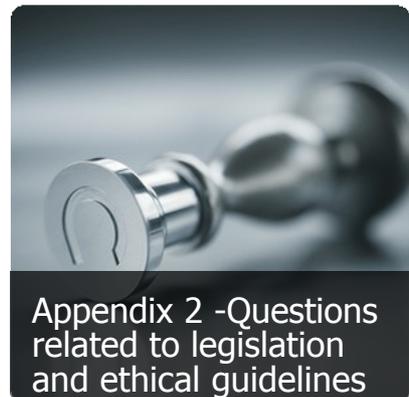
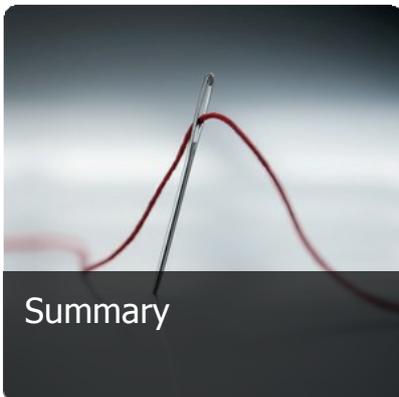


# ESG report 2012





# Summary

## Key aspects of Argentum's ESG work

- Argentum **has ethical guidelines**, which are available at our website, [www.argentum.no](http://www.argentum.no)
- For several years Argentum has followed the principles of the UN Global Compact and UN Pri. In 2012 Argentum became a fully-fledged member of the **UN Global Compact**
- Argentum has **performance indicators related to environmental and corporate social responsibility**. This applies to our internal goals for the organisation as well as objectives relating to our investment activities
- Argentum has prepared and included its own corporate social responsibility requirements in its **investment activities**
- Argentum prepares an annual **report on Environmental, Social and Corporate Governance (ESG)**
- Argentum **collaborates with other investors** on ESG work, and is a member of the newly established association Norsif



# Argentum's strategy relating to ESG

*In addition to strong results in the form of good returns, a clear awareness of corporate social responsibility and ESG (Environmental, Social and Corporate Governance) are prerequisites for Argentum being able to deliver on our secondary objectives of developing the industry and mobilising capital. Integrating questions relating to corporate social responsibility into the investment decisions, as well as having a clear awareness of the company's own impact on the environment are therefore strategically important to Argentum.*

## ESG strategy

Argentum has identified seven main points that form the foundation for our work relating to corporate social responsibility:

- Thorough ethical guidelines that are actively communicated internally and externally
- Integrating 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
- Engaging ourselves in the industry and contributing to increased focus on corporate social responsibility, for example via our website
- Environmental consciousness internally in our activities and operations
- Raising awareness in our own organisation about corporate social responsibility
- Reporting annually on our internally and externally directed work on corporate social responsibility

Argentum has ethical guidelines that are periodically reviewed. Included in the guidelines is the statement that "In its investment activity, Argentum shall integrate considerations targeted on good corporate governance, the environment and society at large" (point B1 in Argentum's ethical guidelines, see appendix 1). In addition, each year reports must be prepared on corporate social responsibility for its own activities and at portfolio level (points A15 and B5 in the guidelines).

In addition to the ethical guidelines, the principles of the UN Global Compact and the UN principles for responsible investment, UN Pri, are placed at the core 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. UN Pri is related to environmental, social and corporate governance issues, including that ESG should be incorporated in the investment process and that one must work for greater disclosure and implementation of these principles in the industry.

In 2012 Argentum completed a project that assessed how the UN principles may be further integrated into the company's operations, and as a result of this Argentum has become a fully-fledged member of the UN Global Compact, with the first report to the UN being due in 2013.

Argentum has expanded its dialogue with the funds during 2012 to include questions based on the recently established standards for responsible investments issued by the European Private Equity and Venture Capital Association, EVCA. These questions relate to the work the funds carry out prior to making new investments and the follow up-work after the investments have been made.

Argentum has also chosen to participate in the establishment of Norsif. Norsif is an independent Norwegian association of asset owners, asset managers, service providers and industry associations interested in responsible and sustainable investments. Norsif aims to promote awareness of and contribute to developing the field of responsible and sustainable investment practices in the financial industry and among other stakeholders.

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



# Argentum's investment activities

*Argentum places high demands on the funds where we choose to invest. All investment processes shall disclose the assessments that have been made regarding ESG considerations.*

## Investment process

During the course of 2012 the investment team has increased its focus on ESG in the investment process. This is implemented for new primary investments by conducting a separate analysis of the manager's vision, guidelines and work method within ESG issues. The analysis is carried out by collecting information and discussing with the funds how they collect relevant information themselves prior to investing in a portfolio company, as well as how these questions are monitored and reported during the ownership period. Argentum's findings are presented separately in the investment recommendation.

Argentum has systemised assessments relating to ESG in such a way that this forms part of the legislative agreements when participating in new funds. Argentum has established a standard agreement in the form of a side letter, which all fund managers must endorse in one form or another, prior to committing to a new fund. This includes acceptance of the following:

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

The managers also commit to report on the work relating to ESG to the investment committee in the fund once a year.

ESG is also part of the investment process within secondary and co-investments. Within secondary investments Argentum does not have any influence on the legislative agreements at established funds, but all the companies in the underlying portfolio are screened by Argentum before any investment decision is made.

Within co-investments, where Argentum invests directly in specific companies, ESG is one of the points that is specifically investigated before an investment decision is made. Here the companies are assessed against the

main points in the UN Global Compact and Argentum's ethical guidelines.

## New commitments in 2012

During the course of 2012 Argentum committed to five new funds in the primary portfolio: Accent Equity 2012, NeoMed V, Nord II, Procuritas Capital Investors V and CapMan Buyout X.

All of these management environments have accepted our side letter, and have thereby also committed themselves to yearly report on their work related to ESG. Two of the managers are new to Argentum's portfolio. Accent Equity has recently enrolled in UN Pri, and will report in accordance with this in the future. Nord Kapitalforvaltning is a newly established manager that is in the process of developing an ESG-framework.

## General status report 2012

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

This is accomplished by Argentum asking the fund managers to answer a set of questions relating to ESG. In addition to providing us with an overview of the status in the portfolio, it contributes to raising the fund managers' awareness of ESG issues. In 2012 Argentum's portfolio consisted of 31 different management environments, managing a total of 73 funds.

	2012	2011
How many of the funds in our portfolio have policies or other activities related to ESG?	67 of 73 (92 %)	57 of 61 (93 %)
How many of the funds in our portfolio have satisfactory ESG guidelines?	54 of 73 (74 %)	42 of 61 (69 %)
How many of the funds in our portfolio submit a separate report to the investors on their ESG activities?	5 new commitments have committed to do this. In addition, a further three managers committed to this last year. Two others already have comprehensive cover. Two more managers are in the process of developing this kind of reporting.	3 new commitments have committed to this through a side letter. (In addition one fund manager comprehensively covers ESG activity in the Annual report. One more manager shall start doing this in 2012.)
Transparency: Do fund managers report on transactions and portfolio companies on their websites?	Satisfactory: 27 of 31 managers	Satisfactory: 24 of 27 managers

The reporting we have received is characterized by an increased focus on ESG in the funds in the portfolio. From 2011 to 2012 we have witnessed an increase of 12 funds that have satisfactory ESG guidelines - this is largely a result of improved quality in the reporting we have received, and that several managers have been actively working on developing guidelines related to ESG in the investment process during the year. The improved quality reflects, among other things, that additional focus from the investor side is contributing to the managers having greater attention and awareness of these issues. More specifically we are seeing that:

- 9 managers have updated their investment guidelines during 2012/2013, i.e. almost one third of the managers in the portfolio
- Two managers are in the process of updating their guidelines
- Through Argentum's requirements in the side letter, all of our new commitments in the primary portfolio have undertaken to report on the work related to ESG in 2013.

As mentioned Argentum has expanded reporting to include EVCA's newly established standard for responsible investments. These questions relate to the work the funds carry out prior to making new investments, and how they follow up their portfolio companies after the investments have been made. The questions that Argentum has asked the managers are as follows:

*1. Are ESG factors included in the due diligence processes of the funds' investments, and are responsible investment matters evaluated on a regular basis? Please list the ESG factors assessed, and any relevant processes for reporting.*

- 65 % of the managers responded positively to this

*2. Has there been conducted an assessment of the potential environmental impact of the business operations of the portfolio companies? If so, how has any potential risk or negative impact been mitigated or resolved?*

- 48 % responded positively to this

*3. Has there been conducted an assessment of social factors, such as factors affecting the work force, customers, suppliers and communities, which could be applicable to the portfolio companies. If so, how are these factors addressed and/or resolved?*

- 48 % responded positively to this

*4. What measures have you taken to ensure good corporate governance and sound ESG practices in the funds' portfolio companies?*

- 58 % responded positively here

In general, the responses we have received indicate that the funds have implemented ESG factors in the evaluation and monitoring of their portfolio companies. The percentages are not higher primarily due to the fact that many funds have completed their investment period, and hence it is not natural to establish such guidelines subsequently. Several of the funds in the portfolio have also developed their own assessments for environmental and social factors. For those that have not implemented this, the primary reason is that carrying out own assessments of these factors is not necessary due to the fund's investment mandate, and that such assessments are carried out on a case by case basis instead. With regard to corporate governance, the majority of the managers have developed their own routines for monitoring here. It is also particularly positive that the majority of the managers in the portfolio have these issues on their agenda, and will work to develop routines relating to this in the future.

Argentum has also carried out an assessment of the managers' guidelines and the fund's legislative agreements.. Specifically, we have examined whether sectors have been excluded from investments,

whether reference has been made to specific policies/guidelines, whether reference has been made to established standards for responsible investments, including EVCA/industry associations, UN Pri and UN Global Compact and whether the funds have other specific regulations concerning, for example, insider trading and stock trading. See Appendix 2 for a complete overview of the questions posed to the managers.

The results received show that the majority of the managers take this into consideration in one way or another. How this is implemented varies, particularly with regards to investment restrictions as in many cases these are covered by both legislation and guidelines. Several managers do not have explicit guidelines within these areas either, as they are covered by separate side letters which are supplementary agreements with specific investors in the fund, instead of it being covered in the general legislative agreements. Smaller managers with a narrow investment mandate generally do not have restrictions specifically mentioned in legislation/guidelines as these sectors would not be relevant investments in any case.

On some points the funds did not have their own guidelines, as the factors were indirectly covered through, for example, references to UN Pri. Some managers have not responded.

Argentum follows OECD guidelines in the area of taxation, as well as the Global Forum standards and only invests in jurisdictions that have taxation agreements with Norway. Argentum reveals information regarding the jurisdictions of the funds on our website and in the annual report.

## Reporting breaches of recognised principles for responsible investments

In the dialogue with the funds, the managers are specifically asked whether they know of any breaches of the ethical guidelines and legislative agreements. Argentum has not identified any instances of breaching the recognised principles for responsible investments in 2012.

## Actions and focus in the future

Argentum registers that the developments we have previously witnessed, with an increasing focus on ESG principles, both from the manager's and investor's sides, continue to develop positively. We are also witnessing that a growing number of managers have their own assessments regarding ESG in their investment processes, and they are working actively to monitor these. Key ESG provisions are often included in the legislative framework relating to the investments, or via separate ESG requirements in a side letter.

Our focus going forward will continue to be ensuring that our requirements regarding ethical principles are integrated into agreements when committing to new funds, as well as increasing the proportion of existing funds that have satisfactory ESG. This is primarily carried out by applying pressure on fund managers in the primary market where Argentum has invested.

Argentum will report in accordance with the UN Global Compact from 2013.



# Argentum's business operations

*Pursuant to point A15 in the ethical guidelines, Argentum shall prepare a yearly report based on selected indicators from the UN Global Reporting Initiative (GRI). This is a set of standardised reporting indicators for ESG that has been accepted as a global standard.*

## GRI indicators

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

GRI is a set of general reporting indicators used by a number of industries, and many of the indicators are of most relevance to larger companies. Since Argentum has limited challenges in connection with ESG in its own operations, Argentum merely reports on a selection of the GRI indicators that are most relevant to the company.

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

Indikator	Status 2012	Status 2011
Recycling (Paper and IT)	45.00 %	45.00 %
Business travel emissions, carbon equivalent	49,4 tonnes	42,5 tonnes
Business travel emissions, carbon equivalent per full-time employee	2,9 tonnes	2,5 tonnes
Sick leave	3.70 %	3.20 %
Percentage of women	29.00 %	31.00 %
Average hours of training per year	29 hours	20 hours

The indicators show that Argentum's impact on the external environment was somewhat higher in 2012 compared to 2011. The recycling percentage has remained stable, while total emissions related to business travel are somewhat higher. This is due to greater activity in the company, at the same time as travel activity in 2011 was a little below average. Argentum has video conferencing equipment that is regularly used, particularly in connection with internal meetings, and this has contributed to reducing travel activity.. Argentum's business operations entail some travel activity, and it is therefore difficult to comment on the

potential for reducing this further. The percentage of women in the company has remained steady. Sick leave and training have witnessed a small increase.

## Environmental indicators

As part of our business operations, some travelling is required. In 2012 this resulted in emissions of 49.4 tonnes of CO2 equivalents, while the corresponding figure for 2011 was 42.5 tonnes of CO2 equivalents. This represents an increase of 16 % compared with 2011 and an increase of 0.4 tonnes per employee. The growth in travel activity is due to greater activity in the company associated with recruitment within business development. At the same time an increased focus on Investor Relations (IR) and investment activity has contributed to a higher number of business trips. Nonetheless it is worth noting that emissions have fallen from 70.5 tonnes of CO2 equivalents in 2010.

Argentum has invested in video conferencing equipment to limit our environmental impact, and this is frequently used for internal meetings in the company.

Argentum has an agreement with an external party regarding recycling of our discarded IT equipment, and also have requirements regarding our suppliers' environmental certification. Argentum has also implemented environmental initiatives regarding paper recycling and 45 per cent of paper waste was recycled in 2012, the same proportion as the previous year. Measures have been implemented to see how this can be further increased.

## Social indicators

Argentum had 17 employees at the end of 2012. Sick leave was 3.7 per cent of total working hours in 2011, compared with 3.2 per cent in 2010. The increase in sick leave is caused by one long-term sick leave. Argentum strives for gender equality and the proportion of women in 2012 was 29 per cent, compared with 31 per cent in 2011. Argentum has hired several women in 2013. Argentum actively works to develop the employees' expertise, and in 2012 each employee was given an average of 29 hours of training, compared with 20 hours in 2011. In addition to greater focus on training and increasing expertise in the company, much of the increase was due to one employee's participation in a programme that was arranged over an extended period of time.

## Economic indicators

The proportion of our value creation, measured by the share of the company's revenues in 2012, that is attributable to our owners is 92 percent, compared to 87 percent in 2011. The employees' share has decreased from four to three per cent, the share going to the government has dropped from three to two per cent, while the suppliers' share has decreased from six to three per cent. The reason behind these changes is that the revenue base has grown significantly compared to the previous year, and that a larger proportion of the value creation thereby is attributable to the owners through dividends and increased value of the portfolio.

## Raising awareness

In addition to the annual ESG report, a summary of the status of the work relating to ESG is presented in Argentum's annual report. A meeting is convened each year with the Ministry of Trade and Industry's

ownership department specifically focusing on ESG activities.

During 2012 Argentum has focused on ESG on several occasions. At the Argentum Conference in 2012 one of the two main sessions was "Reputation and Credibility" relating to the work on ESG in the portfolio. Here the managers in our portfolio were given presentations by:

- Professor Ulrich Hege, HEC Paris: The future challenges for the private equity industry from an academic viewpoint
- Magnus Lindquist, Partner, Triton –Lessons learned from the Swedish spotlight
- Ludo Bammens, Head of European Corporate Affairs, KKR – Creating value through responsible investments and working systematically with ESG. How and why do we do it?

This was followed by a panel discussion with the speakers and Christian Frigast, Managing Partner at Danish Axcel. For Argentum, this year's Argentum Conference was a natural place to focus on the work with ESG.

Argentum has also had discussions during 2012 with other Norwegian and international investors in connection with the work on ESG in the portfolio. This work will continue going forward. In order to strengthen its work relating to ESG Argentum became a member of the newly established Norsif in January 2013.

In addition to the annual reports, Argentum's ethical guidelines and our ESG reports are available at our website: [www.argentum.no](http://www.argentum.no)



# Appendix 1 - Ethical guidelines

## Ethical guidelines for Argentum Fondsinvesteringer as and investment activities

(LAST AMENDED ON 22 MAY 2013)

### 1.1 PURPOSE

Our ethical guidelines are a means of ensuring that, by focusing on integrity and high ethical standards, we make good decisions. The guidelines shall be a dynamic way of ensuring that Argentum averts undesirable conduct.

Our ethical guidelines shall ensure that we do not make investments which constitute an unacceptable risk that we may contribute to unethical acts or omissions.

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

### 1.2 VALUE BASE

In every area of our work, as a manager of assets on behalf of third parties, we shall endeavour to maintain a high ethical standard.

- All activities in which we are involved shall be legal where such activity is carried out
- To this end, we shall comply with and promote the principles set out in the UN's Global Compact1.

### 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 submitted to the Board shall include information on assessments that have been made concerning corporate social responsibility.

## **A. ETHICAL GUIDELINES FOR ARGENTUM'S OWN ACTIVITIES**

THROUGH THESE GUIDELINES WE WISH TO FOCUS ON A NUMBER OF SELECTED AREAS OF RISK WITHIN OUR SPHERE OF ACTIVITY. THE GUIDELINES ARE THEREFORE IN NO WAY INTENDED TO PROVIDE EXHAUSTIVE SOLUTIONS TO THE ETHICAL QUESTIONS THAT WE MUST DECIDE ON.

These guidelines apply to all of our employees, Argentum's Board members and officers appointed directly by us in other activities.

### **A.1 HUMAN DIGNITY**

The values which form the basis of our activities shall be in accordance with the principles set out in the UN's Global Compact.

### **A.2 WORKING ENVIRONMENT**

Argentum shall be an attractive and professional place of work where importance is attached to equality and mutual respect among the employees.

### **A.3 TREATMENT OF CONFIDENTIAL INFORMATION AND INTANGIBLE VALUES**

As a manager of state funds, Argentum shall seek to ensure that its activities and investments are characterised by openness. Our employees nevertheless have a duty of confidentiality in respect of business secrets. Information which is required to be kept confidential by our business partners or portfolio companies shall not be communicated to other parties.

We have a special duty to protect intangible values which form the basis of the portfolio companies' activities. Information which is received through work done for Argentum shall not be used for the purpose of private investments or the like. The regulations on the prohibition of insider trading as provided for in chapter 2 of the Securities Trading Act (Norway) apply to all trading, in so far as they are appropriate.

### **A. 4 CONFLICT OF INTEREST**

In the exercise of our work there shall be a special emphasis on preventing conflicts of interest from arising. Our employees shall be especially concerned to ensure that there are no grounds for asking about conflicting roles or questioning the integrity of anyone working on projects where Argentum is involved. We shall be especially vigilant to ensure that close personal relationships related to friendship, social contact and activities at work or in free time do not affect our independence. Case processing shall therefore always include an account of any special matters that could influence our independence.

#### ***A.4.1 Consideration of our employees' and Board members' other interests***

Our employees, Board members and persons connected to them are prohibited from investing in companies in which Argentum has owner interests, directly or indirectly, through fund investments. The Board may grant dispensation from this provision in special cases (e.g. management co-investments).

Our employees and the Board members shall exercise great care in trading in unlisted securities. Employee trading in securities of this kind shall always be reported to the company management.

Where there is a risk that a conflict of interest might arise, our employees and Board members are also precluded from employing the services of advisers (e.g. lawyers/brokers) who are used by Argentum, or advisers who are known to be linked to the various funds where the company is involved.

Where employees or Board members are employed by, carry out assignments for or hold positions of trust with others, Argentum shall be informed. For employees, such matters have to be approved by the management of Argentum. Activities of this kind must always be avoided where this could lead to an unfortunate conflict of roles.

There shall also be openness about ownership relationships, employment relationships, assignments, supplier relationships and the like which the employees' connected persons have with enterprises where Argentum is

involved.

#### ***A.4.2 Conflict of interest with Argentum's business partners***

In the exercise of their work, our employees shall be alert to various ways influence can be brought to bear on our investment decisions, use of consultants etc. Our decisions shall not be influenced by external considerations. There shall therefore be full openness surrounding our participation in social events where Argentum's business partners are involved. Participation in dinners and similar meetings shall always be approved by the immediate superior or the managing director. Participation in travel at the invitations of Argentum's business partners shall always be approved in advance by the company management. Participation shall be limited to events with an important professional content or where it is of special significance that Argentum is represented. Argentum shall normally pay for its own participation.

Our employees shall not accept gifts from Argentum's business partners unless they are occasional gifts of modest value. Employees are required to notify the management of gifts which are not of insignificant value. The managing director may issue further guidelines relating to such gifts.

Private business links with Argentum's business partners should be avoided and Argentum's employees are not permitted to receive discounts on the purchase of goods or services etc. from Argentum's business partners unless this is linked to framework agreements and the like (such as hotels) where Argentum benefits from such use.

### **A.5 INFORMATION, COMMUNICATION AND MEDIA CONTACT**

The information we provide to the public at large shall be correct and reliable, and we shall seek to maintain a high professional and ethical standard. Information for the media is the responsibility of the managing director or a person designated by him/her in each case.

### **A.6 COMPETITION PRINCIPLES**

In the conduct of our business we shall endeavour to have open and fair competition in all markets, nationally and internationally, and to comply with national and international competition regulations.

### **A.7 CORRUPTION AND LAUNDERING**

Through our managers and business partners we shall work against corruption and comply with the principles set out in money laundering regulations.

### **A.8 IMPARTIALITY**

#### ***A.8.1 Impartiality of employees***

If the impartiality of an employee can be drawn into doubt because he/she may have crossing interests, the matter shall be taken up with the immediate superior and the person in question shall withdraw from further consideration of the matter if there is a risk of infringement of impartiality.

#### ***A.8.2 Impartiality of Board members***

Board members shall not participate in the discussion or decisions of Board matters when the member in question is disqualified pursuant to section 6-27 of the Norwegian Limited Companies Act. Regardless of whether Board members are impartial or not pursuant to section 6-27 of the Norwegian Limited Companies Act, Board members shall be deemed not to be impartial and shall thus withdraw from consideration of Board matters when:

1. The Board member himself/herself, or persons connected to the Board member, cf. section 1-5 of the Norwegian Limited Companies Act, as a participant, investor or otherwise has an economic interest in the matter. This shall not however apply when the economic interest is insignificant.
2. The Board member himself/herself, or persons connected to the Board member, cf. section 1-5 of the

Norwegian Limited Companies Act, is employed by or has a service relationship with a company or undertaking linked to the matter.

3. There are other special circumstances which are liable to weaken confidence that a Board member will consider the matter exclusively on the basis of what is in Argentum's best interests. Board members must notify the managing director or the chairman of the Board as soon as possible of any circumstances which could make him disqualified from considering a Board matter. In the event of disagreement as to whether a Board member is impartial, the matter shall be decided by a majority vote of the Board. The Board member to whom the matter relates shall not participate in this vote.

## **A.9 REPORTING – SANCTIONS**

Infringements of our ethical principles can have consequences for terms and conditions of employment, and in more serious cases can lead to dismissal or termination of employment. If any of our employees have a suspicion that certain matters may be in violation of our ethical principles the immediate superior or the managing director shall be notified. If an employee is in doubt as to how a problematic situation squares with the company's ethical rules, the matter should be put before the immediate superior or the managing director. In order to gain experience in matters of an ethical nature, the regulations shall be revised regularly and we shall encourage open discussion of relevant ethical problems.

## **A.10 ENVIRONMENT**

Argentum shall work purposefully to reduce any detrimental environmental effects of the company's operations, investments and purchases.

## **A.11 USE OF THE COMPANY'S EQUIPMENT AND ASSETS**

No one is entitled to make unreasonable use of the company's data, IT equipment, material or other assets for private purposes or for activities which have no relevance for their work. This is entirely prohibited for the purposes of gambling, pornography, racism or for other purposes which could be regarded as offensive.

## **A.12 PURCHASE OF SEXUAL SERVICES**

The purchase of sexual services is prohibited under Norwegian and Swedish law. This prohibition also applies to employees travelling in an official capacity in other countries.

## **A.13 MARKETING**

We shall give advice which protect the interests of our cooperating partners. All information and conditions shall be characterised by respect for cooperating partners, society at large and the environment.

## **A.14 WHISTLEBLOWING**

Whistleblowing means bringing unacceptable conditions to the attention of someone who is able to do something about it. Examples of unacceptable conditions are violations of laws, internal regulations or guidelines. Anyone who becomes aware of matters which he/she believes are in violation of rules or guidelines which apply to the company is encouraged to report this. Whistleblowing is instrumental in ensuring that unacceptable conditions are rectified. Each employee is encouraged to report unacceptable conditions as this can help the company to develop, but there is normally no reporting requirement. Employees do have a duty to report criminal acts and matters which put lives or health at risk. There are several ways of reporting unacceptable conditions. It can be done by giving written or oral notification to a superior, the managing director, the chairman of the Board or a safety delegate.

## **A.15 REPORTING ON OWN ACTIVITY**

Each year Argentum shall prepare a report on corporate social responsibility in respect of its own activities applying a selection of relative indicators based on the Global Reporting Initiative<sup>2</sup>.

## **B SPECIAL ETHICAL GUIDELINES FOR INVESTMENT ACTIVITIES**

### **B.1 RESPONSIBLE INVESTMENTS**

The management of Argentum's capital shall be based on a goal which seeks to achieve the highest possible return. A sound long-term return is contingent on sustainable development in the economic, environmental and social sense, as well as well-functioning, legitimate and effective markets.

In its investment activity, Argentum shall integrate considerations targeted on good corporate governance, the environment and society at large, in line with recognised principles of responsible investment practice. Integration of these considerations shall be implemented taking due account of Argentum's investment strategy and the role it plays as an investor in private equity funds.

### **B.2 REQUIREMENTS TO BE MET BY NEW FUNDS**

Where Argentum invests in recently established funds it will be concerned to ensure that

- conflicts of interest, questions of impartiality and inappropriate mixing of roles in management activities are avoided
- no inappropriate or unreasonable compensation schemes are established for the fund manager
- the business is organised within generally accepted legal systems
- no illegal taxation schemes are established for the parties involved, and
- there is full openness in all matters of significance for an assessment of ethical questions related to business activities.

Recently established funds in which Argentum invests shall have established guidelines which ensure that the investments made by the fund are in conformity with recognised principles of responsible investment activity, and that principles of good corporate governance have been established, or that there is binding acceptance of Argentum's principles of corporate social responsibility, as set out in a separate letter.

### **B3. ESTABLISHED FUNDS**

Where established funds do not have guidelines for responsible investments or principles of good corporate governance, and where Argentum is an investor in such funds, the company shall take active steps to establish such guidelines and principles.

### **B.4 VIOLATIONS OF RECOGNISED PRINCIPLES OF RESPONSIBLE INVESTMENT**

If, after the fund has made an investment, it is discovered that there have been serious violations of recognised principles of responsible investment, or of the principles of good corporate governance, Argentum shall ask the manager to take action to remedy the situation. If the situation is not remedied and/or it seems likely that similar violations can be expected in the future, Argentum shall – even if this entails a loss for the company – if possible wind up the fund investment assignment and/or seek to withdraw from the investment.

### **B.5 REPORTING**

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

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1 See <http://www.unglobalcompact.org/> for the principles of UN's Global Compact

2 See <http://www.globalreporting.org/Home>





# Appendix 2 - Own questions to the managers related to legislation and ethical guidelines

## **INVESTMENT RESTRICTIONS:**

- Prohibited to invest in production and sale of weapons
- Prohibited to invest in tobacco
- Prohibited to invest in gambling
- Prohibited to invest in nuclear, biological and unconventional weapons such as land mines or cluster bombs
- Prohibited to invest in genetic modification
- Prohibited to invest in narcotic drugs

## **POLICY REFERENCES:**

- Money laundering regulations
- National and international competition regulations
- Bribery and Corruption Policy
- Occupational safety and health policy
- Non-discrimination Policy
- Work environment Policy
- Human rights Policy
- Environmental Policy
- Child labour regulations
- Other laws and conventions

## **OTHER REFERENCES:**

- Reference to the EVCA guidelines
- Reference to national (NVCA, DVCA, SVCA, FVCA) Venture Capital Association Guidelines

- References to The UN Pri
- Reference to The UN Global Compact

### **SPECIFIC RULES:**

- Rules prohibiting the use of inside information
- Rules that regulate share trading
- Impartiality and Conflict of Interest Policy