

## Integration of sustainability risks in investment process

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Environmental, Social and Governance considerations (“ESG”) form an integrated part of the investment process. Sustainability risks are ESG events or conditions, which if these occurred, could cause an actual or potential material negative impact on the value of an investment. Axcel therefore considers these sustainability risks which might cause a negative impact on the value of its investments.

When screening for future investment options, Axcel incorporates relevant ESG factors in the general evaluation criteria. To ensure that the assessment of each potential investment covers all relevant ESG elements, Axcel conducts a thorough ESG due diligence. The due diligence identifies and assesses potential sustainability related risks considering the company's business model, industry, and geographic footprint. Climate related risks and opportunities are assessed using the recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD).

The maturity of the target's response to the identified risks is assessed. The result is a summary of the type and scale of various ESG risks, the maturity of the company in managing the identified risks, the willingness of management to improve performance on ESG matters, and the resulting net risk score.

In addition to identifying and assessing such ESG risks, the ESG due diligence seeks to identify and describe existing and future ESG driven opportunities for the company considering the company's business model, industry, and geographic footprint.

The findings from the ESG due diligence are summarized and included in the investment decision material reviewed by the investment committee.

During ownership, Axcel oversees that all portfolio companies join the UN Global Compact, perform an annual ESG self-assessment (annual ESG review), and integrate relevant findings in the regular risk reporting of the company. Axcel expects companies under management to:

- Comply with relevant laws, rules and internationally recognised principles
- Consider risks relating to ESG issues and address them proactively
- Be in a position to meet the requirements and expectations of customers and business partners concerning supply chain management and codes of conduct
- Consider future business opportunities and positioning in relation to ESG
- Comply with Active Owners Denmark's guidelines on openness and transparency

For further information on how Axcel Management address sustainability, please refer to our sustainability policy.

**About Axcel**

At Axcel, we believe that when it comes to creating growth in a sustainable way, it is not what you invest in, but how you invest in it. With our strong focus on leading Nordic companies in the industrials & business services, technology, consumer and healthcare sectors, we create success through a combination of our team's network and experience paired with a systematic, growth-oriented value creation approach. Over the last 25 years, Axcel has raised six funds with cumulative capital commitments of EUR 2.8 billion. These funds have made 64 platform investments, with more than 150 add-on investments and 48 exits. [www.axcel.dk](http://www.axcel.dk)