

## Axcel VII pre-contractual disclosure

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Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Axcel VII

Legal entity identifier: N/A

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

Yes   No

<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ___%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes the following environmental and social characteristics:

- 1) Axcel Management seeks to improve gender diversity in portfolio company leadership teams and to ensure all portfolio company Boards have members from both genders.
- 2) Axcel Management seeks to reduce GHG emissions in its portfolio companies.
- 3) The fund considers principal adverse impacts on sustainability factors and seeks to reduce adverse impacts of portfolio companies.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

4) Since 2021, Axcel Management implements a five-step sustainability programme in portfolio companies. Axcel Management targets that companies have implemented required ESG policies, commitments, and processes within one year of ownership including:

- Sustainability policy
- Code of conduct
- Supplier code of conduct
- Data privacy policy
- Whistleblower scheme
- Commitment to the UN Global Compact
- Define ESG priorities linked to the UN Sustainable Development Goals

A benchmark has not been defined for this product.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

- 1) Axcel Management targets that during its ownership period 40% of persons hired into portfolio company leadership teams are of the underrepresented gender (measured as the share of women hired into the leadership team, or in the case men are the underrepresented gender, the share of men hired into the leadership team). The target applies from January 2022 onwards. Axcel Management furthermore targets that by 2023, 40% of independent board members will be of the underrepresented gender. This target is applicable to boards established after June 2021.
- 2) Axcel Management is committed to Science Based Targets. Axcel Management targets that by 2025 60% of its companies, across Axcel funds (IV, V, VI and future funds) will have set approved Science Based Targets in line with a 1.5-degree trajectory and that by 2030 100% of portfolio companies have done so. Portfolio coverage is measured as a share of invested capital.
- 3) Performance on principal adverse impact indicators.
- 4) Share of portfolio companies who have implemented Axcel Management's required ESG policies, commitments, and processes.

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?** This product has environmental and social characteristics. It does not make sustainable investments in the manner described in Regulation (EU) 2019/2088.

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?** This product has environmental and social characteristics. It does not make sustainable investments in the manner described in Regulation (EU) 2019/2088.

— How have the indicators for adverse impacts on sustainability factors been taken into account? Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

— — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details: Not applicable*

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Does this financial product consider principal adverse impacts on sustainability factors?**

**Yes**, Axcel VII considers the principal adverse sustainability impacts outlined in Table 1 of Annex I of the Regulatory Technical Standards as well as one additional principal adverse sustainability impact as per Table 2 of Annex I of RTS and one additional principal adverse sustainability impact as per Table 3 of Annex I of RTS.

*When screening for future investment options, Axcel Management incorporates relevant ESG factors in the general evaluation criteria including principal adverse indicators. Following an acquisition, portfolio companies are introduced to Axcel Management's five-step sustainability programme and are required to assess their impact on ESG topics and develop action plans. Action plans focus on those impacts that are deemed most relevant taking into account the probability of occurrence and the severity of impacts including their potentially irremediable character. Portfolio companies report on the principal adverse indicators in Axcel Management's data management system on a quarterly basis.*

*Information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors, is available on the Axcel Management website in the Sustainability section.*

**No**



**What investment strategy does this financial product follow?**

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

*When screening for future investment options, Axcel Management incorporates relevant ESG factors in the general evaluation criteria. Investments in Fund VII are guided by Axcel Management's limited partnership agreement. Companies within specified industries in the exclusion policy are not invested in.*

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

Axcel Management conducts a thorough ESG due diligence ahead of any new investment with support from external specialists. The due diligence identifies and assesses ESG impacts, including principal adverse impacts, as well as ESG risks and opportunities 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 due diligence focuses on those impacts, risks and opportunities that are deemed most relevant taking into account the probability of occurrence and the severity of impacts including their potentially irremediable character.

The assessment of principal adverse impacts relies on quantitative data where available as well as qualitative data in the form of documentation and interviews with company management. The maturity of the target's response to the identified impacts, risks, and opportunities is assessed.

The result is a summary of the type and scale of various ESG impacts, risks and opportunities, the maturity of the company's approach to addressing ESG matters, the willingness of management to improve performance on ESG matters, and the resulting net risk score. The findings from the ESG due diligence are shared with the investment committee and inform the investment decision.

Once invested, Axcel Management implements its five-step sustainability programme to ensure its companies address ESG impacts, risks, and opportunities. Progress on the programme is followed up on through quarterly reporting and ongoing dialogue with management. A more detailed description of the five-step sustainability programme and the sustainability targets can be found in the sustainability section of Axcel Management's website and in the "annual review and sustainability report" also available on the website.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?** *The investments in Fund VII are guided by Axcel Management's limited partner agreements. Companies within specified industries considered to have significant adverse environmental and/or social impacts are not invested in.*
- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?** *Not applicable.*
- **What is the policy to assess good governance practices of the investee companies?** *Axcel Management conducts legal, tax, and ESG due diligences to inform all investment decisions. The following good governance criteria must be met for Axcel Management to make an investment:*
  - *The company must not demonstrate a pattern of unethical or illegal behaviour*
  - *The company must not demonstrate a pattern of pattern of denying human and labour rights*
  - *The company must not demonstrate a pattern of environmental non-compliance*
  - *The company must not demonstrate a pattern of pattern of non-compliance with applicable tax regulation*

*During ownership Axcel Management works to ensure that good governance structures and processes are installed in portfolio companies. The following is implemented in all companies:*

- *A Board with at least one independent Board member and both genders represented*
- *Board and CEO rules, procedures, and instructions with clear guidelines regarding roles and responsibilities*
- *Employment contracts for executives*
- *Annual business risk assessment*

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

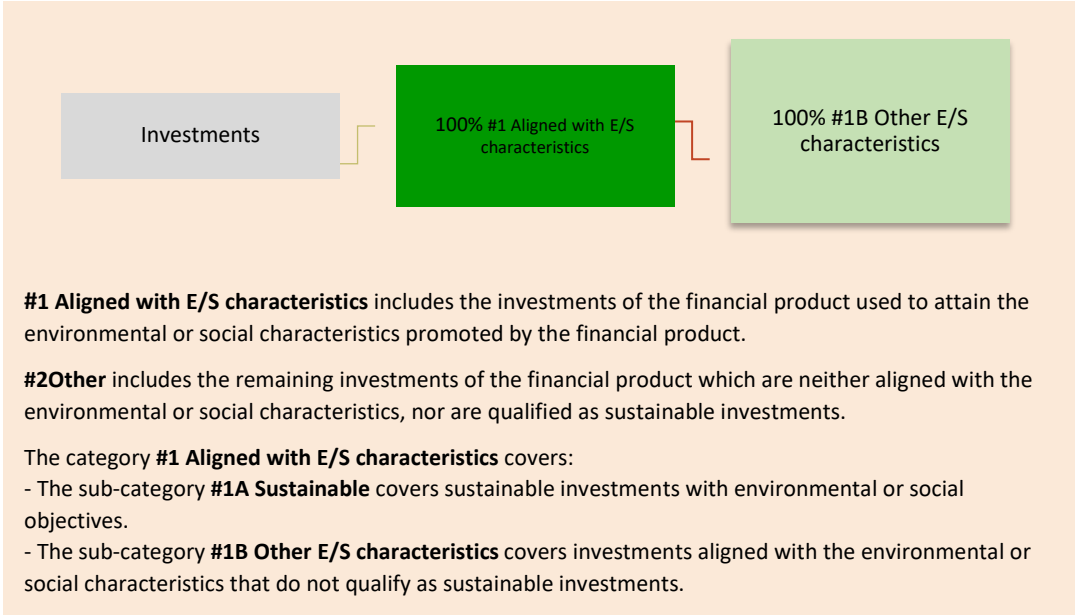


**What is the asset allocation planned for this financial product?** *100% of the investments made by this financial product are planned to meet the binding elements of the investment strategy to attain the promoted environmental and social characteristics. With regards to minimum environmental and social safeguards, all companies are required to commit to the United Nations Global Compact and to implement policies and processes to achieve compliance with the OECD Guidelines and the UN Guiding Principles. This financial product does not commit to making sustainable investments.*

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.




- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?** *This product does not make use of derivatives to attain its environmental and social characteristics.*

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

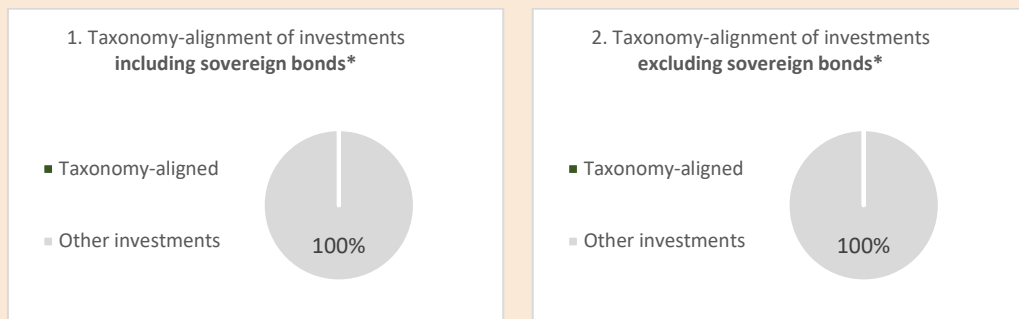


**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?** *This product has environmental and social characteristics. It does not make sustainable investments in the manner described in Regulation (EU) 2019/2088. Therefore, 0% of the fund's investments are expected to be Taxonomy aligned.*

**Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

- Yes
  - In fossil gas
  - In nuclear energy
- No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**What is the minimum share of investments in transitional and enabling activities?** *This product has environmental and social characteristics. It does not make sustainable investments in the manner described in Regulation (EU) 2019/2088.*



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?** *This product has environmental and social characteristics. It does not make sustainable investments in the manner described in Regulation (EU) 2019/2088.*

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



**What is the minimum share of socially sustainable investments?** *This product has environmental and social characteristics. It does not make sustainable investments in the manner described in Regulation (EU) 2019/2088.*



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?** *No investments are included under "other". All investments are categorized as #1B Other E/S characteristics.*



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?** *A reference benchmark has not been defined for this product.*

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?** *Not applicable as a reference benchmark has not been defined for this product.*
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?** *Not applicable as a reference benchmark has not been defined for this product.*
- **How does the designated index differ from a relevant broad market index?** *Not applicable as a reference benchmark has not been defined for this product.*
- **Where can the methodology used for the calculation of the designated index be found?** *Not applicable as a reference benchmark has not been defined for this product.*

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



**Where can I find more product specific information online?**

**More product-specific information can be found on the website:** *More product-specific information can be found on the website: <https://axcel.dk/sustainability/>*