

ARGENTUM

ESG Report 2019

Argentum Asset Management



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Corporate social responsibility is an integral part of Argentum's business activities. This applies to investment decisions, investment partners and the company's own operations.

KEY ASPECTS OF ARGENTUM'S ESG¹ WORK

Argentum has **ethical guidelines**, which can be found on the company's website ([link](#)). Argentum has adhered to the principles of the UN Global Compact and the UN PRI for several years, and the ethical guidelines are also based on these principles. Argentum became a full **member of the UN Global Compact** in 2012 and submitted its first report to the UN in 2013.

The company has **ESG performance indicators** and measures these indicators both internally for the organisation and for its investment activities. Separate ESG requirements have been drawn up for the **investment process**, making this an integral part of processes, decision-making and monitoring of managers in the portfolio.

Argentum works systematically on ESG and on the further development of the company's processes in this area. The company collaborates on ESG work with other investors and is a member of the **Norwegian Forum for Responsible and Sustainable Investment** (Norsif). Argentum also prepares an **annual report on its ESG work**, which is approved by the Board and is available on the company's website.

ARGENTUM'S ESG STRATEGY

Argentum believes that responsible and sustainable value creation ultimately provides the best return. Having sound procedures for corporate social responsibility and ESG work, both for investment decisions and internally within the organisation, is an important part of Argentum's strategy for providing good returns and contributing to developing the industry.

ESG STRATEGY

Argentum has identified seven main points that form the foundation for our work in the area of environmental, social and corporate governance:

- Thorough ethical guidelines that are actively communicated internally and externally
- Integration of the ethical principles in the company's investment processes, including primary, secondary and co-investments
- Dialogue with the funds Argentum invests in regarding implementation of ESG in operations as well as monitoring and reporting
- Engagement in the industry and contributing to increased focus on ESG, for example via our website
- Environmental awareness internally in our activities and operations
- Raising ESG awareness in our own organisation

¹Environmental, Social and Corporate Governance.

- Annual reporting on our internal and external ESG activities.

Argentum’s ethical guidelines (Appendix 1) are periodically reviewed. The guidelines include the statement: “In its investment activity, Argentum shall integrate considerations targeted on good corporate governance, the environment and society at large”.² In addition, each year Argentum shall prepare a report on corporate social responsibility in respect of its own activities and specifically of the status at portfolio level.³



In addition to the company’s own ethical guidelines, the principles of the UN Global Compact and the UN PRI (Principles for Responsible Investment) form the basis of the company’s investment activities. The UN Global Compact is based on ten principles related to human rights, employment standards, the environment and anti-corruption. The UN PRI are related to environmental, social and corporate governance issues, including incorporation of ESG into the investment process and a focus on increased transparency and implementation of these principles in the industry.

After following the UN Global Compact principles for a considerable time, Argentum became a full member of the UN Global Compact in 2012.⁴

² See Section B.1 of Argentum’s ethical guidelines.

³ Cf. points A.15 and B.5 of the guidelines.

⁴ The most recent report from October 2019 is available at: <https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/434137>

The ten core principles of the UN Global Compact are as follows:

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Argentum supports these principles and uses them as the basis for its operations. It is important for Argentum as an investor in private equity funds that the managers are also familiar with these principles and base their activities on the UN Global Compact. This is Argentum's aim in its monitoring of managers.

In addition to the Global Compact principles, Argentum also follows Invest Europe's⁵ standard for responsible investments and has integrated this when monitoring the managers.⁶ These questions relate to the work the managers carry out prior to making new investments, and follow-up work after the investments have been made.

Argentum follows OECD guidelines in the area of taxation, as well as the Global Forum standards, and only invests in jurisdictions that follow Global Forum standards on transparency and exchange of information for tax purposes and which have entered into tax information exchange agreements with Norway. Argentum provides information about the jurisdictions of the funds on our website and in the annual report.

The internal ESG reporting is based on relevant indicators from the UN Global Reporting Initiative (GRI) that show, among other things, our impact on the environment and the trends in these indicators.

⁵ The European private equity and venture capital association.

⁶ http://www.investeurope.eu/media/21433/ESG_disclosure_framework.pdf

Argentum's investment activities

Argentum places high demands on the funds in which we invest. All investment processes must disclose ESG-related assessments that have been made. If the manager's focus on ESG is unsatisfactory, Argentum can choose to refrain from making the investment.

ARGENTUM'S INVESTMENT PROCESS

A separate analysis of the manager's vision, guidelines and working methods in the area of ESG is conducted prior to investing in a new fund. The analysis is carried out by collecting information and then discussing with the managers how they collect relevant information prior to investing in a portfolio company, as well as how this is followed up and reported on during the ownership period. Argentum also includes ESG-related issues in the reference studies carried out by the managers. Argentum's findings and assessments are presented separately in the investment recommendation.

Argentum has systematised ESG-related assessments in such a way that they form part of the formal legislative agreements when investing in new funds. Argentum has established a standard agreement in the form of a side letter, which all managers must endorse in one form or another prior to committing capital to a new fund. This includes acceptance that:

- Argentum's investment activities are based on the principles in the UN Global Compact
- They have received Argentum's ethical guidelines and are urged by Argentum to develop similar guidelines
- They will evaluate the social, environmental and ethical consequences of current and planned investments

Investment decisions and reporting relating to ESG are other aspects that are covered by the legislative agreements for investments in new funds.

ESG is also an inherent part of the investment process within secondary and co-investments. Within *secondary* investments⁷, Argentum does not have any influence on the existing legislative agreements for established funds, although the manager's policy, investment restrictions, investment strategy and underlying portfolio are screened before any investment decision is made. Argentum is focussed on obtaining a good impression of the status of the manager's ESG work, particularly if this is a manager that Argentum was not previously familiar with. Necessary clearance is required before an investment decision is taken. Managers are reviewed each year for their corporate social responsibility status, in the same way as Argentum's primary investments. In future, Argentum will continue the work on ensuring that new managers are aware of ESG and support the potential further development of the managers' own guidelines when required.

Within co-investments, where Argentum either directly or through intermediate companies or funds (e.g. Nordic Additional Funding (NAF)), invests in companies together with mutual funds, social responsibility is part of the points that are specifically examined before an Investment decision is taken.

⁷ Secondary: When Argentum purchases stakes in funds in the secondary market.

An overall ESG-based assessment of the investment opportunity is always conducted in connection with the first internal review. This is based on the main areas of the UN Global Compact:

- Human rights
- Labour standards
- Environment
- Anti-corruption

After the co-investment has been made, there is an annual follow-up of the status of the ESG work in each portfolio company.

Argentum is constantly working on further developing its ESG work and will continue its efforts to develop the processes in advance of new investments and in following up on the managers.

NEW COMMITMENTS 2019

During 2019, Argentum committed to 19 new funds in the primary portfolio: Altor Fund V, August Equity Partners V, DevCo Partners III, Elvaston Capital Fund IV, EQT Ventures II, GENUI Fund II, Inflexion Enterprise Fund V, Inflexion Supplemental Fund V, Invision VI, Livingbridge Enterprise 3, Main Capital VI, Northzone IX, Ufenau VI German Asset Light, Verdane 2019 and another five funds.⁸

All these management groups have accepted our side letter. The managers have either committed to submitting annual reports of their ESG work via this or have their own routines that satisfactorily cover reporting to Argentum.

Six of the managers are new to Argentum's portfolio: DevCo Partners, Invision, Main Capital and another three managers. Prior to investing with new management teams, Argentum carries out particularly in-depth work, including the assessments relating to ESG. All new managers have established satisfactory ESG guidelines or are in the process of doing so.

GENERAL STATUS REPORT 2019

Argentum conducts an annual review of the status related to ESG for the funds in the portfolio.

To conduct the review, Argentum asks the managers to answer a set of ESG-related questions. In addition to providing us with an overview of the portfolio status, the review assists in raising managers' awareness of ESG issues.

In 2019, Argentum's portfolio consisted of 79 different external management teams.

⁸ The remaining new investments were not public when the report was published.

| INDICATOR | STATUS 2019 | STATUS 2018 |
|--|---|--|
| How many of the managers in our portfolio follow ESG guidelines in their investments? | 73 of 79 (92%) | 65 of 70 (93%) |
| How many of our managers have satisfactory ESG guidelines? ⁹ | 60 of 79 (76%) | 58 of 70 (83%) |
| How many funds report on their ESG activities to the investors? | 19 new commitments have committed to this. Previously, 57 new commitments committed to this. | 11 new commitments have committed to this. Previously, 46 new commitments committed to this. An additional 4 managers have developed/are in the process of developing this type of reporting. |
| Transparency: Do fund managers report on transactions and portfolio companies on the internet? | Satisfactory: 70 of 79 managers | Satisfactory: 63 of 70 managers |

The assessment of the managers demonstrates that almost all the managers have formal ESG guidelines in place.¹⁰ For those managers that still do not have such guidelines in place, this is principally due to:

- Older managers, for which the investment period has expired, and the funds are already fully invested.
- Fund-in-fund managers that do not have their own guidelines for private equity.
- New managers who are in the process of developing these

If we look in more detail at the point relating to satisfactory guidelines, it shows an increase of 2 managers who have these, from 58 to 60. At the same time, the proportion of managers who have developed their own guidelines decreased slightly, from 83% to 76%. The reason for this is both that some managers with their own guidelines have dropped out of the portfolio, and that new managers are still in the process of establishing them.

The managers are continuously working on updating and further developing their policies, which is reflected in the reports we have received. As many as 49 (over 60%) of the managers have either taken specific steps to further develop their ESG policies or initiatives in 2019 or have reported specific development plans for 2020. This demonstrates that most of the active managers in Argentum’s portfolio are continuously working to strengthen the ESG work in the portfolio, which is positive. Argentum has previously provided input to several of the managers in their work on further developing their ESG policies and has also contributed to this work in 2019. Argentum has been careful to give feedback that the company is available to provide input to managers who are working on developing their own policy or their work on ESG.

As most managers in the portfolio have developed their own ESG policies which form the basis for the managers’ investments, it is natural to examine in more detail how this is monitored, both

⁹ The point relating to satisfactory guidelines is based on whether the managers have made their own efforts to develop an ESG policy and does not refer only to national/international guidelines.

¹⁰ Here we report whether external or internal guidelines are used.

in the investment process and during the continued ownership period. In 2013, Argentum expanded its ESG reporting to include Invest Europe's standard for responsible investments. These questions relate to the work the funds carry out prior to making new investments, and the follow up once the investments have been made. Argentum has also included a specific question relating to the steps that are being taken to prevent corruption. In last year's report, there was an extra focus on some specific issues related to key topics around climate change, notification and data security, and how these are followed up in the ownership period.

In this year's report, Argentum has also asked the managers specific questions about some key topics related to ESG. Last year's questions about how the managers are exposed to climate risk and what opportunities and challenges they see related to this, and the question about data security, have been retained. The question on waste and plastic waste has also been replaced with a question related to the EU taxonomy for sustainable activities and the Task Force on Climate-Related Financial Disclosures (TCFD). These are standards that are in the process of being established, and it is therefore useful for Argentum to know how the managers view this.

Argentum has also retained the question relating to compliance with the UN Sustainable Development Goals.¹¹ The UN Sustainable Development Goals consist of 17 goals and 169 targets and are a joint work plan for eradicating poverty, combating inequality and halting climate change by 2030. The purpose of this question is to gain an insight into how the managers act in accordance with the items on the political agenda concerning sustainability and whether these are specifically assessed in connection with the investments. In this regard, Argentum has also identified the sustainability goals that the managers see as most relevant to them and their activities. The Sustainable Development Goals are:

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnership for the goals

Argentum also asks the managers a question related to CO₂ emissions for the underlying portfolio companies. The reason for this was to obtain an overview of the managers who have figures pertaining to this. Based on previous years' reporting, only a small proportion of the underlying portfolio companies had an overview of this. Argentum also wants to go on examining this to form a better idea of how widespread the measurement of CO₂ emissions is in the portfolio, and whether this has changed since last year.

The questions that Argentum has asked the managers for this year's corporate social responsibility report are:

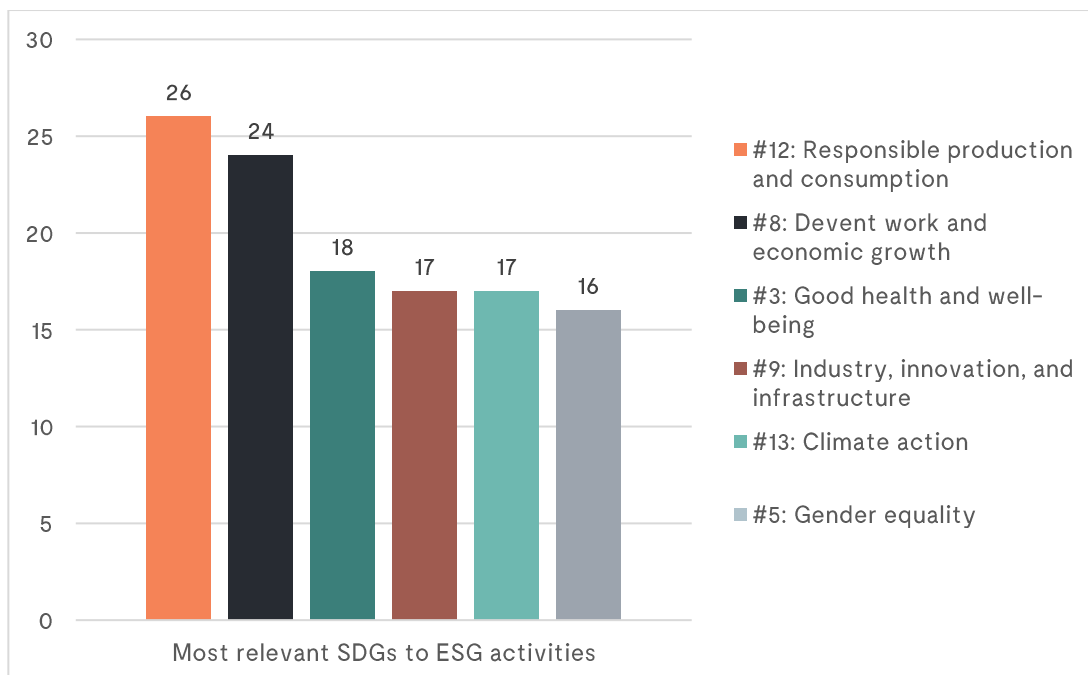
¹¹ <http://www.fn.no/Tema/FNs-baerekraftsmaal/Dette-er-FNs-baerekraftsmaal>

- 1) **Policies and guidelines**
 - a) Please state whether or not there have been any changes to your ESG policies/guidelines in 2019, or if any future modifications have been planned.
 - b) Please state whether there have been any breaches on ESG policies/guidelines in 2019 and so far in 2020. We ask to be kept regularly informed of any breaches.
- 2) **During the due diligence process/pre-investment phase**
 - a) Please state whether there have been any recent developments regarding the evaluation of ESG factors in the due diligence process.
 - b) To what extent have you discovered ESG issues in DD processes? Please comment on how you typically handle such issues.
- 3) **Key topics**
 - a) UN Sustainable Development Goals
 - i) Do you integrate the UN's Sustainable Development Goals (SDG) into your ESG work?
 - ii) If so, which of the SDGs are considered to be most relevant to your ESG activities?
 - b) Climate change
 - i) Please comment on how your portfolio companies are exposed to risks related to climate change.
 - ii) What are the opportunities to reduce climate change risk in the portfolio?
 - iii) Do you have examples of portfolio companies that contribute to lowering the carbon footprint?
 - c) EU taxonomy/TCFD
 - i) What measures have been taken to prepare for the [EU taxonomy for sustainable activities](#)?
 - ii) Are you reporting in according to the TCFD ([Task Force on Climate-related Financial Disclosures](#)), or planning to do this?
 - d) Data security
 - i) To what extent have specific measures been taken to ensure adequate data security in the portfolio companies?
- 4) **Anti-corruption**
 - a) Do any of your portfolio companies have operations in areas where corruption is typically widespread?
 - i) If yes, which company(-ies), and what anti-corruption measures have been taken?
 - ii) How are these measures being monitored?
- 5) **Reporting on ESG factors**
 - a) Please comment on the development of the reporting from your portfolio companies on ESG-related issues, especially regarding ESG-related Key Performance Indicators?
 - b) Do you plan to make changes in your ESG reporting to your LPs going forward? If yes, please explain.
- 6) **Value creation related to ESG**
 - a) To what extent do you see that efforts on ESG factors have had a positive financial impact on any of your portfolio companies? Please comment.
 - b) Please highlight any other positive externalities related to ESG focus in the portfolio companies on the community and other stakeholders.

The reporting we have received clearly demonstrates that the managers are very conscious of the ESG work in the portfolio companies. The response percentage has been good, and we have received feedback from 87% of the managers (69 of 79). All the managers who still invest actively have included questions relating to ESG in the due diligence process (the pre-investment evaluation phase). The funds that have not included this are funds that have already completed

their investment period and this evaluation is therefore no longer relevant. Several managers also report that they have refused investments based on ESG-related findings in the due diligence process. The managers are also actively involved in developing this work and are focused on taking ESG issues into consideration in the due diligence process in a structured manner.

The question relating to the UN Sustainable Development Goals shows that more and more of the managers in Argentum portfolio are aware of these goals, and many actively use these in their sustainability strategy. A total of 39 managers are reporting specific sustainability goals relevant to the company’s activities.



The sustainability goals highlighted by the most managers are ‘Responsible consumption and production’ and ‘Decent work and economic growth’. These are specifically mentioned as relevant by 26 and 24 managers respectively. But other sustainability goals are also highlighted by many managers, as shown in the graph above. In addition to the UN Global Compact and UN PRI, the SDGs are also establishing themselves as a tool in the work on sustainability and corporate social responsibility in the portfolio.

For the question related to climate risk, the reporting from the managers shows that this largely depends on the investment focus and the industry the portfolio companies operate in. For most managers, the climate risk is considered low because of the investment focus. For companies where the climate risk is considered greater, the managers have established good procedures to address this. In general, the managers are keen to reduce climate-related risk in the portfolio, and to look out for related opportunities in the portfolio. Several managers have also come up with examples of portfolio companies exploring new business opportunities related to this.

The question relating to the EU taxonomy and TCFD shows that the managers are generally aware of these measures. They keep up to date with developments here and are considering how to deal with this. As the details of the taxonomy are not yet clear, it is too early to know exactly what practical consequences this will have. In the case of TCFD, some managers have gone further than others, for example by publicly advocating the TCFD recommendations or including them in their reporting to UN PRI.

Data security is still generally considered important by the managers. In the past, the underlying portfolio companies have established the necessary routines in connection with the entry into force of the GDPR (*General Data Protection Regulation*) in May 2018. Based on recent years' reporting, we see that more and more managers have a greater focus on cybersecurity in general, especially in those industries where this is most relevant.

Regarding anti-corruption activities, the reports we have received indicate that managers of portfolio companies with operations in countries where corruption is widespread are aware of this and have established good procedures and guidelines to follow-up and avoid this.

The reporting shows that the work on developing KPIs for ESG is still a focus area of the managers. More and more managers have established ESG-specific KPIs related to each portfolio company, rather than general KPIs across the portfolio. Several managers have also started reporting selected ESG-related KPIs to the investors. In general, the reporting to the investors is continually improving, and several managers have included ESG reporting as part of the standard quarterly reports. More and more managers also publish a separate ESG report.

The majority of managers consider the ESG work to have a positive financial effect on the companies, even if it is difficult to isolate from other measures implemented in the company. Many managers also believe that this is something that will become clearer at a later stage of the ownership period and/or in the event of a sale. The managers also identified a clear focus on ESG having a positive effect for employees, customers and suppliers. Argentum has received examples of companies where the ESG work has had a positive financial effect or contributed to a higher market value. Several companies also contribute to society in other ways, both as important employers and through other social initiatives.

As was the case last year, Argentum has also this year requested that the managers conduct an evaluation of the portfolio with managers being asked to answer questions about the different portfolio companies, and to say whether they consider the portfolio companies to have a high, medium or low risk in respect of the main points of the UN Global Compact. Argentum has received reports on 672 underlying portfolio companies, which corresponds to 79.9% of the underlying portfolio companies. This is slightly lower than last year, when we received reports from 617 underlying portfolio companies (84.4%). The reports were as follows:

| Indicator | Human rights | Labour | Environment | Anti-corruption |
|-------------|---------------|---------------|---------------|-----------------|
| Low risk | 93.9% (96.3%) | 95.3% (92.7%) | 81.0% (81.5%) | 87.9% (88.2%) |
| Medium risk | 2.8% (3.4%) | 4.7% (7.3%) | 18.4% (17.8%) | 8.2% (10.9%) |
| High risk | 3.3% (0.3%) | 0.0% (0.0%) | 0.6% (0.6%) | 3.9% (1.0%) |

The number of companies reported on increased further this year, and the reporting shows the same main trends as previous years. They generally report a low risk related to the Global Compact criteria. Risk in the areas of human rights and labour standards was particularly low, while there were somewhat more companies that were assessed as having a medium risk relating to environment and anti-corruption. Overall, the proportion considered as medium risk is slightly lower than in previous years. As the reporting is related to risk, this risk is mainly due to the portfolio companies operating in an industry or area with some risk. Risk in the area of the environment is particularly attributable to manufacturing companies. With regards to anti-corruption, these are companies that have operations/subcontractors in countries or areas where corruption is more widespread. Managers who operate in areas where corruption is widespread have established good procedures for monitoring portfolio companies in respect of this.

Compared to last year, the biggest difference is related to the points of human rights and anti-corruption, where a few more companies are considered at high risk. Argentum has followed up on the managers to obtain more detailed information about these specific companies. The risk is related to industry/country, and there are more general reasons behind the risk assessment than company-specific reasons.

This year, Argentum also included a question about CO₂ emissions for the underlying companies in the portfolio. Argentum received reports for 144 underlying companies, which corresponds to 21.4% of the companies that reported on risk, or 17.1% of the total underlying portfolio. This is more than twice as many as last year, when 63 underlying companies reported on emissions. Total CO₂ emissions of 21,137,228 tonnes were reported. Here, one particular company with very high emissions pulls up the total and accounts for almost 90% of the total emissions reported.

The reporting we have received shows that an increasing proportion of companies have emissions data available. However, it is still difficult to obtain full data from the whole portfolio, as the portfolio is largely made up of smaller and unlisted companies. Argentum will continue to request this data from the managers in order to form a better picture of CO₂ emissions in the underlying portfolio.

REPORTING BREACHES OF RECOGNISED PRINCIPLES FOR RESPONSIBLE INVESTMENTS

In dialogue with the funds, the managers are specifically asked whether they know of any breaches of ethical guidelines and legislative agreements. Argentum received reports of seven breaches of the managers' ESG policy in 2019. Three of the breaches were related to data security, two to personal injury, one to environmental issues and one to corporate governance. When breaches are reported, Argentum places emphasis on how the breach is handled and the measures and routines that are implemented to prevent any repeat of this. The reported breaches have been handled in a satisfactory manner by the managers.

ACTIONS AND FOCUS IN THE FUTURE

The reports Argentum has received clearly demonstrate that the managers are conscious of the ESG work, and the positive trend continued in 2019. It is good to see that more and more managers view the ESG work as an ongoing process, and over half of the managers have taken concrete steps in 2019 or have clear plans for further development. As an evaluation of ESG factors prior to investments is now carried out by virtually all managers, it is natural that further developments should be closely linked to reporting from the portfolio companies and on to investors. The acquisition of ESG-related data from portfolio companies is steadily improving, as we can see from the growing number of managers with data on CO₂ emissions from the portfolio companies. There has also been a clear increase in the number of managers who have actively included the UN Sustainable Development Goals in their ESG strategy.

In 2020, Argentum will continue its efforts to ensure that our requirements in the area of ESG are addressed in legislative agreements when committing to new funds and that there are good ESG assessments prior to investments. Argentum is focussed on dialogue with managers in connection with the ESG work and will provide good follow-up of the managers in their ESG work, as well as contribute input when required.

Argentum’s own activities

Under Section A.15 of the Ethical Guidelines, Argentum is required to prepare an annual ESG report in respect of its own activities. This report is based on selected indicators from the UN Global Reporting Initiative (GRI). This is a set of standardised reporting indicators for corporate social responsibility that has been accepted as a global standard.

GRI INDICATORS

GRI consists of over 80 indicators for economic, social and environmental performance, with certain core indicators that must be reported on unless they are considered to be of limited importance to the company.

GRI is a set of general reporting indicators used by a number of industries, with many of the indicators being of particular relevance to larger companies. For example, Argentum does not have production activities or own buildings, but operates as an asset manager. The company has therefore decided to report on a selection of GRI indicators that are relevant to the company and its activities.

Below is an overview of the parameters Argentum reports on in connection with GRI.

| INDICATOR | STATUS 2019 | STATUS 2018 |
|--|-------------|-------------|
| Recycling (Paper and IT) | 43% | 43% |
| Business travel, CO2 equivalents | 89.0 tonnes | 63.8 tonnes |
| Business travel, CO2 equivalents (per FTE) | 3.65 tonnes | 2.9 tonnes |
| Sick leave | 1.81% | 1.50% |

ENVIRONMENTAL INDICATORS

Argentum’s business operations involve travelling. In 2019, this resulted in 89 tonnes of CO₂ equivalents, while the corresponding figure for 2018 was 63.8 tonnes of CO₂ equivalents. This represents an increase of 39.4% compared with 2018. The increase also contributes to an increase in emissions per employee, which have risen from 2.9 tonnes per FTE in 2018 to 3.65 tonnes per FTE in 2019. The increase is due to increased travel in the company.

Argentum is anxious not to travel any more than is necessary to carry out the company’s activities and the company’s video conferencing equipment is used extensively for the company’s internal meetings. The amount of travel was higher in 2019 than in previous years. The reason for this was a high level of activity in the company in general, which also involves more travel. Argentum previously estimated that the emissions would be around 60 tonnes per year. over time. Because of the Covid-19 pandemic the amount of travel will decrease significantly in 2020 anyway, but even in a normal year, it is unlikely to be as high as it was in 2019.

Argentum has an agreement with an external party to cover recycling of our discarded IT equipment, and we also require our suppliers to have environmental certification. Argentum has implemented environmental initiatives regarding paper recycling and 43 per cent of paper waste was recycled in 2019, which is the same level as the previous year.

SOCIAL INDICATORS

Argentum had 25 employees at the end of 2019, compared with 24 employees at the start of the year. The number of full-time equivalents in 2019 was 24.33, which is used in average calculations in this report unless stated otherwise. Sickness absence accounted for 1.8 per cent of total working hours in 2019, in line with sickness absence in 2018, when it amounted to 1.5 per cent.

Argentum strives for equality and the proportion of women in the company remained stable in 2019, ending at 32.0 per cent, compared to 29.0 per cent in 2018. In a small organisation such as Argentum, new hires and departures will have a substantial impact on these percentages. The proportion of female employees on the board is still 50% and 33.3% in the management group.

Diversity and a good working environment are important for Argentum and Argentum is committed to this being reflected in the company. This includes equal opportunities for all employees. Argentum's business activities are within an industry that has traditionally been dominated by men. Argentum consciously uses both genders in the company's promotional materials and in recruitment work directed at new employees and the best applicants will always be considered. The company has flexible arrangements that make it easier to combine both a career and private life. Argentum continually works to promote gender equality and to strength the work in this area. Argentum has signed the UN CEO Statement of Support for the Women's Empowerment Principles to promote global gender equality work.

Skills development/courses per employee amounted to an average of 10.33 hours in 2019, compared with 0.65 hours in 2018. The reason for the increase is that more employees were on external courses of a certain duration in 2019. Recruitment to the company will have an effect on the level of courses and skills development. Argentum will also continue to focus on developing the expertise of its employees.

RAISING AWARENESS

Each year, Argentum presents an overview of the ESG work in the annual ESG report. The status of the ESG work is also summarised in the company's annual report. An annual meeting is also held with the Ministry of Trade, Industry and Fisheries that is specifically related to ESG work.

As a member of the UN Global Compact, Argentum reports on the work relating to ESG. Argentum reported for the first time in 2013 and submitted its seventh report in 2019. This report is available from the website of the Global Compact organisation. In addition to the annual reports, Argentum's ethical guidelines and our ESG reports are available at our website: www.argentum.no Argentum became a member of Norsif (Norwegian Forum for Responsible and Sustainable Investment) in 2013. Norsif is an independent association of asset owners and asset managers, service providers and industry associations interested in responsible and sustainable management. Argentum has been active in the association since it was established and has also been represented on the association's events committee.

Argentum also wishes to work closely with Norwegian and international investors to develop work on ESG in the portfolio. Among other things, the company participated in Private Equity International and the UN PRI's Responsible Investment Forum in 2019, and gave talks at the

Argentum Centre for Private Equity, the NVCA and SustainableInsight's seminar on private equity and climate, Norsif and NVCA's seminar on private equity and ESG, and Sustainability Hub's seminar on sustainability reporting in 2019. Argentum has regular dialogue with investors, managers and other stakeholders in connection with the ESG work and has assisted with their work on developing their ESG processes and routines. Among other things, Argentum has contributed input to UN PRI's updated LP Guide for Responsible Private Equity Investments in 2019.¹² Argentum will continue discussions with Norwegian and international investors in connection with the ESG work in 2019.

¹² <https://www.unpri.org/private-equity/technical-guide-for-limited-partners-responsible-investment-in-private-equity/5657.article>

Appendix: Ethical guidelines

Ethical guidelines for the Argentum Fondsinvesteringer AS group and investment activities in underlying companies

(Adopted by the Board of Directors on 21 May 2019)

1.1. Purpose

Our ethical guidelines are a means of ensuring that, by focussing on integrity and high ethical standards, we make good decisions. The guidelines shall be a dynamic tool to avert adverse behaviour for Argentum Fondsinvesteringer and its underlying companies.

Our ethical guidelines shall ensure that we do not make investments that constitute an unacceptable risk of us contributing to unethical acts or omissions.

These ethical guidelines shall be accessible on the company's website.

1.2. Value base

As a manager of assets on behalf of third parties, we will endeavour to maintain a high ethical standard in all of our work.

- All activities in which we are involved shall be legal where such activities are carried out.
- To this end, we shall comply with and promote the principles set out in the UN Global Compact.¹

1.3. Role of the board of directors – follow-up

The Board is responsible for monitoring work on corporate social responsibility and ethical matters. The managing director shall report at least once a year on follow-up in this connection and the Board's programme will include an annual discussion and evaluation of the work done.

All investment matters that are presented to the Board must disclose the assessments that have been made regarding corporate social responsibility.

A. ETHICAL GUIDELINES FOR ARGENTUM'S OWN BUSINESS

A.1. Human dignity

In our business, we will adopt the principles of the UN Global Compact as fundamental values.

A.2. Working environment

Argentum shall be a good and professional workplace which emphasises equality and mutual respect among employees.

A.3. Processing of confidential information and intellectual property

As a manager of state funds, Argentum shall strive for transparency about the business and its investments. Our employees still have a duty of confidentiality with regard to trade secrets. Information that is classed as confidential by our fund management clients or portfolio companies must not be disclosed to others.

We have a special duty to protect intangible assets that are the basis for the portfolio companies' activities. Information received through work in Argentum must not be used for private

investments or the like. The rules prohibiting insider trading etc. laid down in Chapter 3 of the Norwegian Securities Trading Act govern all trades to which they apply.

A.4. Conflicts of interest

In all our work, emphasis will be placed on avoiding improper conflicts of interest. Our employees will take particular care to ensure that no issues of role mixing, or integrity are raised for anyone involved in projects Argentum is working on. We will bear in mind that close personal relationships will arising out of friendship, social interaction and work and leisure activities can easily affect our independence. During case-handling, any special circumstances that could affect our independence will therefore always be stated.

A.4.1. Attitude to other interests of our employees and board members

Our employees, board members and their close associates are not permitted to invest in companies where Argentum directly or indirectly holds ownership interests through fund investments. The board of directors may grant exemption from this provision in special cases (e.g. co-investments by management).

Our employees and board members shall exercise great care when trading in unlisted securities. Employees' trading in such securities shall always be reported to the company's management.

Where there is a risk of conflicts of interest, our employees and board members shall also not use advisers (e.g. lawyers/brokers) that Argentum uses or advisers they know are linked to the various funds in which the company is involved.

Employment, assignments and honorary office with other company shall be known. For employees, such matters must be approved by the management of Argentum. Any such activity should always be avoided if there is a risk of improper role mixing.

There shall also be transparency about ownership, employment, assignments, supplier relationships etc. linking employee's close associates to businesses in which Argentum is involved.

A.4.2. Conflicts of interest with Argentum's business associates

Through our work, our employees must be alert to various forms of influence on our investment decisions, use of consultants, etc. Our decisions shall not be influenced by outside considerations. There must therefore be full transparency about our participation in social events where Argentum's business associates are involved. Attendance at dinners and similar social gatherings must always be cleared with the immediate manager or the CEO. Participation in trips at the invitation of Argentum's business associates must always be cleared with the company's management beforehand. Participation shall be limited to events with significant business content or where it is particularly important for Argentum to be represented. Argentum shall normally then pay for its own participation.

Our employees are not allowed to receive gifts from Argentum's business associates unless these are normal informal gifts of modest value. The employee shall inform management of gifts that are not of negligible value. The CEO may issue further guidelines on such gifts.

Private business relationships with Argentum's business associates should be avoided and Argentum employees are not allowed to receive discounts when purchasing goods

or services etc. from Argentum's business associates unless they are related to framework agreements and the like (e.g. hotels) where Argentum benefits from their use.

A.5. Information, communication and media contact

In our communication to the outside world, we shall be correct and compliant and strive for a high professional and ethical standard. Information to the media shall be handled by the CEO or someone appointed by him in any given case.

A.6. Principles of competition

We will strive for open and fair competition in all markets for our business, both nationally and internationally, and comply with national and international competition rules.

A.7. Corruption and money laundering

Through our managers and business partners, we will work to combat corruption and follow the principles laid down in the Norwegian Anti-Money Laundering Act and Anti-Money Laundering Regulations and the EU's Fourth Money Laundering Directive.

A.8. Impartiality

A.8.1. Impartiality of employees

If the impartiality of one of our employees may be questioned because the person concerned has overlapping interests, the matter shall be raised with the immediate manager and the person concerned must withdraw from further consideration of the case if there is a risk of breaching the impartiality rules.

A.8.2. Impartiality of board members

A board member must not participate in discussions or decision on a board matter when the member is disqualified under Section 6-27 of the Norwegian Limited Liability Companies Act. Regardless of whether a board member is disqualified under to Section 6-27 of the Norwegian Limited Liability Companies Act, a board member shall declare him/herself disqualified from dealing with a matter before the Board where:

1. The board member or any of his/her close associates, cf. Section 1-5, first paragraph, have an economic interest in the matter as participants, investors or otherwise.
2. The board member or any of his/her close associates, cf. Section 1-5, first paragraph, are employed or hold an honorary office in, or have a service relationship with, companies or enterprises with an interest in the matter.
3. There are other specific circumstances that are liable to lessen confidence that the board member will approach the matter solely in Argentum's interests. A board member shall inform the CEO or the chairman as early as possible of matters that could disqualify them from dealing with a board matter. In the event of a disagreement as to whether a board member is disqualified, the question will be decided by a majority decision of the board. In the event of a vote, the board member concerned will not take part.

A.9. Reporting – sanctions

Breaches of our ethical principles may have consequences for employment and, in more serious cases, lead to dismissal or dismissal. If any of our employees are suspected of actions contrary to our ethical principles, this shall be reported to the immediate supervisor or directly to the

CEO. If an employee has doubts as to how an issue relates to the ethical rules, the question shall be escalated to the immediate manager or the CEO. In order to gain experience in ethical matters, we will regularly revise the regulations and stimulate open discussion of current ethical issues.

A.10. Environment

Argentum will work purposefully to reduce the environmental impact of its own operations, investments and procurement.

A.11. Use of company equipment and assets

No one shall make improper use of the company's data, IT equipment, materials or other assets for private purposes or for activities not relevant to the work. These assets may not be used for gambling, pornography, racism or other purposes that may be perceived as offensive.

A.12. Purchase of sexual services

The purchase of sexual services is prohibited by Norwegian and Swedish law. The prohibition also applies to employees on business trips to other countries.

A.13. Marketing

We will provide advice that safeguards the interests of our partners. All information and conditions shall be characterised by respect for partners, society and the environment.

A.14. Whistleblowing

The whistleblowing process is there to escalate matters of concern in the workplace to someone who can do something about them. Matters of concern might include breaches of the law and internal rules and guidelines. Anyone who becomes aware of matters that they believe are contrary to the rules and guidelines that apply to the company's operations is urged to report this. This will help to ensure that matters of concern are addressed.

Individual employees are encouraged to report matters of concern because it can help develop the company, but they are not normally obliged to report. Employees have a duty to inform the company of criminal activities and situations where life and health are at risk. There are several ways to report. The matter should first be reported to the immediate manager and documented in writing. Supplementary procedures related to whistleblowing are described in the company's personnel manual.

A.15. Reporting on own activities

Each year, Argentum shall prepare a report on corporate social responsibility in its own activities using a selection of relevant indicators based on the Global Reporting Initiative.ⁱⁱ

B. SPECIAL ETHICAL GUIDELINES FOR INVESTMENT ACTIVITIES

B.1. Responsible investments

The management of Argentum's capital shall aim for the highest possible return. Good returns in the long term depend on sustainable development in an economic, environmental and societal sense as well as well-functioning, legitimate and efficient markets.

Argentum shall integrate consideration for good corporate governance, environmental and social matters into its investment activities, in line with internationally recognised principles for responsible investment. Integration of these considerations shall take account of Argentum's investment strategy and its role as an investor in private equity funds.

B.2. Requirements for new funds

When investing in newly established funds, Argentum shall strive to ensure that

- conflicts of interest, issues of impartiality and role mixing in the management of the fund are avoided,
- no improper or unreasonable compensation schemes are established for the fund manager,
- the business is organised within generally accepted legal systems,
- no illegal tax adjustments are established for those involved, and
- there is full transparency on all matters that are relevant for assessing matters of business ethics.

Newly established funds that Argentum invests in shall have established guidelines that ensure that the investments made by the fund are in line with recognised principles for responsible investments and established principles for good corporate governance or accept Argentum's binding side letter on corporate social responsibility.

B.3. Established funds

In established funds that do not have guidelines for responsible investments or principles of good corporate governance, and where Argentum is an investor, the company shall work to ensure that the funds establish these.

B.4. Breaches of recognised principles for responsible investments

If, after the fund has made an investment, Argentum shall, serious violations of recognised principles for responsible investments or good corporate governance are detected, Argentum shall ask the manager to rectify the situation in question. If the situation is not rectified and/or it is considered likely that similar breaches will occur in the future, Argentum shall seek to withdraw from the investment even though the company may suffer a loss. In the event of repeated and/or serious breaches, we may seek to terminate the fund manager's engagement.

B.5. Reporting

Argentum shall prepare an annual status report on corporate social responsibility at the portfolio level. Argentum reports annually to the UN Global Compact in accordance with the membership requirements.

ⁱ See <http://www.unglobalcompact.org> for the principles in the UN Global Compact.

ⁱⁱ See <http://www.globalreporting.org>.