

AXCEL

SUSTAINABILITY POLICY

Background and purpose

This Sustainability Policy shall apply to all Environmental, Social and Governance (ESG) initiatives and activities at Axcel and Companies owned by an AIF under management by Axcel. This Policy replaces the existing Corporate Social Responsibility Policy.

The objective of Axcel's Sustainability Policy is to establish the principles and guidelines for Axcel and its companies to address ESG topics.

It is the mission of Axcel to generate returns for our investors by acquiring, developing and improving, and selling medium-sized Nordic companies.

Working towards this mission, we believe not only in economic sustainability, but also in responsible investment practices that consider our environmental and social responsibility, and good corporate governance. For this reason, Axcel has pledged itself to acting responsibly towards the companies we own and in the way we run our business in general. Anything else would affect the fund's reputation and potentially also the value of our investments.

Our ambition is to ensure that our companies have the required foundation for long term sustainable growth. We therefore integrate ESG in our investment processes, from sourcing and due diligence, through active ownership and exit.

Active ownership includes our companies being run in accordance with the demands and expectations of the world around us and us acting as good corporate citizens. Axcel has endorsed the United Nations Global Compact (UN Global Compact) and requires our companies to do the same. In 2014 Axcel signed the United Nations supported Principles for Responsible Investment (PRI) - a set of guidelines on ESG topics for professional investors. In 2020 Axcel supported the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and works to implement them to manage climate-change related risks and opportunities in its investments.

Further, Axcel strives to comply with all relevant rules applying to our portfolio companies and us. Axcel is a member of "Active Owners Denmark" (Aktive Ejere (AE)) and adheres to the organisation's code of conduct and valuation principles.

Axcel's political influence is primarily exercised through our membership in AE. It is the responsibility of all employees engaging in political influence to ensure that their activities, and the policies of the organizations with whom we collaborate, are consistent with Axcel's sustainability objectives.

Definitions

Capitalized words shall have the meaning as described in the list of definitions as approved from time to time by the Board of Directors. References to other policies and procedures are also capitalized.

Responsibilities

Axcel wants to make sure that we follow up on all ESG matters, whether they emerge during due diligence, in the course of audits, in the regular risk reporting, during self-assessments, or simply in the course of the day-to-day-business of Axcel or our companies. This means that management in Axcel and in our companies – whether on the Board of Directors or in executive management – and all employees in Axcel and our companies are responsible for reporting significant ESG findings so they can be proactively addressed.

Axcel commits to make sure that top level ESG policies and processes are in place in our portfolio companies, and we oversee that these policies are implemented, both when we act as investment advisors and when we act as directors of our companies.

In our companies, the Boards of Directors are responsible for complying with the standards set by Axcel, and for defining ESG strategies and standards at a company level and have oversight with executive management's implementation.

Investment processes

When Axcel is screening for future investment options, we incorporate relevant ESG factors in our general evaluation criteria. This implies that we always gather available information on general ESG risks and opportunities in the relevant industries and markets and take it into account when evaluating each potential opportunity.

Axcel should consider each acquisition of a Portfolio Company carefully if that investment could place Axcel in a social, ethical or environmental dilemma. This is why Axcel will perform an ESG related due diligence ahead of any new investment. We analyse our findings and incorporate them in our risk assessment and valuation processes.

Axcel does not invest in companies with significant negative ESG impacts without a realistic path to mitigate them. Axcel therefore does not invest in companies who, during due diligence, are found to have a pattern of denying human and labour rights, of non-compliance with environmental regulations, or of incidents of corruption.

Appropriate risk behaviour in all risk categories, including sustainability risk, is a central tenet of performance assessment. To the extent that any employee or partner is considered to have exhibited inappropriate risk conduct, that would be reflected in any compensation award.

Active Ownership Practices

As an active owner in the companies we invest in, Axcel takes responsibility for considering ESG factors not only in strategic decisions, but also in the day-to-day business activities. As owners, we do this as members of the Boards of Directors of our companies, and furthermore Axcel provides the companies with tools, guidance, and knowledge sharing opportunities regarding ESG management. Companies are introduced to our approach to ESG integration during our onboarding and strategy development process (Axcelerating Value Creation). When we review company performance, we integrate ESG factors.

Axcel requires that the Boards of Directors of our companies look at ESG performance as part of all performance reviews, and they integrate ESG factors in their risk management processes. Further, all Boards of Directors must review progress on ESG objectives when reporting under the UN Global Compact in the Communication on Progress (COP) report.

Axcel oversees that all portfolio companies join the UN Global Compact, perform an annual ESG self-assessment, and integrate relevant findings in the regular risk reporting of the company.

To ensure that all companies comply with our expectations each Portfolio Company ensures relevant employees are involved in ESG management processes. The Head of Sustainability at Axcel maintains a dialogue with the companies throughout the year.

Axcel expects companies under management to:

- comply with relevant laws, rules and internationally recognised principles;
- consider risks relating to ESG issues and address them proactively;
- be 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 ESG; and
- comply with AE's guidelines on openness and transparency.

Reporting on Sustainability

Axcel adheres to the 'comply or explain' requirement of the AE Guidelines, and further reports in accordance with the UN Global Compact and PRI reporting structures. This means that we disclose e.g.:

- our policies and guidelines on Sustainability;
- how we translate such policies into concrete action;
- an assessment of what has been achieved so far;
- our expectations for future initiatives.

Management must ensure that Axcel is able to report on developments in the objectives for Sustainability at least once a year. Furthermore, a COP report on the implementation of the UN Global Compact is published annually. The COP report must be made available on Axcel's website.

Axcel portfolio companies report on Sustainability in accordance with the UN Global Compact reporting structure. This means that portfolio companies disclose e.g.:

- Their practical actions taken or planned to implement the UN Global Compact principles in each of the four issue areas (human rights, labour, environment, anti-corruption) on a report or explain basis;
- An outcome measurement indicating which targets were met, or other qualitative or quantitative measurements of results.

Furthermore, 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.

Axcel core ESG responsibilities

Axcel supports the Ten Principles of the UN Global Compact. We require that our companies join the UN Global Compact, and that they apply similar principles to significant business partners and suppliers. This means that we endorse the principles stated below and take actions in support of UN Goals i.e., the Sustainable

Development goals (SDGs). The UN Global Compact principles are made operational by the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises.

Human Rights

- We support and respect the protection of internationally proclaimed human rights; and
- We ensure that we are not complicit in human rights abuses.

Labour

- We respect the freedom of association and the effective recognition of the right to collective bargaining;
- We support the elimination of all forms of forced and compulsory labour;
- We support the effective abolition of child labour; and
- We support elimination of discrimination in respect of employment and occupation.

Environment

- We support a precautionary approach to environmental challenges;
- We undertake initiatives to promote greater environmental responsibility; and
- We encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- We work against corruption in all its forms, including extortion and bribery.

Governance principles

Axcel has established a number of ground rules and tools for good corporate governance. A common platform for cooperation between Axcel and each company's management and Board of Directors has been established, creating better conditions for growth and value creation. Key pillars of this platform are:

Composition and Organisation

- Board members are appointed based on competences to ensure a composition on the basis of industrial expertise and management experience;
- Axcel is represented on all portfolio company Boards of Directors;
- All Boards of Directors have rules of procedure based on Axcel standards;
- All Boards of Directors either have a separate Audit and Risk Committee responsible for financial and risk management oversight or this is handled directly by the Board of Directors based on the size and nature of the company.

Board of Directors Tasks

- The tasks of the portfolio company Boards of Directors are to:
- Decide on the overall goals and strategy;
- Challenge management on critical business issues and provide advice and support to top management;
- Secure that the value creation plan is implemented;
- Monitor and assess performance;
- Recruit, remunerate and release top management;
- Ensure clear guidelines for responsibility, planning, follow-up and risk management; and
- Ensure legal and financial compliance.

Legal and Financial Compliance

- Axcel complies with the laws and regulations laid down by the authorities in the markets in which we operate;
- We adhere to the law of the countries in which we operate for reporting, taxation and accounting; and
- Portfolio company Boards of Directors are responsible for ensuring that clear processes for ensuring compliance are in place.

Risk Management and Assessment

- Axcel has in place a due diligence procedure with the aim that investment risks are identified, measured, monitored, and managed;
- Axcel and our portfolio companies systematically report risks and monitor risk development on an on-going basis, and regularly assess financial, business, and ESG risks; and
- Axcel provides a framework as well as guidance and tools for identifying and quantifying risks.

Conflicts of Interest

- All members of management in Axcel and portfolio companies – whether on the Board of Directors or in executive management – and all employees in Axcel and portfolio companies are responsible for reporting actual or potential conflicts of interest;
- Anybody who finds himself in an actual or potential conflict of interest must refer the matter to a superior who is not in a conflict of interest; and
- No Axcel or portfolio company director, manager, or employee, may trade based on inside information, may encourage others to do so, or pass on inside information to third parties.

Sanctions

- All members of management in Axcel and portfolio companies – whether on the Board of Directors or in executive management – are

responsible for assuring compliance with both EU's and UN's list of active sanctions.

- Where relevant Axcel will also assure adoption of policies in accordance with US and UK active sanctions.

Incidents

- All members of executive management in portfolio companies and all employees in portfolio companies are responsible for reporting any significant ESG related issues to the Board of Directors.

Reporting scheme for corporate governance

Axcel supervises corporate governance in portfolio companies through participation on the Boards of Directors. Axcel shall also 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, such as:

- Rules and procedures for the Board of Directors
- CEO instructions
- Agreements covering executive shareholding
- Employment contracts for executives
- Evaluation of Executive Management
- Evaluation of the Board of Directors
- Annual planning – 'annual wheel'
- Sustainability policy
- Code of Conduct
- Whistleblower protection scheme
- Data policy

- Supplier code of conduct

A consolidated scheme indicating the overall performance of the portfolio companies is disclosed in Axcel’s annual COP report.

Reporting of breaches

Non-adherence to this policy must be reported by any and all employees of the Manager within a reasonable period of time to Management and the Compliance Officer.

In the event, that corrective actions are not taken Management or the Compliance Officer must ensure that the Board of Directors are informed directly.

Approval

The present rules of procedure shall be reviewed at least once a year by the Board of Directors.

These rules of procedure were approved by the Board of Directors on 23 May 2016.

Approval history

Version:	Effective from:	Changes:	Performed by:
1	1 July 2016	Document created	Board of Directors
1	1 February 2021	<ul style="list-style-type: none"> • Title changed to Sustainability Policy • Text on remuneration added • References to guidelines and organizations updated • Approach to political influence added • Axcel ambition added • Reporting scheme for Corporate Governance updated 	Board of Directors