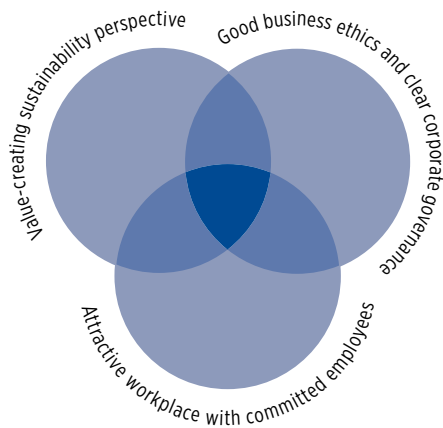


Sustainable approach



Industrivärden's view of sustainability

Industrivärden's view of sustainability is based on the Company's mission to conduct long-term value-creating asset management through active ownership. From an overarching perspective, Industrivärden has the greatest sustainability influence through its role as an active owner in its portfolio companies. In addition, Industrivärden conducts sustainability work in its own operations, where focus is on being a responsible employer. The active ownership role and a long-term

investment perspective results in a natural involvement in the portfolio companies' strategic development. By helping to develop long-term competitive companies, Industrivärden contributes to growth in value over time and sustainable development, which benefits the communities in which the portfolio companies are active.

Industrivärden's operations are conducted in accordance with Company's Code of Conduct and policies. Through active ownership Industrivärden works to ensure that its values and ethical guidelines will also permeate the companies in which it is an active owner. Industrivärden's Code of Conduct has been adopted by the Board of Directors and is revised yearly.

In short, it stipulates that:

- good business ethics and clear corporate governance with a genuine sustainability perspective contribute to long-term value creation and sustainable development in society,
- the workplace shall be distinguished by openness, receptiveness and mutual respect,
- the Company repudiates all forms of discrimination and believes that diversity in all its forms enhances knowledge, dynamism and the quality of operations, and
- the Company shall apply and integrate the ten principles of the UN Global Compact in the areas of human rights, labor, anti-corruption and the environment.

Stakeholder analysis

Focus

- Be an active, responsible owner that contributes to well-governed companies for sustainable development of society
- Be a long-term sustainable investment that delivers a competitive return
- Develop strategic sustainability work with clear goals going forward that contribute to Agenda 2030
- Be an attractive employer with openness, diversity and competence development in focus
- Report and reduce the Company's carbon footprint

Inform

- Business ethics
- Anti-corruption
- Industrivärden's influence in the areas of human rights, health and safety in the portfolio companies
- Industrivärden's influence on climate work in the portfolio companies
- Taxes

high ←

materiality

→ medium

Sustainability focus

Industrivärden's sustainability-related focus areas have been identified and concretized based on a materiality analysis. This analysis is based on Industrivärden's opportunities to influence through its ownership role, a materiality perspective, and ongoing stakeholder dialogs. As part of the materiality analysis, the following main stakeholders have been identified and engaged:

- Shareholders and potential investors
- Other major owners of the portfolio companies
- The portfolio companies
- Industrivärden's employees
- Authorities, legislative bodies and NGOs

Global initiatives and guidelines

As guidance in its sustainability work, Industrivärden adheres to global initiatives such as Agenda 2030, the OECD Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Global Compact. In addition, since 2015 annual progress reports are submitted to the Global Compact in the areas of human rights, labor, the environment and anti-corruption. The Business Review and Annual Report make up Industrivärden's annual Communication on Progress (COP) to the UN Global Compact and provide an account of how the Company is contributing to Agenda 2030 and the global Sustainable Development Goals.



Agenda 2030 and the Sustainable Development Goals

The business sector plays a crucial role in the achievement of the 17 global Sustainable Development Goals (SDGs) set forth in Agenda 2030. With a base in Industrivärden's business, its influence opportunities in the portfolio companies and a completed materiality analysis, the following goals are in focus. From an influence perspective, SDGs 8, 9, and 12 apply for Industrivärden's portfolio companies within the framework of active ownership. SDGs 5 and 13 pertain mainly to Industrivärden's own operations. See the tables on pages 22–23.

Active ownership

Industrivärden puts strong emphasis on ensuring that its portfolio companies have a sustainable approach in all aspects of their operations. This leads to competitive companies, enables growth in value and promotes sustainable development in society. Particular emphasis is put on material sustainability risks and sustainability-related opportunities from risk mitigation and value creation perspectives. The portfolio companies are active in widely diverse industries and are in different stages of development. They therefore face different challenges and opportunities. From an overall perspective it is Industrivärden's expectation that they:

- view sustainability as a key strategic issue,
- integrate sustainability aspects in their business models, business cultures, strategies, processes and product offerings,
- comply with applicable laws, rules and generally accepted principles for sustainable business,
- continuously improve their sustainability work with support of relevant guidelines and measurable goals, and
- communicate their sustainability work and the way in which they contribute to long-term sustainable development in the communities in which they work.

Industrivärden's sustainability analysis makes up an integral part of the fundamental analysis of the respective portfolio companies. Any influence initiatives are conducted within the framework of Industrivärden's business model, which is described on pages 13–19. This analysis is performed from an overarching owner perspective and is

based on Industrivärden's framework for its sustainability analysis, which covers the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication. The portfolio companies shall have the boards, leadership, organizations and resources needed to integrate sustainable business and thereby long-term value creation in their business models, processes and product offerings. Industrivärden shall be a well-informed and demanding owner with a clear sustainability perspective that contributes to sustainable development of its portfolio companies.

Good starting point for sustainable value creation

Industrivärden's portfolio companies have generally made great progress in capitalizing on the value created by long-term sustainable business and measure up well in various comparisons with their industry peers. Following are a few examples of sustainability work currently being conducted by the portfolio companies.

Sandvik

Sandvik Coromant's production unit in Gimo, Sweden, has been officially included in the World Economic Forum's network of manufacturing "lighthouses" that are technological leaders in the fourth industrial revolution with the citation that it "has created a digital thread through its production processes that has significantly raised labor productivity." All members of the network keep humans and sustainability at the heart of innovation and have agreed to share their knowledge with other manufacturing businesses.

Volvo

Volvo Trucks' two first fully electric Volvo FL Electric vehicles have now been put into operation in Gothenburg. The absence of engine noise and emissions is contributing to a better work environment and a quieter, cleaner urban environment. During the second half of 2019 series production of the FL Electric and its powerful sister model FE Electric began for the European market.

Handelsbanken

Handelsbanken launched its Hållbar Global Obligation ("Sustainable Global Bond") fund, which includes bonds issued specifically to fund improvements in the environment, climate, poverty, or any of the other global Sustainable Development Goals. In 2019 Handelsbanken's exclusion strategy for funds, called Criteria, added cannabis as a new exclusion criterion.

Essity

At year-end 2018 Essity's climate targets were approved by the Science Based Targets Initiative, a scientific method that certifies that an organization's climate targets are in line with the Paris Agreement. In February 2019 Essity was included in RobecoSAM's Sustainability Yearbook 2019 – a list of the top performing companies in their respective sectors.

Ericsson

During 2019 Ericsson began the commercialization of 5G. The changeover to 5G has great potential to not only develop energy-efficient solutions for mobile networks, but also to help various sectors in society to reduce their environmental impact. An obligatory web-based program for countering corruption was launched in 2018, and more than 88,000 employees have now completed the training.

SCA

In SCA's 2018 Annual Report the company reported its carbon footprint for the first time. The footprint is positive and corresponds to the carbon footprint of Sweden's total truck and domestic air traffic. During 2019 SCA was also an initiative-taker to ISO 14008, a new standard designed to help companies monetarily value and manage their environmental impact costs.

Skanska

During 2019 Skanska increased its focus on safety issues. Skanska Safety Week, one of the world's biggest safety events in the private sector, was carried out in May by 250,000 people to spotlight and increase the employees' knowledge about workplace safety. Skanska's business processes include measures to support and drive human rights globally, local legislation and the company's Code of Conduct.

SSAB

SSAB has taken yet another step in the transition towards carbon dioxide free steel production. In Oxelösund the coking plants and blast furnaces will be replaced with an electric arc furnace. The application for a new operational permit was submitted during the year, and the plan is that the electric arc furnace will be fully operational in 2025, thereby reducing carbon dioxide emissions by nearly 90%.

Sustainability goals and activities: active ownership

Goal	<ul style="list-style-type: none">• Be an active, responsible owner that contributes to long-term successful portfolio companies for the benefit of sustainable development in society• Be a long-term and sustainable investment that offers a competitive total return which over time is higher than the average for the Stockholm Stock Exchange (SIXRX)
Activities	<ul style="list-style-type: none">• Analyze and continuously monitor all portfolio companies in accordance with Industrivärden's integrated sustainability analysis• Formulate action plans for the respective portfolio companies and exercise influence in accordance with Industrivärden's business model• Engage in dialogs with prioritized stakeholders in order to solicit views for further development of Industrivärden's sustainability work
Agenda 2030	<ul style="list-style-type: none">• Sustainable economic growth is a central pillar in the work on contributing to the development of responsible and successful companies that can create competitive value over time• Promotion of sustainable industrialization and innovation is a clear focus of the portfolio companies and is encouraged within the framework of active ownership. By taking advantage of sustainability-related development opportunities, the companies can stay at the forefront in their respective business areas• Sustainable consumption and production is a strategic perspective that is integrated in the portfolio companies' business models. The companies offer long-term sustainable and efficiently manufactured products and services that contribute to sustainable production and consumption. As a long-term owner Industrivärden views this as a prerequisite for their ability to compete over time

Own operations

Industrivärden shall serve as a model and work with a clear sustainability focus both in its own operations and in the portfolio companies. Proactive sustainability work shall be an integral part of the daily activities that are conducted by approximately 15 employees at the office in Stockholm. The CEO has overarching responsibility for Industrivärden's sustainability work, and the Head of Sustainability has functional responsibility for internal collaboration and external communication on sustainability issues. Team managers are responsible for the integrated sustainability analysis in the respective portfolio companies.

Industrivärden's employees

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 for all employees. In addition, a continuous dialog is conducted on matters related to the workplace, forms of cooperation and personal development. All employees have undergone training in the Company's view of value creation and how set goals are to be implemented. This includes set policies for the environment and climate, diversity and gender equality, anti-corruption and the Code of Conduct. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.

Environmental and carbon footprinting work

Even though Industrivärden's organization is small, the Company shall serve as a good example by minimizing its own environmental impact and carbon footprint. Industrivärden has an ambition to reduce its own footprint over time and compensates for its actual greenhouse gas emissions



through offsets. To be able to monitor and compare the Company's carbon footprint, Industrivärden has been conducting carbon footprint reporting since 2010 within the CDP (Carbon Disclosure Project) framework. Greenhouse gas emissions for 2019 have been calculated using the market-based method of the GHG Protocol and are shown in the GRI Index on pages 71–74.

Sustainability goals and activities: own operations

Goal	<ul style="list-style-type: none"> • Measure and follow up Industrivärden's environmental impacts and carbon footprint • Be an attractive employer with competence development, openness and diversity in focus, and attract, recruit and retain competent employees
Activities	<ul style="list-style-type: none"> • Report Industrivärden's carbon footprint to the CDP and compensate for the Company's footprint through offsets • Implement processes for broadened competence and diversity • Further train all employees on the sustainability strategy, Code of Conduct and policy documents • Conduct employee performance reviews with special attention paid to the work environment and competence development
Agenda 2030	<div style="display: flex; flex-direction: column; gap: 10px;"> <div data-bbox="368 846 459 931"> </div> <div data-bbox="475 846 1316 902"> <ul style="list-style-type: none"> • Diversity and gender equality are important issues both in Industrivärden's own operations and in the portfolio companies since they strengthen the organizations' capabilities </div> <div data-bbox="368 943 459 1028"> </div> <div data-bbox="475 943 1356 999"> <ul style="list-style-type: none"> • Having a high ambition with respect to climate issues is important both in Industrivärden's own operations and in the portfolio companies since it is a prerequisite for sustainable value creation </div> </div>

Financial results

Favorable financial performance and financial strength are necessary prerequisites for Industrivärden to be able to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time. During the last three-, five- and ten-year periods, Industrivärden's stock has generated a higher total return than the Stockholm Stock Exchange. The financial position has strengthened. During 2019 Industrivärden's net asset value grew from SEK 85.2 billion to SEK 112.7 billion at year-end. Industrivärden's Class A and C shares generated total returns of 30% including reinvested dividend. A dividend of SEK 5.75 per share was paid to the shareholders, or SEK 2.5 billion in total.

Development of sustainability work 2019

Full application of developed sustainability analysis

In 2017 Industrivärden launched a new framework for its sustainability analysis in order to strengthen its knowledge about, its analysis of and influence opportunities in sustainability-related matters. This developed analysis was then integrated in the operational activities with full application in 2019. The framework and work processes are being continuously developed as an integral part of Industrivärden's business model.

Launch of new framework for analysis of anti-corruption

Industrivärden has been participating since 2016 in SISD (Swedish Investors for Sustainable Development), a collaboration project conducted under the auspices of the Swedish International Development Cooperation Agency (Sida). The aim is to obtain knowledge and share experiences. Within the framework of the project Industrivärden is part of a work group focusing on anti-corruption, which is a key issue under the UN's Sustainable Development Goal 16: Peace, Justice and Strong Institutions. During 2019 a framework for support of the analysis of companies' work with anti-corruption was launched.

More in-depth stakeholder dialogs

Industrivärden is interested in and receptive to expectations on its operations by actors in its business environment. Against this background a continuous dialog is conducted with the Company's stakeholders to learn about their perspectives and share knowledge. The stakeholder dialog provides important support in the development of sustainability work, and in 2018 and 2019 it was broadened with respect to target groups and levels. In addition, Industrivärden participates in various public forums and presentations conducted under the sustainability theme – in part to emphasize the importance of active owners for sustainable development in society and in part to further a dialog, gather views and learn from others.

GRI Index

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative (GRI) Standard, core level, with Financial Services sector supplement. This is Industrivärden's third 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 2019 (January 1–December 31, 2019). The ambition is to report yearly.

Industrivärden's operations are conducted by approximately 15 employees at the Company's head offices in Stockholm. During 2017 stakeholder dialogs were conducted with a subsequent materiality analysis to identify the highest priority issues in the area of sustainability. These

dialogs were continued on a regular basis in 2018 and 2019, and the updated analysis forms the basis of which disclosures are reported in this sustainability report. Industrivärden adheres to sustainable business practices by adopting a clear sustainability perspective in its investment decisions and exercise of active ownership. The portfolio companies' sustainability reports are available on the respective companies' websites.

The GRI report and Index describe Industrivärden's sustainability work based on the GRI Standards. The report consists of the information below including the references provided as well as the information reported in the 2019 Annual and Sustainability Report, on Industrivärden's website, and on cdp.net according to the respective GRI Index.

GRI Standards Index, core level, financial services sector supplement

General disclosures	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
1. Organizational Profile			
102-1	Name of the organization	Outside back cover	
102-2	Activities, brands, products and services	4-5, 12-19	
102-3	Location of headquarters	Outside back cover	
102-4	Location of operations	Outside back cover	
102-5	Ownership and legal form	26-27, 41-45	
102-6	Markets served	29-37	
102-7	Scale of the organization	12-19, 49-50, 54	
102-8	Information on employees and other workers	12-13, 54	All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden is a small company with approximately 15 employees. Apart from regulatory requirements, we therefore do not disclose information that can be coupled to individual persons.
102-9	Supply chain		Purchases of goods and services are made for the office activities in Stockholm. Suppliers are expected to comply with well-respected ethical business principles.
102-10	Significant changes to the organization and its supply chain		No major changes during the year.
102-11	Precautionary principle or approach		The precautionary principle is adhered to with respect to assessments and management of sustainability risks in the portfolio companies and new investments. Industrivärden is a signatory of the UN Global Compact, whose environmental risks cover the precautionary principle.
102-12	External initiatives	21-23	UN Global Compact, CDP and Global Reporting Initiative. The Company's Code of Conduct is based on the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Fundamental Conventions.

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
102-13	Membership of associations	21		Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).

2. Strategy

102-14	Statement from senior decision-maker		9-11	
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3. Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	20-23	12	
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4. Governance

102-18	Governance and Board of Directors		41-45, 46-47	The CEO has overarching responsibility for sustainability work, which is an integral part of the Company's operations. Team managers are responsible for sustainability analyses of the respective portfolio companies. The Head of Sustainability has functional responsibility for sustainability-related issues and processes. The Board of Directors is responsible for the Company's sustainability report.
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5. Stakeholder engagement

102-40	List of stakeholder groups	20		A compilation of our most important stakeholder categories is presented on www.industrivarden.net .
102-41	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	20		The process for identifying and defining the most important stakeholder categories is presented on www.industrivarden.net .
102-43	Approach to stakeholder engagement	20, 23		Further information on the stakeholder dialog is presented on www.industrivarden.net .
102-44	Key topics and concerns raised	20		A materiality analysis and compilation of priority issues is presented on www.industrivarden.net .

6. Reporting practice

102-45	Entities included in the consolidated financial statements		57, 62	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		53	
102-47	List of material topics/sustainability issues	20-23		
102-48	Restatements of information			This is Industrivärden's third sustainability report in accordance with GRI.
102-49	Changes in reporting			No significant changes have taken place since the preceding report.
102-50	Reporting period		39	
102-51	Date of most recent report			This is Industrivärden's third sustainability report in accordance with GRI. The most recent annual report with sustainability information was published on February 21, 2019.
102-52	Reporting cycle		71	
102-53	Contact point for questions regarding the report		68	Head of Corporate Communication and Sustainability, Sverker Sivall, ssl@industrivarden.se

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
102-54	Claims of reporting in accordance with the GRI Standards		71	
102-55	GRI content index		71-74	
102-56	External assurance		64-66	The auditor has given a statement on the statutory sustainability report. Significant information is also included in the Company's Board of Directors' report, which is reviewed by Industrivärden's auditor.
Material issues				
GRI 200: Economic				
GRI 201: Economic performance				
103-1 - 103-3	Sustainability governance	20-23	12-14, 16-17	
201-1	Direct economic value generated and distributed	23	49-52, 55, 58	
GRI 205: Anti-corruption				
103-1 - 103-3	Sustainability governance	20-23	12-14, 16-17	
205-1	Operations assessed for risks related to corruption	20-23		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	Training in anti-corruption policies and procedures	22-23		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 10 principles, including anti-corruption. Through Swedish Investors for Sustainable Development (SISD), Industrivärden participates in a work group that develops analysis models for anti-corruption.
GRI 300: Environment				
GRI 305: Emissions				
103-1 - 103-3	Sustainability governance	20-23	12-13	
305-1	Direct GHG emissions (Scope 1)	23		Scope 1 emissions in 2019 amounted to 18 tonnes CO ₂ e (0) (fuel for leased company cars) www.cdp.net: Industrivärden, CC 6.1
305-2	Energy indirect GHG emissions (Scope 2)	23		Carbon footprint in 2019 was 17 tonnes CO ₂ e (18) in Scope 2 (energy consumption and district heating) www.cdp.net: Industrivärden, CC 6.3.
305-3	Other indirect GHG emissions (Scope 3)	23		Carbon footprint in 2019 was 27 tonnes CO ₂ e (30) in Scope 3 (business travel, publications and office material) www.cdp.net: Industrivärden, CC 6.5.
GRI 400: Social				
GRI 401: Employment				
103-1 - 103-3	Sustainability governance	20-23		See also the Company's Code of Conduct.
401-1	New employee hires and employee turnover			The Company has 14 employees. Employee turnover for new hires is 7% (13%), and 13% departures (33%). One man in age group 50- newly hired.
401-3	Parental leave			During the period one man and one woman were on parental leave. One man and one woman returned to work after parental leave during the reporting period.
Health and safety				
103-1 - 103-3	Sustainability governance	20-23		
403-2	Types of injury and rates of injury, and absenteeism			No occupational injuries during the period. Average absenteeism relative to total working time was 2%.

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
GRI 400: Training and education				
103-1 - 103-3 Sustainability governance		20-23		
404-1	Average hours of training per year per employee			The average number of hours per employee was 16.
404-3	Percentage of employees receiving regular performance and career development reviews			All employees receive regular evaluations about their performance and career development.
GRI 405: Diversity and equal opportunity				
103-1 - 103-3 Sustainability governance		20-23	12-13	
405-1	Diversity of governance bodies and employees		42, 46-47, 54	
GRI 419: Socioeconomic compliance				
103-1 - 103-3 Sustainability governance		20-23	12-14, 16-17	
419-1	Non-compliance with laws and regulations in the social and economic area			Industrivärden has not been assessed any fines or other sanctions.
Sector-specific standards, Financial Services				
103-1 - 103-3 Sustainability governance		20-23		
FS 6	Percentage of the portfolio for business lines by specific region		29	All of the portfolio companies are listed on Nasdaq OMX Nordic Stockholm.
FS 10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues			Sustainability issues are addressed in all portfolio companies within the framework of Industrivärden's analysis and influence activities.