

SUSTAINABILITY REPORT

INDUSTRIVÄRDEN AS ASSET MANAGER AND ACTIVE OWNER

Long-term value creation requires sustainable solutions and decisions, which is why our asset management decisions and influencing activities are based on a distinct sustainability perspective. As an active owner we contribute to developing responsible companies that capitalize on sustainability-related opportunities. This creates competitive companies and favors long-term sustainable development in the communities in which the portfolio companies operate. Against this background, major emphasis is put on ensuring that our portfolio companies have the boards, leadership, organization and resources needed to integrate corporate social responsibility and thus long-term value creation in their business models, processes and product offerings. Industrivärden strives to be a well informed owner that makes demands and exercises its ownership role primarily through nominating committee and board representation.

Our sustainability principles

Like other strategic matters, sustainability aspects in the portfolio companies are handled within the framework of Industrivärden's active ownership process. The work is based on our sustainability analysis framework, which covers the portfolio companies' organization, structure, risk management, utilization of value-creating opportunities and communication. Through this analysis process we obtain a wealth of knowledge about the portfolio companies' sustainability work, which benefits our active ownership. The portfolio companies operate in widely diverse sectors and thus the preconditions and challenges as well as the opportunities and actions differ from company to company. However, Industrivärden's overarching

ambitions from a sustainable, long-term ownership perspective are the same for all of the companies.

As an active owner Industrivärden has an expectation that the portfolio companies

- treat sustainability as a vital strategic opportunity,
- integrate sustainability aspects in their business models, business cultures, strategies, processes and product offerings,
- comply with applicable laws, rules and regulations, and generally accepted principles for corporate social responsibility,
- continuously improve their work with the support of relevant guidelines and measurable goals, and
- communicate their sustainability work, including the ways in which they contribute to long-term sustainable development in the communities they work in.

As guidance in our sustainability work we adhere to global initiatives such as the OECD Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Global Compact. Since 2015 we also report yearly to the Global Compact on our progress in the areas of human rights, working conditions, the environment and anti-corruption.



WE SUPPORT

Good starting point for sustainable value creation

Our portfolio companies have all made great progress in capitalizing on the values conveyed by long-term corporate social responsibility and stand up well in various sector comparisons. However, the companies face different challenges that we monitor in our capacity as an active owner. Following are a few current examples our portfolio companies' sustainability work.

ESSITY: RECOGNIZED BY CDP AS WORLD LEADER FOR ITS ACTION ON WATER AND FORESTS

Essity has been recognized as a global leader for its action on water and forests and received the highest score from CDP, an international not-for-profit charity that promotes a more sustainable economy. From thousands of participating companies, Essity was one of only four to qualify for CDP's A-list. This was the case for both CDP Water, for reporting its efforts to promote sustainable water use, as climate work for which Essity received the high score A-.

SSAB: HYBRIT - CO₂-FREE STEEL PRODUCTION

In 2017 SSAB, together with LKAB and Vattenfall, formed HYBRIT, a joint venture company for fossil-free steel. The company is working to develop a steel production process that has zero carbon dioxide

emissions, replacing them with water emissions. HYBRIT is a very important initiative for SSAB and Sweden's national goal to be carbon neutral by 2045. If the initiative is successful, HYBRIT will make a major contribution to a carbon free Sweden.

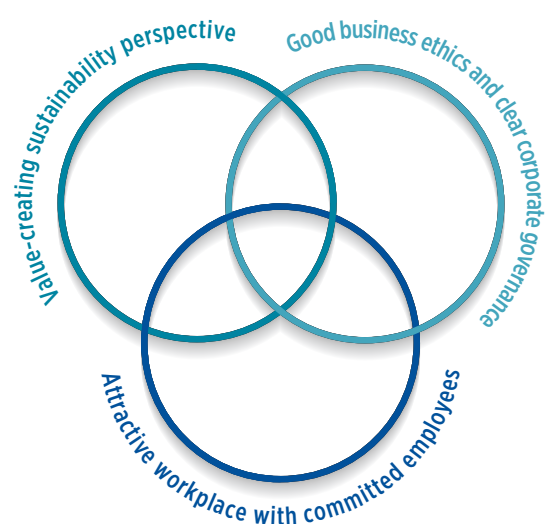
VOLVO: VOLVO TRUCKS SAFETY REPORT 2017 PUTS FOCUS ON VULNERABLE ROAD USERS

Volvo's vision is that no Volvo trucks will be involved in traffic accidents. The company has long been at the forefront of safety development and has presented new functions that prevent and reduce the risk of traffic-related accidents. In 2017 Volvo Trucks published its second Safety Report, which analyzes and describes why accidents with heavy goods vehicles occur, what the interacting factors are for them, and what should be done to reduce the risk for accidents and their consequences.

Our values

Industrivärden's operations are to be conducted in accordance with our Code of Conduct and policies. Through our active ownership we also advocate for our values and ethical guideline and that they will also permeate the companies in which we are active owners. The Code of Conduct, which has been adopted by the Board of Directors, is revised yearly and is available on Industrivärden's website. In short, it stipulates that

- we believe that good business ethics and clear corporate governance with a genuine sustainability perspective contribute to long-term value creation and sustainable development in society,
- our workplaces shall be distinguished by openness, responsiveness and mutual respect, and
- we repudiate all forms of discrimination and believe that diversity in all its forms enhances knowledge, experience, dynamism and the quality of our operations.



DEVELOPMENT OF OUR SUSTAINABILITY WORK IN 2017

Strengthened sustainability analysis

In 2016 Industrivärden initiated development work aimed at strengthening analysis and our ability to influence sustainability-related matters. This resulted in the gathering of a large volume of knowledge and in a new sustainability analysis framework, which we further developed in 2017 and which has now been integrated into our operational activities. Read more about our active ownership process on page 15.

Completion of materiality analysis

During the year we performed a materiality analysis, which serves as the foundation of priorities in our sustainability work. The analysis is based on a dialog we have conducted with our stakeholders. Based on this analysis, our primary task – in our capacity of a long-term asset manager and active owner – is to contribute to sustainable economic growth in our investments.

Implementation of Agenda 2030

In September 2015 the UN General Assembly adopted the Sustainable Development Goals (SDGs) as part of Agenda 2030. The goals aim to achieve social, environmental and economically sustainable development in all countries, and the business sector will play a crucial role in achieving them. Based on our own business, our influence opportunities in the portfolio companies and our materiality analysis, we have chosen to focus particularly on the following SDGs: 5 – Gender equality; 8 – Decent work and economic growth; 9 – Industry, innovation and infrastructure; 12 – Responsible consumption and production; and 13 – Climate action. From an influence perspective, SDG 5 and SDG 13 pertain mainly to our own operations, while the other three pertain to our portfolio companies within the framework of our active ownership. How we are contributing to Agenda 2030 in our role as asset manager and active owner is described in the box below, and through our own operations in the inset on page 21.

How we are contributing to SDGs 8, 9 and 12 in Agenda 2030



Sustainable economic growth is a linchpin in our work on contributing to the development of responsible and successful companies.



Promotion of sustainable industrialization and innovation is in focus in our portfolio companies and is encouraged in our role as active owner.



All of our portfolio companies conduct strategic sustainability work that is integrated in their business models and communicated externally. The companies offer long-term sustainable and efficiently produced products and services that contribute to sustainable production and consumption.

Participation in partnership projects

Industrivärden is a participant in SISD (Swedish Investors for Sustainable Development), a project sponsored by Sida (the Swedish International Development Cooperation Agency). The aim is to gain knowledge and share experience with other project participants. Within the framework of this project we are part of a work group focusing on anti-corruption, which is an important issue in SDG 16 – Peace, justice and strong institutions. Among other achievements, the group has drawn up a set of indicators to support the project participants' own analyses and as a contribution to the Global Reporting Initiative (GRI).

New policy documents

In 2017 we adopted an environment and climate policy and a diversity and equal opportunity policy, which define our approach to these issues in our own operations.

Reporting in accordance with the GRI

We have chosen to begin reporting in accordance with the GRI in order to enable our stakeholders to learn about and evaluate the development of our sustainability work over time. The sustainability report (pages 17-21) summarizes priority issues within the framework of our sustainability work. For more in-depth information, see the GRI index (page 66).

GOALS AND STRATEGIES

Our stakeholders' views of our sustainability work

We are interested in and receptive to expectations that people in our general operating environment have on our operations. Accordingly, we are engaged in an ongoing dialog with our stakeholders in order to gain insight into their perspectives and learn from each other. This dialog helps us to develop our sustainability work and plays a crucial role for us in realizing our business concept to conduct long-term value-creating asset management through active ownership. Our primary stakeholder groups are made up of counterparts who we influence and who are highly relevant for our operations:

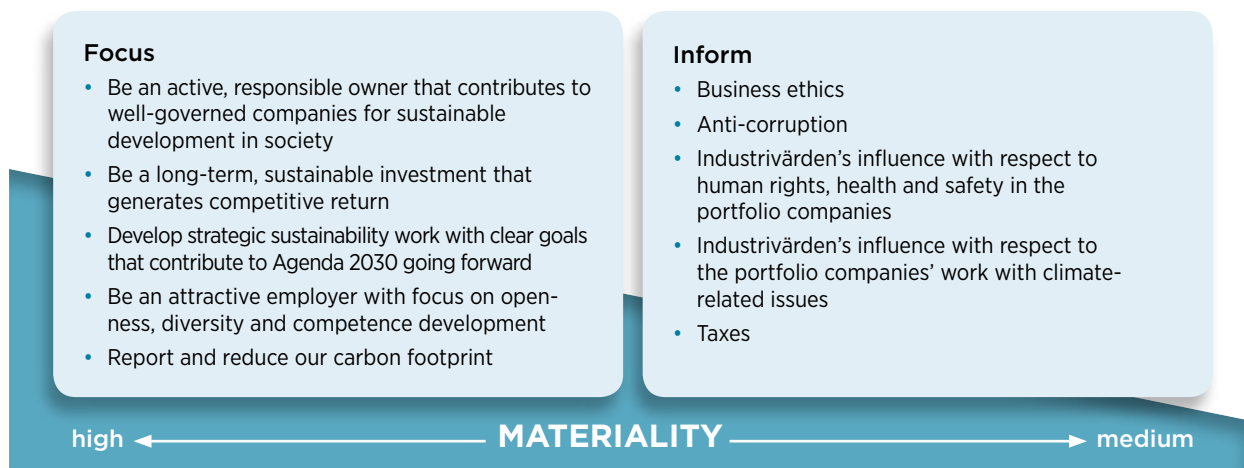
- Shareholders and potential investors
- Other major owners of portfolio companies

- The portfolio companies
- Industrivärden's employees
- Authorities, legislative bodies and nongovernmental organizations (NGOs)

During 2017 we intensified our stakeholder dialogs with the aim to define material sustainability issues for Industrivärden. We have carried on dialogs and maintained continuous contacts with all stakeholders in the form of investor meetings, information gatherings, and group and individual meetings. With this as a base we have compiled a set of key issues and expectations that our stakeholders have for Industrivärden in the areas of the environment, society, economy and employees.

Aspects that have been conveyed by most stakeholder groups include that Industrivärden should be a responsible, long-term active owner and a sustainable investment that generates a competitive return. There is an expectation on us to have strategic and integrated sustainability work and to increase transparency about how we conduct this work. Other issues expressed by our portfolio companies, authorities, legislative bodies and NGOs – among others – include that we take a clear position on matters related to anti-corruption, taxes, diversity and carbon footprint. Our employees believe that the opportunity for competence and career development as well as diversity in the workplace are urgent matters. NGOs want to see a transparent and long-term perspective in our sustainability work, such as our contribution to Agenda 2030.

The materiality analysis defines our prioritized sustainability issues



In an effort to strengthen our priorities, we have matched our stakeholders' expectations with the issues that we believe have the greatest strategic importance for our own operations. These prioritized sustainability issues form the foundation of our sustainability work. The outcome of this analysis is laid out in the figure above.

“Our refined sustainability analysis and in-depth knowledge, combined with a broadened stakeholder dialog, have strengthened our ability to evaluate sustainability-related risks and opportunities for enhanced value creation.”

Sverker Sivall, Head of Corporate Communications and Sustainability, Industrivärden

Our sustainability goals

With a foundation in prioritized sustainability issues we have set suitable goals and actions for the coming year. See the table below.

SUSTAINABILITY ISSUE	ACTION	GOALS 2018
Be an active, responsible owner that contributes to successful companies and to sustainable development in society	<p>Continued analysis and follow-up in accordance with our sustainability analysis framework</p> <p>Continued promotion of good business ethics and anti-corruption, which is regulated in the Code of Conduct and is included in our sustainability analysis framework</p>	<p>Analyze and follow up all portfolio companies in accordance with our sustainability analysis</p> <p>Monitor and execute action plans for the respective portfolio companies</p>
Be a long-term, sustainable investment that generates a competitive return	<p>Contribute to the development of value-creating, responsible and sustainable companies, which supports long-term sustainable development in the communities the companies work in</p> <p>Engage in continuous dialog with our stakeholders to hear their views and expectations</p>	<p>Competitive shareholder value through a total return which, over time, is higher than the average for the Stockholm Stock Exchange (Nasdaq Stockholm)</p> <p>Engage in continued dialog with our prioritized stakeholders</p>
Be an attractive employer with focus on competence development, openness and diversity	<p>Yearly performance reviews</p> <p>Develop the recruitment process with the aim to enable a broader range of candidates in recruitment</p>	<p>Conduct employee performance reviews with special attention paid to the work environment and competence development</p> <p>Implement processes for achieving broader competence and diversity</p> <p>Implement policy for increasing diversity</p>
Further develop strategic sustainability work with a clear set of goals going forward that contribute to Agenda 2030	<p>Develop sustainability strategy</p> <p>Continuous revision of the Code of Conduct</p> <p>Training in sustainability priorities and the Code of Conduct</p>	<p>Further develop and formalize strategic sustainability work in a sustainability strategy</p> <p>Clearly communicate our efforts toward achievement of the identified sustainability goals</p> <p>Further train all employees in the sustainability strategy and Code of Conduct</p> <p>Develop sustainability information for our stakeholders</p>
Reduce and report our carbon footprint	<p>Annual reporting of carbon footprint to CDP</p> <p>Carbon offsets for our impact</p>	<p>Continue annual reporting of carbon footprint to CDP</p> <p>Continue carbon offsetting for our impact</p> <p>Implement new environmental and climate policy</p>

INDUSTRIVÄRDEN'S OWN OPERATIONS

Industrivärden should serve as a model and work with a clear sustainability focus in its own operations as well as in its portfolio companies. Proactive sustainability work is to be an integral part of the day-to-day operations, which are conducted by some 20 employees at the Group's head 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 analyses in the respective portfolio companies.

Our people

Industrivärden aspires to offer a work environment in which the employees enjoy their work, feel good and can develop. Toward this end we continuously evaluate performance as well as development opportunities for all employees. We encourage a continuous dialog on matters related to the workplace, forms of cooperation and personal development. We believe better results are achieved in a workplace characterized by gender equality and diversity, and toward this end we are working to increase diversity over time. During 2017 the Executive Management was expanded with one woman and one man executive, after which it includes two women and three men.

How we are contributing to Sustainable Development Goal 5 in Agenda 2030



Diversity and gender equality are a priority issue both in our own operations as well as in our portfolio companies.

Financial results

Favorable financial performance and financial strength are necessary prerequisites for Industrivärden to be able to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time.

During 2017 Industrivärden's net asset value increased from SEK 82.8 billion to SEK 96.3 billion at the end of the year. Industrivärden's Class A and Class C shares generated a total return including reinvested dividend of 20% and 22%, respectively. The dividend paid to the shareholders was SEK 5.25 per share, or SEK 2.3 billion in total. Industrivärden has a stable financial situation with a good credit rating, and at year-end the debt-equities ratio was 10%.

Our work with the environment and climate

We want to set a good example by minimizing our own environmental impact and carbon footprint even though Industrivärden, in terms of the organization's size, is a small company. We are doing this, for example, by prioritizing environment-friendly travel alternatives, using renewable energy in our offices, and by continuously evaluating our purchases.

We are committed to reducing our own impact over time, and we compensate for our actual greenhouse gas emissions through offsets. To be able to monitor and compare our impact, for the seventh year in a row we have disclosed our climate change mitigation efforts to CDP. Our greenhouse gas emissions have been calculated in accordance with the GHG protocol and are shown in the GRI Index on page 66.



How we are contributing to Sustainable Development Goal 13 in Agenda 2030



High ambitions to combat climate change are crucial for our own operations as well as for our portfolio companies'.

Even though our own operations are a natural starting point for our sustainability work, our main focus is on the processes in which we have the greatest influence – our investment decisions and active ownership.

AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

It is the board of directors who are responsible for the statutory sustainability report on pages 17–21 and for ensuring that it has been prepared in accordance with the Annual Accounts Act. Our examination has been conducted in accordance with FAR's auditing standard RevR 12 – auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared.

Stockholm, February 15, 2018
PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

GRI INDEX

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative Standard (GRI), core level, Financial Services sector. This is Industrivärden's first 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 2017 (January 1–December 31, 2017). It is our ambition to report yearly.

Industrivärden's operations are conducted by approximately 20 employees at the Company's head offices in Stockholm. During 2017 we conducted stakeholder dialogs and a subsequent materiality analysis to identify

the highest priority issues in the area of sustainability. The analysis forms the basis of our disclosures and is reported in this sustainability report. We contribute by adopting a clear sustainability perspective in our asset management decisions and exercise of active ownership. The portfolio companies' sustainability reports are available from the respective companies' websites.

The GRI report and index describes Industrivärden's sustainability work based on the GRI Standards. The report consists of the information below, including the respective references, as well as the information reported in the 2017 Annual and Sustainability Report, on our website and on cdpr.net, according to the respective references in the GRI index.

GRI STANDARDS INDEX, CORE LEVEL, FINANCIAL SERVICES SECTOR SUPPLEMENT

General disclosures		In Industrivärden's Sustainability Report (page)	In Industrivärden's Annual Report (page)	Comments
1. Organizational Profile				
102-1	Name of the organization		Inside back cover	
102-2	Activities, brands, products and services		4, 12–16	
102-3	Location of headquarters		12, Inside back cover	
102-4	Location of operations		12, Inside back cover	
102-5	Ownership and legal form		2, 39–40	
102-6	Markets served		22–31, 39	
102-7	Scale of the organization		12–16, 52	
102-8	Information on employees and other workers		12–13, 52	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 20 employees. Apart from regulatory requirements, we therefore do not disclose information that can be coupled to individual persons.
102-9	Supply chain	21		Purchases of goods and services are made for the office activities in Stockholm. Suppliers are primarily active in the Nordic countries.
102-10	Significant changes to the organization and its supply chain			No major changes during the year.
102-11	Precautionary principle or approach			The precautionary principle is adhered to with respect to assessments and management of sustainability risks in the portfolio companies and new investments. Industrivärden has signed the UN Global Compact, whose environmental risks cover the precautionary principle.
102-12	External initiatives	17–18		UN Global Compact; the Company's Code of Conduct is based on the OECD Guidelines for Multinational Enterprises and the ILO Fundamental Conventions.
102-13	Membership of 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).

2. Strategy

102-14	Statement from senior decision-maker		8-11	
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3. Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	17-21		
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4. Governance

102-18	Governance and Board of Directors	21	33-35, 63-64	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.
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5. Stakeholder engagement

102-40	List of stakeholder groups	19		
102-41	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	19		
102-43	Approach to stakeholder engagement	19		
102-44	Key topics and concerns raised	19-20		

6. Reporting practice

102-45	Entities included in the consolidated financial statements		55	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		50-51	
102-47	List of material topics	19-20	46-47	
102-48	Restatements of information			This is Industrivärden's first sustainability report in accordance with GRI.
102-49	Changes in reporting			This is Industrivärden's first sustainability report in accordance with GRI.
102-50	Reporting period		32	
102-51	Date of most recent report			This is Industrivärden's first sustainability report in accordance with GRI. Our last annual report with sustainability information was published on February 23, 2017.
102-52	Reporting cycle		66	
102-53	Contact point for questions regarding the report		3	Head of Corporate Communication and Sustainability, Sverker Sivall, ss@industrivarden.se
102-54	Claims of reporting in accordance with the GRI Standards		19	
102-55	GRI content index		66-68	
102-56	External assurance	21		The auditor has given a statement on the statutory sustainability report. Significant information is also included in the Company's Board of Directors' report, which is reviewed by Industrivärden's auditor.

Material issues

GRI 200: Economic

GRI 201: Economic performance

103-1 - 103-3	Sustainability governance	17-21		
201-1	Direct economic value generated and distributed	21		

GRI 205: Anti-corruption			
103-1 - 103-3 Sustainability governance	17-21		
205-1	Operations assessed for risks related to corruption	17-21	The own operation including all portfolio companies have been analyzed with respect to the risk for corruption.
GRI 300: Environment			
GRI 305: Emissions			
103-1 - 103-3 Sustainability governance	17-21		
305-1	Direct GHG emissions (Scope 1)	21	No Scope 1 emissions. www.cdp.net: Industrivärden, CC 7.1
305-2	Energy indirect GHG emissions (Scope 2)	21	Carbon footprint in 2017 was 17.5 tonnes CO ₂ e (26.7) in Scope 2 (energy consumption and district heating) www.cdp.net: Industrivärden, CC 14.1
305-3	Other indirect GHG emissions (Scope 3)	21	Carbon footprint has decreased by more than 60% since the peak level in 2013, and was 49.6 tonnes CO ₂ e (54.7) in Scope 3 (business travel, publications and office material) www.cdp.net: Industrivärden, CC 7.1
GRI 400: Social			
GRI 401: Employment			
103-1 - 103-3 Sustainability governance	17-21		
401-1	New employee hires and employee turnover		The Company has 18 employees. Employee turnover for new hires is 12% (16%), and 0% departures (22%). Two men in age group 30-39 newly hired.
401-3	Parental leave		During the period three men and one woman were on parental leave. Two men and one woman returned to work after parental leave during the reporting period. One man was on parental leave at the end of the reporting period.
Health and safety			
103-1 - 103-3 Sustainability governance	17-21		
403-2	Types of injury and rates of injury, and absenteeism		No occupational injuries during the period. Average absenteeism relative to total working time was 2%.
GRI 400: Training and education			
103-1 - 103-3 Sustainability governance	17-21		
404-1	Average hours of training per year per employee		The average number of hours per employee was 22.
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	17-21		
405-1	Diversity of governance bodies and employees		34, 52, 63-64
GRI 419: Socioeconomic compliance			
103-1 - 103-3 Sustainability governance	17-21		
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	17-21		
FS 6	Percentage of the portfolio for business lines by specific region.		22
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.