

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 issues. 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. These include establishing 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 and exerts influence in accordance with its business model;
- Conducts dialogues with selected 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 sustainability strategy, risk management and governance of sustainability work are described in detail on pages 82–90.

Industrivärden’s 2023 sustainability report constitutes of the sustainability introduction on pages 16–17, the Detailed sustainability information section on pages 82–90, and the GRI Index and TCFD Reference on pages 91–94.

Central activities

- Continuously develop Industrivärden’s sustainability work based on stakeholder dialogues
- Evaluate the portfolio companies’ sustainability-related risks and opportunities
- Ensure the portfolio companies conduct 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 supported by relevant guidelines and measurable goals
- Monitor, evaluate, and continuously communicate progress of their sustainability work

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 respective companies' operations and sustainability-related matters. Sustainability analysis is therefore an integral part of Industrivärden's fundamental analysis that is conducted of respective portfolio companies. In this way, sustainability issues are addressed from a holistic perspective, with a base in the portfolio companies' respective operations, geographies and stages of development. This means that sustainability is integrated into assessments of the portfolio companies' boards and management teams, strategic issues, and financial performance.

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 task is to contribute to sustainable shareholder value in its portfolio companies. To this end, major emphasis is put on ensuring well-integrated and structured sustainability work in the portfolio companies. Key areas include responsible corporate governance and a sustainable societal role, minimized negative climate and environmental impacts, and sustainable production and innovation. Based on these focus areas, relevant goals have been established with guidance from the UN's Agenda 2030 framework for the Sustainable Development Goals. Specific goals and achievements are described in the detailed sustainability information on pages 82–90.

Development of sustainability work in 2023

Updated materiality analysis

In 2023, Industrivärden updated its stakeholder analysis regarding important counterparties. Views were obtained in the usual way within the framework of ongoing contacts, as well as through a formal questionnaire. Based on the stakeholder analysis, Industrivärden's capacity to influence, and a materiality perspective, it was possible to establish the materiality of Industrivärden's sustainability-related focus areas. In addition, the importance of sustainability perspectives in the portfolio companies' value chains have been addressed in particular.

Continued development of Industrivärden's sustainability reporting

Work was carried out to prepare for new regulations on sustainability reporting, such as the EU directive CSRD (Corporate Sustainability Reporting Directive).

Thematic reviews

Industrivärden continuously conducts reviews of key areas of influence such as electrification, digitalization, etc. In 2023 a review was conducted into the portfolio companies' use of AI and the impact of AI on 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 described in more detail on pages 82–90.

Detailed sustainability information

Structure of the sustainability report

Industrivärden's sustainability report is integrated in the Company's business review, 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 2023 calendar year consists of the sections Sustainable value creation (pages 16–17), Detailed sustainability information (pages 82–90), and the GRI Index and TCFD Reference (pages 91–94). 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 2023/2024 are published on the UN Global Compact website (in March/April of the respective years). Industrivärden undertakes to continue to work for the principles of the UN Global Compact during 2024/2025. 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 2023 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 16–17.

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 portfolio companies have clear systems of corporate governance and

adhere to good business ethics, a well-integrated sustainability perspective, and that they offer attractive workplaces. Respective companies' boards and management teams are responsible for conducting quality and well-integrated sustainability work. In order to evaluate and, exert owner influence in these areas, Industrivärden analyzes sustainability aspects such as governance and leadership, business culture, resource efficiency, climate impact, organization, diversity etc. In doing so, Industrivärden has an indirect sustainability influence in its portfolio companies.

In addition, Industrivärden has a direct sustainability influence through 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, although is primarily focused on being a responsible employer, striving for diversity and reducing the Company's own climate impact. Given its active owner role, Industrivärden seeks 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 90.

Governance and execution

Sustainability strategy and owner influence

The principles for how Industrivärden is expected to act as a company and responsible owner are set 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 characterized by openness, responsiveness and mutual respect;
- the Company shall reject all forms of discrimination because diversity in all forms improves levels of knowledge, dynamism and quality in our operations;
- the Company shall uphold and integrate the ten principles of the UN Global Compact in the areas of human rights, labor, anti-corruption and the environment.

Industrivärden exercises its ownership influence based on extensive knowledge of the portfolio companies and the sectors in which they are active, 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, exertion of influence 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 the formulation of the Company's goals and strategy, how active ownership is exercised, 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 in the own operations 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 sustainability into 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 integrated sustainability analysis in respective portfolio companies.

Sustainability analysis

To be able to conduct a qualitative analysis of portfolio companies' sustainability work – and exercise influence when needed – Industrivärden needs to have a depth of knowledge about the respective companies' operations and sustainability-related matters. The sustainability analysis is therefore an integral part of company analysis performed by 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. Portfolio companies should 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 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 Industrivärden's 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 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 respective portfolio companies. The analysis encompasses material sustainability risks in the respective companies based on Industrivärden's prioritized focus areas. Climate-related financial risks are one example, where the analysis includes transition risks and physical risks (effects of a changed climate) in various scenarios and time perspectives. Portfolio companies' combined sustainability risks make up part of Industrivärden's share price risk, which is described on page 72.

The overall outcome of Industrivärden's risk analysis for its prioritized areas is shown below. Where necessary, 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, there are a number of guidelines and rules that apply for Industrivärden's approximately 15 employees. All guidelines and rules are updated at regular intervals, and Industrivärden's employees receive training in regulatory matters on a regular basis. See table on page 84.

Handling suspected violations of the Code of Conduct

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

Cooperation and frameworks

Cooperation is necessary to address sustainability challenges. Industrivärden has therefore signed the UN Global Compact and has been working to comply with its ten principles since 2015. The Company regularly conducts various types of cooperation in the sustainability area.

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 for Industrivärden 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 50–72. Industrivärden's stock performance and dividends paid are shown on pages 42–44.

Materiality analysis

Industrivärden's sustainability-related focus areas have been identified and concretized using 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 maintains a continuous dialogue with its stakeholders, which increases knowledge about important changes in the business environment and highlights prioritized issues for the Company's stakeholders.

Stakeholder dialogues are an integral part of the continuous contacts maintained 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. Key stakeholders include shareholders, employees, other market actors, equity analysts, representatives of the portfolio companies, business partners and nongovernmental organizations (NGOs). In addition to continuous stakeholder dialogue, a formalized dialogue with a selection of relevant stakeholders was conducted in 2023. The materiality analysis did not change to any material extent. However, clarifications were made regarding the importance of sustainability-related opportunities in the portfolio companies and the importance of the sustainability dimension in the portfolio companies' value chains.

Significant issues

The following significant issues have been identified based on respective stakeholder groups' priorities and Industrivärden's influence.

- *Attractive returns at balanced risk*
By owning quality companies with proven business models, to which Industrivärden contributes through engaged ownership, opportunities for long-term value

Key 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	Board of Directors /CEO
Risk management	Risk policy	Internal	CEO
Information and confidentiality	Information policy	Internal	Board of Directors/CEO
Protection of personal privacy	Personal data policy	Internal/public	CEO
Reporting of rule violations	Code of Conduct	Public	Board of Directors

creation increase while risk decreases. It is thus important that portfolio companies are able to minimize risks and capitalize on value creation opportunities within the framework of their own sustainability influence and external sustainability factors.

- *Owner influence to drive integration of sustainability in portfolio companies*
IndustriVärden's opportunities to exercise active ownership require formal and trust-based influence in the portfolio companies. It is therefore vital 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 are required to strive for greater diversity from a double materiality perspective. Taking advantage of various perspectives is important for portfolio companies' long-term ability to create value and for the sustainable development of society.
- *Reduced climate and environmental impact*
The portfolio companies are required to strive for reduced climate and environmental impact from a double materiality perspective. 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 are to be responsible employers from a double materiality perspective. Attracting and retaining relevant expertise is crucial to be able 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 the sustainable development of society. In doing so it is able to 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 identified. 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 including good business ethics and anti-corruption, 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 within the framework of IndustriVärden's active ownership. SDGs 5 and 13 also pertain to the Company's own operations.




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 issue and conduct salient 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 contribute to long-term sustainable development in the communities in which they operate.

In order to drive development of 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	Overarching risk analysis
 <p>Good corporate governance incl. good business ethics and anti-corruption</p>	<p>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>
 <p>Greater diversity</p>	<p>All 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 39% 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 portfolio companies put considerable emphasis on diversity and equality, because 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>
 <p>Decent working conditions</p>	<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. 83% of the six companies that have reported this during the last five years (December 2018 – December 2023) 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 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 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 90.

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.

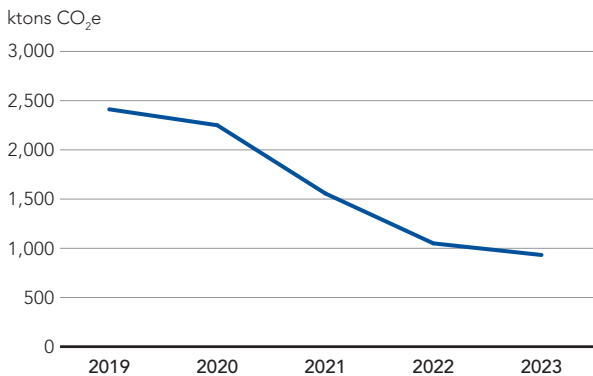
To illustrate the portfolio's combined climate risk in the form of climate impact and climate exposure, consolidated portfolio emissions and an overview of the portfolio's climate exposure are presented.

The portfolio's carbon emissions

The largest share of Industrivärden's emissions consist of indirect carbon 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 20–21.

Portfolio emissions (Scope 1 and 2)



Emissions 2023 refer to data as of 2022 for Volvo and Handelsbanken.

The equities portfolio's climate exposure

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, emission 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 implemented relevant parts of the TCFD's recommendations regarding its own operations since 2020. See the TCFD reference on page 94.

	Industrivärden’s goal	Outcome	Overarching risk analysis
 Reduced climate impact	<p>The portfolio companies shall minimize their 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 63% 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. 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 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	-26%	X	X
SCA	—*	—	50% reduction of Scope 1, 2 and 3 in total by 2030 Base year: 2019	-14%	X	—
Skanska	✓	1.5°C	70% reduction by 2030 Base year: 2015	-55%	X	X
Ericsson	✓	1.5°C	50% reduction of Scope 1, 2 and 3 in total by 2030 Base year: 2020	-39%	X	X**
Alleima	✓	1.5°C	More than 50% reduction by 2030 Base year: 2019	-34%	X	X

✓ Approved ✓ Enrolled

* Science based climate targets, but not validated by a third party.

** Company’s commitment not verified by SBTi.

*** Refers to 2022 as data as of 2023 has not yet been reported.

3. Sustainable production and innovation

	Industrivärden's goal	Outcome and illustrative examples	Overarching risk analysis
 <p>Sustainable production</p>	<p>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>	<p>Sandvik buys back end-of-life tools from its customers and recycles them to manufacture new tools. The company also disposes of tools that need specialized treatment. Carbide for cutting is produced from metal powder. The new metal powder Bergla is manufactured from 100 percent recycled tungsten, which results in 90 percent lower CO₂ emissions compared to using new material.</p> <p>In 2023, Essity inaugurated the world's first liquid food packaging recycling facility in Hondouville, France. The raw material consists of used food and milk packaging. The facility recycles 25,000 tons a year, which corresponds to 60 percent of all sorted and recycled food and milk cartons in France. In addition to increased recycling capacity, the process also enables the recycling of almost all material in packaging, including plastic and aluminum.</p> <p>Ericsson's 5G portfolio is now 10 times more efficient than 4G, for the same amount of transferred data. The same applies to energy efficiency, where the company's third and fourth generation Massive MIMO 5G radios are 10 times more energy efficient compared to 4G radios. These innovative efficiency steps have been achieved, for example, by using highly efficient power amplifiers for radio units and through improvements in Ericsson's unique circuit design solution that makes it possible to create smaller and lighter radio units that consume less energy.</p>	<p>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>
 <p>Sustainable innovation</p>	<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>The Volvo Group's global arena for innovation and collaboration – CampX – was started in 2019 and is located at the company's research and development units in Sweden, India, France and the US. It is a strategic program intended to accelerate technology and business innovation through partnerships with innovative startups. The companies run projects together with Volvo's expert team in technology, law, intellectual property rights and purchasing. Using a demand-driven innovation strategy, significantly reduces the time required for product and strategy development. More than 50 startups focused on electromobility, self-driving vehicles, and digital solutions have developed their ideas at CampX. From 2023, fintech is also included in the program to give customers additional opportunities to accelerate the transition to sustainable transport solutions.</p> <p>Skanska's operations in Norway participate in the "Powerhouse" concept, which together with architects, consultants, environmental organizations and real estate companies, focuses on green innovation – specifically, buildings that produce more energy than they consume. A Powerhouse is designed and built to minimize carbon dioxide emissions throughout its life cycle. The property must also produce more renewable energy than it consumes, for example through property-adapted solar plants or heat pump technology. In this way, tenants become part of the net zero transition. Through the Powerhouse concept, Skanska has developed a working method for plus-energy houses that has been scaled in several projects.</p> <p>Alleima has developed a new alloy: compressor valve steel Freeflex, which withstands harsher operating conditions, has greater energy efficiency, and could enable drastic reductions in global carbon dioxide emissions from air conditioning systems. Freeflex is a hardened and martensitic stainless valve steel for compressors, alloyed with copper, which provides extremely high strength under stress from bending and impact as well as excellent resistance to wear and tear. Compressors are used extensively in white goods, household appliances and various industrial components, and the innovative steel also reduces material consumption.</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 outcomes

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 applied the TCFD’s recommendations since 2019. For further details, please see the GRI Index and TCFD Reference on pages 91–94.

Industrivärden has the following sustainability goals for its own operations.

	Industrivärden’s goal	Outcome	Overarching risk analysis
 Increased diversity at a good workplace	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.	<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 50% 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 	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.
 Reduced carbon footprint	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.	<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 	Industrivärden works actively to minimize its own negative carbon footprint and environmental impacts, and compensates for all actual greenhouse gas emissions through offsets.

Reporting in accordance with the EU Taxonomy

The EU Taxonomy Regulation is intended to help investors and companies identify and compare investments that contribute to sustainable development.

Industrivärden is not subject to the Taxonomy Regulation.

Industrivärden’s portfolio companies are subject to the Taxonomy Regulation and their taxonomy is included in respective portfolio company’s sustainability reports for 2023.

Development of sustainability work in 2023

Development of Industrivärden’s sustainability work in 2023 is described in the sustainability introduction on page 17.

GRI Index and TCFD Reference

Industrivärden's sustainability report complies with the most recent version of the Global Reporting Initiative's (GRI) Universal Standards 2021 and its Financial Services sector supplement. This is Industrivärden's seventh 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 2023 (January 1–December 31, 2023). Our 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 2023 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 recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) for reporting climate-related risks, but currently does not report in full compliance with the 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		49	
2-2	Entities included in the organization's sustainability reporting		49, 69	The Parent Company and all subsidiaries are covered by the report.
2-3	Reporting period, frequency and contact point		49, 95	The report, which is prepared annually, pertains to the 2023 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		74–78	The Company's auditor has given an opinion on the statutory sustainability report. An audit has not been conducted.
Activities & employees				
2-6	Activities, value chain and other business relationships		10–15	
2-7	Employees	90	14, 50, 66–67	All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden has approx. 15 employees. Apart from regulatory requirements, information that can be coupled to individual persons is therefore not disclosed. For average number of employees, see note 8 on page 66.
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		52–58	
2-10	Nomination and selection of the board of directors		52–53, 95	
2-11	Chairman of the Board of Directors		54, 58	
2-12	The Board's role in overseeing the management of impacts	83	52–57	
2-13	Delegation of responsibility for managing impacts	83		
2-14	Role of the Board of Directors in sustainability reporting	83		
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		53–54, 58	
2-18	Evaluation of the performance of the Board of Directors		54	
2-19	Remuneration policies		55–57, 66–67	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		66–67	
2-21	Annual total compensation		66–67	
Strategy, policies & practices				
2-22	Statement on sustainable development strategy		7–9, 16–17	
2-23	Policy commitments		16–17	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	82–90		
2-25	Processes to remediate negative impacts	82–90		
2-26	Mechanisms for seeking advice and raising concerns	83–84		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 non-compliance 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	16–17, 84		
2-30	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
Material topics				
3-1	Process to determine material topics	84–85		
3-2	List of material topics	85	16–17	
3-3	Management of material topics	11–15, 82–84		Includes 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	84	22–23, 40–45, 60–72	
201-2	Financial implications and other risks and opportunities due to climate change	86–88		
201-3	Defined benefit obligations and other retirement plans		64–67, 70	
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	16–17	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	83		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)	90		Scope 1 emissions in 2023 amounted to 14 tons CO ₂ e (19). www.cdp.net : Industrivärden, CC 6.1.
305-2	Energy indirect GHG emissions (Scope 2)	88, 90		Scope 2 emissions in 2023 amounted to 8 tons CO ₂ e (8) (according to market-based method). www.cdp.net : Industrivärden, CC 6.3.
305-3	Other indirect GHG emissions (Scope 3)	86–88, 90		Scope 3 emissions in 2023 amounted to 16 tons CO ₂ e (11) (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 87.
305-4	GHG emissions intensity	86–88, 90		Information is provided in the yearly reporting to the CDP.
305-5	Reduction of GHG emissions	86–88, 90		Information is provided in the yearly reporting to the CDP.
305-6	Emissions of ozone-depleting substances (ODS)			No ozone-depleting emissions are caused by operations.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			No significant emissions are caused by operations.
Social				
401	Employment 2016			
401-1	New employee hires and employee turnover			The Company has approx. 15 employees. Employee turnover was 7% (7%) for new hires and 7% for departures (7%). 1 man in age group –30 was hired.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		55, 66–67	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	84, 90		In accordance with Swedish law. Includes all employees.
403-2	Hazard identification, risk assessment, and incident investigation	90		A safety assessment was carried out.
403-3	Occupational health services	84, 90		All employees are offered company health care benefits.
403-4	Worker participation, consultation, and communication on occupational health and safety	90		Conducted under the direction of the HR function.
403-5	Worker training on occupational health and safety	90		Conducted under the direction of the HR function.
403-6	Promotion of worker health	90		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 (approx. 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 4%. 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	90		The average number of hours per employee was 11.
404-2	Programs for upgrading employee skills	90		Structured through individual conversations with employees.
404-3	Percentage of employees receiving regular performance and career development reviews	90		All employees receive regular evaluations of their performance and career development.
405	Diversity and Equal Opportunity 2016			
405-1	Diversity of board of directors, management and employees	82–83, 90	52–54, 58–59, 66	
405-2	Ratio of basic salary and remuneration of women to men		66–67	Information not provided given the size of the workplace (approx. 15 employees).
Sector-specific disclosures, financial				
G4 FS6	Breakdown of investment portfolio by region, size and sector		22–23	All 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	83	16–17	Sustainability issues are addressed in all portfolio companies within the scope of Industrivärden's business model.

Page references for disclosures in accordance with TCFD recommendations

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

Reference	Category			
	Governance	Strategy	Risk management	Metrics and targets
a)	53–55, 82–83	87–88	83	86–88
b)	53–55, 82–83	86–87	72, 86–87	88, 93
c)	Not applicable	–	83	88