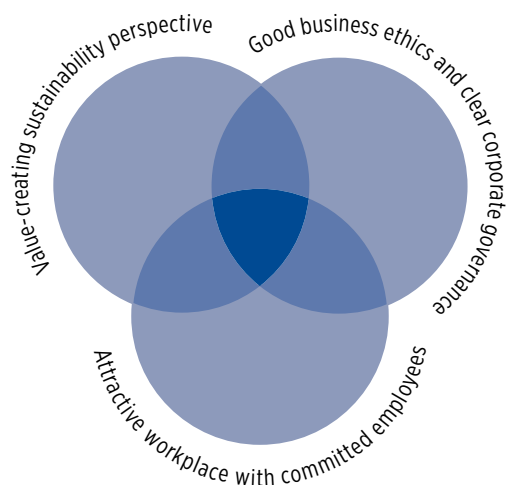


Sustainability Report



Industrivärden's view of sustainability

Industrivärden's mission is to conduct long-term value-creating asset management through active ownership. The long-term horizon entails that adherence to the sustainability principles in the portfolio companies is crucial for Industrivärden's opportunities to achieve enduring growth in value. Industrivärden is therefore an owner that sets requirements and has high ambitions to contribute to sustainable businesses that benefit the communities in which they operate. This entails minimizing sustainability-related risks as well as capitalizing on sustainability-related opportunities. 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 entails a long-term investment perspective and natural involvement in the portfolio companies' strategic development. By contributing to the development of long-term competitive companies, growth in value over time and sustainable development are made possible.

The global pandemic in 2020 has affected the portfolio companies' operations in many different ways, which is described in general on pages 7 and 10–13. However, the work conducted in recent years to strengthen the portfolio companies' flexibility and ability to adapt have proven to be a clear strength in an uncertain world. The companies' increased resilience and flexibility are in many ways a key aspect of sustainable business.

Central frameworks

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. The 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 UN Global Compact and its ten principles in the areas of human rights, labor, anti-corruption and the environment.

In its sustainability work Industrivärden also adheres to global initiatives such as the OECD's Guidelines for Multinational Enterprises and the ILO's eight fundamental conventions. From a sustainability perspective, the business sector has a central role in creating a sustainable world. Industrivärden has therefore signed and works for realization of the UN Global Compact. Yearly development steps are outlined in this sustainability report, which also makes up our Communication on Progress (COP) to the Global Compact for the full year 2020. Industrivärden's commitments for 2020/2021 are stated in the CEO's message on pages 10–13.



Stakeholders and focus areas

Industrivärden's sustainability-related focus areas have been identified and concretized with a foundation in a materiality analysis. This analysis draws from Industrivärden's abilities to influence through its ownership role, a materiality perspective, and a stakeholder analysis based on continuous stakeholder dialogues. Within the framework of the stakeholder analysis, Industrivärden engages shareholders and potential investors, other large owners of the portfolio companies, representatives from the portfolio companies, Industrivärden's employees, and authorities, legislative bodies and non-governmental organizations.

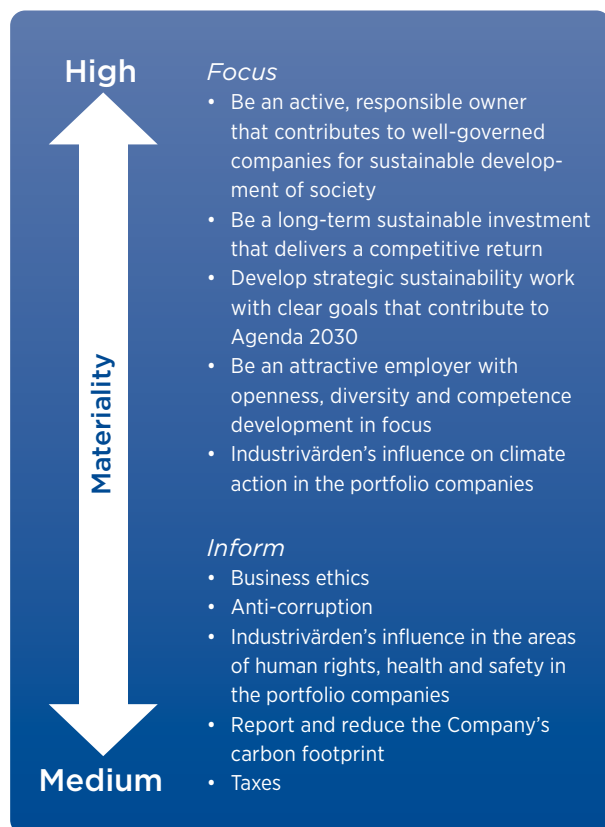
With a base in the sustainability analysis, four sustainability-related focus areas have been identified, which Industrivärden actively drives through its ownership role. These are:

- Long-term sustainable production and innovation in support of development of sustainable products and services
- Responsible businesses and organizations that create sustainable economic growth through diversity, good business ethics, good working conditions and respect for human rights
- Minimized negative climate and environmental impacts
- A long-term sustainable role in society that contributes to positive development in the communities in which the companies work

Based on these focus areas, relevant goals have been concretized 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 within the framework of Industrivärden's active ownership. SDGs 5 and 13 also pertain to the Company's own operations. Goal formulations along with illustrative indicators and examples of goal achievement are provided in the tables on pages 26–27.

Stakeholder analysis



Active ownership

Industrivärden requires that the portfolio companies have a sustainable approach in all aspects of their operations. This results in competitive companies, enables growth in value and promotes sustainable development in society. Particular impetus is put on material sustainability risks and sustainability-related opportunities from risk minimization and value-creating perspectives. Industrivärden's overarching ambition is to:

- be a well-informed owner that sets requirements with a clear sustainability perspective that contributes to long-term successful portfolio companies for the benefit of sustainable development of society, and
- 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).

To materialize these ambitions, Industrivärden conducts the following:

- Continuous analysis and follow-up of the respective portfolio companies in accordance with Industrivärden's integrated sustainability analysis

- Formulation of action plans for the respective portfolio companies and influencing efforts in accordance with Industrivärden's business model. Industrivärden's action plans and influencing activities are described in more detail on pages 18–23
- Dialogues with prioritized stakeholders aimed at soliciting views in support of further development of Industrivärden's sustainability work

Industrivärden's sustainability analysis

Being able to conduct a qualitative analysis of the portfolio companies' sustainability work requires that Industrivärden has deep knowledge about the respective companies' operations and sustainability-related matters. Industrivärden's sustainability analysis is an integrated part of the fundamental analysis that is conducted of the respective portfolio companies. This analysis is performed from an overarching owner perspective and 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 practices and thereby long-term value creation in their business models, processes and offerings. Industrivärden's material sustainability risks exist in the portfolio companies, which manage these within the framework of their respective operations. Industrivärden's risk analysis in its active ownership is described on pages 14–19 and page 65.



Sustainability work in the portfolio companies

The portfolio companies are active in a wide range of industries and are in various stages of development. They therefore face different material challenges and opportunities. From an overall perspective it is Industrivärden's expectation that:



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

The portfolio companies all face general as well as company-specific sustainability challenges. This pertains to everything from reducing their carbon footprints and changing over to more resource-efficient production – with sustainable products – to ensuring healthy, inclusive and equal opportunity workplaces both in their own operations and down the supply chain, and countering corruption. On the whole they have made great progress in capitalizing on the values created by conducting sustainable business and measure up well in comparison with their industry peers.


Sustainable production and innovation

IndustriVården's goals	The companies' sustainability work	Current examples
 <p>IndustriVården's portfolio companies shall have high aspirations to conduct sustainable production and increase their competitiveness by developing sustainable innovations that are at the forefront of their industries.</p>	<p>The portfolio companies have a long tradition of promoting sustainable industrialization and innovation. They contribute in various ways with innovations for sustainable industry, and several are leading the transition in their respective industries.</p>	<ul style="list-style-type: none"> In 2020 Sandvik became a constituent of the prestigious FTSE4Good Index Series, for companies that demonstrate strong sustainability performance in the Environmental, Social and Governance dimensions Volvo has partnered with Daimler Trucks AG to lead development of sustainable transports by developing large-scale production of fuel cells for electrification of heavy-duty trucks Ericsson has strengthened its leading position in 5G, which is paving the way to cost-effective global infrastructure in large parts of the world Skanska has taken an innovative step towards climate-neutral asphalt by using bioadhesives instead of bitumen, which is a derivative of fossil-based crude oil SSAB – together with LKAB and Vattenfall – has taken a decisive step towards fossil-free steel production through the start of HYBRIT's unique pilot plant
 <p>The portfolio companies shall offer long-term sustainable products and services that contribute to sustainable production and consumption. They shall have ambitious goals in this area and be at the forefront of resource-efficiency and circular business models.</p>	<p>The portfolio companies strive to offer sustainable products and to actively contribute to the development of circular solutions. They have set high aspirations to be leaders, using sustainability as a competitive advantage.</p>	<ul style="list-style-type: none"> Sandvik has set new sustainability goals, including 90% circularity by 2030, by driving the shift to circular business models, better resource efficiency and closed loops for products Essity has set a target that 85% of the company's packaging will be made of renewable or recycled material by 2025 Handelsbanken issued its second green bond for EUR 500 M, enabling the funding of projects in e.g., sustainable forestry, green buildings and environment-friendly transports SCA's innovation work is aimed at contributing to a fossil-free and circular society. Recently the company launched a stronger type of pulp that features higher productivity and lower energy consumption


Responsible businesses and organizations

IndustriVården's goals	The companies' sustainability work	Indicators
 <p>The portfolio companies shall all conduct ambitious and well-grounded work for diversity and equality. They shall actively strive for an even gender balance and promote diversity in a targeted manner in all parts of the company.</p>	<p>All of the portfolio companies put strong emphasis on diversity and equality, and work continuously on being an inclusive employer that offers equal opportunities to all employees.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have anti-discrimination principles stipulated in their Codes of Conduct or policies The portfolio companies' boards consist of 37% women and 63% men The portfolio companies' management teams consist of 26% women and 74% men
 <p>Sustainable economic growth is a precondition for development of responsible companies that can create value over time. Against this background, the portfolio companies shall conduct their operations with focus on long-term value creation and good business ethics, and guarantee a safe workplace for all employees.</p>	<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 on ensuring a safe work environment and minimizing accidents.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have signed the UN Global Compact 75% of the portfolio companies report workplace injuries. 100% of the companies that have reported this during the last three years (Dec. 2017-Dec. 2020), have decreased workplace injuries

Minimized negative climate and environmental impact

IndustriVården's goals	The companies' sustainability work	Indicators
 <p>Achieving a reduced carbon footprint is a precondition for sustainable value creation and a healthy planet. The portfolio companies shall have high aspirations in the climate area, with clear goals and prominent positions regarding minimizing carbon emissions in their own production and value chains.</p>	<p>The portfolio companies have stated ambitions to reduce their carbon footprints and have set clear goals for reducing their greenhouse gas emissions. See pages 75–80 for further information.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have implemented measures to reduce their carbon emissions During the last three years, the carbon footprint from IndustriVården's portfolio has decreased by slightly more than 20% (Dec. 2017 – Dec. 2020, IndustriVården's Scope 3, i.e., indirect emissions from portfolio companies) 5 of 8 portfolio companies have committed themselves to setting scientific climate targets in accordance with the Science Based Targets Initiative, of which 3 have had their targets approved



Long-term sustainable societal role

IndustriVården's goals	The companies' sustainability work	Indicators
 <p>The portfolio companies shall contribute to inclusive and sustainable societies by working within the framework of their own operations to promote human rights and sustainable societal development. In addition, they shall conduct ambitious anticorruption work.</p>	<p>The portfolio companies contribute to inclusive and peaceful societies by promoting long-term sustainable development of society. All of the companies have Codes of Conduct for their employees and suppliers aimed at upholding good business ethics and combating corruption.</p>	<ul style="list-style-type: none"> 100% of the portfolio companies have an anticorruption 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

Own operations

Industrivärden shall serve as a model and work with a clear sustainability focus in its own operations. Proactive sustainability work shall be an integral part of the daily activities that are conducted by approximately 15 employees at the offices 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 ambition	Industrivärden's goal	Activities
	Industrivärden shall be a workplace in which the employees enjoy their work, feel good and can develop. Toward this end, continuous dialogue is carried out on matters pertaining to the workplace, forms of cooperation and personal development.	Be an attractive employer with focus on competence development, openness and diversity, and attract, recruit and retain competent employees.	<ul style="list-style-type: none"> • Implement processes for broadened competence and diversity • Provide further training to all employees on the Company's sustainability strategy, Code of Conduct and policy documents • Conduct performance reviews with particular focus on the work environment and competence development • Continuously evaluate development opportunities for all employees
	Even though Industrivärden's organization is small, the Company shall set a good example by minimizing its own carbon footprint and environmental impact.	Reduce own negative climate and environmental impacts over time, and compensate for all actual greenhouse gas emissions through offsets.	<ul style="list-style-type: none"> • Measure and follow up Industrivärden's environmental impacts and carbon footprint • Report Industrivärden's carbon footprint to the CDP and compensate for the Company's footprint through offsets

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 dialogue 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 goals are to be achieved. This includes set policies for the environment and climate, diversity and gender equality, anticorruption and the Code of Conduct. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.

to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time. Industrivärden's financial performance is described on pages 53–66, and the performance of Industrivärden's stock is shown on pages 30–31.

Development of sustainability work 2020

Further development of Industrivärden's sustainability analysis

With a base in Industrivärden's integrated framework for its sustainability analysis, during 2020 a more in-depth review of the portfolio companies' sustainability work was begun. This process will continue in 2021. Influencing activities are conducted within the framework of active ownership.

Environmental and carbon footprinting work

Even though Industrivärden's organization is small, the Company shall set a good example by minimizing its own environmental impact and carbon footprint. Industrivärden has an ambition to reduce its own carbon footprint over time and compensates for all of 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 2020 have been calculated using the market-based method of the GHG Protocol and are shown in the GRI Index on pages 75–78. Further information on the Company's indirect carbon footprint is provided on pages 79–80.



Indicators for monitoring the portfolio companies' sustainability work

As part of Industrivärden's sustainability reporting, indicators and examples have been drawn up regarding the portfolio companies' sustainability work. These are presented in the table on page 26. The aim is to be able to monitor development in central areas over the long term.

More in-depth stakeholder dialogues

During 2020 Industrivärden's stakeholder dialogues were broadened with respect to target groups and levels. This work has increased the Company's own knowledge and ensures an accurate picture of expectations from the outside world on Industrivärden as a long-term owner. These dialogues in 2020 have resulted in, among other things, a clearer description of the Company's carbon footprint.

Financial results

Favorable earnings performance and financial strength are necessary prerequisites for Industrivärden to be able

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 fourth 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 2020 (January 1–December 31, 2020). 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 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 exercise of active ownership. 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 including the references provided as well as the information reported in the 2020 Annual and Sustainability Report, on Industrivärden's website, and on cdp.net according to the respective 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 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		Inside back cover	
102-2	Activities, brands, products and services		4–5, 14–23	
102-3	Location of headquarters		Inside back cover	
102-4	Location of operations		Inside back cover	
102-5	Ownership and legal form		30–31, 45–49	
102-6	Markets served		33–41	
102-7	Scale of the organization		14–23, 53–54, 58	
102-8	Information on employees and other workers	27	14–15, 58	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	24		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	24–27		The 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. This year's Annual and Sustainability Report also constitutes Industrivärden's Communication on Progress (COP) for the UN Global Compact.
102-13	Membership of associations	24		Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).

General disclosures	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
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2. Strategy

102-14	Statement from senior decision-maker		9-13	
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3. Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	24-27	14	
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4. Governance

102-18	Governance and Board of Directors		45-51	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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Stakeholder engagement

102-40	List of stakeholder groups	24-25		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	24-25		The process for identifying and defining the most important stakeholder categories is presented on www.industrivarden.net .
102-43	Approach to stakeholder engagement	24-25, 27		Further information on the stakeholder dialogue is presented on www.industrivarden.net .
102-44	Key topics and concerns raised	24-25		A materiality analysis and compilation of priority issues is presented on www.industrivarden.net .

6. Reporting scope and boundaries

102-45	Entities included in the consolidated financial statements		61, 66	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		57	
102-47	List of material topics/sustainability issues	24-27		
102-48	Restatements of information			This is Industrivärden's fourth 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		43	
102-51	Date of most recent report			This is Industrivärden's fourth sustainability report in accordance with GRI. The most recent annual report with sustainability information was published on February 21, 2020.
102-52	Reporting cycle		75	
102-53	Contact point for questions regarding the report		72	Head of Corporate Communication and Sustainability, Sverker Sivall, ssl@industrivarden.se
102-54	Claims of reporting in accordance with the GRI Standards		75	
102-55	GRI content index		75-78	
102-56	External assurance		68-70	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.

General disclosures	In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
Material issues			
GRI 200: Economic			
GRI 201: Economic performance			
103-1 - 103-3 Sustainability governance	24-27	14-16, 18-19	
201-1 Direct economic value generated and distributed	27	53-67	
GRI 205: Anti-corruption			
103-1 - 103-3 Sustainability governance	24-27	14-16, 18-19	
205-1 Operations assessed for risks related to corruption	24-27		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	24-27		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	24-27	14-16, 18-19	
305-1 Direct GHG emissions (Scope 1)	26		Scope 1 emissions in 2020 amounted to 20 tonnes CO ₂ e (18). www.cdp.net: Industrivärden, CC 6.1.
305-2 Energy indirect GHG emissions (Scope 2)	26-27		Carbon footprint in 2020 was 16 tonnes CO ₂ e (17) in Scope 2 (market based method). www.cdp.net: Industrivärden, CC 6.3.
305-3 Other indirect GHG emissions (Scope 3)	26-27	79-80	Carbon footprint in 2020 was 11 tonnes CO ₂ e (27) in Scope 3 (business travel, publications, etc). www.cdp.net: Industrivärden, CC 6.5.
GRI 400: Social			
GRI 401: Employment			
103-1 - 103-3 Sustainability governance	24-27		See also the Company's Code of Conduct.
401-1 New employee hires and employee turnover			The Company has 15 employees. Employee turnover for new hires is 13% (7%), and 13% departures (13%). One man in age group -30 yrs and one woman in age group 50- yrs newly hired.
401-3 Parental leave			During the period one man and two women 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	24-27		
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 0%.
GRI 400: Training and education			
103-1 - 103-3 Sustainability governance	24-27		
404-1 Average hours of training per year per employee			The average number of hours per employee was 7.
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	24-27	14-15	
405-1 Diversity of governance bodies and employees		46, 50-51, 58	

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
GRI 419: Socioeconomic compliance				
103-1 – 103-3 Sustainability governance		24-27	14-16, 18-19	
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		24-27		
FS 6	Percentage of the portfolio for business lines by specific region		33	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.

References to reporting in accordance with TCFD's recommendations

Industrivärden has started implementation of the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) on reporting climate-related risks, but currently does not report entirely in accordance with the framework.

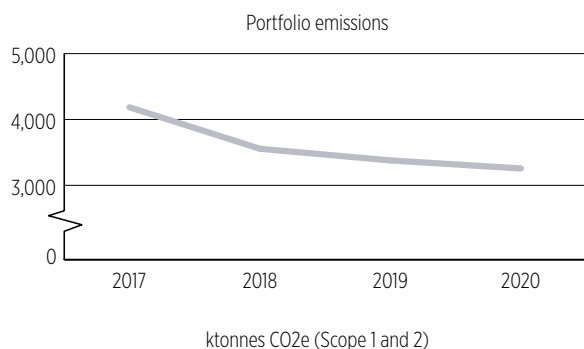
Category				
Reference	Governance	Strategy	Risk Management	Metrics and Targets
a)	45-49	24-25	18-23, 79	26-27, 79
b)	45-49	14, 24-25, 79	18-23, 79	77, 79
c)	not applicable	-	79	26-27

Climate impact

As a long-term asset manager, Industrivärden's largest carbon footprint is made through its ownership in the portfolio companies. Greenhouse gas emissions (CO₂e) from its own operations and from the equities portfolio have been measured since 2010, when Industrivärden also began reporting its carbon footprint to the CDP (formerly Carbon Disclosure Project).

Emissions from equities portfolio

The chart below shows the equities portfolio's yearly emissions over a three-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). The portfolio's emissions are reported in Industrivärden's Scope 3 emissions (the GRI Index on page 77 only includes Industrivärden's own operation) and reflect the portfolio companies' Scope 1 and 2 emissions, based on Industrivärden's share of ownership (share of votes, which in Industrivärden's case corresponds to higher emissions owing to larger shares of votes than equity in several portfolio companies). Further information about the equities portfolio's composition and Industrivärden share of ownership is provided on pages 17 and 33–41.



Integrated sustainability analysis

Sustainability issues, such as climate-related risks in the portfolio companies, are handled like other strategic matters within the framework of Industrivärden's active ownership process. The analysis is based on Industrivärden's sustainability analysis framework and is part of the so-called fundamental analysis. The sustainability analysis covers the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication. Influence in strategic sustainability matters is exercised where needed within the framework of Industrivärden's business model, which is described on pages 14–15.

Focus of climate issues

Achieving a reduced carbon footprint is a prerequisite for sustainable value creation and, by extension, a healthy planet. The portfolio companies shall have high ambitions in the climate area, with clear goals and prominent positions regarding minimizing carbon emissions in their own production and value chains. All of the portfolio companies have clear ambitions to reduce their carbon footprints and have set goals for reducing their greenhouse gas emissions. This contributes to competitive companies, enables long-term growth and promote sustainable development of society.



Science Based Target initiative

As per December 31, 2020, five of Industrivärden's eight portfolio companies had committed themselves to adopting science-based climate targets as part of their work on reducing their greenhouse gas emissions in accordance with the Science Based Target initiative (SBTi). This means that science-based calculation methods are used to set targets that are in line with the Paris Agreement's targets with respect to global warming. Essity, Ericsson and SSAB have had their targets validated and approved by SBTi, while Volvo and Skanska have undertaken to set targets in the coming year.

Skanska and Volvo Construction Equipment – partnership for reduced emissions

Industrivärden's portfolio companies Skanska and Volvo (via Volvo Construction Equipment, part of the Volvo Group) have partnered in an innovative collaboration to reduce and eliminate carbon dioxide emissions in quarrying operations. The construction sector accounts for approximately 40% of the world's energy-related carbon emissions; no other individual sector has a greater impact on emission volumes. The collaboration, dubbed Electric Site, is a Swedish R&D project aimed at making quarrying more efficient, more environment-friendly, and safer. The project is developing new machines and changed work methods along with control systems for quarrying operations. During the test period the project showed a 98% reduction in carbon emissions, a 70% reduction in energy cost and a 40% reduction in operator cost.

Essity – Sustainable circular solutions

As part of its Science Based Climate targets, Essity has committed itself not only to reducing its own emissions, but also to reducing emissions across the entire value chain. To help customers reduce their carbon footprints, Essity is investing in sustainable and circular solutions. Essity's innovative "Tork PaperCircle" both reduces the use of paper towels and recycles them. For its tissue manufacturing, Essity is investing in alternative fiber technology in Germany. The goal is to increase resource efficiency by making paper from plant-based agricultural by-products.

SSAB – HYBRIT: fossil-free steel production

Since 2016 the portfolio company SSAB has been working together with LKAB and Vattenfall on development of HYBRIT, an initiative that endeavors to revolutionize steel-making. HYBRIT aims to replace coking coal with hydrogen to achieve the world's first steel made with fossil-free technology. Success of the HYBRIT project will result in a 10% reduction in Sweden's total carbon emissions and 7% reduction in Finland's. In October 2020 SSAB had its science based climate targets approved by SBTi, where it committed itself to reducing its greenhouse gas emissions by 35% by 2032 (with 2018 as the base year). SSAB's overall goal is to be fossil-free by 2045, which can be made possible with this new technology.

Industrivärden's own emissions

Industrivärden has calculated the carbon footprint from its own operations during the last ten years. Emissions come mainly from electricity and district heating consumption in the Company's office building and from business travel. During 2020 travel-related emissions were very low due to the Covid-19 pandemic. To reduce greenhouse gas emissions, environmentally certified electricity from wind and hydro power is purchased, and the remainder is compensated through offsets. For more specific emissions data, see the GRI Index on page 77.

Task Force on Climate-related Financial Disclosures (TCFD)

The Task Force on Climate-related Financial Disclosures (TCFD) was launched in 2017, which provides guidance to companies on how to better identify and report climate-related financial risks and opportunities. 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. In 2020 Industrivärden began implementing the TCFD's recommendations on reporting climate-related risks, but currently is not reporting entirely in accordance with the framework. See page 78.