negative impact on targets 6.4 and 12.5 (water efficiency and waste reduction). However, the company has managed to increase waste recycling substantially, which helps to reduce the environmental footprint from production, contributing positively to target 12.5.

Renewable energy used by Aidian



Large amounts of energy are required for Aidian's production. The company has been able to reduce its carbon footprint by using renewable energy. In 2019, 100% of Aidian's electricity consumption came from renewable sources, meaning that the total share of renewable energy used by Aidian increased from 16% in 2018 to 67% in 2019. This positively impacts targets 7.2 and 9.4 (increasing the share of renewable energy and adopting environmentally sound technologies).

In addition, Aidian positively impacts Goal 5 (gender equality). 50% of management positions at Aidian were held by women in 2019, helping to ensure equal opportunities in leadership positions regardless of gender.



Status of portfolio companies

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

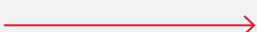
Labour: Risks regarding freedom of association and recognition, the right to collective bargaining, elimination of forced and compulsory labour, abolition of child labour, and elimination of discrimination in respect to employment and occupation.

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



Fund	Portfolio company	Human rights	Labour	Environment	Corruption
Axcel IV	Delete Group	✓	✓	—	—
	Frontmatec	✓	✓	—	—
	Danish Ship Finance	✓	✓	✓	✓
Axcel V	Nissens	✓	✓	—	✓
	Mountain Top Group	✓	✓	—	✓
	IsaDora	✓	✓	—	✓
	Aidian	✓	✓	✓	✓
	GUBI	✓	✓	—	✓
	European Sperm Bank	✓	✓	✓	✓
	Loopia	✓	✓	✓	✓
	Phase One	✓	✓	✓	✓
SteelSeries	✓	✓	—	—	

Key performance indicators

	Delete Group	Frontmatec	Danish Ship Finance	Nissens ¹	Mountain Top Group	IsaDora	Aidian	GUBI	Loopia	European Sperm Bank
Employees must know and have signed an adequate data protection policy* (% of workforce)	90	n/a	None ²	-	n/a	100	52 ³	0	n/a ⁴	100
Overall sickness absence (% of total working days)	5.43	2.48	2.05 ⁵	-	n/a	< 1	3.8	n/a	n/a ⁴	1.10
Absence rate due to work-related injuries (lost working hours per million working hours)	15.2	7,209	n/a	-	135	0	260	n/a	0	0
Carbon intensity** (CO ₂ in tonnes per employee)	99	n/a	9	-	n/a	n/a	n/a	n/a	1.5	138.1
Full integration of anti-corruption compliance and successful resolution of any incidents in the whistleblowing scheme	0	0	0	-	0	0	0	n/a	0	0

* Adequate data protection policy: Formulate and implement own data policy fulfilling EU's GDPR as at 24 May 2018.

** Carbon intensity: Measured in tonnes of CO₂ per employee. First year: Report scopes 1 & 2 (standard), collect data, create baseline and set a reduction target.

¹ Will report KPIs in its own COP in June.

² New and adequate data protection policy, but employees do not sign it as they are otherwise obliged to adhere to the policy.

³ Those with access to personal data.

⁴ Loopia Group was created during 2019, making a series of add-on acquisitions to a platform investment from 2018.

⁵ Increase since 2018 due to new method of calculation.

Governance structure at Axcel's portfolio companies

✓ = Yes
 — = Partly
 ✗ = No

	Delete Group	Frontmatac	Danish Ship Finance	Nissens	Mountain Top Group	IsaDora	Aidian	GUBI	Loopia	European Sperm Bank	
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"	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	●
	●	●	●	●	●	●	●	●	●	●	

Assessment of portfolio companies' compliance with ESG criteria

		Delete Group	Frontmatac	Danish Ship Finance	Nissens	Mountain Top Group	IsaDora	Aidian	GUBI	Loopia	European Sperm Bank
Environmental practices of the portfolio company	Is there any written environmental policy in place within the company? ¹	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	No
	Has the company obtained any environmental label/certification (e.g. ISO 14000, Éco-label européen)?	Yes	No	No	Yes	Yes	No	No	No	No	No
	If yes, please give name of label/certification				ISO 14001	ISO 14001					
	Has the company benefited from energy cost savings?	Yes	Yes	n/a	Yes	Yes	No	Yes	No	Yes	No

Yes → 0-10%
 No → 10-30%
 Not applicable (n/a) → 30-50%
 Information not available → > 50%

¹ Energy efficiency, waste management, carbon footprint reduction, etc.

	Delete Group	Frontmatac	Danish Ship Finance	Nissens	Mountain Top Group	IsaDora	Aidian	GUBI	Loopia	European Sperm Bank	
Social behaviour of the portfolio company	Has the company completed any acquisition in 2019?	No	Yes	No	No	No	No	No	Yes	No	
	If yes, please indicate the number of employees of add-ons prior to integration		40						160		
	Has the company benefited from a reduction in										
	absenteeism rate?	Yes	n/a	No	No	Yes	No	No	Yes	n/a	
	incident rate?	n/a	n/a	n/a	No	Yes	No	No	n/a	No	
	Do employees have access to capital of the company/stock option plan?	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes
	If yes, please state proportion of employees benefiting from such policy	0-10%		> 50%	0-10%	0-10%			0-10%	0-10%	> 50%
Has the company established a safety and/or health plan for its employees?	Yes		Yes	Yes	Yes	Yes	Yes	Yes	n/a	Yes	

Yes → 0-10%
 No → 10-30%
 Not applicable (n/a) → 30-50%
 Information not available → > 50%

¹ Energy efficiency, waste management, carbon footprint reduction, etc.

	Delete Group	Frontmatac	Danish Ship Finance	Nissens	Mountain Top Group	IsaDora	Aidian	GUBI	Loopia	European Sperm Bank	
Governance within the portfolio company	Does the GP sit on the portfolio company board?	Yes	Yes	Yes	Yes	n/a	Yes	n/a	Yes	Yes	
	Has the company implemented internal procedures or an ethical code covering:										
	Child labour and forced labour	Yes	Yes	n/a	Yes	Yes	Yes	n/a	n/a	Yes	No
	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	No
	If yes, please provide additional information										

Yes → 0-10%
 No → 10-30%
 Not applicable (n/a) → 30-50%
 Information not available → > 50%

¹ Energy efficiency, waste management, carbon footprint reduction, etc.

ADDITIONAL INFORMATION

Additional information about Axcel and its companies and the latest financial statements can be found on Axcel's website: www.axcel.dk. For any further information, please contact:

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