

Sustainability – an important value driver

Industrivärden’s strategy to develop and create value in its portfolio companies over the long term entails a natural focus on sustainability. Sustainable growth in value can only be created in long-term competitive companies that pay close attention to environmental, social and governance aspects. Industrivärden is a responsible owner with high ambitions to participate in the development of sustainable businesses. In this way, it is possible to contribute to sustainable portfolio companies, which benefits the communities in which they operate. This involves minimizing sustainability-related risks while capitalizing on sustainability-related opportunities in a rapidly changing world.

Industrivärden sets clear demands for its portfolio companies. They are to establish strong market positions, good cash flows and financial strength as well as a distinct capacity for development. This forms a stable foundation for well-integrated sustainability work with innovations, products and services that contribute to sustainable development. By investing capital in operationally and financially sustainable companies and contributing to the portfolio companies’ strategic sustainability work, Industrivärden takes responsibility for sustainable development.

Particular focus is put on material sustainability risks and sustainability-related opportunities from risk mitigation and value-creation perspectives. Industrivärden’s overarching ambition is to be a well-informed and demanding owner with a sustainability perspective that contributes to the

long-term success of its portfolio companies and to offer a long-term and sustainable investment with an attractive total return at balanced risk.

To materialize these ambitions, Industrivärden:

- Performs continuous analysis and follow-up of the respective portfolio companies in accordance with its integrated sustainability analysis.
- Formulates owner agendas for the respective portfolio companies as well as influence initiatives in accordance with its business model.
- Conducts dialogues with prioritized stakeholders aimed at soliciting views in support of further development of its sustainability work.

Industrivärden expects the portfolio companies to have a sustainable approach in all aspects of their operations.

Industrivärden’s 2022 sustainability report

consists of the sustainability introduction on pages 18–19, the detailed sustainability information section on pages 81–89, and the GRI Index and TCFD Reference on pages 90–93.

Central activities

- Continuously develop Industrivärden’s sustainability work with a foundation in stakeholder dialogues
- Evaluate the portfolio companies’ sustainability-related risks and opportunities
- Ensure superior and well-integrated sustainability work in the portfolio companies
- Make demands and exercise influence in the portfolio companies

Industrivärden’s expectations

The portfolio companies shall:

- View sustainability as a key strategic issue and conduct exceptional sustainability work
- Continuously develop their sustainability work in a structured way with support from relevant guidelines and measurable goals
- Monitor, evaluate and continuously communicate the progress of their sustainability work

Industrivärden’s sustainability strategy, risk management and governance of sustainability work are described in the detailed sustainability information on pages 81–89.

To be able to conduct a qualitative analysis of the portfolio companies’ sustainability work and exercise influence in sustainability, Industrivärden must have a depth of knowledge about the respective companies’ operations and sustainability-related matters. The sustainability analysis is therefore an integral part of the fundamental analysis that is conducted of the respective portfolio companies. In this way, sustainability aspects are addressed from a holistic perspective, with a base in the portfolio companies’ respective operations, geographies and stages of development. This means that the sustainability perspective is taken into account in assessments of the portfolio companies’ boards and management teams, strategic issues and financial performance.

The individuals who represent or have ties to Industrivärden on the portfolio companies’ nominating committees and boards must have a current and thorough understanding of identified value creation measures. Against this background, Industrivärden’s owner agendas for the respective portfolio companies are discussed and evaluated on a continuous basis by Industrivärden’s board. This allows Industrivärden to exercise influence on strategic sustainability issues over time.

Industrivärden’s stakeholder and materiality analysis clearly shows that the Company’s most important duty is to contribute to sustainable shareholder value in its portfolio companies. In this work, major emphasis is put on ensuring well-integrated and structured sustainability work in the portfolio companies. Central areas are responsible corporate governance and a sustainable societal role, minimized negative climate and environmental impact, and sustainable production and innovation. Based on these focus areas, relevant goals have been established with support of the UN’s Agenda 2030 framework for the global Sustainable Development Goals. Specific goals and goal achievement are described in the detailed sustainability information on pages 81–89.

Development of sustainability work in 2022

Further development of Industrivärden’s sustainability analysis

With a base in Industrivärden’s integrated sustainability analysis framework, during the period 2020–2022 a more extensive review was conducted of the portfolio companies’ sustainability work, which has increased Industrivärden’s competence in sustainability issues. This analysis has been developed and expanded with respect to its scope as well as to the number of meetings held with representatives of the portfolio companies. Influencing activities are conducted within the framework of active ownership.

Comprehensive upgrade of Industrivärden’s sustainability report

During 2022, Industrivärden’s sustainability reporting was further developed with respect to both its extent and level of detail. Adaptations have been made to relevant reporting frameworks as well as to stakeholder dialogues. Particular focus has been put on sustainability risks and on the Company’s TCFD reporting.

Thematic reviews

Industrivärden continuously conducts reviews of central areas of influence such as electrification, digitalization, etc. During 2022 a review was conducted of material EU legislation that affects the portfolio companies.

Focus areas and overarching goals

Based on Industrivärden’s materiality analysis, its sustainability work has particular focus on the following areas:

Responsible corporate governance and sustainable societal role



Good corporate governance, good business ethics and anti-corruption



Greater diversity



Decent working conditions

Minimize negative climate and environmental impacts



Reduced climate impact

Sustainable production



Sustainable production



Sustainable innovation

The goals are further described in the detailed sustainability information on pages 81–89.

Detailed sustainability information

Structure of sustainability reporting

Industrivärden's sustainability reporting is integrated in the Company's business review and annual report, where the sustainability perspective makes up part of the descriptions of the Company's business model and operations. The statutory sustainability report as prescribed by the Annual Accounts Act for the 2022 calendar years consists of the sections Sustainable value creation (pages 18–19), Detailed sustainability information (pages 81–89), and the GRI Index and TCFD Reference (pages 90–93). The GRI Index has been prepared based on the Global Reporting Initiative Standards (the GRI Standards).

The sustainability report has been examined by the Company's auditor in accordance with FAR's recommendation RevR 12, *Auditor's opinion regarding the statutory sustainability report*, and an opinion on the sustainability report has been provided (page 78). Information about which parts of Industrivärden's business review and annual report are included in the formal annual report that has been submitted by the Board of Directors is provided on page 3.

Industrivärden has signed the UN Global Compact, and Industrivärden's Communication on Progress (CoP) report for 2022/2023 as well as its commitments for 2023/2024 are published on the UN Global Compact website (in March of the respective years). Industrivärden also reports yearly climate data including the portfolio's carbon emissions to the CDP as well as its climate exposure (TCFD) in the sustainability report. To address the market's interest, general sustainability data is also reported to the largest sustainability databases, including S&P Global CSA and Sustainalytics.

Industrivärden's Code of Conduct and an SASB index for 2022 has been published on Industrivärden's website.

Industrivärden's portfolio companies have prepared their own sustainability reports, which can be found on the companies' respective websites.

Industrivärden's view of sustainability

Industrivärden's view of sustainability as well as the expectations and requirements it sets for the portfolio companies are described in the sustainability introduction on pages 18–19.

Direct and indirect sustainability influence

From an overarching perspective, Industrivärden has the greatest sustainability influence through its role as an active owner of its portfolio companies. Against this backdrop, the sustainability perspective makes up an integral part of Industrivärden's company analyses and owner agendas. Particular emphasis is put on ensuring that the portfolio companies have clear systems of corporate governance and

adhere to good business ethics, a well-integrated sustainability perspective, and that they offer an attractive workplace. It is the respective companies' boards and management teams that are responsible for prominent and well-integrated sustainability work. In order to evaluate and, where needed, exert influence in these areas, Industrivärden analyses sustainability aspects such as governance and leadership, business culture, resource efficiency, climate impact, organization and diversity. In doing so Industrivärden has an indirect sustainability influence in its portfolio companies.

In addition, Industrivärden has a direct sustainability influence through the work that is conducted in its own operations in the listed company AB Industrivärden. The organization comprises approximately 15 employees at the office in Stockholm. Sustainability work encompasses all relevant aspects, but the main focus is on being a responsible employer, striving for diversity and reducing the Company's own climate impact. Given its active owner role, Industrivärden strives to serve as a model and to work proactively with a clear sustainability focus in its own operations.

Further information about the direct sustainability work in Industrivärden's own operations is provided on page 89.

Governance and execution

Sustainability strategy and owner influence

The principles for how Industrivärden is to act as a company and responsible owner are laid out in the Code of Conduct, which is adopted by the Board of Directors and is revised yearly. Through its active ownership Industrivärden strives to ensure that these approaches will permeate the companies in which it is an active owner. These guidelines stipulate, among other things, that:

- the overarching goal is to generate sustainable shareholder value while taking into account the stakeholders' interests as well as the overall economic, environmental, climate and social impact of operations;
- good business ethics and clear corporate governance with a genuine sustainability perspective contribute to long-term value creation and sustainable development of society;
- the workplace shall be distinguished by openness, responsiveness and mutual respect;
- the Company shall repudiate all forms of discrimination, since diversity in all forms enhances the level of knowledge, dynamism and quality in the operations;
- the Company shall uphold and integrate the UN Global Compact's Ten Principles in the areas of human rights, labor, anti-corruption and the environment.

With a foundation of good knowledge about the portfolio companies and the worlds they work in, Industrivärden exercises its ownership influence, mainly through representation on nominating committees and boards as well as in close dialogue with the companies. This work is an integral part of Industrivärden's overarching model for active ownership, thereby ensuring that Industrivärden's analysis, influencing work and follow-up are of high quality. The specific sustainability analysis is described below, and the process for exercising active ownership and ownership influence is described in more detail on pages 11–15.

Organization and responsibility

Industrivärden's board is responsible for formulation of the Company's goals and strategy, the forms of exercising active ownership and the fundamental sustainability principles. Sustainability work is evaluated on a continuous basis within the framework of operations as a whole. Follow-up of and decisions on sustainability work are conducted yearly at a board meeting and when necessary. The CEO has overarching responsibility for the Company's direct and indirect sustainability work as well as for integrating the sustainability aspect in the analysis and ownership processes. The Head of Sustainability is responsible for Industrivärden's direct sustainability work, external communication on sustainability matters, and internal collaboration in certain sustainability matters within the framework of the active ownership. Team managers are responsible for the integrated sustainability analysis in the respective portfolio companies.

Sustainability analysis

Being able to conduct a qualitative analysis of the portfolio companies' sustainability work – and exercising influence when needed – requires that Industrivärden has a depth of knowledge about the respective companies' operations and sustainability-related matters. The sustainability analysis is therefore an integral part of the company analysis that is performed of the respective portfolio companies. In this way, material sustainability aspects are evaluated from a holistic perspective, with a base in the portfolio companies' respective operations, geographies and stages of development. This means that the sustainability perspective is included in evaluations of the portfolio companies' boards and management teams, strategic issues and financial performance. The sustainability analysis also constitutes a more in-depth evaluation of sustainability issues and encompasses the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication.

The analysis is materiality-oriented and ranks the issues that Industrivärden intends to study further as well as matters over which it wants to exercise influence.

Important areas of assessment include climate and environmental impact, social conditions, anti-corruption, and prevention of human rights violations. The portfolio companies are to have the boards, leadership, organizations and resources needed to integrate sustainable business practices and thereby long-term value creation in their business models, processes and offerings.

The sustainability due diligence that is required of all listed companies (according to the GRI today and the CSRD in 2023) thus makes up an integral part of Industrivärden's continuing sustainability analysis.

The main focus of the analysis is on sustainability-related risks and opportunities to create value. The analysis is conducted with a double materiality perspective and looks both at the portfolio companies' external sustainability influence and how they are affected themselves from a sustainability perspective – financially and operationally. In cases where Industrivärden identifies strategic conditions, risks or value creation opportunities in which it wants to exercise influence, these are defined in Industrivärden's respective owner agendas, which form the foundation for influencing work. The owner agendas are revised at regular intervals and are set by Industrivärden's executive management.

Industrivärden exercises influence through representation in the portfolio companies' nominating committees and boards. The individuals who represent or have ties to Industrivärden are to have a current and pertinent understanding of the value creation measures identified for the respective portfolio companies. Against this background, Industrivärden's owner agendas are continuously presented and evaluated by Industrivärden's board. This allows Industrivärden to have an influence on strategic sustainability issues over time.

Risk management

Industrivärden's material sustainability risks and value creation opportunities exist in the portfolio companies, which are responsible for managing these within the framework of their respective operations. Industrivärden's risk analysis aims to identify conditions that deviate from the Company's understanding of an optimal approach in the respective portfolio companies. The analysis encompasses all material sustainability risks in the respective companies with a base in Industrivärden's prioritized focus areas. Climate-related financial risks are one example, where the analysis covers transition risks as well as physical risks (effects of a changed climate) in various scenarios and time perspectives. The portfolio companies' combined sustainability risks make up part of Industrivärden's equities risk, which is described on page 73.

The overall outcome of Industrivärden's risk analysis or the prioritized areas is shown below. Where needed, Industrivärden exercises its owner influence. Its active ownership thereby contributes to a long-term reduction of risk levels and to increasing value creation.

Guidelines and rules

Industrivärden's sustainability strategy forms the foundation of the Company's sustainability work both within the Company and within the framework of its active ownership. The sustainability strategy, which is described above, is defined in Industrivärden's Code of Conduct. In addition to this are a number of guidelines and rules that normally apply for Industrivärden's approximately 15 employees. All guidelines and rules are updated at regular intervals, and Indus-

trivärden's employees receive training in regulatory matters on a regular basis. See table below.

Handling suspected violations of the Code of Conduct
Industrivärden has a routine that is prescribed in the Code of Conduct for handling suspected violations of the Code of Conduct.

Cooperation and networks

Cooperation is a precondition for addressing sustainability challenges. Industrivärden has therefore signed the UN Global Compact and has been working to embody its ten principles since 2015. The Company regularly conducts various types of cooperation in the sustainability area.

It its sustainability work Industrivärden also adheres to global initiatives such as the OECD's Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Guiding Principles on Business and Human Rights.

Generated economic value

Good economic performance and financial strength are necessary preconditions for Industrivärden's ability to create long-term value for its shareholders and support the portfolio companies over time. In this way, Industrivärden can contribute to good development of the portfolio companies' corporate governance as well as social and environmental development. Industrivärden's financial performance and growth in net asset value are described on pages 51–73. Industrivärden's stock performance and dividends paid are shown on pages 44–46.

Materiality analysis

Industrivärden's sustainability-related focus areas have been identified and concretized with a foundation in a materiality analysis. This analysis draws from Industrivärden's stakeholder

dialogues, its abilities to influence through its ownership, and a materiality perspective.

Stakeholder dialogues

In its capacity as a holding company, Industrivärden has a financial, social and environmental influence on the world around it and on various stakeholder groups. Industrivärden therefore carries on a continuous dialogue with its stakeholders, which increases knowledge about important changes in the business environment and illuminates prioritized issues for the Company's stakeholders.

The stakeholder dialogues are an integral part of the continuous contacts with the Company's stakeholders and take the form of regular talks and meetings, annual reports, interim reports, Annual General Meetings, performance reviews with employees, memberships in various organizations, etc. Important stakeholders include shareholders, employees, other market actors, equity analysts, representatives of the portfolio companies, business partners and nongovernmental organizations (NGOs). During 2022 the stakeholder dialogues were reiterated for an updated materiality analysis without any material changes being made.

Significant issues

With a base in the respective stakeholder groups' priorities and Industrivärden's opportunities to exercise influence, the following have been identified.

- *Attractive return at balanced risk*
By owning quality companies with proven business models, where Industrivärden contributes through engaged ownership, the opportunities for long-term value creation increase at the same time that risk decreases. It is thus important that the portfolio companies have a good ability to minimize risks and capitalize on value creation opportunities within the framework of their own sustainability influence and external sustainability factors.

Central guidelines and rules

Policy area	Type	Scope	Decision
Business ethics and anti-corruption	Code of Conduct	Public	Board of Directors
Working conditions – general	Code of Conduct	Public	Board of Directors
Working conditions – Parent Company	HR policy	Internal	CEO
Human rights	Code of Conduct	Public	Board of Directors
Diversity/nondiscrimination – general	Code of Conduct	Public	Board of Directors
Diversity/nondiscrimination, safety, etc. – Parent Company	HR policy	Internal	CEO
Environment and climate – general	Code of Conduct	Public	Board of Directors
Environment and climate – Parent Company	Environment and climate policy	Internal	CEO
Information technology and cybersecurity	IT policy	Internal	CEO
Insider issues	Insider policy	Internal	CEO/Board of Directors
Risk management	Risk policy	Internal	CEO
Information and confidentiality	Information policy	Internal	Board of Directors
Protection of personal privacy	Personal data policy	Internal/public	CEO
Reporting of rule violations	Code of Conduct	Public	Board of Directors

- *Owner influence to drive integration of sustainability in the portfolio companies*
Industrivärden's opportunities to exercise active ownership require formal as well as trust-based influence in the portfolio companies. It is therefore of major importance that Industrivärden has financial opportunities as well as trust capital to maintain its influence.
- *Good corporate governance and business ethics*
Both Industrivärden's and the portfolio companies' corporate governance and business ethics are of major importance for sustainable value creation. In its capacity as a sizable owner, Industrivärden has great opportunities to influence corporate governance. The portfolio companies themselves are to integrate good business ethics in all parts of their operations, which is crucial for upholding the trust of their stakeholders and long-term value creation.
- *Greater diversity*
The portfolio companies themselves are to strive for greater diversity from a double materiality perspective. Taking advantage of various perspectives is important for the portfolio companies' long-term value creation as well for sustainable development of society.
- *Reduced climate and environmental impact*
The portfolio companies themselves are to strive for reduced climate and environmental impact from a double materiality perspective. A reduced impact creates opportunities for value creation at the same time that a slow pace of transition may entail direct as well as indirect risks and costs.
- *Responsible employers*
The portfolio companies themselves are to be responsible employers from a double materiality perspective. Attracting and retaining relevant expertise is crucial for the ability to generate enduring value creation in the portfolio companies.

Stakeholders' priorities may differ somewhat between various groups. However, there is a strong consensus that Industrivärden's most important duty is to contribute to enduring shareholder value in its portfolio companies. Given Industrivärden's business model, particular emphasis should be put on ensuring well-integrated and structured sustainability work within the portfolio companies. The same applies for more owner-related matters such as corporate governance and diversity as well as the globally urgent climate issue. Overall it can be noted that more strategically oriented sustainability issues are given higher priority than more operationally oriented matters.

Focus areas

Industrivärden shall be an engaged and responsible owner that contributes to well-managed companies for sustainable development of society. In doing so it can offer long-term attractive shareholder value at balanced risk. Industrivärden's portfolio companies are active in various sectors and geographies, and thus the material sustainability issues

differ from company to company. However, from a materiality perspective, certain more general, relevant matters can be discerned.

Moreover, given Industrivärden's business model, it has the greatest opportunity to exert an influence in corporate governance-related matters.

The materiality analysis shows that some sustainability areas are deemed to be particularly important, within which Industrivärden has chosen to actively pursue its owner role. These focus areas are:

1. *Responsible corporate governance and a sustainable role in society*
Good corporate governance incl. good business ethics and anti-corruption as well as diversity and good work conditions.
2. *Minimized negative climate and environmental impact*
Reduced impact on the world around us.
3. *Sustainable production and innovation*
Development and innovation of sustainable products and services as well as sustainable production with greater resource efficiency.

Based on these focus areas, relevant goals have been established with support of the UN's Agenda 2030 framework for the Global Sustainable Development Goals (SDGs). From an influence perspective, SDGs 5, 8, 9, 12, 13 and 16 relate to Industrivärden's portfolio companies (indirect impact) within the framework of Industrivärden's active ownership. SDGs 5 and 13 also pertain to the Company's own operations (direct impact).




Industrivärden's portfolio companies – goals and outcomes

From an overarching perspective, it is Industrivärden's expectation that the portfolio companies will:

- view sustainability as an important, strategic matter and conduct prominent sustainability work within their respective sectors, where sustainability aspects are integrated in their business models, business cultures, strategies, processes and product offerings;
- continuously develop and strengthen their sustainability work in a structured way with support from relevant guidelines and measurable goals;
- monitor, evaluate and continuously communicate the progress of their sustainability work and convey the ways in which they are contributing to long-term sustainable development in the communities in which they operate.

In order to drive development in Industrivärden's sustainability-related focus areas as an owner, a number of goals have been formulated. Set goals may be qualitative or quantitative. Follow-up is done using relevant metrics or indicators.

1. Responsible corporate governance and a sustainable role in society

	Industrivärden's goal	Outcome	Overall risk analysis
 Good corporate governance incl. good business ethics and anti-corruption	<p>The portfolio companies shall contribute to sustainable communities by working within the framework of their respective operations to ensure good corporate governance incl. ethical practices and targeted anti-corruption work. Similarly, they shall promote sustainable development in society and human rights.</p>	<ul style="list-style-type: none"> • 100% of the portfolio companies have an anti-corruption policy • 100% of the portfolio companies have a code of conduct and whistleblower function • 100% of the portfolio companies provide training to their employees in the company's code of conduct 	<p>The portfolio companies contribute to inclusive and peaceful societies by promoting long-term sustainable development in society in a structured way. All of the companies have codes of conduct for their employees and suppliers that enable reporting and follow-up of improprieties, and preventive training aimed at ensuring good business ethics and combating corruption.</p>
 Greater diversity	<p>All of the portfolio companies shall conduct active and targeted work to promote diversity and equal opportunity in all parts of the company based on specific competency needs.</p> <p>The goal is that the under-represented gender shall make up at least 40% of the portfolio companies' board members by 2030 from a portfolio perspective.</p>	<ul style="list-style-type: none"> • The underrepresented gender makes up 40% of directors on the portfolio companies' boards • 100% of the portfolio companies have anti-discrimination principles in their codes of conduct or policies 	<p>All of the portfolio companies put strong emphasis on diversity and equality, since this strengthens their operations, and they work continuously on being an inclusive employer that offers equal opportunities to all employees. Among other things, the portfolio companies have adopted anti-discrimination principles in internal guidelines.</p>
 Decent working conditions	<p>Sustainable economic growth is a precondition for development of responsible companies that create value over time. Against this background, the portfolio companies shall conduct their operations with focus on a long-term perspective, good business ethics, and guarantee a safe workplace for all employees.</p>	<ul style="list-style-type: none"> • 100% of the portfolio companies have signed the UN Global Compact for decent and productive working conditions • 88% of the portfolio companies report their accident frequency rate. 100% of the six companies that have reported this during the last four years (December 2018 – December 2022) have decreased their accident frequency rate 	<p>All of the portfolio companies generate sustainable value creation and have contributed to economic growth over time. The companies adhere to international conventions on human rights and working conditions, and conduct ambitious preventive work to ensure a safe work environment. All of the portfolio companies conduct preventive work to minimize the number of accidents.</p>

2. Minimized negative climate and environmental impact

Management of climate-related risks and opportunities

Long-term value creation requires a reduced climate impact and successful utilization of climate-related opportunities. Industrivärden's greatest climate risk consists of the combined climate risk in the equities portfolio based on Industrivärden's share of ownership in the portfolio companies, which is described below. Industrivärden's climate work in its own operations is described in more detail on page 89.

Through its active ownership Industrivärden follows the respective portfolio companies' inventorying, analysis and measures related to reducing carbon emissions and climate-related opportunities. The portfolio companies are active in different sectors and geographies, and thus their climate risks differ. Industrivärden's respective sustainability analyses are therefore based on the portfolio companies' climate scenario analyses, internal and external expert knowledge, and on measures taken by the companies.

Industrivärden's governance, strategy and management of climate risk are conducted in line with the model for sustainability issues that is described above in this sustainability report. Where needed, influence is exercised in accordance with Industrivärden's ownership model.

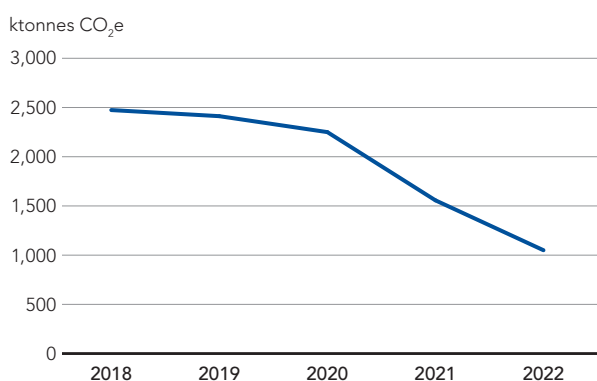
To illustrate the portfolio's combined climate risk in the form of climate impact and climate exposure, consolidated portfolio emissions and an overview of the portfolio's climate exposure are presented.

The portfolio's carbon emissions

The largest share of Industrivärden's emissions consist of indirect CO₂e emissions within framework of the Company's ownership in the portfolio companies (Industrivärden's Scope 3 emissions). Greenhouse gas emissions (CO₂e) from the equities portfolio and Industrivärden's own operations have been reported since 2010, when Industrivärden also began reporting its carbon footprint to the CDP (cdp.net).

The chart below shows the portfolio's yearly emissions over a five-year period. Data has been obtained from the portfolio companies' own disclosures of greenhouse gas emissions (GHG Protocol, market-based method), in proportion to Industrivärden's share of ownership (equity share approach). This development illustrates the portfolio companies' determined efforts to steadily reduce their CO₂e emissions as well as Industrivärden's divestment of its holding in the steel company SSAB in 2020/2021. Further information on the composition of the equities portfolio and Industrivärden's ownership stakes is provided on pages 22–23.

Portfolio emissions (Scope 1 and 2)



The equities portfolio's climate exposure (via TCFD)

The largest share of Industrivärden's climate risk exposure is within the framework of its ownership in the portfolio companies. Industrivärden uses the companies' climate scenario analyses and TCFD reporting, among other things, as documentation for its analysis of their identification and management of climate risk. Given that the portfolio companies are active in varying business areas, their analyses differ, but from a portfolio perspective a number of more general risks can be described, as below. The compilation shows the portfolio companies' disclosed climate-related risks in terms of physical risks and transition risks that could bear impact on the companies' operations in the short, medium and long terms. Climate-related opportunities pertain to the companies' identified ability to create value added that contributes to growth, emissions reductions and societal benefit.

Physical risks

- Disruptions caused by extreme weather events – impacts in supply chains, on transports, own production and property holdings (acute risk)
- Permanent changes in the climate and environment – higher average temperatures, rising sea levels and changed precipitation patterns – higher costs for climate adaptation measures, impact on asset values (chronic risk)
- Shortages/depletion of critical raw materials (chronic risk)


Transition risks

- Rising costs due to imposition of carbon emissions regulations and taxes (policy and regulatory risk)
- Higher costs for reporting and compliance (policy and regulatory risk)
- Limitations in a company's operations due to regulations of ownership rights/use (policy and regulatory risk)
- Slow and/or unpredictable permitting processes (policy and regulatory risk)
- Inability to develop the products, solutions and offerings needed for transition to a low-emissions economy – adaptation and limitation of impact (technological risk)
- Supply and pricing of renewable energy, raw materials, water and transport (market risk)
- Changed preferences and behaviors among customers (market risk)
- Inability to live up to requirements and expectations from the company's stakeholders (reputational risk)

Opportunities

- Innovation and technological development of products, services and offerings that support the transition to a low-emissions society
- New business models and strong sustainability work lead to competitive advantages, customer satisfaction and investment capital
- Products that support emissions reductions among customers and partners
- Global operations reduce geographic risks
- Longer growing seasons result in faster/larger harvests
- Own production of renewable energy is profitable
- Cooperation and partnerships with research, trade organizations and local communities

Industrivärden has reported climate-related information to the CDP since 2010. Today the TCFD's recommendations are integrated in the CDP's questionnaire on climate change. Industrivärden has been implementing relevant parts of the TCFD's recommendations regarding its own operations since 2020. See the TCFD reference on page 93.

	Industrivärden's goal	Outcome	Overarching risk analysis
 Reduced climate impact	<p>The portfolio companies shall develop prominent positions with respect to minimizing carbon emissions and the environmental impact of their own production and value chains. They shall have strong focus on efficient use of resources.</p> <p>The goal is that the portfolio companies shall adopt science-based targets for reducing their carbon emissions (Scope 1–2). They shall also have clear targets for reducing emissions in their value chains (Scope 3).</p> <p>By science-based climate targets is meant targets based on scientific grounds, with recognized methods such as the Science Based Targets initiative, Carbon Law (Exponential Roadmap) or similar, with the aim of contributing to achievement of the goals of the Paris Agreement.</p>	<ul style="list-style-type: none"> • 88% of the portfolio companies have joined the Science Based Targets initiative (SBTi), and 50% have had their targets approved. These targets meet the reduction goals within the framework of the Paris Agreement • 88% of the portfolio companies have concrete goals for reducing indirect carbon emissions in their value chains (Scope 3) <p>Presented below is an overview of ambitions, goals and outcomes for the portfolio companies' climate work.</p> <p>All of the portfolio companies have goals that aim to achieve the objectives of the Paris Agreement, but they have chosen different paths for achieving their set targets. Essity has chosen a slower pace of reduction by 2030, but like Volvo, Sandvik and Handelsbanken, it has made a long-term commitment to achieve net zero emissions in accordance with the Paris Agreement. The Net Zero Standard according to the SBTi entails that a company commits to achieving a 90%–95% absolute reduction by 2050 at the latest. Commitments without verification by SBTi have been made. Further information about the portfolio companies' targets and target achievement can be found in the respective companies' annual and sustainability reports.</p>	<p>Several of the portfolio companies work in emissions-intensive industries or have large environmental impacts through their products and services. The companies therefore need to reduce their environmental and climate impacts and take advantage of environment- and climate-related opportunities for long-term value creation. The portfolio companies have express ambitions to reduce their carbon footprints and have set concrete goals for reducing their climate-impacting emissions.</p>

Science based climate targets – status

Portfolio companies	Science Based Targets Initiative	Level	Scope 1 & 2 emissions targets	Total Scope 1 & 2 reductions (starting from base year)	Scope 3 emissions targets set	Net Zero
Volvo	✓	1.5°C	50% reduction by 2030 Base year: 2019	-13%	X	X
Sandvik	✓	1.5°C	50% reduction by 2030 Base year: average 2019	-19%	X	X
Handelsbanken	✓	1.5°C	Under development	—	—	X
Essity	✓	Well below 2°	35% reduction by 2030 Base year: 2016	-18%	X	X
SCA	—	—	50% reduction of Scope 1, 2 and 3 fossil emissions by 2030 Base year: 2019	-10%	X	—
Ericsson	✓	1.5°C	35% reduction by 2022 Base year: 2016	-63%	X	X*
Skanska	✓	1.5°C	70% reduction by 2030 Base year: 2015	-55%	X	X*
Alleima	✓	1.5°C	More than 50% reduction by 2030 Base year: 2019	-29%	X	X

✓ Approved

✓ Enrolled

* Company's commitment not verified by SBTi.

3. Sustainable production and innovation

	Industrivärden's goal	Outcome and illustrative examples	Overarching risk analysis
 Sustainable production	<p>The portfolio companies shall offer long-term sustainable products and services that contribute to sustainable production and consumption. They shall have ambitious goals and be at the forefront of resource-efficiency and circular business models.</p>	<ul style="list-style-type: none"> • 86% of manufacturing companies have measurable goals for reducing waste • 71% of manufacturing companies have measurable goals for reducing energy consumption in production or in products and services <p>SCA has invested SEK 70 M in a pellet plant to increase sustainability in its value chain. The investment will also allow the company to substitute fossil fuel oil with wood pellets at SCA's paper mill in Obbola. The plant's production capacity will be 25,000–30,000 tons of pellets per year.</p> <p>Volvo has accelerated its work with the transition to electrification. As an example, the company has taken the first step in the process to establish a large-scale production plant for battery cells in Sweden. In Ghent, Belgium, Volvo Trucks is opening its first battery assembly plant. The plant will supply batteries for Volvo Trucks' fully electric heavy duty trucks (Volvo FH, Volvo FM and Volvo FMX).</p> <p>At its quarry in Gävle, Skanska has begun accepting surplus loads from various construction and building projects. An electric hybrid plant sorts dumped loads, where Skanska expects to be able to recycle 50%–75%. Clean rock material is crushed and returned to the market in a circular business model, with a lower climate impact and price than virgin material.</p>	<p>The portfolio companies are actively striving to offer sustainable products and contribute to development of circular solutions. They are working actively to increase resource efficiency in production and operation, such as with respect to waste and energy consumption. The portfolio companies have high ambitions to be resource-efficient, using sustainability as a competitive advantage.</p>
 Sustainable innovation	<p>Industrivärden's portfolio companies shall have high aspirations to conduct sustainable operations, where they increase their competitiveness by developing sustainable innovations that are at the forefront of their industries.</p>	<p>Volvo has begun introducing fossil-free steel in its electric heavy trucks as a step toward achieving its sustainability targets. The fossil-free steel is manufactured with the help of entirely new, innovative technology that uses fossil-free energy sources. Volvo is the world's first truck manufacturer to use fossil-free steel in its trucks.</p> <p>In partnership with the British state-owned company National Highways and the National Composites Center in the UK, Skanska is conducting a trial of a new type of concrete that has a smaller carbon footprint than conventionally made concrete. The concrete is reinforced with basalt fiber, a construction material that causes lower carbon emissions in production than steel. It is currently being tested in a temporary road for heavy vehicles. The trial will provide a better understanding of the impact of the use the new material in road construction.</p> <p>Ericsson, together with Deutsche Telecom, has reached a new milestone in its partnership on renewable energy. The partnership is based on powering one of Deutsche Telecom's wireless facilities for the 5G network using solar and wind power. The project is also developing battery and fuel cell solutions for energy storage to replace diesel generators for backup power.</p> <p>Sandvik has won a record-large order for battery electric mining equipment. The deal, worth SEK 300 M, includes delivering a battery electric equipment fleet of forklifts, loaders and drills as well as on-site service for a mining project in Canada. The mining project will be one of the world's first carbon-neutral mining projects for copper and zinc.</p>	<p>To manage future sustainability-related risks and opportunities, companies need to continually strengthen and integrate sustainability aspects in their operations. The portfolio companies have a long tradition of actively promoting sustainable industrialization and innovation, and are well-equipped to manage the transition to a more sustainable approach. They contribute in various ways with innovations for sustainable industry and are leading the transition in their respective industries.</p>



Industrivärden's own operations – goals and outcome

Industrivärden shall be a workplace in which the employees enjoy their work, feel good and can develop. Toward this end, evaluations are continuously conducted of performance and development opportunities, and a continuous dialogue is conducted on matters related to the workplace, forms of cooperation and personal development. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.

Industrivärden has an ambition to reduce its own carbon footprint over time. Emissions come mainly from electricity and district heating consumption in the Company's office

building and from business travel. To reduce greenhouse gas emissions, environmentally certified electricity from wind and hydro power is purchased, and the remainder is compensated through offsets. To be able to monitor and benchmark the Company's carbon footprint, Industrivärden conducts carbon footprint reporting within the CDP framework. Industrivärden has been applying the TCFD's recommendations since 2019. See further the GRI Index and TCFD Reference on pages 90–93.

Industrivärden has the following sustainability goals for its own operations.

	Industrivärden's goal	Outcome	Overarching risk analysis
 Increased diversity at a good workplace	<p>Industrivärden shall be an attractive employer with focus on competence development, openness and diversity, and will attract, recruit and retain competent employees. The goal is to maintain proportional representation of the underrepresented gender of at least 40% on Industrivärden's board and Executive Management.</p>	<ul style="list-style-type: none"> • On Industrivärden's board, the underrepresented gender accounts for 37% of directors, and in the Executive Management it accounts for 40% of members • Continuously developed processes for broadened competence and diversity • Further training of all employees in the Company's sustainability strategy, Code of Conduct, anti-corruption, and policy documents on the environment, climate and diversity • Regularly recurring performance reviews with particular focus on the work environment and competence development • Continuous evaluation of development opportunities for all employees 	<p>Industrivärden offers a workplace where the employees enjoy their work, feel good and can develop. To continuously improve operations, a continuous dialogue is conducted with the employees on matters pertaining to the workplace, forms of cooperation and personal development.</p>
 Reduced carbon footprint	<p>The goal is to reduce Industrivärden's Scope 1, 2 and 3 carbon emissions (excluding emissions from portfolio companies) by 50% by 2030 compared with 2017. This goal is aligned with the Paris Agreement's goal to limit global warming to well below 2°C.</p>	<ul style="list-style-type: none"> • Industrivärden's carbon emissions have decreased by 43% since 2017 • Measurement and follow-up of Industrivärden's Scope 1–3 environmental impacts and carbon footprint • Report Industrivärden's carbon footprint to the CDP and compensate for the Company's footprint through offsets 	<p>Industrivärden works actively to minimize its own negative carbon footprint and environmental impacts, and compensates for all actual greenhouse gas emissions through offsets.</p>

Reporting in accordance with the EU Taxonomy

The EU Taxonomy Regulation aims to help investors and companies identify and compare investments that contribute to sustainable development. Industrivärden's own operations are not yet eligible under the Taxonomy, but it will have a major impact on the portfolio companies. In pace with the portfolio companies' development of their reporting in accordance with the Taxonomy, it is Industrivärden's ambition to provide a summary overview of this work. On December 31, 2021, the following share of the respective portfolio companies' sales were Taxonomy-eligible: Volvo 53%, Sandvik 15%, SCA 7%, and Skanska 56%. For Handelsbanken as a financial institution, the share of assets eligible under the

Taxonomy was reported based on the balance sheet as 39%. Essity and Ericsson have reported that those companies were not eligible under the Taxonomy Regulation in 2021. Alleima was introduced on the stock market in August 2022. For 2021 the portfolio companies reported the share of their sales that were Taxonomy-eligible, and starting in 2022 they will report the share of sales that are aligned with the Taxonomy. The portfolio companies are expected to report on more activities in pace with development of the Taxonomy.

Development of sustainability work in 2022

Development of Industrivärden's sustainability work in 2022 is described in the sustainability introduction on page 19.

GRI Index and TCFD Reference

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative (GRI) Standard, Core level, with the Financial Services sector supplement. This is Industrivärden's sixth sustainability report produced in accordance with the GRI framework and draws from the GRI principles regarding content and quality. The report pertains to Industrivärden's own operations in 2022 (January 1–December 31, 2022). The ambition is to report yearly.

Industrivärden's operations are conducted by approximately 15 employees at the Company's head offices in Stockholm. Since 2017 stakeholder dialogues and subsequent materiality analyses have been conducted to identify the highest priority issues in the area of sustainability. These analyses form the basis for determining which disclosures are reported in Industrivärden's sustainability report and GRI

Index. Industrivärden adheres to sustainable business practices by adopting a clear sustainability perspective in its investment decisions and operations as an active owner. The portfolio companies' sustainability reports are available on the respective companies' websites.

The GRI Index describes Industrivärden's sustainability work based on the GRI Standards. The report consists of the information below as well as the information reported in the 2022 Annual and Sustainability Report, on Industrivärden's website, and on cdp.net according to the respective references provided in the GRI Index.

In 2020 Industrivärden began implementing the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) for reporting climate-related risks, but at present does not report in accordance with the entire framework.

GRI Universal Standards (2021)

General disclosures	Title of disclosure	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
Organization & reporting practices				
2-1	Organizational details		50	
2-2	Entities included in the organization's sustainability reporting		50, 69–70	The Parent Company and all subsidiaries are covered by the report.
2-3	Reporting period, frequency and contact point		50, 94	The report, which is prepared annually, pertains to the 2022 financial year. The contact person is Sverker Sivall, Head of Corporate Communication & Sustainability, ssl@industrivarden.se .
2-4	Restatements of information			No significant changes have taken place since the preceding report.
2-5	External assurance		75–78	The Company's auditor has given an opinion on the statutory sustainability report. Significant information is also included in the Company's Board of Directors' Report, which has been reviewed by Company's auditor.
Activities & workers				
2-6	Activities, value chain and other business relationships		10–15	
2-7	Employees	89	14, 52, 66	All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden has 15 employees. Apart from regulatory requirements, information that can be coupled to individual persons is therefore not disclosed.
2-8	Other workers who work for the organization			The organization has a facility management contract for the office building. The scope of outsourced assignments amounts to less than one full-time position in total.

General disclosures	Title of disclosure	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
Governance				
2-9	Governance structure and composition		53–58	
2-10	Nomination and selection of the board of directors		53–54, 94	
2-11	Chairman of the Board of Directors		54–56, 58	
2-12	The Board's role in overseeing the management of impacts	82	53–57	
2-13	Delegation of responsibility for managing impacts	82		
2-14	Role of the Board of Directors in sustainability reporting	82		
2-15	Conflicts of interest			Handled within the framework of Rules of Procedure and instructions, etc.
2-16	Communication of critical concerns			Communication of critical concerns is conducted in accordance with applicable rules and regulations.
2-17	Collective knowledge of the Board of Directors		54–55, 58	
2-18	Evaluation of the performance of the Board of Directors		55–56	
2-19	Remuneration policies		56, 67	Guidelines for compensation of senior executives are posted on Industrivärden's website: Corporate governance/CEO and Executive Management/Compensation.
2-20	Process to determine remuneration		67	
2-21	Annual total compensation		66–67	
Strategy, policies & practices				
2-22	Statement on sustainable development strategy		8–9, 18–19	
2-23	Policy commitments		18–19	Information on Industrivärden's commitments can be found on the UN Global Compact's website: https://www.unglobal-compact.org/what-is-gc/participants/72671-AB-Industrivarden-publ .
2-24	Embedding policy commitments	81–89		
2-25	Processes to remediate negative impacts	81–89		
2-26	Mechanisms for seeking advice and raising concerns	82–83		Industrivärden's Code of Conduct is posted on the Company's website: Corporate governance/Governance structure/Code of Conduct.
2-27	Compliance			The Company has no knowledge about any incidences of noncompliance with laws and regulations, and no fines were paid during the reporting period.
2-28	Membership associations			Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).
Stakeholder engagement				
2-29	Approach to stakeholder engagement	18–19, 83		
2-30	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
Material topics				
3-1	Process to determine material topics	83–84		
3-2	List of material topics	84	18–19	
3-3	Management of material topics	11–15, 81–83		Covers the issue of human rights, among others.

General disclosures	Title of disclosure	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
Economic				
201	Economic Performance 2016			
201-1	Direct economic value generated and distributed	83	40–47, 60–73	
201-2	Financial implications and other risks and opportunities due to climate change	85–87		
201-3	Defined benefit obligations and other retirement plans		64–67, 71	
201-4	Financial assistance received from government			No financial assistance has been received from government bodies.
205	Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	18–19	11–15	No material risks have been identified in the Company's own operations. Questions related to the Company's sustainability analysis are addressed on a continuing basis within the framework of active ownership.
205-2	Communication and training about anti-corruption policies and procedures	82		All employees receive training in the annually revised Code of Conduct, which covers all aspects of corporate social responsibility in accordance with the Global Compact's ten principles, including anti-corruption.
205-3	Confirmed incidents of corruption and actions taken			No incidents occurred during the year.
Environment				
305	Emissions 2016			
305-1	Direct GHG emissions (Scope 1)	89		Scope 1 emissions in 2022 amounted to 18 tonnes CO ₂ e (14). www.cdp.net: Industrivärden, CC 6.1.
305-2	Energy indirect GHG emissions (Scope 2)	87, 89		Scope 2 emissions in 2022 amounted to 8 tonnes CO ₂ e (10) (according to market-based method). www.cdp.net: Industrivärden, CC 6.3.
305-3	Other indirect GHG emissions (Scope 3)	85–87, 89		Scope 3 emissions in 2022 amounted to 11 tonnes CO ₂ e (10) (business travel, publications, etc.). www.cdp.net: Industrivärden, CC 6.5. This GRI Index pertains to own operations, which is why portfolio emissions (which are normally included in Scope 3) are not included above. See page 86.
305-4	GHG emissions intensity	85–87, 89		Information is provided in the yearly reporting to the CDP.
305-5	Reduction of GHG emissions	85–87, 89		Information is provided in the yearly reporting to the CDP.
305-6	Emissions of ozone-depleting substances (ODS)			No ozone-depleting emissions are made in operations.
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions			No significant emissions in operations.
Social				
401	Employment 2016			
401-1	New employee hires and employee turnover			The Company has 15 employees. Employee turnover was 7% (7%) for new hires and 7% for departures (0%). 1 woman in age group 30–50 was newly hired.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		56, 67	Individual compensation structure.
401-3	Parental leave			During the period 1 man was on parental leave. 1 man returned to work after parental leave during the reporting period.

General disclosures	Title of disclosure	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
403	Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	83, 89		In accordance with Swedish law. Covers all employees.
403-2	Hazard identification, risk assessment, and incident investigation	89		A safety assessment has been carried out.
403-3	Occupational health services	83, 89		All employees are offered company health care services.
403-4	Worker participation, consultation, and communication on occupational health and safety	89		Conducted under the direction of the HR function.
403-5	Worker training on occupational health and safety	89		Conducted under the direction of the HR function.
403-6	Promotion of worker health	89		Measures for preventing injuries at the workplace, and wellness subsidy.
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			Not relevant given the nature of operations.
403-8	Workers covered by an occupational health and safety management system			Not relevant given the size of the workplace (15 employees).
403-9	Work-related injuries			No work-related injuries during the period.
403-10	Work-related ill health			Average absenteeism due to illness in relation to total work time was 0%. Additional information is not provided due to the size of the workplace.
404	Training and Education 2016			
404-1	Average hours of training per year per employee	89		The average number of hours per employee was 15.
404-2	Programs for upgrading employee skills	89		Structured through individual talks with employees.
404-3	Percentage of employees receiving regular performance and career development reviews	89		All employees receive regular evaluations about their performance and career development.
405	Diversity and Equal Opportunity 2016			
405-1	Diversity of board of directors, management and employees	82–83, 85, 89	53–55, 58–59	
405-2	Ratio of basic salary and remuneration of women to men		66–67	Information not provided given the size of the workplace (15 employees).
Sector-specific disclosures, financial				
G4 FS6	Breakdown of investment portfolio by region, size and by sector		22–23	All of the portfolio companies are listed on Nasdaq Stockholm.
G4 FS10	Percentage of companies held in the institution's portfolio with which the organization has interacted on environmental or social issues	82	18–19	Sustainability issues are addressed in all portfolio companies within the framework of Industrivärden's analysis and influence activities.

Page references for disclosures in accordance with the TCFD's recommendations

Industrivärden has begun implementation of the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) for reporting of climate-related risks, but currently is not reporting entirely in accordance with the framework.

Reference	Category			
	Governance	Strategy	Risk management	Metrics and targets
a)	54–56, 81–82	86–87	82	85–87
b)	54–56, 81–82	85–86	73, 85	87, 92
c)	not applicable	–	82	87