

*This is a translation of the executive summary of the Swedish original version*

Decision on 13 November 2018

## **Decision in supervisory case concerning a private equity-owned healthcare and social care group**

### **The decision in brief**

On the basis of the SVCA's Code of Conduct ("Code of Conduct"), the SVCA's Supervisory Board ("Board") has reviewed HgCapital Trust plc (the "Company") as a consequence of events and circumstances in its previous portfolio company Frösunda Omsorg AB ("Frösunda") which have gained attention. In its most central respects, the review proceeds upon the basis of public information received from municipalities, the IVO and the media.

The purpose of the Code of Conduct is to ensure public confidence in that private equity firms act responsibly and professionally. According to the Code of Conduct, private equity firms which perform services on behalf of the public, for example by conducting social care operations, must protect the rights of persons affected and ensure the fulfillment of the interest of safe and smoothly functioning operations. A private equity firm which can exercise a controlling influence over a portfolio company has an active obligation to ensure that the norms set forth in the Code of Conduct are observed in the portfolio company's operations.

Active owner responsibility according to the Code of Conduct means responsibility for becoming involved in the portfolio company and participating in decisions which affect the company's future without acting on an operating level. This involves not only taking an active role in various strategy questions and the focus for a portfolio company by preparing and evaluating choices faced by the board of directors and through board representation. Active ownership responsibility also involves actively supporting and following up the portfolio company in other ways through a continuous owner dialogue regarding, for example, goals and evaluations, demands for sustainability, compensation questions, transparency and communications, as well as risk management and regulatory compliance.

The Board has firstly taken a position as to whether there have been such deficiencies in Frösunda's operations that it has not protected the rights of persons involved nor satisfied the interest of ensuring safe and smoothly functioning operations. In this context, the Board has found that the operations conducted at Frösunda were subject to such deficiencies that they cannot be said to have protected the rights of those concerned and to have fulfilled the interest of ensuring safe and smoothly functioning operations.

The Board went on to consider whether an obligation arose on the part of the Company to take action. The Board has found that such an obligation did arise since the Company had a controlling influence over Frösunda; the deficiencies in Frösunda's operations during the period of the Supervision were systematic and recurring; and Frösunda did not correct these deficiencies within the scope of its ordinary operations.

Finally, the Board considered whether the Company had lived up to its responsibilities according to the Code of Conduct and found that it has not been shown that the Company took the measures required in order for Frösunda to correct the deficiencies in the operations.

Taken as a whole, the Board has found that the interest in ensuring safe and smoothly functioning operations was not satisfied by Frösunda during the period of the Supervision as prescribed by the Code of Conduct. Based upon the frequency, scope and geographic spread of the problems which occurred in Frösunda's operations, as the majority owner with a controlling influence in Frösunda, the Company had an obligation under the Code of Conduct within the scope of its active ownership responsibility to take requisite measures to ensure that Frösunda would correct the deficiencies. It has not been demonstrated that the Company fulfilled this obligation and thereby also the obligation under the Code of Conduct to act in its operations in such a manner as to be deserving of public trust.

The Supervision has therefore resulted in criticism of the Company for lack of compliance with sections 4, 5 and 7 of the Code of Conduct. Since the Company is not a member of the SVCA, no additional measures can be taken on the basis of the Supervision. The Board has thus decided to close the matter with this statement.