

# Responsible Investment Policy for FSN Capital Partners

FSN Capital seeks to act with the highest level of integrity, taking a responsible approach when interacting with our portfolio companies, our advisors, our investors, local communities and the environment. We are decent people seeking to make a decent return in a decent way.

The cornerstone of our business is to deliver superior risk adjusted net return to our investors. They have entrusted us with funds to be managed over a considerable time horizon, and they expect that we use our influence as owners protect and enhance the value of the companies we invest in.

Investing with a long horizon and with controlling stakes in companies make us different from financial investors. Rather than optimizing short-term financial performance we focus on building companies that are financially sound over the long haul.

We acknowledge that long-term financial sustainability is not only about financial dimensions, like avoiding excess leverage. It is also much about the quality of the management of portfolio companies and the integrity in the way they interact with their investors, employees, customers, central and local governments, other key stakeholders and the environment.

With our investment approach, FSN Capital doesn't see a need for a responsible investment policy that is treated separately from our general investment policy. Our policy for responsible investments and our investment philosophy are intertwined and in fact two sides of the same coin; tools we apply to ensure that we over time get the best possible combination of controlling risk and enhancing value.

### **Compliance with UN's Principles for Responsible Investment (UN PRI)**

FSN Capital is a signatory of UN's Principles for Responsible Investment. We report annually compliance with the six basic principles listed below.

UN PRI is basically about integrating ESG perspectives into the investment process and active ownership policy. For FSN capital, being a signatory falls naturally within our investment approach, as outlined above. We recognize our duty to act in the best long-term interests of our beneficiaries. We also recognize that ESG issues can affect the performance of investment portfolios to varying degrees across companies, sectors, and regions, and through time. Foremost, being compliant with these six UN PRI principles is a natural part of an investment strategy to safeguard and enhance return of our portfolio investments:

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 towards implementing the Principles.

## **FSN Capital's Responsible investment policy**

We take our obligations to all stakeholders in our portfolio companies seriously, and we believe that through operating in a responsible and transparent manner we are able to build stronger, more profitable entities. Our long-term perspective is core to our investment approach. Through partnership and transformation, we seek to create fundamentally better businesses that are competitive both locally and internationally.

At FSN Capital, we have developed a strong set of Code of Conduct and a Policy for Responsible Investment, that is integrated with our investment processes. FSN Capital became a signatory to the United Nations-backed Principles for Responsible Investment on September 14, 2012

The two key elements of our SRI policy are:

a) Act at all times as a responsible owner promoting appropriate environmental, social and governance standards in its portfolio companies.

and

b) When assessing potential investments, to consider environment, social and governance issues, as part of its due diligence.

### **(A) Environmental issues**

FSN Capital respects and adheres to local environmental laws in the Nordic region, which are some of the strictest in the world. Before we invest in a company we analyse any environmental damage that might be relevant to such an investment. After acquiring a company, FSN Capital focuses on the efficiency in the use of raw materials, introduces programs to reduce scrap and/or limit the company's energy con-

sumption by increasing production efficiency. FSN Capital strongly supports innovation and the development of new products that enable customers to reduce their environmental footprint.

All our portfolio companies have developed and implemented their own Environmental policy in accordance with the FSN Capital policy.

### **(B) Social issues**

FSN Capital strongly believes that the firm and its portfolio companies will only be successful if the workforce enjoys a good working environment.

FSN Capital aims to promote sound labor and human rights practices in the portfolio companies it owns, including:

- 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 e.g., based on age, race, gender, religion, sexual orientation or disability
- Complying with international conventions on human rights

All our portfolio companies have developed and implemented their own Code of Conduct, based on FSN Capital's Code of Conduct. This [should] include Value and Ethics guidelines, and Whistleblower protection policy.

**(C) Governance issues**

An essential part of FSN Capital’s value creation model is the governance and management structure that is put in place for each portfolio company.

The board of directors of each portfolio company is responsible for defining strategy and policy, and FSN Capital [expects] requires this to include the setting of sound environmental, social and governance standards.

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. FSN Capital supports management to promote a culture of compliance with the FSN Capital Responsible Investment Policy by providing best practice information and tools.

**FSN Capital’s exclusion criteria  
– We shall not invest in companies that:**

1. Have contributed to systematic denial of basic human rights
2. Demonstrate a pattern of non-compliance with environmental regulations
3. Show a pattern of engaging in child labour or forced labour.
4. Produce weapons that through their normal use may violate fundamental humanitarian principles (eg Anti-personnel land mines, Production of cluster munitions, Production of nuclear arms)

5. Are directly related to the following industries:
  - a. Adult entertainment
  - b. Tobacco
  - c. Gambling
  - d. Alcohol

**Reporting**

FSN Capital has developed the following reporting structure

1. Each Year, CEO completes his/her assessment of ESG risk according to FSN Capital’s ESG framework. CEO then presents to Board for discussion
2. Each Quarter, as part of FSN Capital’s discussions with CEO regarding Quarterly reporting: CEO reviews ESG assessment and makes changes if applicable. FSN Capital’s Deal team then reports Quarterly ESG risk to our ESG Gatekeeper, who will include in FSN Capital’s internal Quarterly reporting
3. Each year, FSN Capital will complete its ESG report

This policy will be reviewed and amended as appropriate from time to time.

**Revised January 2013**