



FSN Capital

Environmental, Social and Governance report 2013
Building Resilient Companies

ABOUT FSN CAPITAL

Established in 2000, FSN Capital Partners («FSN Capital») is a Nordic private equity advisor. The FSN Capital Funds («FSN Funds») currently consist of three different Funds with a total of €1,125 million under management. The Funds focus on making control investments in companies operating in the Nordic region with enterprise value between €50 million and €250 million.

As an investment advisor, we offer the portfolio companies a clear value proposition: The potential to transform into more competitive, international and resilient entities during our period of ownership. The Funds are supported by a broad range of leading Nordic and international institutions that share our long-term perspective. The investors provide us with patient capital that allows us time to implement our transformation initiatives and create sustainable, long-term change within the portfolio companies. We consider it common sense to take a responsible approach when interacting with the portfolio companies, our advisors, the investors, local communities and the environment. FSN Capital seeks to act with the highest level of integrity. At the core of how we operate is the FSN Capital Ethos as described later in this report.





Letter from our Founder

ABOUT THIS REPORT

This report marks another milestone in our Responsible Investment (RI) journey. As a firm we see ourselves as a learning organization with continuous improvement processes in everything we do including our RI approach. In this report we identify the major areas of improvement and emphasize our commitment to these RI developments.

The objective of this report is to respond to our key stakeholders' information need by making our ESG values and corresponding conduct more explicit. Further, we hope to illustrate the DNA that characterizes our culture which is the foundation of our RI approach. We hope the reader will get a clear understanding of how we address Environmental, Social, and Governance (ESG) issues both in our pre-investment processes and in our ownership period. While the examples we use are not exhaustive, we hope they will illustrate how we practice our responsible investment approach in our daily work.

OUR COMMITMENT

FSN Capital has been entrusted with the management of financial resources of our clients. These clients include Pension Funds, Sovereign Wealth Funds, Academic- and Research Institutions, and Insurance Companies. The beneficiaries of these institutions are retirees, pensioners, citizens, employees, students and scientific researchers from around the world. Our success is measured by the return we generate for these clients and their beneficiaries. Not only do our clients and their beneficiaries care about the absolute return, they also care deeply about this return being generated in a responsible manner. We believe that identifying and responsibly managing ESG issues is an integral part of the long-term performance of our investments and of earning and reinforcing the trust of our clients.

FSN Capital has had a strong commitment to RI since its founding through a clear and strict ethos: «We are decent people making a decent return in a decent way». Taking ethical, environmental, social and governance issues into account has always been a natural part of our investment approach. Since the first recruitments we made in 2000, we have worked to create a team with the highest level of integrity and to promote a culture for ethical behaviour and decision making. In 2012, we formalized our commitment to responsible investment further through signing the UN Principles for Responsible

Investments (PRI), which our Chairman, Knut Kjær, was involved in developing back in 2005 - 2006.

ESG AND VALUE CREATION

The private equity governance model can be very effective in transforming ESG issues into opportunities for value creation.

First, we have a long term investment horizon that not only spans across our 5-7 year investment period, but also into the next investment period and beyond. This puts us in a unique position to capitalize on ESG initiatives that have an impact on long term value creation. Second, our active ownership model offers opportunities to support and drive long term change and to facilitate top-down implementation of value-enhancing ESG improvement programs. Our team believes it is our responsibility to seize and pursue these opportunities.

Throughout our investment history we have experienced many examples of the link between managing ESG issues and long term value creation. The success of Aura Light as a thriving provider of sustainable lighting products and solutions has taught us the value of sustainable business models. The impressive employee satisfaction ratings and their direct impact on VIA Travel's market leading customer satisfaction and loyalty ratings, reinforced our belief in the value of creating stimulating and motivating working environments. The millions in cost savings achieved in Kongsberg Automotive by reducing sick leave from 9% to 4% demonstrated the value of taking targeted measures to bring down sick leave. The value of being proactive in dealing with a 30 year industrial spill at Troax was demonstrated through its favourable industrial- and community- relations impact. The risk mitigation effects of enforcing implementation of compliant corporate governance were illuminated in Vizrt. These are just a few examples.

We have engaged a large number of stakeholders in preparing this report including six investors, four CEOs of our portfolio companies, several experts and our employees. We are grateful and would like to thank these stakeholders for sharing their expectations on how we integrate ESG objectives into our investment approach and for the guidance and many ideas offered to help us progress on our responsible investment journey. We would also like to thank the EY Sustainability team for their assistance in preparing this report.

Frode Strand-Nielsen
Managing Partner
FSN Capital Partners

Letter from our Chairman

PRUDENT RISK MANAGEMENT

Private equity investing is about managing risk and creating value by active ownership.

Risk is dependent upon the investment horizon. Traders and short-term financial investors can do well by scrutinizing only financial factors. However, this is not the case for long-term investors, like FSN Capital. As the time horizon expands, investors become exposed to an increasing number of factors that cannot be easily assessed using financial metrics alone. Some of these risk factors are outside the control of company management, such as climate change, regulations and consumer behavior. On the other hand, some factors can be controlled directly by management, such as the degree of integrity it maintains in dealings with employees, the community and the environment.



As active owners, we have the advantage of being able to manage and mitigate risk through the portfolio companies. Risk management is a key variable we consider before investing in a company, and it begins very early in the process. We avoid investing in companies where we will not control the key factors shaping expected risk and return.

From the initial onboarding through the entire advisory period, we work extensively to ensure that we have a strong alignment with management and the Board of Directors on a core set of values. Among these values, the most important is complete integrity across all business operations and dealings with stakeholders. For example, a lack of honesty in relationships with customers or regulators in one quarter may negatively impact the bottom line three years from now.

Our first ESG report signals our ambition to include a wide set of extra financial variables in our investment decisions and management of the portfolio companies. We have still much work to do. Defining an actionable set of KPIs to improve the way we manage these risk factors is a key priority.

In 2005, I was among those invited by the UN Secretary General at that time, Kofi Annan, to draft the UN Principles for Responsible Investments (PRI). The end result was a set of principles that naturally placed ESG factors into the investment process, recognizing that ensuring integrity is among the key success factors for long-term investors.

Since developing these principles, more than 1200 institutional investors have signed on to the PRI. It was a very satisfying moment for me in 2012 when we at FSN Capital joined and voluntarily enrolled into a system of yearly compliance with these principles.

Knut N. Kjær
Chairman
FSN Capital Partners



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1.

Our policy and commitment to Responsible Investment

RESPONDING TO OUR STAKEHOLDERS' EXPECTATIONS

FSN Capital impacts, and is impacted by, our stakeholders. Our key stakeholders include our clients and their beneficiaries, our portfolio companies and their employees, customers and local communities, our own employees and regulators in the countries where we operate.

We believe that in order to be successful we also have to be attentive to what these stakeholders expect from us. We engage with clients through annual meetings and quarterly reports and continuously engage them in direct dialogue. We work closely with portfolio companies who can voice their concerns on a continuous basis, as well as in more formal review meetings. Employees voice potential concerns through employee surveys, individual conversations and whistle-

blower policy. We also engage with regulators on issues of particular concern. Responding to our key stakeholders' information need is the starting point for developing this ESG report.

In 2014 we conducted a stakeholder engagement specifically focused on responsible investment and reporting as described below.

Stakeholder engagement on Responsible Investment in 2014

In preparation of this report FSN Capital has engaged with key stakeholders specifically to understand their expectations of us with regards to Responsible Investment and reporting. This engagement included dialogue with our clients, portfolio company management, our employees and other experts.



EXAMPLES OF ESG ISSUES

ENVIRONMENT		SOCIAL		GOVERNANCE	
	<ul style="list-style-type: none"> Climate change Pollution to air, water and soil Water use Biodiversity Resource efficiency 		<ul style="list-style-type: none"> Labour rights Working conditions Health and safety Community impact Job creation Tax contribution 		<ul style="list-style-type: none"> Anti-corruption Transparency Shareholder rights Board composition and independence

Our understanding of the key takeaways from the stakeholder engagement:

- » **Clients:** Expect ESG to be naturally integrated in investment decisions and management as part of taking a holistic approach to risk management and transformations. Matters related to ESG should be reported directly to them as part of quarterly reporting, if and when it is material to the investment. ESG should not become an isolated and partly relevant topic, but integrated and included when relevant to the investment.
- » **Portfolio companies:** Positive towards a focus on key ESG issues and emphasizes the importance of focusing on sector and company specific concerns. Many highlight the benefits of FSN Capital’s longer term perspective which allows for the necessary investments to ensure sustainability. Some would also like to learn from experiences across the FSN Capital portfolio companies.
- » **FSN Capital Employees:** Believe that incorporating ESG issues in our investment analysis and in our active ownership approach both drives returns and mitigates risks.

If this report does not respond sufficiently to your information needs, we would very much like to hear your feedback on how to improve.

THE FSN CAPITAL ETHOS

FSN Capital operates with a clear and strict Ethos that is encapsulated in the sentence: «We are decent people making a decent return in a decent way.»

At FSN Capital, this sentence is expected to be at the core of how we approach decision making every day. The Partners of the firm deliberately promote a culture that encourages this.

By decent people we mean people of character and integrity. In recruiting new team members we go to great length to understand, in addition to their leadership and investment talent, the values and the moral fabric of the candidates. New team members can only be successfully on-boarded and integrated, if there is a strong cultural fit with the FSN Capital team in terms of our Ethos and values.

Decent return we define as an internal rate of return which substantially outperforms what our investors could achieve by investing in the Nordic small/midcap listed shares index.

Generating this return in a decent way we achieve by implementing the FSN Capital Code of Conduct in all the portfolio companies and by constantly encouraging our individual team

«One of my first tasks as the CEO of VIA Travel was to sign FSN Capital's Code of Conduct. This sent a strong signal of the importance FSN Capital places on the ethos and values.»

ESPEN ASHEIM, FORMER CEO VIA TRAVEL GROUP

members to challenge decisions and behaviour through asking the question; «Is this in line with our Ethos and values?»

Our Code of Conduct (Appendix I) is developed based on UN Global Compact, UN Guidelines against Corruption and the OECD guidelines for Corporate Governance. The code provides our team members and the portfolio companies with clear instructions on how we should operate and behave to secure compliance within the areas of human rights, labour rights, corruption, environment and active ownership. Whenever we start to work with a new portfolio company or management team, we initiate a process to implement our Code of Conduct which starts with the board and management group, but eventually involves the whole organization. Through this process we firmly establish what FSN Capital deems to be desirable behaviour and what is unacceptable behaviour. The Code of Conduct is always accompanied by a Whistleblower Policy.

The Ethos is further reinforced through the FSN Capital Values:

1. The firm's assets are our people, the investor franchise and our reputation. If any of these is ever diminished, the last is the most difficult to restore.
2. Integrity and honesty are at the heart of who we are. We maintain high ethical standards in everything we do and we take pride in living by these standards, both in our work for our firm and in our personal lives.
3. Success is measured by the return to the investors. The return to investors is our first priority, followed by the interests of the firm, and then ourselves.
4. We strive to deliver trend shift through transforming portfolio companies into better and more sustainable companies.
5. In order to be the best firm, we seek to recruit, develop, empower and reward the best people. We believe in meritocracy.
6. Teamwork and collaboration is the core of our modus operandi. We are a one firm team and believe that the team has greater impact than the sum of the impact of the individuals.
7. We nurture a winning culture with a strong competitive and entrepreneurial team spirit and with individuals characterized by drive, creativity, commitment and dedication, working towards common goals.

«FSN Capital is concerned with these questions and stresses that there is no conflict with ESG and good business»

PER SJØSTRAND, CEO INSTALCO

8. We take great pride in the professionalism, quality and timeliness of our work. We have an uncompromising determination to achieve excellence in everything we undertake and believe in individual accountability and responsibility.
9. We always face up to the brutal facts and tell the truth as we see it, with direct communication, within our firm, in our portfolio companies and to our investors. We pride ourselves in our ability to avoid «group thinking» and promote and process intellectual dissent. We always treat each other, portfolio company organizations and other stakeholders with respect.
10. We thrive on positive dissatisfaction and always search for and seize the opportunity to grow and improve our investments, our firm, each other and ourselves.
11. We are determined to secure the longevity of our firm.

ETHICAL STANDARDS

We have clear ethical standards and exclusion criteria that always apply regardless of its impact on potential returns. These standards are part of securing our integrity and responsibility in the way we operate.

FSN Capital shall not invest in companies that:

- » Have contributed to systematic denial of basic human rights
- » Demonstrate a pattern of non-compliance with environmental regulations
- » Have an unacceptable high greenhouse gas footprint and fail to take economically sensible steps to reduce these emissions
- » Show a pattern of engaging in child labor or forced labor
- » Produce weapons that through their normal use may violate fundamental humanitarian principles (e.g. anti-personnel land mines, production of cluster munitions, production of nuclear arms)
- » Are directly related to the following industries: Adult entertainment, tobacco, gambling and alcohol.

INTEGRATION OF ESG IN INVESTMENT PROCESSES

FSN Capital has been a signatory of the United Nations Principles for Responsible Investment (PRI) since 2012. Compliance with their six principles is a natural part of an investment strategy to safeguard and enhance return of the portfolio investments.



THE UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

..... 1

We will incorporate ESG issues into investment analysis and decision-making processes.

..... 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

..... 3

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

..... 4

We will promote acceptance and implementation of the Principles within the investment industry.

..... 5

We will work together to enhance our effectiveness in implementing the Principles.

..... 6

We will each report on our activities and progress

THE JOURNEY TOWARDS GREATER ESG INTEGRATION

The development of responsible investment practices in private equity is still at an early stage. In recent years, however, we have seen an increase in private equity funds committing to the PRI and more transparent approaches. This has helped clarify what responsible investment practices in private equity might look like.

As an organization, we are on a journey towards fully integrated considerations of ESG in our investment processes. We believe our efforts have moved beyond simply considering values and ethics in our investment decisions, to also consider relevant ESG risks and value drivers pre- and post-investment. These efforts are increasingly becoming a natural part of our operations.

At its core, responsible investment is about knowledge and focus. In broad terms key efforts will be to clarify roles and responsibilities, further develop performance indicators, reporting, policies and guidelines for our investment teams and portfolio companies, ensure access to relevant tools and resources and provide the necessary training and development for investment teams and portfolio companies.

For our investment teams, becoming a more responsible investor will entail building knowledge, contributing to a culture that emphasizes ESG factors and applying the necessary tools and resources both pre- and post-investment.

We believe the «tone at the top» to be strong and clear with regards to responsible investment. Our senior team strongly believes in the importance of considering ESG factors and evangelizes this.

ESG RISKS INCLUDED IN FSN CAPITAL'S RISK FRAMEWORK

FSN CAPITAL RISK CATEGORIES

MACRO



Cyclicality
FX
Commodity

OPERATIONAL



Management risk
Integration risk
Internal / External

ENVIRONMENTAL



Toxic emissions
Harmful industrial waste
Deforestation

INDUSTRIAL



Political
Competitiveness
Substitution

FINANCIAL



Liquidity
Leverage
Covenants

SOCIAL



Labor conditions
Forced / Child labor
Harm to health and safety

COMMERCIAL



Operating leverage
Concentration
Visibility

EXIT



Multiple sustainability
Marketability
Dependency on trend
shift

GOVERNANCE



Bribery / Fraud
Political interference
Criminal convictions
Regulatory relations

WEATHER



ACTIVE OWNERSHIP



Majority shareholder
Ultimate control



2.

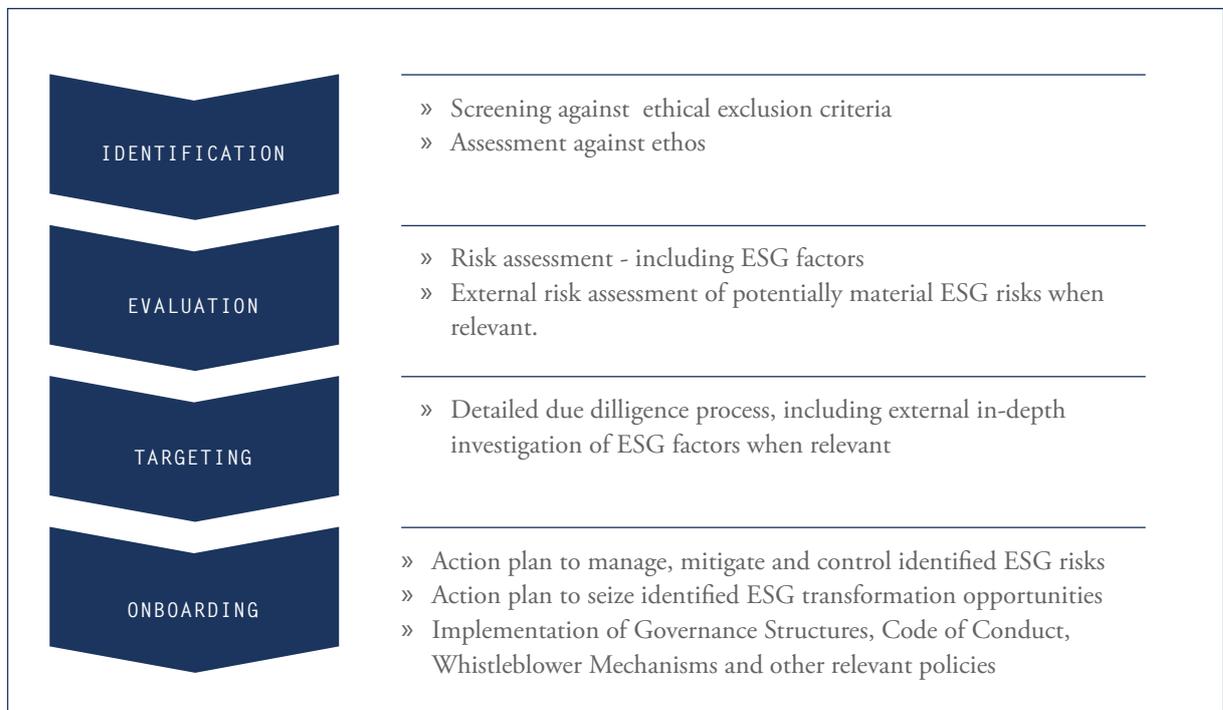
Pre-investment: A Long-term perspective

INTEGRATION IN THE PRE-INVESTMENT PROCESSES

Integrating ESG assessments pre-investment is part of our efforts to take a broad and long-term view when assessing investment risks and opportunities. The figure below outlines how we integrate ESG at each assessment stage pre-investment. We include ESG factors in our formal investment papers prepared by the deal team as a transaction process. We also engage external experts to conduct ESG-specific due diligence

whenever deemed relevant. We transfer the findings we make pre-investment to targeted plans in the onboarding phase.

Examples from the due diligence processes related to the Troax and PM Retail investments illustrate how we work to assess ESG prior to investment decisions.



«We assessed how FSN approached ESG before we became an investor. Their approach to ESG is ambitious, and they are dedicated to continued development in this area.»

JOHAN NORD, AP6





EXAMPLE

IDENTIFYING ENVIRONMENTAL RISK PRE-INVESTMENT - TROAX

IDENTIFICATION

During the acquisition of Troax, a manufacturing company, the Investment Team was notified by the seller of a known spill of an industrial solvent, called Tri, on company site. As a consequence an environmental due diligence consultant was immediately engaged to perform an in-depth risk assessment of the incident. Three risk items associated with the spill were identified:

- » The risk of the spill affecting human health is low since the drinking water is cleansed through a carbon filter. In addition, the employees have been tested and no traces of Tri were found.
- » The reputational risk for FSN Capital is viewed as low since FSN Capital is unlikely to be associated with the spill. The spill is also reported to the relevant authorities and known by the local media.

EVALUATION

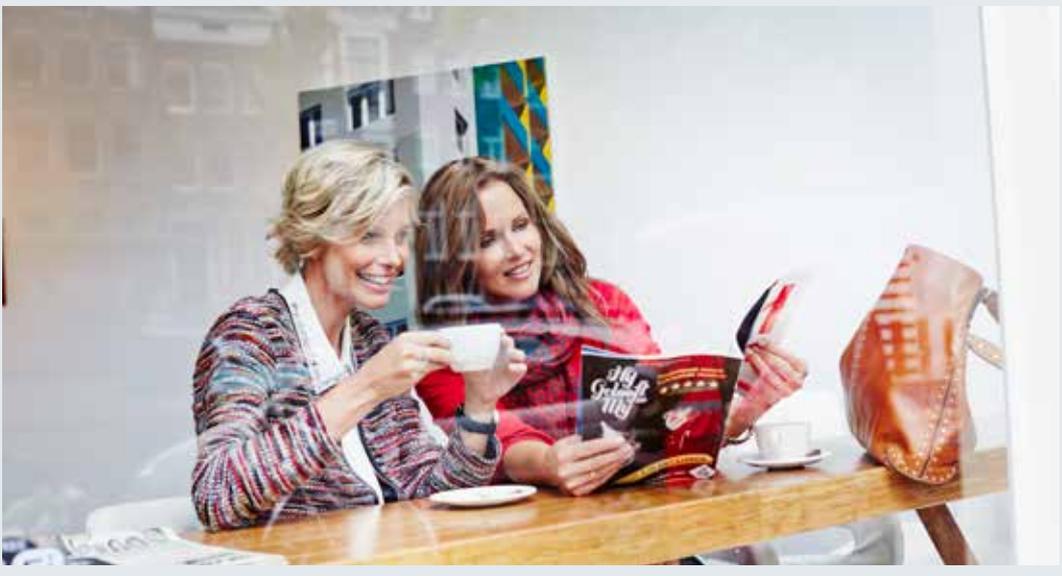
Despite considerable financial risk – which caused some financing providers to back away – FSN Capital decided to make the investment. This was made possible through an escrow arrangement, provided by the seller, which ensured that Troax had the financial means to deal with a poten-

tial clean-up. The assessment established that the incident happened in the 1980s, prior to the current seller's ownership and current management team's appointment. Further, the incident has been reported to the relevant authorities and is under investigation by the company in full cooperation with the relevant authorities and agencies.

TARGETING AND ONBOARDING

Troax has now raised environmental issues to the board level and significantly improved its environmental performance. The level of Tri in the ground / water is measured on a regular basis in the area and reported to the municipality. The observed level of Tri is on a very low level, and most likely no further clean-up actions will be required.





EXAMPLE

IDENTIFYING AND HANDLING ESG RISKS - PM RETAIL

IDENTIFICATION

PM is a retail company, hence FSN Capital was aware of Corporate Social Responsibility (CSR) challenges at PM's suppliers at the time the potential investment was evaluated. FSN Capital questioned management of PM about their suppliers regarding sourcing, policies, and standards.

EVALUATION

As the answers from PM's management were not satisfying, FSN Capital decided it had to take further actions. An inquiry was done with external consultants to do an assessment of the supplier base in China,

however this would take time. Therefore FSN Capital advised to build a clause in the contract to set a certain amount of money aside. After the transaction, FSN Capital would start a comprehensive CSR assessment program. If the assessment any discovered serious breaches, FSN Capital would use the funds set aside to remediate.

TARGETING

Soon after the deal was closed, FSN Capital started a comprehensive assessment of the supply chain. All suppliers were mapped and they had to do a thorough assessment on all the CSR parameters.



FSN Capital wanted external advice, hence three companies specializing in CSR were evaluated. FSN Capital and PM management decided to work with the local organization called ETI (Ethical Ethic Initiative). As a Norwegian NGO with experience in implementing CSR in Norwegian retail companies, they had the advantage of having trainings in Norway which would help in building the competency within the organization.

ONBOARDING

ETI used a stepwise methodology to assess the suppliers. A start was made by sending out a questionnaire to all suppliers with questions regarding several aspects related to CSR (child labor, use of chemicals, safety standards in the work place, minimum wages etc.). All the suppliers were contacted personally and explained why they were receiving this questionnaire. Most, but not all, answers were satisfactory as for example a supplier left a section in a questionnaire blank. This resulted in a bad score.

Besides the supplier assessment, the product department of PM was educated about CSR to create awareness of CSR working with suppliers. This was crucial to make CSR an ongoing process within the organization and not a one time assessment exercise.

To be more aware of the CSR challenges

in Asia, an FSN Capital deal team member joined the product manager of PM on a supplier visit to China. 8 supplier factories were visited in China: Hangzhou, Ningbo and Guangzhou. Not only PM suppliers were visited but also factories with bad working conditions so FSN Capital could see what the difference were between the various suppliers. During those visits a tour of the factories was taken, factory managers were met and FSN Capital/PM explained to them the CSR program and informed them about a CSR seminar that was organized for all suppliers in Beijing.

After the assessment was done, the board of PM Retail concluded that a few suppliers needed more improvements and there were no serious breaches of CSR. The Board of FSN Capital Funds recommended that the funds set in the contract could be released.

In 2012, PM released their first CSR report which is available on their website. In that report goals for 2013 were also included. These goals covered areas like workshops, code of conduct, incentive schemes and purchasing procedures. This is an ongoing improvement and the progress will be reported annually. Currently PM management is running the CSR process. One external CSR specialist has been hired on a part-time basis and is following up on all the actions.

3.

Active ownership – partnering to create long-term value

ESG EXPECTATIONS AND SUPPORT

ESG challenges vary to a great degree between sectors and companies depending on impacts, dependencies and stakeholder expectations. We therefore emphasize the importance of each company finding its own way through understanding its own environmental and social impacts, stakeholder expectations and related risks and value drivers. To support portfolio companies in building resilience for the long term, we provide guidance through principle-based expectations. FSN Capital is always represented in the Board of Directors. The Board of Directors is expected to include material ESG issues when defining strategies and policies. Each company's CEO and management team are responsible for executing strategy and running the daily operations of the company according to the policies established by the board.

The investment teams work to develop their expertise on ESG risks and opportunities to support the portfolio companies. This includes providing information on best practices and relevant tools. In addition, we also engage external experts and consultants on key topics. An example is our engagement with the Ethical Trading initiative to gain inputs on sustainable supply chain management in the retail and consumer products sector. We have specific expectations and initiatives related to the environmental, social and governance issues depending on the character of the issue:

Environment: Environmental risks and opportunities vary to a great degree between sectors and contexts. Therefore, we do not consider it efficient to have specific expectations and requirements related to environmental risks that span across the portfolio. However, when relevant, portfolio companies are expected to develop a tailored environmental policy that sets clear principles for managing material environmental risks and opportunities. In particular we emphasize energy and resource efficiency and sustainable management of raw material inputs. Examples of variances in approaches include Aura Light's focus on energy-efficient products as a key opportunity, and Troax' focus on environmental risks related to production. See examples of this in part 4.

Social: Challenges and opportunities related to social impact also differs between companies and should also be treated differently depending on the context. FSN Capital does, however, aim to promote sound labor and human rights practices in the portfolio companies, including:

- » Reinforcing management practices and working environments that promotes employee satisfaction and loyalty.
- » Considering employee working conditions such as minimum wages, working hours, health and safety of work force.
- » Supporting the elimination of child labor including possible use of child labor by the suppliers to underlying portfolio companies.

«FSN Capital expects us to have well-functioning governance structures and stress the importance of attracting and retaining employees with the right values.»

JARL UGGLA, CEO VINDORA

- » Promoting employees' right to collective bargaining.
- » Avoiding discrimination based on e.g. age, race, gender, religion, sexual orientation or disability.
- » Complying with international conventions on human rights.

Governance: The relevance and benefits of governance will often be similar across sectors. We have therefore developed a standard for governance that is implemented in all portfolio companies. An essential part of FSN Capital's value creation model is the governance and management structure that is put in place for each portfolio company. These standards include guidance on anti-corruption and remuneration. Specifically all companies are expected to develop and implement:

- » Articles of association
- » Code of conduct
- » Principles for remuneration
- » Whistleblower function (Appendix II)

MONITORING ESG PERFORMANCE IN THE PORTFOLIO

A key success factor to ensure continuous improvement and internal and external accountability is to monitor results and act when performance is not in line with targets. We aim to monitor

performance on selected indicators with relevance across the portfolio or for an individual company. Portfolio-wide indicators now relate to universally relevant issues such as sick leave. In addition, most companies have individual ESG indicators such as safety indicators for industrial companies and customer satisfaction for business services companies. We do, however, aim to develop this further in collaboration with the portfolio. The overview in part 4, the status of ESG efforts in our portfolio companies, aims to provide some insight into key ESG challenges, responses and results.

Development objectives:

- » Work with the portfolio companies to prioritize ESG issues and define company specific or portfolio-wide ESG indicators. These key indicators will be included in future ESG reports both internally and externally.
- » We will discuss ESG reporting on a regular basis with the portfolio companies.
- » Develop the ESG review to include best practice efforts and conduct these annually as part of external reporting efforts.
- » We will plan for ESG training as part of the continuous training and development of our investment teams.



EXAMPLE

TAKING ACTION TO MANAGE CORRUPTION RISK IN SKAMOL'S RUSSIAN OPERATIONS

Corruption is a major governance risk in many emerging markets, and Russia is one of these. To strengthen Skamol's approach to corruption risk in Russia, FSN Capital has together with management taken the following steps:

1. Clear communication to local management and employees that any form of corruption is unacceptable
2. Established control procedures and policies to avoid corruption including implementing the Code of Conduct
3. Regular follow-up of control procedures to ensure they are followed in the best possible way
4. Ensured that recruited local management understand appropriate business practices from a Nordic perspective
5. Keeping corruption consistently on the agenda as part of CSR and other reporting
6. Take the needed actions if any kind of corruption is suspected
7. These initiatives are a start to managing a key risk area. This must however be a continuous effort with constant attention from the top.

*«FSN Capital's approach to
responsible investment can be described as clear,
straightforward, honest and transparent»*

SILVAN BÄTTIG, SUVA

4.

Status – ESG developments in selected portfolio companies

This chapter is an overview of ESG developments for the portfolio companies. We did not include all the portfolio companies (Tactel, Norman, Vizrt) due to limited relevance for this report. Tactel and Norman are information technology companies with limited ESG issues. Vizrt is a public listed company with a minority ownership of the fund.

The goal for this section is to provide an overview of ESG challenges and opportunities for the selected portfolio companies, as well as how the company and FSN Capital responded to these.

The indicators presented in this overview for the different companies vary because not all numbers were available for the portfolio companies for different years. For 2014 we aim to have consistency in the portfolio companies to present numbers for:

- » Revenue
- » Employees
- » Percentage women versus men
- » Sickness Rate
- » Employee Satisfaction
- » Customer Satisfaction





ESG challenges and opportunities:

Responding to global challenges, Aura Light’s management team has had a clear vision to differentiate their products by offering more sustainable lighting products and solutions.

Aura Lighting’s Long Life products enable customers to apply a lower replacement frequency and reduce costs, energy consumption and environmental impact through:

- » Up to 75% reduction in maintenance costs and environmental impact by using long life products
- » Up to 80% lower energy consumption by using energy saving solutions

	2012	2013
Revenue (mSEK)	518	580
Total Employees	231	250
Percentage women versus men	34%	33%
Sickness rate	2,3%	2,7%
Employee Satisfaction (0-100)	68	*
Accidents	2	3
Hazardous waste (tons)	35	30
Xylene emission (tons)	0,9	1,5
Mercury (grams after filter)	10	10

**not measured in 2013, 2014 77%*

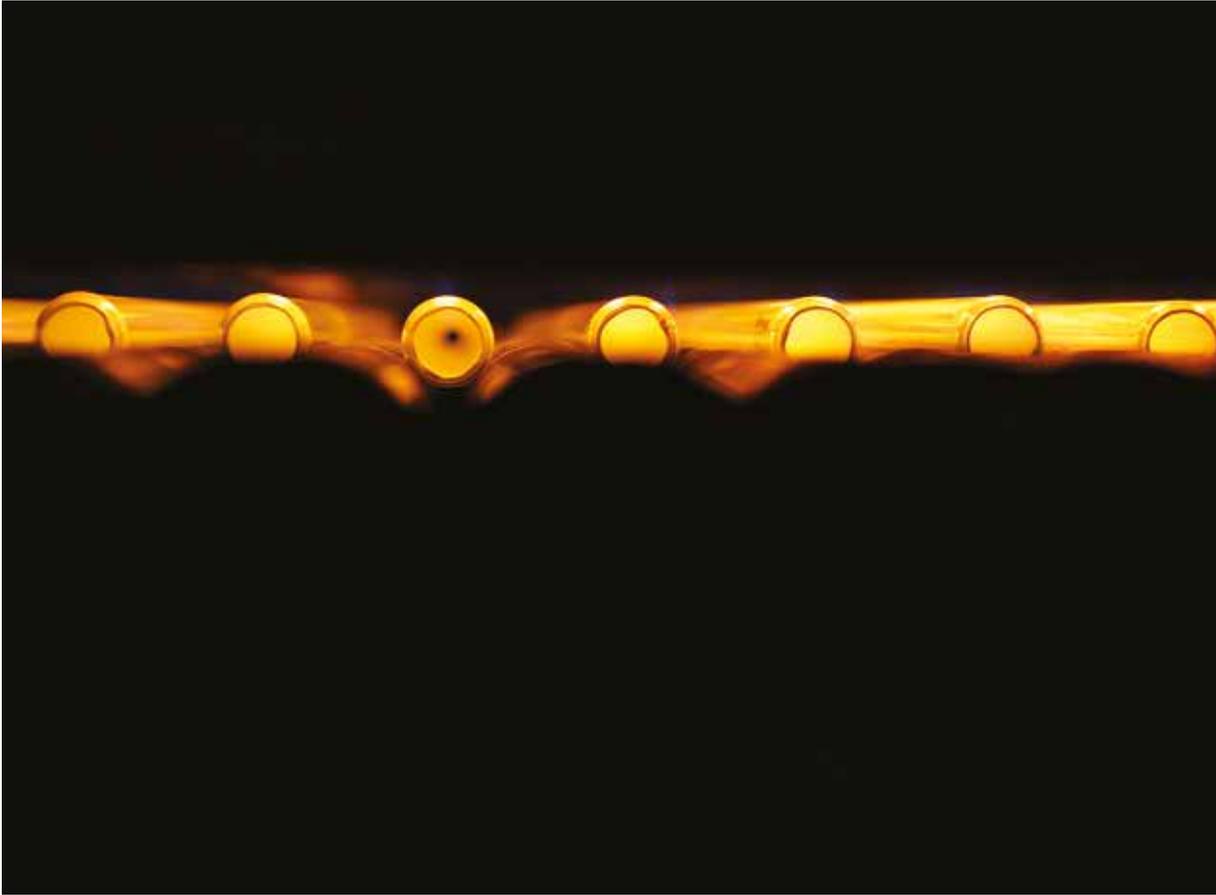
Aura creates jobs in the local community of Karlskrona, Sweden, and strives in their policies for local suppliers.

As a producer of light solutions Aura has to work with environmental challenges related to their production and end use, such as energy efficiency and management and avoidance of harmful chemicals.

Response during advisory period: Aura Light’s management team and CEO have had a clear vision to differentiate their products by offering more sustainable lighting products and solutions. This vision has transformed the company into a successful provider of more economical and ecological solutions.

Aura has implemented the ISO 9001, 14001 and 26000 management systems to ensure continuous improvement and adequate control related to ESG issues in production. To ensure proper environmental management, Aura is tracking emissions of for example Xylen and Mercury.

An increased share of Aura Light’s revenues stems from Long Life products. Aura Light has ambitions to further improve their revenue from sustainable products and solutions by 2015 to 90% of sales from Long Life products and solutions,



and 50% of sales from energy-efficient products and solutions.

To be truly sustainable, the value chain of the Aura Lights products must also be in tune with its natural and social environment. Aura Light has therefore established goals for 2015 that include:

- » Recycling 95% of the waste resulting from production
- » Eliminating 40% of chemicals included in the PRIO-list
- » Further developing efforts to monitor the ESG performance of suppliers

To read more on Aura Light's sustainability activities, please refer to their sustainability report:

fsn.link/auralight

ESG challenges and opportunities: As a group of surgical clinics, the company is faced with challenges related to patients' exposure to physical and psychological risks as well as responsible marketing of the services offered.

ESG response during advisory period: A set of ethical guidelines, exceeding the ethical rules imposed by the Norwegian Medical Association, was implemented when Teres Medical Group was created in 2007. This is signed by all the employees. The ethical guidelines focus on physical and psychological risks, as well as the importance of Teres' employees making well balanced decisions with integrity. This is particularly important when deciding whether to proceed with a patient from initial consultation to surgery. The ethical guidelines also stress the importance of transparency when informing patients of the possible risks, side effects and benefits from going through a surgery.

A risk assessment is done every year regarding health and safety. This include action points that are presented to the board and implemented, with the objective of mitigating risks proactively.

From a social perspective customer satisfaction is measured quarterly to see if customers would recommend the clinics to others. This went up from 85,1% in the beginning of 2010 to 89,2% at the end of 2013.

	2012	2013
Revenue (mEUR)	70	70
Employees	206	206
Sickness rate	3,0%	1,9%
Customer Satisfaction	86,8	89,2





LAGKAGEHUSET

ESG challenges and opportunities: As a bakery chain, food quality and safety is at the core of the business. It is also important for Lagkagehuset to limit the ratio of eatable food turned to waste due to excessive production. Lagkagehuset has the opportunity to reduce costs and environmental footprint through initiatives to increase energy efficiency. Social and governance challenges relate to working conditions and employee satisfaction.

ESG response during advisory period: A focus during FSN Capitals advisory period has been to implement best practice approaches to food safety standards. The authorities conduct control visits to all stores selling food. Based on their visit a store is given a «smiley». At year-end 2013 Lagkagehuset had 13 Elite Smileys (best out of five categories) while the remaining 18 had «Happy» Smiley (2nd best). Lagkagehuset’s ambition is to receive elite smileys for all its bakeries going forward. Elite Smileys can be earned if enter-

prises have only happy smileys on their last five inspection reports. Internal audits in respect of quality are performed to ensure that Lagkagehuset complies with hygiene and quality standards.

Since the start of the advisory period, Lagkagehuset has expanded from three to 30 bakeries, employing now more than 1000 people, with 400 of these having full-time contracts. The average number of Full Time Employees (FTE) grew by more than 100 during 2013. The company also had a strong focus on growing in a manner that preserves the baking profession and culture. The craftsmanship of baking is challenged due to discount stores making life difficult for the traditional baker. The company has a manual (Arbejdsmiljøhåndbog) which describes how to work. There is a Code of Conduct which is handed out to new employees in connection with the onboarding process.

	2012	2013
Revenue (mDKK)	315	407
Employees (FTE)		436
Customer Satisfaction		94%
<i>Ministry of Food Smiley system:</i>		
Elite Smiley	35%	42%
Happy Smiley	65%	58%
Waste	20%	13%
Electricity kWh per mDKK Revenue	17847	15064



Lagkagehuset has initiated projects to reduce eatable food turned to waste due to excess production. One such initiative has been to track food waste expressed as the monetary value of lost sales on the cash register. Lagkagehuset also aims to initiate projects to measure and optimize the temperature of the bakery ovens to increase energy efficiency and reduce energy related costs.

Lagkagehuset measures waste on a weekly basis as this is an important KPI for the store managers.

The aim is to have waste between 10-15%. Most of the waste is re-used in the production of other products. A small part is given for free to institutions. Some products which cannot be re-used are used for pig food.

Lagkagehuset only uses Danish suppliers which not only supports the local community but also give a good transparency as these are obliged to follow the strict Danish legislation for regulations on food safety.





ESG challenges and opportunities: Green is a provider of commercial landscaping services to municipalities, property owners and housing cooperatives. Green’s services are all about creating an enjoyable, clean and safe (e.g. safer playgrounds, less dark spaces in parks at night) outdoor environment for the local community residents.

For Green, it is important to address challenges and opportunities related to the environmental footprint from production, including chemical use and waste. Social challenges include health and safety and working conditions as well as governance related concerns such as corruption. Governance structures and rules regarding representation and gifts are particularly important to Green as municipalities are an important customer group.

Green has a large amount of seasonal workers, which creates opportunities for local residents without a full time job.

ESG response during advisory period: In FSN Capital’s advisory period, the focus has been on improving health & safety conditions, work environment and implementing governance structures, hereunder a Code of Conduct. This includes a whistleblower policy that all employees need to sign upon employment. Employees also receive formal training on the Code of Conduct. Green acquired a number of companies in the last years. These companies are aligned with the current governance structure.

Both an employee and customer survey were performed in 2013. The employee survey measured how satisfied the employees were with their working conditions and if they would recommend Green as a place to work. The customer survey measured the service level to customers and if customers would recommend Green as a supplier to others.

Green Landscaping has implemented an annual environmental impact review process, whereby the company tracks its emissions and maintains an action plan for how they can be reduced. The long term aim is to be a climate neutral company. This is also a requirement from key customers. This focus has, for example, resulted in a considerable investment to replace the old car fleet with one that is more environmentally friendly; reducing the CO2e emissions from Green’s car fleet by 9% in 2013 compared to 2012. Green is tracking its environmental footprint on a yearly basis. Since 2013 this also includes subcontractors.

	2012	2013
Revenue (mSEK)	611	702
Employees (FTE)	520	449
Percentage women versus men	14%	14%
Sickness Rate	5,3%	5,9%
Employee Satisfaction (0-100)	68	69
Customer Satisfaction (0-100)	75	73
Emissions per revenue (including subcontractors)		0,00875
Accidents	9	20

Subcontractors represent a large share of the CO2e emissions from Green's operations and the future ambition is to work more closely with subcontractors in order to find ways of reducing these emissions.

Green is in addition concerned with chemical use and has integrated chemical standards in their procurement requirements. Green holds quality

and environment certifications ISO 9001 and 14001 to support these desired improvements. In 2013 the number of accidents went up to 20 against 13 in 2012. This is due to the fact that line managers have been updated about the process how and what to report as an accident.



ESG challenges and opportunities: As an operator of independent schools in Sweden, Vindora's success is dependent on the quality of the education offered. The key focus area is to show stakeholders that Vindora creates sustainable value for society and the students, by offering high quality education. In 2012 and 2013, 83% of the students moved on to a job or higher education when they graduate from Vindora's schools, which is a very important KPI for Vindora – especially having in mind that Vindora's students when they enroll, on average, have significantly lower grades compared to the national average (2013: 146 p vs. 209 p). Vindora has a model to get students employable, regardless of the qualifications when they enroll.

Response during advisory period: Since acquired in 2010, Vindora has focused on developing and implementing governance structures, hereunder policies, Code of Conduct, as well as quality systems and processes across the organization. Employees of a school can face ethical issues every day and need to be an example for the students. Therefore a Code of Conduct is implemented in the employment agreement. Annual internal audits of quality for each of Vindora's 35 schools have been put in place. The schools measure student- and employee satisfaction on a regular basis. In 2013 67% of the students would recommend Vindora to others and 72% of the employees would do this. 81% of the students are satisfied with the level of education in 2013 against 71% in 2012.

	2013
Revenue (mSEK)	651
Employees (FTE)	728
Percentage women versus men	47%
Sickness Rate	3,2%
Student Placement rate	83%
Student Recommendation	67%
Employee Recommendation	72%
Student Education Satisfaction	81%

Private equity owned assets in the educational segment is under political scrutiny in Sweden. This focus has been fuelled by extensive media coverage. This has led to a higher proportion of students favoring municipality-owned schools, as well as reduced compensation and increased operational requirements from the government. This reinforces the need for close monitoring of regulations, employee/student satisfaction and student placement rates.



ESG challenges and opportunities: HusCompagniet builds standardized, single-family houses in Denmark. Due to its extensive use of sub-contractors, control of ESG issues in the supply chain is HusCompagniet's most important ESG challenge. In this regard, health and safety and working conditions on the construction site are important focus areas. In addition, there are ESG related challenges and opportunities related to the indoor climate and energy consumption of the houses built by HusCompagniet.

ESG response during advisory period: HusCompagniet has maintained its focus on the abovementioned ESG topics during FSN Capitals advisory period. HusCompagniet is in continuous dialogue with its sub-contractors to monitor their performance with regards to health and safety and working conditions on the construction sites. All sub-contractors must sign HusCom-

pagniet's Code of Conduct as well as testify that they comply with all applicable rules and regulations, incl. collective bargaining agreements. In addition, HusCompagniet has documented all work processes and work flows such as required by the Danish Working Environment Authority, and the sub-contractors are required to adhere to these work and process descriptions. Any accident (big or small) is reported to the Danish Industrial Injury Authority. All tools are safety tested semi-annually.

HusCompagniet aims to identify measure and monitor KPIs relevant for sustainable value creation in the course of 2014.

HusCompagniet had an employee satisfaction report made during the spring 2013. The overall score was «satisfactory with room for improvement» on employee motivation and satisfaction whereas close to «very satisfactory» on employee engagement and loyalty. A Code of Conduct for all employees is implemented. A work place assessment is done to get input from the employees regarding among others ESG factors.

	2013
Revenue (mDKK)	1556
Employees (FTE)	213
Percentage women versus men	14%
Accidents	10





ESG challenges and opportunities: As a provider of fast fashion with sourcing production facilities in China, working conditions, human rights, environmental impact and anti-corruption in the supply chain are key ESG risks for PM Retail.

ESG response during advisory period: Handling the supply chain has always been a focal point of PM Retail's business strategy. This focus has been strengthened since FSN Capital became the advisor in 2012. PM Retail's membership in the Ethical Trading Initiative (ETI), hereunder adherence to their Code of Conduct provides the foundation for this work. The ETI Code of Conduct covers working conditions, human rights, the environment and anticorruption. Members are also obliged to report annually on their progress, including the challenges they face and their

achievements to date. As a member of ETI Norway PM has made a commitment to implement processes that contribute to better conditions in their supply chains. Commitments for PM are for example to check individual suppliers and to improve processes for these suppliers if necessary.

A final CSR (corporate social responsibility) plan is being finalized these days and can be found at this website fsn.link/pmcsr, where also an ETI (Ethical Trading Initiative) report is available.

The company's supplier facilities are in Asia. The supplier signed the code of conduct which covers strict guidelines regarding for example child labour and minimum wage.

PM is in the process of implementing a Code of Conduct which includes instructions on whistle blowing. All employees will commit to this Code of Conduct through a binding contract between the employee and PM.

	2012	2013
Revenue (mNOK)		329
Employees		362
Percentage women versus men		99%
Sickness Rate	5,6%	5,3%





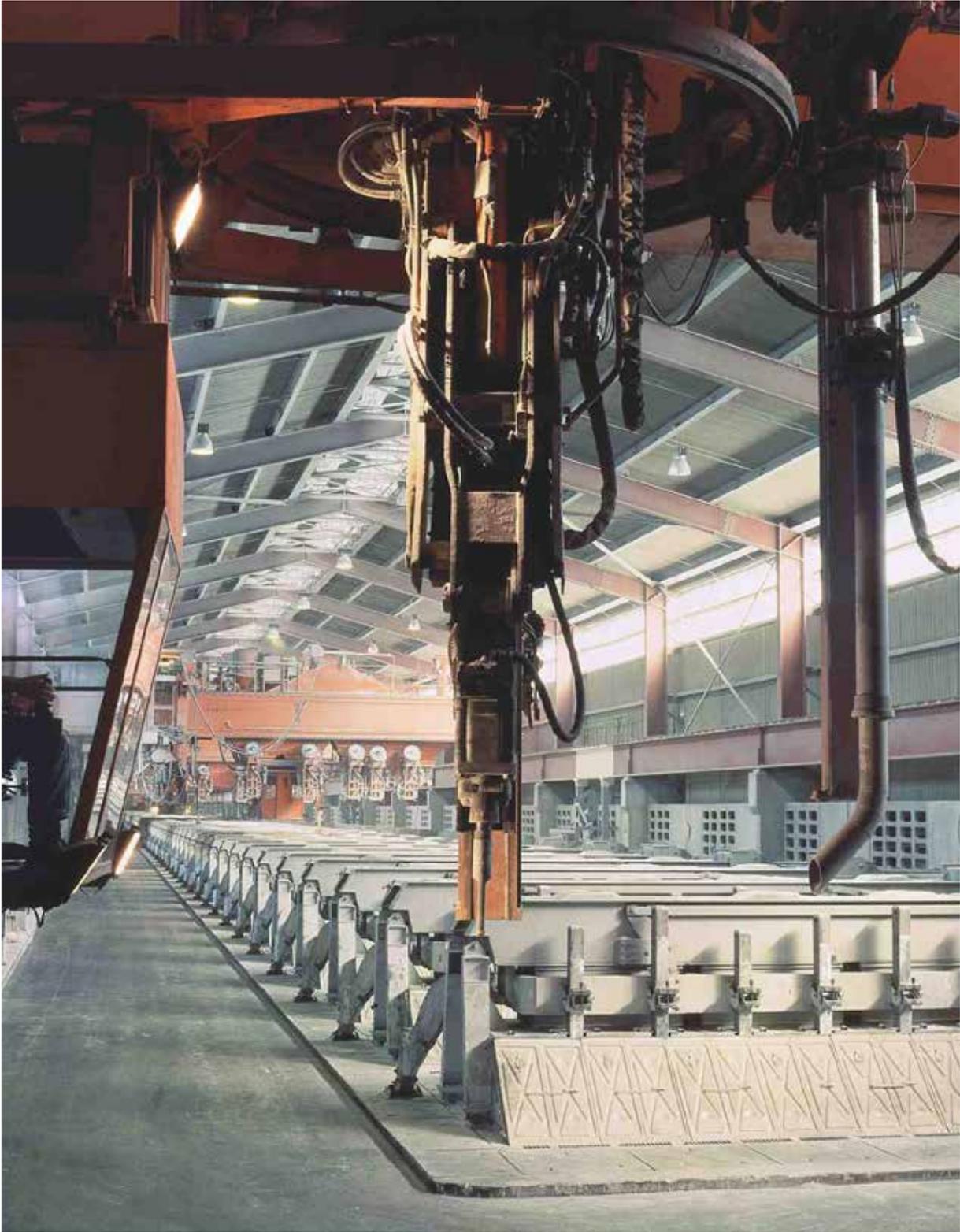
ESG challenges and opportunities: As a producer of high temperature insulation products, Skamol has the opportunity to help customers save energy. As Skamol has production facilities in Denmark and Russia, their operations are exposed to social risk, like health and safety and working conditions and governance risk such as corruption. Environmental challenges relate to energy use and production and mining of minerals.

ESG response during advisory period: Since acquiring Skamol in 2013, FSN Capital has worked with management to improve the company's governance structure and ensure compliance with FSN Capital's Code of Conduct (Ethical Guidelines) across the business. These guidelines were discussed with the employee representative committee and communicated to the Danish and Russian employees. Another focus in this period has been to improve the working environment and enforce high safety standards for the workers in the production facilities in Russia. Skamol also has procedures regarding bribes and fraud. These procedures are audited on a regular basis.

At the end of 2013, Skamol employed 385 people, representing a decrease from the time of acquisition. The number of employees in Russia is expected to decrease further, while the number of employees in Denmark is expected to increase slightly. For all Skamol's plants, objectives are set for environmental improvements as well as for health and safety. In 2014, several projects to reduce energy consumption and environmental impact have been initiated. In production as well as in the development of new production processes and products the quantity of waste is sought to be minimized or recycled and utilized in the production process.

ISO 9001 is implemented in Skamol to support employee and customer satisfaction. Analysis of customer satisfaction is conducted on a regular basis, and provides important insights with regards to customer expectations and Skamol's strengths and areas of improvement. During inspections by «Arbejdstilsynet» (the Danish OSHA) all Skamol's Danish plants have been categorized in the best category for companies with «will and skill» to maintain a good working environment.

	2013
Revenue (mDKK)	303
Employees	385
Percentage women versus men	35%
Sickness Rate	4,7%





ESG challenges and opportunities: As a manufacturer of protective mesh panels in automated production environments, Troax contributes to creating safer worker environments around the globe. As a manufacturing company, one of Troax' main ESG related challenges is focusing on minimizing its environmental impact from their factories. These environmental challenges are in particular related to limiting waste from production and avoiding emissions to air, soil and water. In the pre-investment phase FSN Capital identified a significant environmental risk (see case study, page 18). For Troax, this incident has given insights to the importance of safeguarding the environment. Troax also faces an ESG opportunity related to the potential competitive advantage from developing high recyclability of the end products. Social aspects such as health and safety and working conditions in production facilities, as well as value creation in local communities are also important ESG aspects for Troax.

	2012	2013
Revenue (mEUR)	72	70
Employees	328	328
Percentage women versus men	19%	19%
Sickness Rate	2,9%	2,3%
Emissions (CO2 tonnes/running m)	0,0031	0,0032
Scrap	5%	7,2%
Energy effectiveness rate	23%	23%

Response during advisory period: Troax has implemented several control measures to ensure that minimizing environmental impacts from production is a continuous focus area. One of these initiatives is including environmental considerations on the agenda of every board meeting. The focus on improving environmental performance also includes risk assessments and management systems to prevent uncontrolled spills and emissions to water, soil or air from production. Troax has implemented the ISO 9001 and ISO 14001 quality management systems systems to improve the organization, products and environmental impact.

Troax has also initiated projects to seize cost saving opportunities related to resource efficiency, and is measuring percentage of scrap, energy use and water consumption on a monthly basis. This is also reported to the municipality as part of the local regulations (Miljöpåverkansrapport). As a measurement index the «energy effectiveness rate» is used. Currently at 23% which means the kilowatt per kilo material went down with 23% compared to the starting point in 1994. There have not been any incidents of spills or emissions in 2013.

Implementing appropriate governance structures and Code of Conduct have also been focus areas during FSN Capital's advisory period. As part of this process, every employee needs to adhere to a

Code of Conduct, and ethical guidelines are set up to avoid unethical business behavior, such as corruption. Troax includes the focus on governance structures and ethical business behavior in their supply chain management. For instance, Troax includes the possibility of conducting unannounced inspections of production sites in their agreements with subcontractors.

Troax also seeks to contribute to job creation in its local community by purchasing from local suppliers to the largest extent possible.





ESG challenges and opportunities: The Validus group’s key ESG risks and opportunities relate to the quality and responsible marketing of products, in particular those related to health and lifestyle. In own operations, working conditions for workers on the shop floor is key as this can influence sick leave and improve the image of companies in the Validus group. In addition, the environmental efficiency of operations can be an opportunity. It is also important to understand the social and environmental impact of products.

ESG response during ownership: FSN Capital started advising Validus in 2013. During this period, the company has continued its focus on good working conditions in the entire supply chain through membership in the Ethical Trading Initiative (ETI).

	2013
Revenue (mNOK)	1588
Employees	870
Percentage women versus men	34%
Sickness Rate	1,2%

As a member of ETI Norway, Validus has made a commitment to implement measures that contribute to better conditions in their supply chains. Ethical trade should ensure that production of goods and services is fair, responsible and compliant with relevant legislation.

ETI’s Code of Conduct provides the foundation for this work. The Code of Conduct covers working conditions, human rights, the environment and anticorruption. Members are also obliged to report annually on their progress, including the challenges they face and their achievements to date. The ETI report from Validus can be found here: fsn.link/vita-etisk

The Validus group will keep up its continuous efforts to improve ESG performance in the supply chain, mainly through leveraging the resources and support offered by the Ethical Trading Initiative (ETI).



5. FSN Capital – «Decent people making a decent return in a decent way»

GOVERNANCE OF FSN CAPITAL

FSN Capital focuses on implementing good corporate governance structures in the portfolio companies because we believe this strengthens confidence in the company and helps ensure the greatest possible value creation over time in the best interest of shareholders, employees and other stakeholders. We believe that these principles apply to FSN Capital as well.

	2012	2013
Employees	26	28
Percentage women versus men	23%	25%
Sickness Rate	1%	1%
Employee Satisfaction (1-5)	3,84	3,98

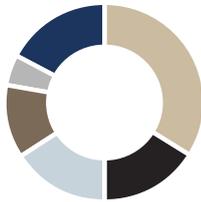
BOARD COMPOSITION OF FSN FUNDS

The investor board is responsible for reviewing the ESG strategy as well as ensuring that management is held accountable for operationalizing those strategies in an efficient and responsible way. The Board of Directors of the FSN Funds includes four independent members being Per Etholm, Ole Jacob Diesen, Charlotte Valeur and Phil Balderson. In addition, Knut N. Kjær is representing the advisory company on the Board of Directors. The board includes members from Norway, Denmark and the UK with different expertise, capacity and diversity. The board members have diverse industry and business experience including corporate governance, financial management and entrepreneurship.



FSN CAPITAL IV - SEK 5250

Investors by type



■ Pension Funds	34%
■ University Endowments/Family Offices	16%
■ Insurance	16%
■ Fund of funds	12%
■ Banks	5%
■ Other	17%

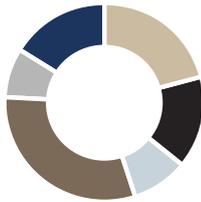
Investors by geography



■ Nordic	35%
■ Europe	30%
■ US/Canada	21%
■ Asia	14%

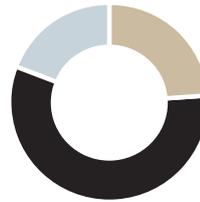
FSN CAPITAL III - EUR 375

Investors by type



■ Pension Funds	21%
■ University Endowments/Family Offices	15%
■ Insurance	9%
■ Fund of funds	31%
■ Banks	8%
■ Other	16%

Investors by geography



■ Nordic	24%
■ Europe	57%
■ US	19%

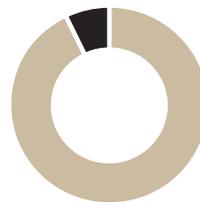
FSN CAPITAL II - EUR 151

Investors by type



■ Pension Funds	14%
■ University Endowments/Family Offices	19%
■ Insurance	10%
■ Fund of funds	14%
■ Banks	17%
■ Other	26%

Investors by geography



■ Nordic	93%
■ Europe	7%

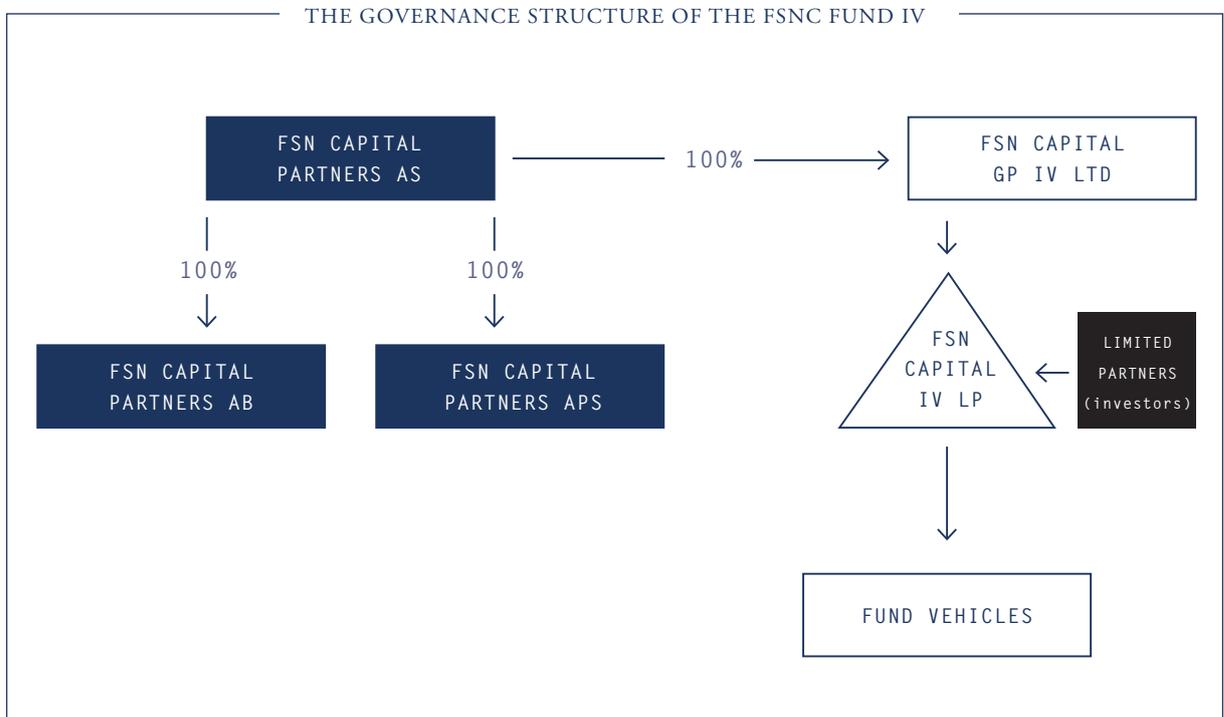
The FSN Funds invest in multiple countries with the support of investors from around the world. As illustrated on the figure at the previous page, the investor base is increasingly international. For these investors, differences in languages and lack of knowledge of local legal and regulatory requirements could impede investment in one of FSN Funds. In order to facilitate an international investor base the FSN Funds are set up in Jersey. Despite its historical reputation as a «tax haven», Jersey is a well-organized and regulated jurisdiction offering amongst others tax transparent structures such as fund vehicles. This allows FSN Funds to bring together investors from different nationalities and countries to pool funds efficiently without complex cross-border taxation issues.

The Jersey authorities co-operate internationally and have signed numerous tax information exchange agreements. There is full engagement by the Jersey authorities in respect of the G8 and

G20 transparency agendas.

As part of investing in FSN Funds, all investors are included in the strict know your client (KYC) policy and mandatory anti-money laundering declarations in order to be accepted as a Limited Partner. This provides the necessary added confidence to pension funds, insurance providers and other investors that they will not be associated with undocumented sources of capital.

To ensure transparency in the way the FSN funds are set up we focus on creating functional fund structures in the simplest way possible, thus avoiding complicated financial architecture. This is important to create confidence among our key stakeholders, such as authorities and investors. The structure of FSN Fund IV is an example of how a functional Fund structure can be set up:



*«We are decent people
making a decent return in a decent way»*

THE FSN CAPITAL ETHOS

APPENDIX I

FSN CAPITAL'S CODE OF CONDUCT

1. INTRODUCTION

The objective of this document is to state the requirements for personal conduct and business practice. The target group is all of FSN Capital Partner's employees, as well as members of the Board of Directors of FSN related companies, funds and Investor Board and Advisory Board members and FSN Capital's advisors. (Collectively; «supervised person») We believe that FSN Capital has three assets – people, capital and reputation. If any of these are ever compromised, reputation is the most difficult to restore, it can take can take eight years to build, one wrong decision to ruin. We shall therefore, in all we do, ensure that we do not compromise our reputation and firm.

2. THE CODE OF CONDUCT

FSN Capital's Code of Conduct describes our ethical standard and requirements. FSN Capital shall be known for its high ethical standards. A breach of laws and our ethical requirements are therefore a threat to our competitiveness' and reputation. The code does not cover every legal or ethical issue that may arise in the course of the Company's business, but it provides basic principles to guide all supervised persons in the performance of their duties and obligations.

3. CODE OF PERSONAL CONDUCT

FSN Capital sets high ethical standards for everyone who acts on behalf of the FSN Capital Group. The supervised persons must abide by applicable laws and regulations and

carry out their duties in accordance with the requirements and standards that apply in FSN Capital. They shall not assist in any breach of laws by business associates. FSN capital expects the supervised person to treat everyone with whom they come into contact through their work or work related activities with courtesy and respect. The supervised person must refrain from all conduct that can have a negative effect on colleagues, the working environment or FSN Capital. This includes any form of harassment, discrimination or other behaviour that colleagues or business associates may regard as threatening or degrading. The supervised person must not behave in a manner that can offend local customs or culture.

3.1. Use of FSN Capital assets

Each supervised person must protect the Company's assets to ensure that they are used efficiently and properly for legitimate business purposes. Each employee is personally accountable for the use of any Company assets over which he or she has control. Incidental personal use of telephones, fax machines, copy machines, personal computers and similar equipment is generally allowed if there is no significant cost to the Company, it does not interfere with supervised person's duties to the Company and the Company Funds, and it is not related to any illegal activity or outside business activity

3.2. Confidentiality

All supervised persons are obliged to sign

a confidentiality agreement as part of the employment agreement. Proprietary and confidential information generated and gathered in our business is a valuable FSN Capital asset. Protecting this information is critical to FSN Capital's reputation for integrity and its relationship with its clients, and ensures compliance with the complex regulations governing the financial services industry. Accordingly, all supervised persons should maintain all proprietary and confidential information in strict confidence, except when disclosure is authorized by FSN Capital's Managing Partner or required by law. «Proprietary information» includes all non-public information that might be useful to competitors or that could be harmful to the FSN Capital, its investors, portfolio companies or other connections if disclosed. It includes, for example, intellectual property, business plans, personal employee information, unpublished financial information and identification of target companies. Supervised persons should also respect the property rights of other companies. «Confidential information» is information that is not generally known to the public about FSN Capital, its clients, or other parties with whom FSN Capital has a relationship and that have an expectation of confidentiality.

3.3. Gifts, hospitality and expenses.

The purpose of entertainment and gifts in a business setting is to create and enhance goodwill and working relationships to better serve the Company's clients and investors, and not to gain an unfair business advantage. Specifically, no gift, entertainment, or preferential treatment should ever be solicited, provided or accepted by an indi-

vidual unless (i) it is a non-cash gift, (ii) it is consistent with customary business practices, (iii) it is not excessive, (iv) it cannot be construed as a bribe, payoff or kickback, and (v) it does not violate any laws. Point 5.2 «Guidelines in regard to receiving gifts» provide more detail to this clause.

3.4. Conflict of interest

The supervised person must behave impartially in all business dealings and not give other companies, organisations or individual's improper advantages. The supervised person must not become involved in relationships that could give rise to an actual or perceived conflict with FSN Capital's interest or could in any way have a negative effect on their own freedom of action or judgement. No one must work on or deal with any matter in which they themselves, their spouse, partner, close relative, or any other person with whom they have close relations, has a direct or indirect financial interest. Nor may the supervised person work on or deal with any matter where there are other circumstances that might undermine trust in the employee's own impartiality or to the integrity of the work. All supervised persons have an obligation to act in the best interests of FSN Capital

3.5. Directorship, employment or other assignments

Supervised persons must not engage in other paid directorships, employment or assignments of any significance outside FSN capital except by agreement with FSN capital. Should a conflict of interest arise, or if the supervised persons' ability to perform their duties or fulfil their obligations to FSN

Capital is compromised, such approval will be evaluated and could be withdrawn.

3.6. Insider information

All non-public information about FSN Capital or its clients or counterparties that may have a significant impact on the price of a security or other financial instrument, or that a reasonable investor would be likely to consider important in making an investment decision, should be considered inside information. All supervised persons are advised to take the necessary measures in order to ensure that inside information from management/ board members or others in possession of such, in a potential «target company» is not received. FSN Capital should under no circumstance act (purchase/sell shares) as a result of the information given, if the information is precise and confidential and could influence the perceived value of a target company significantly.

4. CODE OF BUSINESS PRACTICE

4.1. Ethical guidelines in terms of nature of companies invested in

FSN Capital shall not invest in companies that:

- » Have contributed to systematic denial of basic human rights
- » Demonstrate a pattern of non-compliance with environmental regulations
- » Have an unacceptable high greenhouse gas footprint and fail to take economically sensible steps to reduce these emissions
- » Show a pattern of engaging in child labor or forced labor
- » Produce weapons that through their normal use may violate fundamental humanitarian principles (e.g. anti-personnel land mines, production of cluster munitions,

production of nuclear arms)

- » Are directly related to the following industries: Adult entertainment, tobacco, gambling and alcohol.

4.2. Correct information, accounting and reporting

FSN Capital's business information will be communicated accurately and fully, both internally and externally. All accounting information must be correct registered and reproduced in accordance with laws and regulations, including relevant accounting standards, Any intentional act that results in material misstatements in financial statements will be treated as fraud.

4.3. Fair competition and anti-trust laws

FSN Capital will compete in a fair and ethically justifiable manner within the framework of the anti-trust and competition rules in the markets in which the Company operates.

4.4. Corruption includes bribery and trading in influence.

Corruption undermines legitimate business activities, distorts competition, ruins reputations and exposes companies and individuals to risk. FSN Capital is against all forms of corruption and will make active efforts to ensure that it does not occur in the Company's business activities. We will adhere to the UN Global Compact and UN convention against Corruption and the OECD Guidelines for Corporate Governance for Multinational Enterprises.

4.5. Use of Intermediaries and interacting with sellers of businesses

4.5.1. Intermediaries include agents, con-

sultants and others who, in the Company's business activities, act as links between FSN Capital and a third party. Before intermediaries are hired or sellers of businesses contacted, the manager in question must ensure that the intermediary/sellers' reputation, background and abilities are appropriate and satisfactory. FSN Capital expects that intermediaries and sellers act in accordance with its ethical requirements. This condition must be included in the intermediary's contract with FSN Capital.

4.5.2. In our interaction with intermediaries and sellers FSN Capital will always be honest and fair in terms of how we act in processes and «only promise what we can deliver».

4.5.3. We will never take short-cuts in terms of due diligence. We will view each deal in isolation and only base our investment decision on the merits of that particular transaction.

4.6. Political activity

FSN Capital must not use assets of the company or the company funds directly or indirectly for contributions of any kind to any political party, political committee, or candidate for or holder of any public office. Supervised persons may participate in political activities solely in their personal individual capacity and not as an employee or representative of the company.

4.7. Equality and Diversity

FSN Capital will show respect for all individuals and make active efforts to ensure a good working environment characterised by

equality and diversity

5. SHARES, FUNDS AND GIFTS

5.1. Policy for investing in publicly traded shares and Funds

FSN Capital's employees are not permitted to invest in single company's shares in companies trading on any of the Nordic stock exchanges. Portfolio investments made by independent financial advisors on behalf of the employee or in investments funds are exempted from this policy. FSN Capital Employees are required to report all share and fund holdings to the Compliance officer every 6 months.

5.2. Guideline in regards to receiving gifts

In connection with FSN Capital's relationship with advisors, intermediaries and others partners, offers of personal gifts or benefits may arise as an expression of gratitude or as encouragement for continued co-operations. FSN Capital employees may not personally accept gifts or services from business partners if the value of such gifts/services exceeds the limit for taxable amount for gift/service in its country. To the extent that not receiving the gift most likely would offend the giver, then it is acceptable to receive the gratitude on behalf of FSN Capital. In this situation the receipt of the gratitude must be made common knowledge among working colleagues. Invitations for paid stays or trips to conferences, trade fairs etc. shall normally not be accepted by FSN Capital employees. FSN Capital employees may only give benefits for the company's account when it is done without contravening current law and regulations for the recipient, and the benefits is in accordance with the FSN Capital Ethos.

APPENDIX II

FSN CAPITAL'S WHISTLEBLOWER POLICY

1. INTRODUCTION

The objective of this document is to state the role and the purpose for our whistleblowing policy. The target group is all of FSN Capital Partner's employees, as well as members of the Board of Directors of FSN related companies, funds and Investor Board and Advisory Board members and FSN Capital's advisors. (Collectively; «Supervised person») We believe that FSN Capital has three assets – people, capital and reputation. If any of these are ever compromised, reputation is the most difficult to restore, it can take years to build, one wrong decision to ruin. We shall therefore, in all we do, ensure that we do not compromise our reputation and firm.

2. GENERAL

FSN Capital's Code of Conduct required «Supervised person» to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the firm, we must practice honesty and integrity in fulfilling our responsibilities and comply with all applicable laws and regulations

3. REPORTING RESPONSIBILITY

It is the responsibility of FSN Capital employees or other «Supervised person» to comply with FSN Capital's Code of Conduct, and to report violations or suspected violations in accordance with this Whistleblower Policy.

4. NO RETALIATION

No FSN Capital employees or other «Supervised person» who in good faith reports a violation of the Code of Conduct shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within FSN Capital prior to seeking resolution outside the firm.

5. REPORTING VIOLATIONS

At FSN Capital we foster an open door policy and suggest that employees share their questions, concerns, suggestions or complaints with someone who can address them properly. In most cases, an employee's sponsor is in the best position to address an area of concern. However, if you are not comfortable speaking with your sponsor or you are not satisfied with your sponsor's response, you are encouraged to speak with the COO or anyone in management whom you are comfortable in approaching. Sponsors are required to report suspected violations of the Code of Conduct to FSN Capital's Compliance Officer, who has specific and exclusive responsibility to investigate all reported violations. For suspected fraud, or when you are not satisfied or uncomfortable with following FSN Capital's open door

policy, individuals should contact the firm's Compliance Officer directly.

In exceptional circumstances where it would be inappropriate to approach either your sponsor, management or the Compliance Officer, you may raise the matter directly with our Executive Advisor – Curt Ger-mundsson.

6. COMPLIANCE OFFICER

FSN Capital's Compliance Officer is responsible for investigating and resolving all reported complaints and allegations concerning violations of the Code of Conduct and, at his discretion, shall advise the Managing Partner and/or the Partner Group. The Compliance Officer is required to report to the Partner Group at least annually on compliance activity.

7. ACCOUNTING, REPORTING, AND AUDITING MATTERS

The Partner Group shall address all reported concerns or complaints regarding FSN Capital's accounting practices, reporting procedures, internal controls or auditing. The Compliance Officer shall immediately notify the Partner Group of any such complaint and work with the Partner Group until the matter is resolved.

8. ACTING IN GOOD FAITH

Anyone filing a complaint concerning a violation or suspected violation of the Code of Conduct must be acting in good faith and

have reasonable grounds for believing the information disclosed indicates a violation of the Code of Conduct. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

9. CONFIDENTIALITY

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

FSN

CAPITAL



Miljømerket 241-796 Trykksak