FSN Capital

Environmental, Social and Governance report 2014
Building Resilient Companies

ABOUT FSN CAPITAL AND THE FSN FUNDS

Established in 2000, FSN Capital Partners («FSN Capital») is a Nordic private equity advisor. We advice the FSN Capital Funds («FSN Funds») which currently consist of three different Funds with a total commited capital of €1,141 million. The Funds focus on making control investments in companies operating in the Nordic region with enterprise value between €50 million and €250 million.

FSN Funds, with the support of FSN Capital, offers the portfolio companies a clear value proposition: The potential to transform into more competitive, international and resilient entities during FSN´s 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 the 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, «**We are decent people making decent return in a decent way**».

FSN CAPITAL

	2014
Number of Portfolio companies	15
Total Revenue Portfolio companies	11 Billion NOK
FTE	6 thousand
Percentage women versus men	31%
Among our client beneficiaries are:	
Students	50 Thousand
Pensioners	10 Million

OUR ULTIMATE CLIENTS

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Letter from our Founder

THE NORDIC MODEL

As Private Equity practitioners we are privileged to operate in the Nordic region. The region is one of the wealthiest regions of the world, thriving on a dynamic, innovative and competitive business sector. With the exception of Norway, the other three countries are not endowed by any particular resources, which can explain the prosperity. Denmark, for example, is nothing but a large sandbank, yet the country has one of the highest per capita incomes globally. So, what explains the apparent success of these countries. The answer lies in the way the Nordic countries have elected to organise their societies. This governance model is often referred to as "The Nordic Model". In short, the model is based on a troika consisting of the main societal stakeholders; The Unions, the Government and the Business Community. And the troika relationship is grounded in transparency and trust. The openness and trust allows for a constructive political dialogue and pragmatic policy formulations where the parties are willing to give and take for the sake of the common good. As the model is generally accepted across party lines, we have been blessed with a largely predictable and stable political environment and responsible and steadfast macroeconomic development for many decades. Furthermore, as the model revolves more around social security than employment security, labour markets are quite dynamic accommodating start-ups and facilitating repositioning of businesses and sectors for development and growth.

This is a good environment to take risk and invest in. Particularly, if ones investment approach is based on business building through active ownership. But, the privilege of practicing in this environment comes with a responsibility to invest and govern in line with the general principles and values of the societal model in which we operate.

OUR ULTIMATE CLIENTS

The FSN Funds have 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 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 the clients and their beneficiaries care about the absolute return, they also care deeply about this return being generated in a responsible manner.

RESPONSIBLE INVESTMENTS

FSN Capital and the FSN Funds have had a strong commitment to Responsible Investment (RI) since its founding through a clear and strict ethos: «We are decent people making a decent return in a decent way». **As such, we believe that identifying**

and responsibly managing ESG issues is an integral part of the long-term performance of the FSN Funds investments, and of earning and reinforcing the trust of FSN Funds clients and the societies in which we operate.

Taking ethical, environmental, social and governance issues into account is a natural part of FSN Funds 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. And last year we published our first ESG Report with the objective of responding to key stakeholder information need by making our ESG values and corresponding conduct more explicit.

ESG AND VALUE CREATION

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

First, the FSN Funds 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. Secondly, the FSN Funds 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 the FSN Funds 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 program at Lagkagehuset aimed at reducing end of day bakery waste, from 20% to 11,5% has saved thousands of tons of food waste, and contributed to an increased gross margin from 73% to 77%, translating to a 60% uplift in EBITDA.

And finally the initiative by Skamol to use their heating did not only save energy but also generated a return on investent.

We do hope you appreciate reading our ESG report and we would welcome any feedback on our approach.

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 the FSN Funds. 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. Other 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 investment advisors to active owners, we have the advantage of being able to manage and mitigate risk through the portfolio companies. Risk management is a key variable the FSN Funds consider before investing in a company, and it begins very early in the process. The FSN Funds 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 ESG report signals our ambition to include a wide set of extra financial variables in the FSN Funds 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.

Ten years ago, 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 1300 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

1.

Our policy and commitment to Responsible Investment

RESPONDING TO OUR STAKEHOLDERS' EXPECTATIONS

FSN Capital impacts, and is impacted by, our stakeholders. Our ultimate key stakeholders include our clients and their beneficiaries, the FSN Funds 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. On behalf of FSN Funds 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 whistleblower policy. We also engage with regulators on issues of particular concern. Responding to our ultimate key stakeholders' information need is important input for our ESG report.

Stakeholder engagement on Responsible Investment in 2014

This engagement included dialogue with our clients, portfolio company management, our employees and other experts. In 2014 we conducted stakeholder engagement interviews specifically focused on responsible investment and reporting. This is an important input to our ESG report.

EXAMPLES OF ESG ISSUES

ENVIRONMENT	SOCIAL	GOVERNANCE
Climate change	Labour rights	Anti-corruption
Pollution to air, water and soil	Working conditions	Transparency
Water use	Health and safety	Shareholder rights
Biodiversity	Community impact	Board composition and independence
Resource efficiency	Job creation	
	Tax contribution	

Our understanding of the key takeaways from the stakeholder engagement are:

- **The FSN Funds 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´s longer term perspective which allows for the necessary investments to ensure sustainability. Some would also like to learn from experiences across the FSN Funds 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 Funds deems to be desirable behaviour and what is unacceptable behavior. The Code of Conduct is always accompanied by a Whistleblower Policy (Appendix II).

The Ethos is further reinforced through the FSN Capital Values:

1. The firm's assets are our people, the FSN Funds 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.
The FSN Funds 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 FSN Funds 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

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
Substitusion

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 part of the investment 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.

IDENTIFICATION	» Screening against ethical exclusion criteria » Assessment against ethos
EVALUATION	» Risk assessment - including ESG factors » External risk assessment of potentially material ESG risks when relevant.
TARGETING	» Detailed due dilligence process, including external in-depth investigation of ESG factors when relevant
ONBOARDING	» Action plan to manage, mitigate and control identified ESG risks » Action plan to seize identified ESG transformation opportunities » Implementation of Governance Structures, Code of Conduct, Whistleblower Mechanisms and other relevant policies

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 is viewed as low since FSN 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 – the FSN Funds 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 potential 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 satisfactory, we 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 we advised to include an escrow in the contract. After the transaction, we would start a comprehensive CSR assessment program. If the assessment discovered any serious breaches, we could use the escrow to remediate.

TARGETING

Soon after the deal was closed, we 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.

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

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 onetime assessment exercise.

To be more aware of the CSR challenges in Asia a 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 differences 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 annual CSR report which is available on their website. 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.

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 this effect we strongly encourage portfolio companies to identify their most "material" sustainability risks and value drivers; ESG aspects that may significantly impact the company's long term ability to create value. These aspects should form the focus of performance management and reporting on ESG. A possible approach to identifying these aspects is to assess the business from two key perspectives; Stakeholder expectations (outside-in), and the long term sustainability of the business model (inside-out). The stakeholder perspective involves understanding the existing and emerging ESG related expectations of those that are impacted by, and impacts, the business. This can include emerging regulations, changing customer preferences or possible campaigns from pressure groups. The long term sustainability perspective involves understanding the relevance of ESG factors to the company's ability to create value over time. This involves developing a holistic understanding of ESG impacts and dependencies throughout the value chain, from raw materials through to customer end- use and disposal. The insights gained from these two perspectives should provide an overview of the possible universe of ESG aspects, and also form a basis for prioritizing those aspects that are the most material. A possible outcome of such an exercise is a materiality matrix as illustrated in the figure below.

When material aspects are identified, we encourage our portfolio companies to take steps to develop related performance management systems, as illustrated below. As shown this involves defining Key (Sustainability) Performance Indicators

SUGGESTED APPROACH TO IDENTIFYING AND MANAGING MATERIAL SUSTAINABILITY ASPECTS

«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

(KPIs), expressing related targets, implementing efforts and reporting on progress. Key targets can for example be reduction in emissions to air and energy use, a reduction in waste, improve education, or lower accident rate. We believe that it is crucial that monitoring and reporting does not place an unnecessary burden, but that it adds value by concentrating on the aspects that have been identified as material. External reporting should also be concise and focused, and be communicated through the appropriate channels reaching the stakeholders to whom the identified aspects matter most. This can for example be reports to the general public or direct reports to investors or employees.

FSN Capital, always represented in the FSN Funds´ Board of Directors of each portfolio company 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.

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 of this report.*

Social: Challenges and opportunities related to social impact also differs between companies and should also be treated differently depending on the context. The FSN Funds do, however, 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.

- 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 the FSN Funds 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 (Appendix I)
- Principles for remuneration
- Whistleblower function (Appendix II)
- Internal Control processes
- Review and reporting of the Board of Directors on ESG topics

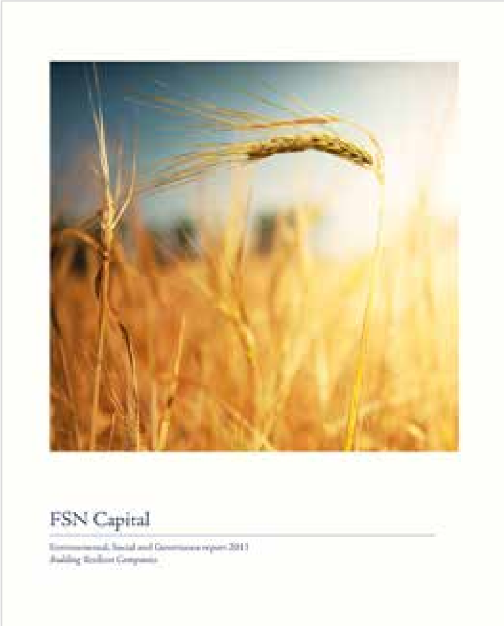
MONITORING ESG PERFORMANCE IN THE PORTFOLIO

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 absenteeism. In addition, many companies have individual ESG indicators specific to their operations. 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.

DELIVERING ON OUR COMMITMENTS

The table below shows the development objectives we had for the last year and what we did to deliver on these, as well as the new objectives for the coming year. For a more detailed description of the objectives and our efforts please refer to the respective chapters in this report.



WHAT WE SAID (2013)

» Plan for ESG training as part of the continuous training and development of our investment teams

» Work with the portfolio companies to prioritize material ESG aspects

» Define further company specific or portfolio-wide ESG indicators

» Aim to have consistent reporting across the portfolio on; Revenue, Employees, Percentage women versus men, Absenteeism, Employee Satisfaction and Customer Satisfaction

» Discuss ESG reporting on a regular basis with the portfolio companies

WHAT WE DID (2014)

» Conducted workshop dedicated to the relevance of responsible investment and ESG factors in the pre-investment phase and the ownership phase

» Further developed cross-portfolio indicators and reporting from portfolio companies on ESG factors

» Defined «net promoter score» as a key portfolio-wide indicator

» Developed our expertise on key issues including responsible supply chains, energy efficiency and industrial pollution

WHAT WE WILL DO

» Instruct boards and management to identify material ESG aspects and define Key (Sustainability) Performance Indicators (KPI) and related performance management and reporting
» Encourage boards to regularly address ESG matters as a fixed agenda point in board reporting
» Implement consistent reporting on key portfolio-wide indicators including Net Promoter Scores, Employee satisfaction and Gross Value Added (GVA)
» For 2015 we aim to have consistency in the portfolio companies to present numbers for:
  - Revenue/EBITDA
  - Employees
  - Gender distribution
  - Absenteeism
  - Employee Satisfaction (Net promoter score)
  - Customer Satisfaction (Net promoter score)
  - Production company indicators, e.g. waste and accidents
  - Retail company indicators, e.g. supply chain audits
  - Recognize and award the portfolio companies on ESG practices

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 by internal audits 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

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

SILVAN BÄTTIG, SUVA


ØRS

4.
Status – ESG developments in selected portfolio companies

The objective 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.

Kjell & Company

ESG challenges and opportunities: As a service retailer of accessories for consumer electronics, the main ESG challenges for Kjell & Company relate to the treatment and working conditions for employees and the sourcing of products especially from China. As the company focuses specifically on accessories for consumer electronics that extend the life of the devices themselves, the company also contributes to a more sustainable and environmental approach to electronics by reducing a «throw-away mentality».

	2014
Revenue (mSEK)	1040
Total Employees (FTE)	589
Revenue per Employee (mSEK)	1,76
Percentage women versus men	11%
Absenteeism	3,5%
Employee Satisfaction (0-100)	79
Customer Satisfaction (0-7)	6,1

ESG response during advisory period: During the FSN Capital advisory period that started in 2014, Kjell & Company has continued to focus on developing and institutionalizing the ESG processes inherent to the company, and continued to improve the review and auditing of suppliers.

The culture of the company, the «Kjell-spirit», forms the basis for the company´s CSR-work with employees. The wellbeing of employees is at the core of the culture enabling the company to deliver a good service experience for its customers. In addition to the general Code of Conduct, the company has specific policies in place in relation to recruitment, discrimination, working environment, gifts, health and sickness, substance abuse, as well as driver and traffic safety. All stores are subject to a monthly review of the quality and safety of the working environment by the regional managers (based on a checklist), and the results of this monthly review forms a part of the compensation for the store manager for the month. Another example of the focus on employee wellbeing is the free gym membership Kjell offers to all employees.

Ensuring the proper application of ESG-policies also in the supply chain is another focus area for Kjell & Company. The company has a number of employees permanently located in China focused on the sourcing of products from the local suppliers, and to ensure efficient monitoring and auditing of these suppliers. All suppliers are required to sign and adhere to a Code of Conduct containing e.g. the requirements for the treatment of employees and the restrictions on child labor (following the UN and ILO - *International Labour Organisation* guidelines). The suppliers are also subject to periodic audits by the company in order to secure and maintain compliance with these policies.

INSTALCO

ESG challenges and opportunities: Instalco is a technical installation group in Sweden. They provide a broad range of services such as heating & plumbing (e.g. preventive maintenance and industrial piping), ventilation to complete and energy-saving electrical solutions. As an active company in the installation market Instalco are using vast amounts of building materials and creating waste. This means designing and installing solutions in an efficient manner is paramount to reducing environmental footprint. Health and safety related to working conditions and adequate governance structures represent some of Instalco's social challenges.

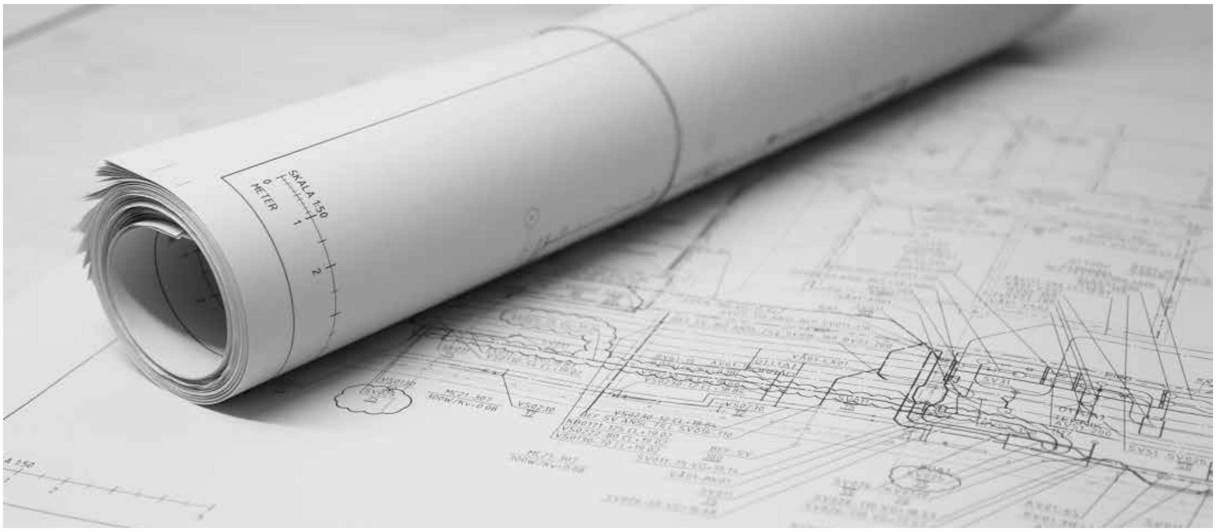
ESG response during advisory period: When founding Instalco, the Board of Directors initiated the formulation of an Instalco Code of Conduct. The Code of Conduct is centred on values and desired behavior which addresses the abovementioned ESG challenges. Together with the Code of Conduct, all employees of Instalco are made aware of the whistleblower policy and both of these documents are implemented in companies acquired by Instalco.

Major accidents are reported to the Swedish regulator «Arbetsmiljöverket» and all minor accidents are reported to the relevant insurance company. Instalco aims to identify, measure and monitor KPIs relevant for reducing the number of accidents centrally in the course of 2015.

Instalco´s companies continuously work with minimizing waste at the construction sites and with recycling of building materials. For example, when the plumbing companies in Instalco install new taps and pipes they bring the old back to the depot and subsequently recycles them.

Since foundation in 2014, Instalco has been in the process of implementing employee and customer satisfaction measurement tools. The first results will be known in 2015.

	2014
Revenue (mSEK)	505
Employees	559
Revenue per Employee (mSEK)	0,90
Percentage women versus men	9%
Absenteeism	4,6%



VITA

Validus has been subject to a major streamlining since FSN Capital started advising the company in 2013. The principal remaining business is VITA, the leading Norwegian specialty retailer of beauty products.

	2013	2014
Revenue (mNOK)	770	963
Number of Stores	165	196
Staff	25	55
Percentage women versus men	84%	69%
Absenteeism	1,2%	1,3%
Number of suppliers	82	80
Suppliers checked by visit	15	17
Check of supplier certifications	3	5
Ecologically certified products	57%	57%

ESG challenges and opportunities: VITA's key ESG risks and opportunities relate to the quality and responsible marketing of products, in particular those related to health supplements. Managing the supply chain in an ethical way is also important. In own operations, working conditions for workers on the shop floor is key as this can influence sick leave and improve the service level and image of VITA. 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 advisory period: During 2014, VITA has continued its focus on good working conditions in the entire supply chain through membership in the Ethical Trading Initiative (ETI). As a member of ETI Norway, VITA has made a commitment to implement measures that contribute to better conditions in its supply chain and to implement and drive practices to support ethical trading. Ethical trade should ensure that production and purchase of goods and services are 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. Other obligations include environmental certifications, education for key staff and suppliers and visits to production facilities of suppliers. Any new suppliers need to sign a Code of Conduct and their production facilities will be visited for inspection. One potential supplier in China was denied in 2014 as improvements need to be made. VITA aims to have long-term supplier agreements to improve its employees job security. Suppliers in China are paid upfront to ensure staff can be paid in a timely manner.

VITA strives to improve its assortment of environmental friendly products and has developed its own series of products without parabens. About 57% of VITA's products have at least one ecological certification. The ETI report from VITA, as well as the Code of Conduct, can be found here: fsn.link/vita-etisk

VITA will keep up its continuous efforts to improve ESG performance in the supply chain, mainly through leveraging the resources and support offered by the ETI.

ESG challenges and opportunities: As a producer 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.

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 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

	2012	2013	2014
Revenue (mEUR)	71,7	70,1	84,5
Employees	328	328	399
Revenue per Employee (mEUR)	0,22	0,21	0,21
Percentage women versus men	19%	19%	23%
Absenteeism	1,8%	1,6%	2,6%
Scrap Emissions (CO2 tons / running 100M)*	0,31	0,32	0,37
Scrap	5%	7,2%	5,8%
Energy effectiveness rate	23%	23%	23%

rate» is used. Currently at 23% which means the kilowatt per kilo material went down with 23% compared to the starting point in 1994.
The method of changing the emissions changed in 2014 from Tank-to-Wheel to Well-to-Wheel. The latter covers the whole lifecycle for the energy consumed instead of only the Troax consumption of energy and associated emissions.

Two incidents with potential negative environmental impact have been reported to the municipality during 2014. Both incidents relates flooding of the main production facility in Hillerstorp following heavy rain in July. Because of these incidents, the drainage system has been improved to avoid future incidents. Long term sickness of one employee impacted the absenteeism rate in 2014 significantly going up 1% from 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.
Several visits have been made to potential Chinese suppliers, however, the high requirements of Troax on work environment is one of the reasons a Chinese supplier was not selected. 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: Being 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, production, and mining of minerals.

Skamol produces and sells heat insulation products which help in reducing energy consumption. The amount of energy used for production of a Skamol product, is typically saved within the first day of use while the life of the products can be between 5 and 25 years.

	2013	2014
Revenue (mDKK)	303	324
Total Employees	385	379
Revenue per Employee (mDKK)	0,79	0,85
Percentage women versus men	35%	32%
Absenteeism	4,7%	3,3%
Work related injuries		2
Employee Satisfaction (1-7)		5,5

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 the FSN Capital 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. In addition Skamol also has procedures regarding bribes and fraud. These procedures are audited on a regular basis by internal audits.

Skamol's environmental impact is seen mainly in connection with consumption of energy and the consequent emission of among others CO2 and mining of Moler (diatomaceous earth).
In 2014, initiatives to reduce waste have been made. Installations for reduction of environmental impacts in the form of dust filtration and sludge treatment plants were installed. As much filtered material as possible is reused whereas waste that cannot be reused is sold as raw material to other companies or disposed in controlled landfills.

In 2014, Skamol implemented a project where surplus heat from the Calcium Silicate Plant via

pipelines will be supplied to Fur (an Island in the Limfjord) where it is used for heating approximately 240 households. Expected reduced emission will be about 1.500 tons of CO_2.
For all production sites targets and improvement areas for greenhouse gases are set.

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 (Green Smiley) for companies with «will and skill» to maintain a good working environment. In 2014 an employee satisfaction survey was held for the first time.
Skamols Board has outlined target figures for number of underrepresented sex in the top and other management segments. Skamol aims to have at least 33% female employees in the management. This balance is not obtained yet.

Skamol regurlary visits its key supplier focusing on their compliance with the ILO (International Labour Organisation) conventions.

HOUSEHOLDS IN FUR RECEIVE CHEAP HEAT FROM SKAMOL

After an idea from Skamol in 2014 a subsidized project was started to lead surplus heat from the Calcium Silicate Plant via pipelines to Fur (an Island in the Limfjord) where it is used for heating approximately 240 households. Expected reduced emission will be about 1.500 tons of CO_2.
From the mainland pipelines are built from the Skamol factory at the harbor about 10 meters below the water level to the island. 650 meter of pipelines spreads the heating to the households. The heat from Skamol comes from their kilns and so-called airborne heat. Skamol has installed a heat exchanger which transfers the heat from the ovens to heating pipes.
The agreement with Skamol ensures almost 240 households cheaper heat. «Fur kraftvarmeværk» communicates in a circular to consumers that they expect savings of at least 25-30 percent for the individual household. With district heating prices at the higher end of the scale, the excess heat from Skamol gives consumers a welcomed help. In return Skamol receives a financial return for the heat they supply.
Skamol has pledged to send at least 5,800 MWh to consumers in Fur, but hopes that the power plant will distribute 7,000 MWh.

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 is 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 CSR (corporate social responsibility) plan can be found at this website fsn.link/pmcsr, where also an ETI (Ethical Trading Initiative) report is available. The main focus areas in 2014 have been the overall CSR strategy, Mapping of the supply chain, the inspection of factories and Internal communication about CSR.

The majority of the company´s supplier facilities are in Asia. A part of the supplier base has signed the Code of Conduct, which covers strict guide-

	2013	2014
Revenue (mNOK)	329	364
Employees (FTE)	183	204
Revenue per Employee (mNOK)	1,80	1,78
Percentage women versus men	99%	99%
Absenteeism	5,3%	4,8%

lines regarding for example child labor and minimum wage. The company strives to continue to increase the number of signatories through active dialogue with the suppliers.

PM implemented a Code of Conduct which includes instructions on whistleblowing. All employees will commit to this Code of Conduct through a binding contract between the employee and PM.

At the end of 2014 management kicked off an in depth employee satisfaction mapping at the Head quarter in Hønefoss. A customer interview program was also initiated to identify how the customer perceives the company resulting improvement areas.

HusCompagniet

Kom trygt i hus

– siden 1972

ESG challenges and opportunities: HusCompagniet builds standardized, 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 Capital´s 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 HusCompagniet'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 had an employee satisfaction report made. 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	2014
Revenue (mDKK)	1.556	1.778
Employees (FTE)	201	231
Revenue per Employee (mDKK)	7.74	7.70
Percentage women versus men	14%	14%
Customer Satisfaction Net promoter Score		69%

	2013	2014
Revenue (mSEK)	651	587
Employees (FTE)	728	685
Revenue per Employee (mSEK)	0,89	0,86
Percentage women versus men	47%	47%
Absenteeism	3,2%	2,9%
Qualified Student rate *)	83%	80%
Net Promoter Score students	15%	3%
Net Promoter Score employees	3%	33%

*) x% of students moved on to job or higher education

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 2014, 80% of the students moved on to a job or higher education after they graduated from Vindora's schools, which is a very important KPI (qualified student rate) 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 the ambition to get students employable, regardless of the qualifications when they enroll. The slight change in the qualified student rate from 83% in 2013 to 80% in 2014 is partly explained by a more fine-tuned way of measuring this KPI, rather than an actual decrease.

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. Hence, 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. During the academic year 2014/2015, the employee satisfaction measured by the Net Promoter Score has improved significantly from 3% to 33%, and the absenteeism has also decreased compared to the previous year. However, the NPS score for students has decreased from 15% to 3%. Consequently, the overall satisfaction rate is positive, but the trend was adverse. It should however be noted that the trend is based on the first two observations of the NPS score, hence the results should be interpreted carefully until we have additional data points.

One of the key themes for Vindora during the current academic year was to strengthen the student democracy and increase the students' influence on the education (see example on the next page).

Private equity owned assets in the educational segment is under political scrutiny in Sweden. This focus has been fueled 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.

STUDENT DEMOCRACY AT VINDORA

Vindora currently operates 35 schools in Sweden within the upper secondary education segment under the brand «Praktiska». Praktiska offers 12 national vocational education programs where students have the opportunity to spend a significant share of the education as apprentices in a real workplace.
As it is important for Vindora that their students get the best possible education, the students have a strong influence on the continuous development of Praktiska's education. Many other school operators have student councils. However, Vindora is unique as the student boards interact directly with the senior management of Vindora, and all student boards are gathered annually for a two-day workshop together with the senior management and other HQ support functions, where the overarching topic is how to develop Praktiska to a better school operator. The student boards are elected by the students. Each school gives the student board training to guide them. All students are recommended to participate in weekly or bi-weekly student council meetings.

In the council meetings various improvements, suggestions and opinions are discussed and summarized by the student board. The student board then coordinate the input and report to the school's Principal at least once a month. Examples of these topics are influence on teaching methods, evaluations of teachers, school equipment, canteen food and the overall school environment.

The senior management of Vindora also visits every school at least once per year. Before they meet the teachers and Principal of the school there is a meeting with the student board to get the students' perspective on the overall educational environment of the school. This way of empowering students is also unique for Praktiska.

Green landscaping

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 conducts employee and customer surveys on an annual basis. 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 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

	2012	2013	2014
Revenue (mSEK)	611	702	775
Average number of Employees	520	449	494
Revenue per Employee (mSEK)	1,18	1,56	1,57
Percentage women versus men	14%	14%	16%
Absenteeism	5,3%	5,9%	4,7%
Employee Satisfaction (0 - 100)	68	69	68
Customer Satisfaction (0 - 100)	75	73	77
Green house gas emissions per Revenue (SEK) (including subcontractors)		0,0088	0,0092
Accidents	9	20	16

requirement from key customers. In 2014 Green managed to reduce emissions from vehicles, machines and travel. However, emissions were negatively impacted by increased emissions among suppliers and an increased share of construction work which has a generally higher emission rate per revenue than grounds maintenance.

In 2013, a special focus was put in place, aming to reduce the absenteeism rate in Green. The company has implemented a process to monitor sickness rate more closely and to make sure employees on longer sickness leave have a plan for rehabilitation. This is monitored centrally on a quarterly basis although the responsibility to reduce the sickness rate is with the local line manager.
Also the routine for reporting accidents was improved in 2013. Accidents can be everything from a small cut or a sprained ankle to a more serious accident. More of the actual accidents got reported and Green could actively work to avoid accidents. Which is showed in the decreasing number of accidents in 2014 versus 2013.

Green has recently introduced a lean initiative where input from employees on improvement initiatives are gathered and tracked in a structured manner. This has for example lead to introduction of electrical instead of fuel powered handheld machines, which creates better working conditions and reduces Greens environmental footprint.

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.

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 the FSN Capital 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 2014 Lagkagehuset had the best possible smiley score in all 35 stores. Internal audits in respect of quality are performed to ensure that Lagkagehuset complies with hygiene and quality standards. All audit reports can be checked at findsmiley.dk

Since the start of the advisory period, Lagkagehuset has expanded from three to 35 bakeries, employing now more than 1000 people, with 500 of these having full-time contracts. The average number of Full Time Employees (FTE) grew by more than 60 during 2014. 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.

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

	2013	2014
Revenue (mDKK)	407	478
Employees (FTE)	436	500
Revenue per Employee (mDKK)	0.93	0.96
Customer Satisfaction (0 - 100)	94%	94%
Best possible Smiley Score	100%	100%
Waste	13%	11%
Electricity kWh per mDKK Revenue	15.064	15.897

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.

WASTE REDUCTION AND RECYCLING AT LAGKAGEHUSET

Lagkagehuset tries to obtain the best possible order levels / waste levels through the use of historical data. Order suggestions are made for all products for all stores every day. A small percentage of waste is unavoidable to be able to fulfil the needs of all customers. However, the aim is to keep the waste as low as possible for economic and environmental reasons. At the end of 2012 Lagkagehuset started to measure their waste levels. At that time the rate was above 16%.

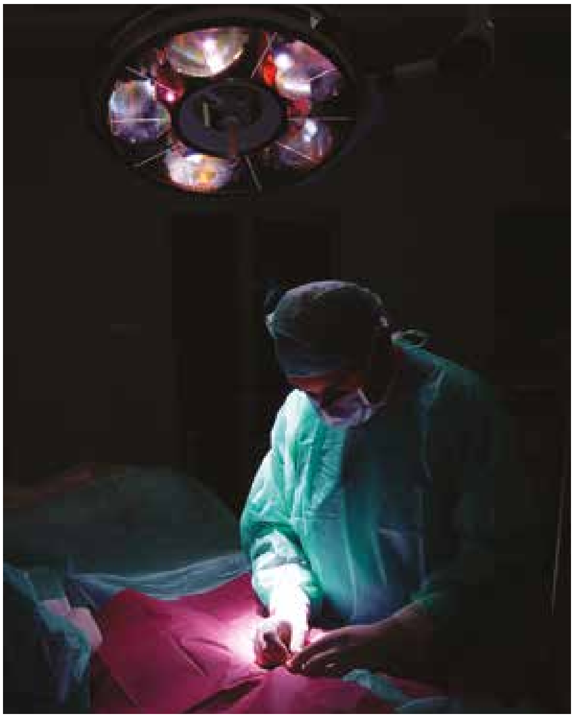
All waste products are send back daily to central product locations where they are sorted. A part of these products are used in other products like for example:

- Rye breads can be sliced and sold as Rye Chips which has become a popular snack in Denmark.
- Some breads are granulated and reused in the dough for new breads which actually improves the quality of the dough.
- Pastry products like «wienerbrød» can be reused as a main component for other products like «Romkugler».

Some of the products are given for free to institutions helping poor people. All cream products cannot be reused. These products are placed in a large container at the central production in Copenhagen and are picked up regularly by a farmer who uses it as food for pigs.

Lagkagehuset thinks the appropriate waste level for the stores should be between 10 and 15 percent. At this rate there is a right balance between a reasonable waste level without having empty stores at the end of the day. Today the waste level is around 11,5%. The reduced waste does not only reduce the use of raw materials but also production salaries and other operational costs.

TERES



ESG challenges and opportunities: As a group of surgical clinics, the company faces 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. The ethical guidelines which are signed by all the employees focuses 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. The results of this assessment including actions points 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 89,7 % at the end of 2014.

	2012	2013	2014
Revenue (mEUR)	70	70	64
Employees (FTE)	206	206	225
Revenue per Employee (mEUR)	0.34	0.34	0.28
Percentage women versus men			86%
Absenteeism	3,0%	1,9%	2,2%
Customer Satisfaction (0 - 100)	86,8	89,2	89,7

AURA LIGHT

More detailed information about Aura Light's efforts to improve ESG areas can be found in the annual report:

fsn.link/auralight

ESG challenges and opportunities:
For Aura Light's management team, sustainability and profitability go hand in hand.

An increasing part of Aura Light products developed and sold are LED based. This, and Light Management System (mainly sensors) that Aura Light has included in the product range, help customers lower the energy consumption by up to 80%. Aura Light's products have long lifetime which enable customers to apply a lower replacement frequency. Together this lead to reduced maintenance and energy costs as well as reduced environmental impact.

As a producer of lighting solutions, Aura Light has to work with environmental challenges related to their production and end use, such as energy efficiency and management and avoidance of harmful chemicals. All employees are invited to take education on sustainability.

Aura Light 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 Light is tracking emissions of for example Xylene and Mercury. Their aim is to sell only LED products, which contains no Mercury.

ESG 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.
An increased share of Aura Light's revenues stems from energy efficient products and solutions with long lifetime. Aura Light has ambitions to further improve their revenue from sustainable products and solutions.

	2012	2013	2014
Revenue (mSEK)	518	580	604
Total Employees (FTE)	213	250	241
Revenue per Employee (mSEK)	2.43	2.32	2.51
Percentage women versus men	34%	33%	35%
Absenteeism	2,3%	2,7%	2,8%
Employee Satisfaction (0 - 100)	68	*	77
Customer Satisfaction (0 - 100)			91
Accidents	2	3	0
Environmental incidents	0	1	2

In 2014, 76% of the sales came from Long Life products and solutions of which 28% from energy-saving 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

In 2014, 74% of the waste was recoverable. The bulk of waste consists of glass. Various opportunities to recycle this were investigated during the year. Already in 2014 45% of chemicals was phased out which is better than planned.

In 2015, new goals will be set for 2020.

A third party audited two key Suppliers in two different countries (China and Germany). No signs of serious abuses of forced labor and child labor were found, however, the work environment and the external environment revealed areas that demanded action.

Aura Light was awarded as national champion for the European Business Awards in the category Environmental & Corporate Sustainability.

AURA LIGHT'S AWARD WINNING SUSTAINABILITY PHILOSOPHY

For Aura Light sustainability comes natural. Their sustainable lighting solutions are part of how to tackle climate change. In recent years their products and organization have had a focus on energy-saving products with long lifetime, contributing to a sustainable future by minimizing the use of energy, raw material, packages and transports. They also do third-party audits at suppliers, to make sure that they work according to the same high standards.

By setting up clear goals improvements are made continuously. The same strategy is deployed at the customer end by installing newer, more efficient lighting technologies. Demonstrably, Aura Light has sustainability at the core of its business strategy and operations. It aims to reduce the energy consumption and CO2 generated during the production and transportation of its products, and the CO2 emissions that cannot be eradicated are offset through collaborations with ClimateCare. Through offsetting over 9,000 tons since 2008, Aura Light have supported projects including the «LifeStraw Carbon For Water» project, which is providing 4.5 million people in Western Kenya with safe water, and clean cookstove projects in Uganda and Ghana. They also supported renewable energy projects including geothermal, hydro and wind energy in the developing world.

Aura Light is strongly committed to contribute to a more sustainable society while driving a profitable business. They believe that being environmentally friendly as well as socially and economically responsible is fundamental to a long-term business success. Sustainability is shaping their business creating valuable opportunities for them and their customers.

Recently Aura Light has been awarded for their efforts at the European Business Awards by receiving the Award for Environmental and Corporate Sustainability. Frost & Sullivan recognized them by granting them the European Lighting Entrepreneurial Company of the Year Award. Other recent awards include winner of the SEAD (Super Efficient Equipment and Applience Deployment) Global Efficiency Medal Competition and Company of the year, category electronics, in the International Stevie Business Awards.


AURA LIGHT

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 FSN Funds 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.

	2013	2014
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.

PROVIDING CLEAR AND PREDICTABLE STRUCTURES FOR LONG TERM INVESTMENTS

FSN CAPITAL IV - SEK 5303

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 380

Investors by type

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

Investors by geography

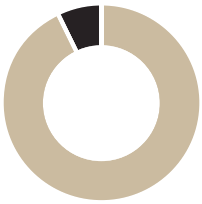
Nordic	24%
Europe	57%
US	19%

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%

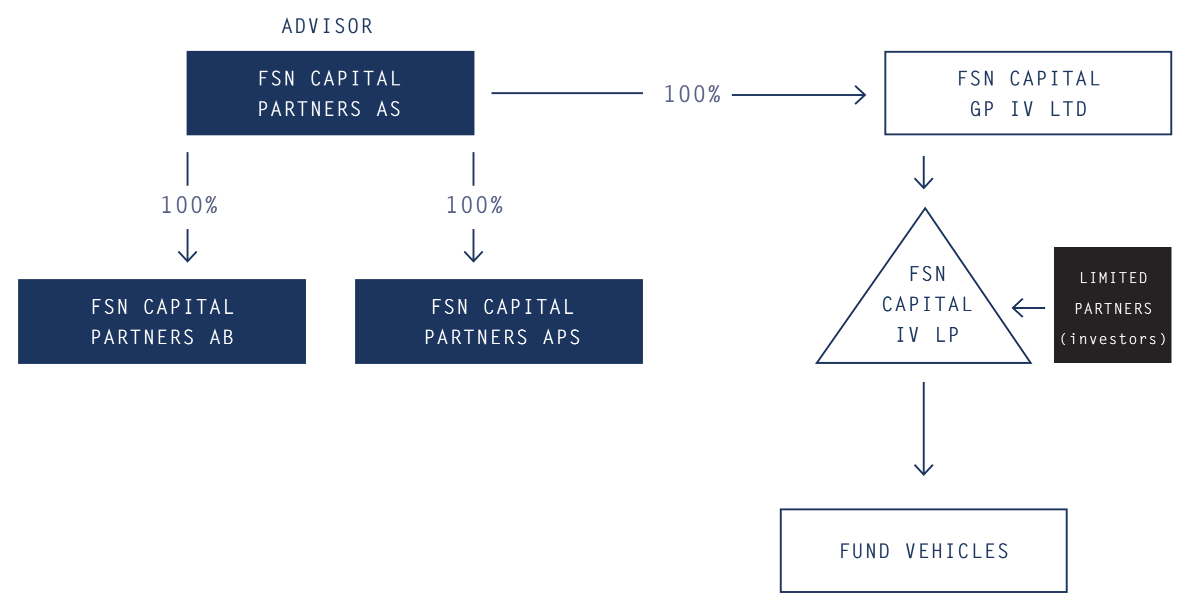
The FSN Funds invest in multiple countries with the support of investors from around the world. As illustrated on the figure at the previous page, the investor base is increasingly international. For these investors, differences in languages and lack of knowledge of local legal and regulatory requirements could impede investment in one of FSN Funds. In order to facilitate an international investor base the FSN´s 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:

THE GOVERNANCE STRUCTURE OF THE FSNC FUND IV



«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 individual 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 Capitals‘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, consultants 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 whistle-blowing 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, Compliance Officer (Rebecca Christine Svensøy) or Executive Advisor (Lennart Sundén).

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

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