



# Alder.

Sustainability Report 2020

# 11

## Years of Sustainable Investing

Portfolio as of  
31 December 2020

**2,564** Sales SEKm

**247** EBITDA SEKm

**1,300** Employees

**8%** R&D % sales Average

Alder's Why is to generate attractive returns by owning and developing companies that improve the long term sustainability of our environment.

Alder only invests in companies whose operations, products and/or services have a positive impact on the environment. Our portfolio companies create value through environmental benefits such as reduced consumption of energy and resources, reduced emissions to air and water and reduced waste, contributing to the UN Sustainable Development Goals and mitigating the risks of exceeding the Planetary Boundaries.

Alder's funds have sustainability as an overall goal. The funds are classified within Article 9 according to the EU regulation on sustainability-related information in the financial services sector (SFDR).

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*Front and second page illustrations: : The alder tree is a pioneer plant, first in place when new land is formed, and with its fine network of roots, recognized as an industrious soil improver. Our name represents development, persistence, collaboration and sustainability.*

# Letter from the Alder Team

We are pleased to present you with our third sustainability report, for 2020.

This has been a challenging year and we have all been affected by the Covid 19 pandemic, in many ways.

We feel a strong commitment to our environmental objective, the urgency of which has been emphasised by the pandemic as the possible consequences of climate change and loss of biodiversity are becoming more apparent.

On the positive side, we have learned to interact effectively in new ways. Our portfolio companies adapted quickly to the new conditions, minimising health risks, and overall showed strong resilience in their operations. We do look forward to personal meetings with colleagues and portfolio companies, but digital solutions have come to stay as a viable option to travel.

Our Why is "*To generate attractive returns by owning and developing companies that improve the long term sustainability of our environment*".

We invest in companies that are likely to be successful in a changing world, with climate change, decreasing biodiversity, resource scarcity, demographic shifts and technological innovation. In our view, companies that are well positioned and resilient in a changing world are also more likely to provide value growth, at lower risk, to our investors.

Our portfolio companies are chosen on the basis that they can contribute to solutions to some of the challenges that we face. When we make our investments, we always look for a value proposition based on an environmental benefit.

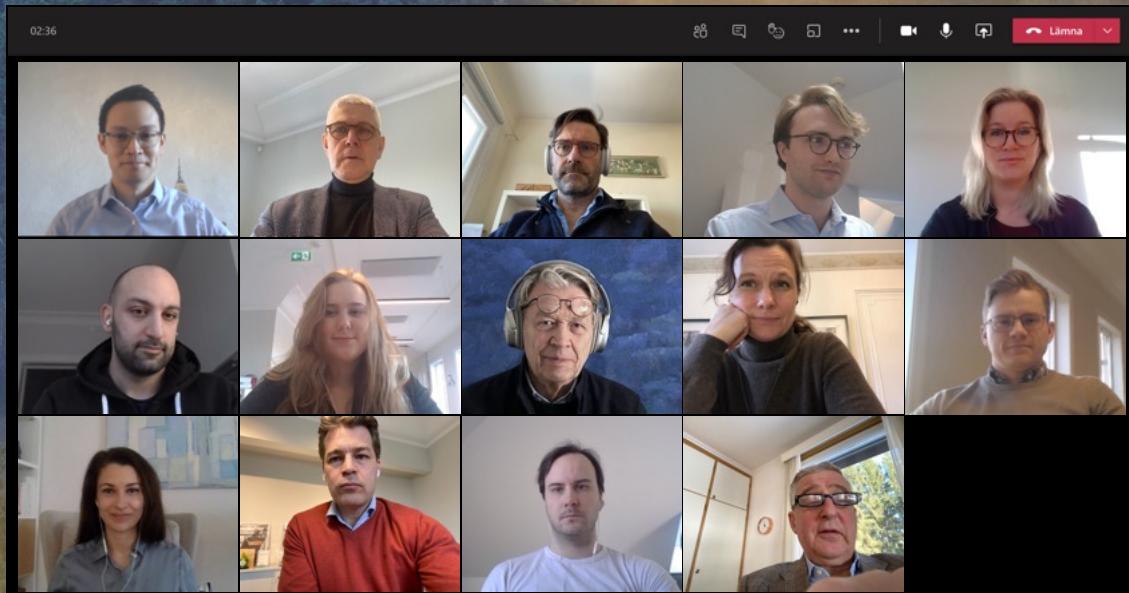
We use the United Nations Sustainable Development Goals (SDG:s) and the Planetary Boundaries as frameworks for the global challenges that we address through our portfolio companies.

During the year, we have welcomed three new companies that meet these requirements into Fund II, which we introduce in more detail in the Portfolio Company pages.

We have also focused on developing our internal competence within sustainability and environment, with focus on the Planetary Boundaries framework and Biodiversity.

We hope that this report will help the reader to better understand what sustainability means to us in practice. We describe our approach to sustainable investing and share sustainability highlights, cases and KPI:s from our portfolio companies.

We would like to thank all the employees in our portfolio companies for their hard work and continuous progress and we look forward to a new year with new opportunities.



The Alder team, from the top left: Keiward Pham, Dag Broman, Henrik Flygar, Carl-Johan Langenskiöld Folke, Lena Wahlberg, Arash Raisse, Maja Förberg, Thomas Nilsson, Åsa Mossberg, Henrik Lindholm, Ina Smolander, Henrik Blomé, Zacharias Rosenlew and Jonas Frick.

## Approach: Two dimensions of sustainability

Alder's framework is built upon the view, that there are two dimensions of sustainability in our portfolio companies – Impact and Operations. Value is created in both dimensions.

Our impact is part of the portfolio companies' value proposition, customer offer and their potential for long term performance and value growth in a changing world. Striving for excellence in the operational dimension can contribute to cost savings, employee retention and avoiding reputational and financial risks.

### Impact

The Impact dimension is the value that we, through our portfolio companies , create to the environment through our business models and the products and services that our portfolio companies provide.

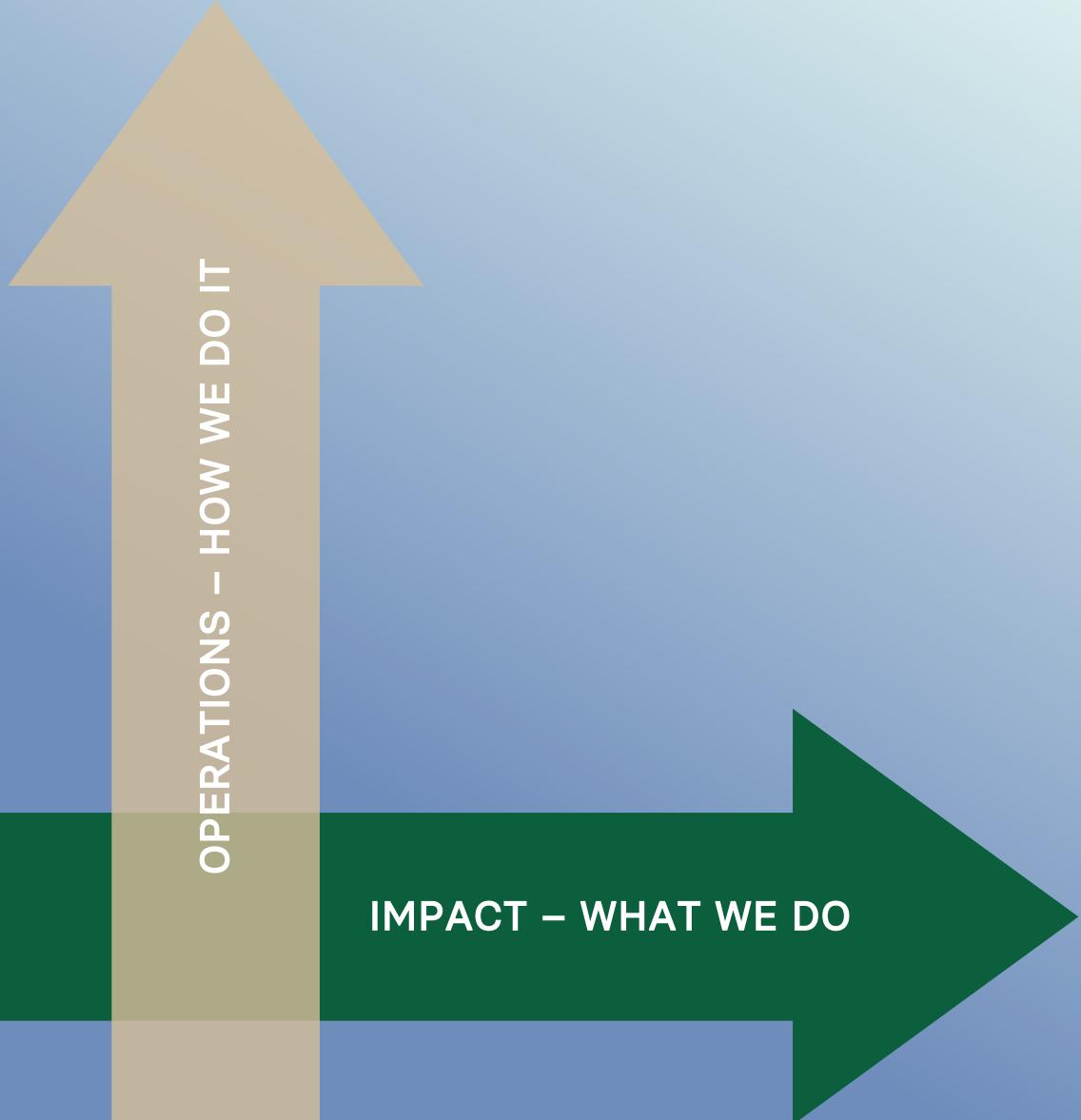
Our Impact normally occurs when our products or services are in use by our customers, where they contribute to environmental benefits such as saving scarce resources and energy, reducing greenhouse gas emissions or purifying water.

We assess the potential impact using the UN Sustainable Development Goals and the Planetary Boundaries framework (see p 5).

### Operations

The Operations dimension describes how we run our businesses. We strive for high sustainability standards in this dimension as well, through continuous improvement. This implies that we ensure that we implement appropriate systems and policies for governance, that we minimise any negative environmental impact from our own operations and that we work proactively with competence development and employee satisfaction among our portfolio company employees.

In the following pages, we will come back to these two dimensions as we describe our sustainability work in more detail.



# Investing for a Future within the Planetary Boundaries



At Alder, we use The Planetary Boundaries as a tool for identifying and assessing potential investments and their environmental impact.

The Planetary Boundaries framework defines precautionary boundaries for nine critical processes of human-driven environmental change. The science shows that these nine processes and systems regulate the stability and resilience of the Earth System – the interactions of land, ocean, atmosphere and life that together provide conditions upon which our societies depend:

1. **Climate change**
2. **Change in biosphere integrity**  
biodiversity loss and species extinction
3. **Stratospheric ozone depletion**
4. **Ocean acidification**
5. **Biogeochemical flows**  
phosphorus and nitrogen cycles
6. **Land-system change** e.g. deforestation
7. **Freshwater use**
8. **Atmospheric aerosol loading**  
microscopic particles in the atmosphere that affect climate and living organisms
9. **Introduction of novel entities**  
e.g. heavy metals, organic pollutants, radioactive materials, nanomaterials, and micro-plastics.

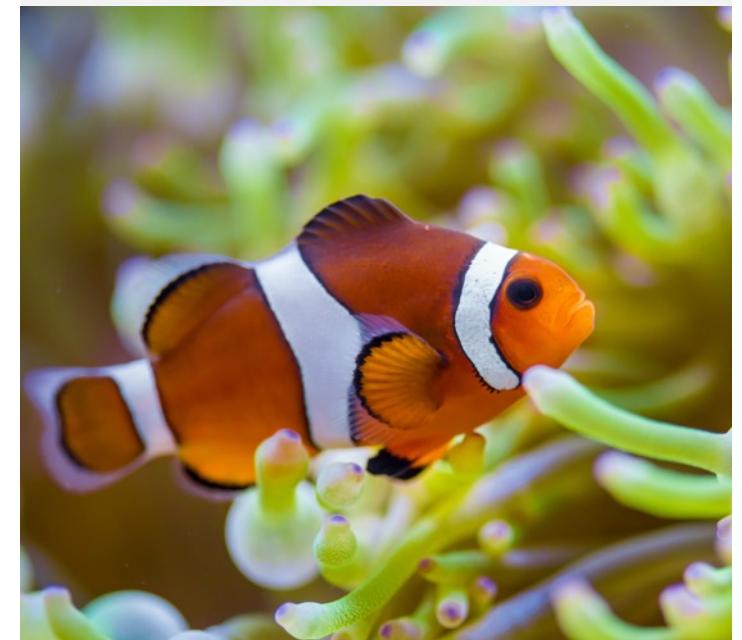
Beyond the boundaries, we all face the possibility of abrupt, large-scale changes in Earth system functioning and significant risks to societies and economies worldwide. Together, the Planetary Boundaries quantify a safe operating space at the global level, providing a dashboard for global sustainability.

1. Stockholm Resilience Centre, <https://www.stockholmresilience.org>

## Focus on Biodiversity

In 2020, all Alder employees have participated in a web-based course on the Planetary Boundaries, offered by the SDG Academy. Three of the critical processes have been selected for further development of the team's internal competence and understanding.

The first of these focus processes is #2, Change in biosphere integrity or Biodiversity. Alder has in 2020 organised seminars with three prominent researchers within the area of marine biodiversity, learning more about risks and opportunities in this area, with the intention to understand key challenges and opportunities, how these may be connected to our current portfolio companies and whether there are investment opportunities in technologies that can contribute to preserving biodiversity.



# Portfolio Company Impact – Contribution to the Sustainable Development Goals

Aidon

Smart grids contribute to **affordable and clean energy** and **climate action** through efficient, reliable energy distribution and enabling of renewable sources.



Briab

By managing risk and optimising resilience, materials choices and project management, Briab contributes to **good health, sustainable cities, responsible production, and climate action**.



Nordic Water

Nordic Water contributes to **Clean Water and Sanitation** and **Life Below Water** with leading technology for water treatment and purification, **sustainable cities** with compact water purification solutions and **climate action** through energy efficient solutions and reuse of waste products.



Samon

Samon contributes to **Good Health** by detecting and warning for hazardous gases, **sustainable cities** and **climate action** by saving the ozone layer, reducing greenhouse gases and enabling energy savings.



Satel

Radio networking technology from Satel support **Zero Hunger** with precision farming applications, **Clean Energy** and **Clean Water** through improved resilience of important utility systems, **Sustainable Cities** with intelligent transport systems and **Climate Action** through all the above.



Scanacon

Scanacon's systems enable recycling of acids and metals, minimising acid effluents and toxic waste in the production of metals, contributing to **clean water, responsible production, climate action and life below water**.



Umia

The integrated Umia approach for optimized solutions create savings in resources, energy and emissions, contributing to **clean energy, responsible production and climate action**.

Alder continuously seeks to increase the positive impact from the portfolio companies' operations. In this context, focus is on the impact created through the companies' product or service offering - the impact will be part of the customer value creation. The UN Sustainable Development Goals or SDG:s are used as a framework to track the impact of Alder's portfolio companies as they strive to increase impact through product development and growth. In the portfolio company pages (p. 17-40), each company's impact is described in more detail.

IMPACT

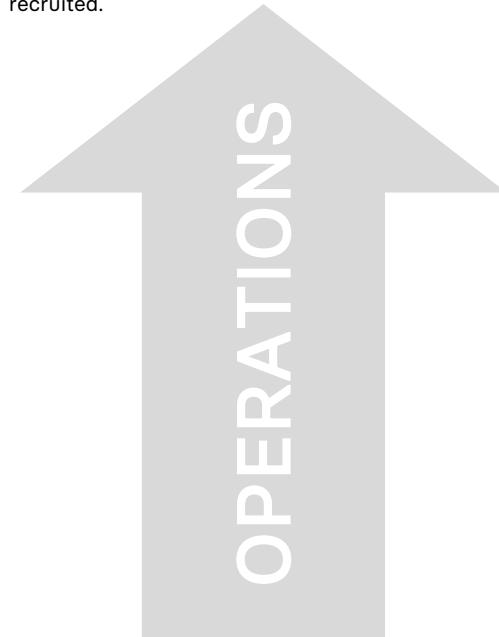
# Portfolio Company Operations



We continually strive to improve the operational sustainability in our portfolio companies. The sustainability handbook, The Alder Way, outlines expectations for operational topics during the different stages of the ownership period.

In 2020, three new companies have been added to the portfolio, putting some downward pressure on the aggregated operational KPI:s compared to the mature 2019 portfolio. Action plans for the new companies are included in the value creation plans and they have all come off to a strong start with sustainability ambassadors and action plans in place.

Gender diversity remains a challenge for Alder's group of companies, although a slight improvement can be seen compared to 2019, with total number of female employees up from 11% to 14%. One reason is that there are few women in the professions to which most of the employees in the portfolio companies are recruited.



## Rate of achievement, % of portfolio companies

	2018	2019	2020	Operational indicator
ENVIRONMENT	100%	100%	100%	Actions to reduce GHG emissions
	50%	100%	100%	CO <sub>2</sub> KPI:s in place
	83%	100%	100%	Actions to reduce energy use
	33%	100%	100%	Energy KPI:s in place
	100%	100%	100%	Sorting and recycling of waste
	33%	40%	50%	Certified for ISO 14001
SOCIAL	100%	100%	75%	Systematic process for employee satisfaction
	100%	100%	62%	Systematic process for customer satisfaction
	100%	100%	100%	Sick leave measured and followed up
	13%	11%	14%	Female employees (cumulative, all companies)
	100%	100%	100%	Assessment of supply chain social risk level
	83%	100%	62%	Supplier Code of Conduct
GOVERNANCE	100%	100%	62%	Code of Conduct implemented
	100%	100%	75%	Anti-Corruption Policy
	67%	80%	62%	Certified for ISO 9001

# Responsible Investment Policy

Alder's Responsible Investment policy describes how sustainability is integrated into the investment process and is described on the following pages.

Alder has been signatories of the PRI, the United Nations Agency for Responsible Investments, since 2012, and we report annually on our commitments and progress.

Alder's Responsible Investment policy and PRI transparency reports are available on our website, [www.alder.se](http://www.alder.se).

# ENTRY

# OWNERSHIP

# EXIT

We evaluate risks and opportunities related to sustainability when considering possible investments. The process includes external and internal frameworks, guidelines and tools for the different stages of the investment process:

- Identifying possible target companies – The starting point of our proprietary process for identifying investment opportunities is sustainable industries or sub-industries, with technologies or solutions which can contribute to environmental benefits. The Planetary Boundaries framework from the Stockholm Resilience Centre<sup>1</sup> and the UN Sustainable Development Goals are used as a tool to identify industries of interest.
- Screening of the company against Alder's exclusion list. Alder does not invest in any company whose business comprises sale of alcoholic beverages, commercial gaming, production of tobacco or tobacco products, pornography or production of military weapons.
- Initial assessment – Evaluation of whether environmental benefit in business model meets our investment criteria. The evaluation is conducted with the use of Alder Environmental Impact Assessment tool and the conclusions from this assessment need to be confirmative and included in the indicative bid material.
- Due Diligence: We perform a sustainability due diligence as a component of the overall due diligence process. The ESG Due Diligence is performed in accordance with the ESG Due Diligence guidelines and Alder's ESG DD evaluation model, and covers environmental, social and governance topics to identify sustainability related risks and opportunities across the company's value chain, from raw materials sourcing to customer use of the product or service. The company's current handling of these risks and opportunities is evaluated and necessary and required and/or recommended action steps are identified.
- Investment decision – Conclusions from the ESG Due Diligence assessment are included in the investment memorandum and taken into account in the investment decision. Any potential red flags identified in the Due Diligence need to be mitigated in order for the investment to be followed through. Recommendations from the Due Diligence, relating to management of sustainability risk as well as potential opportunities, are included in the investment case business plan.

## External Frameworks

Planetary  
Boundaries

UN Sustainable  
Development Goals

## Internal Tools

Environmental  
Impact Assessment  
Tool

Due Diligence  
Guidelines  
and Tool



## ENTRY

## OWNERSHIP

## EXIT



When a company is acquired by Alder, it will be introduced to Alder's portfolio sustainability requirements and be expected to comply. The internal ESG handbook, the Alder Way, outlines key tools, frameworks and responsibilities and includes a checklist for progress against requirements. Some of the key requirements are:

- The company will appoint a person to be responsible for sustainability. This sustainability ambassador will be the contact point for Alder's sustainability efforts and will participate in bi-annual portfolio company sessions.
- Sustainability will be on the agenda of the board of directors at least once a year.
- The company will make an assessment of sustainability related risks and opportunities and identify material environmental, social and governance topics. Based on this materiality assessment, the companies will define strategic goals and action plans and ensure management commitment and board approval to these. The sustainability strategy should be integrated within the overall corporate strategy.
- The company will formulate a Code of Conduct covering all relevant aspects of Alder's Code of Conduct with possible additions to meet specific company needs. The Code will be approved by the board of directors, communicated to and understood by all employees.
- The company has responsibilities throughout their value chain, which means that they shall assess and act upon risks and opportunities up-stream in their supply chain as well as down-stream towards their customers to a reasonable extent, in compliance with the UN Guiding Principles for business and Human Rights.
- The company will regularly report their sustainability performance to Alder in an annual ESG scorecard which covers environmental, social and governance KPI:s, and participate in portfolio-wide exercises.

Alder will support the portfolio companies by providing tools, advice and best practices.

### External Frameworks

UN Guiding  
Principles

UN Sustainable  
Development Goals

### Internal Tools

The Alder Way  
Sustainability  
Handbook

Alder Code of  
Conduct

ESG Scorecard

**ENTRY**

**OWNERSHIP**

**EXIT**



In the exit process, Alder will take stock of sustainability related activities undertaken in the portfolio company when preparing a potential sale. The company's sustainability process and progress and key performance indicators will be included in the company presentation material, which should be value enhancing to the potential buyer.

Potential buyers are reviewed from a sustainability perspective to assess whether there are any major sustainability risks associated with the potential buyer, which may harm the various stakeholders or the long term returns of Alder and its investors.

# Sustainability topics in focus for Alder in 2020



## ENVIRONMENT

### Material Topic: Climate Impact<sup>1</sup>

We need to set high environmental standards for ourselves. All Alder company cars are electric and our offices are energy efficient with LED lighting. Our calculated Scope 1-3 emissions in 2020 amounted to 90 tCO<sub>2</sub>e, down from 175 tCO<sub>2</sub>e in 2019. The decrease was mainly due to significantly reduced travel during the pandemic - travel is normally by far the largest source of our emissions. We believe that physical meetings and some travel will be replaced by digital meetings also in the future.

Alder climate compensates for CO<sub>2</sub>e emissions at a rate of twice the emissions generated. For 2019 emissions, we contribute to 180 tonnes of CO<sub>2</sub>e reduction through the Gold Standard Bhilwara solar power project in India.

CO <sub>2</sub> e, tonnes	2020	2019	2018
Travel	73	156	130
Energy and Heating	12	12	15
Other	5	7	7
Total	90	175	152
Climate compensation	(180)	(350)	(304)
Carbon intensity, tCO <sub>2</sub> e/employee	6.4	14.6	13.8



### Material Topics: Diversity, Attracting and building competence<sup>1</sup>

The Alder team consisted of 14 full-time employees and four regional partners at the end of 2020. We value diversity and the different perspectives that are added from team members with differences in backgrounds, interests, age, culture and gender. Within the Alder team, we speak 9 different languages fluently. 29% of our employees are female.

Career planning, training and development is managed in regular performance reviews, in which which also evaluate the team members' sustainability contribution.

Alder commits to the UN Guiding Principles on Business and Human Rights. We work with our portfolio companies to ensure fair working conditions and adherence to human rights in their supply chains.



## GOVERNANCE

Alder – and our stakeholders – expect and demand high ethical standards within our own organization and in our portfolio companies. In the Alder Code of Conduct, shared on [www.alder.se](http://www.alder.se), we define the principles and standards for how we behave and conduct our business, and how we interact with portfolio companies, colleagues, investors and suppliers.

The Code of Conduct is inspired by the UN declaration of Human Rights, the ILO conventions about fair working conditions and the UN and EU conventions against corruption.

We provide an anonymous and externally handled whistle blowing channel, managed by WhistleB, to which complaints can be reported anonymously.

No incidents were reported in 2020.

<sup>1</sup>. Alder's Materiality assessment is described in the Appendix, p. 37



# Climate Report according to TCFD's recommendations

At Alder, we seek to contribute to the mitigation of Climate change. The integration of climate related risks and opportunities is an integrated part of our investment decisions and our value creation strategies with portfolio companies.

With this climate report, and with our support of the TCFD (Task force on Climate related Financial Disclosure), we seek to contribute to the financial sector's transparency and reporting on climate.

Reporting in accordance with the TCFD shall include:

1. Governance around climate-related risks and opportunities;
2. Strategy and actual and potential impacts of climate related risks and opportunities;
3. A description of climate-related Risks and Opportunities;
4. Information about the metrics and targets that we use.



## Governance

The Alder partner group makes all investment decisions. Since mitigating climate change is a key driver to our investment focus, potential climate related risks and opportunities are an integral part of the analysis and investment decisions. Any risks and opportunities occurring during ownership will be discussed in the partner group and acted upon. The partner group stays abreast with current research on the subject through its strong network of environmental scientists.

The portfolio company boards are responsible for integrating climate into long-term strategy considerations. A TCFD session, with scenario analysis, was held in 2019 with all portfolio company CEO:s and COB:s, and in 2020 with all sustainability ambassadors.

## Strategy and Risk Management

We have used the TCFD framework to define risks and opportunities in our portfolio, and also to structure the analysis of two different climate scenarios.

The TCFD divides climate risks and opportunities into two groups: transition risks and physical risks. Transition risks include policy, technological, market and reputation risk. Physical risks are divided into acute and chronic. On the opportunity side are resource efficiency, energy source, products/services, markets and resilience.

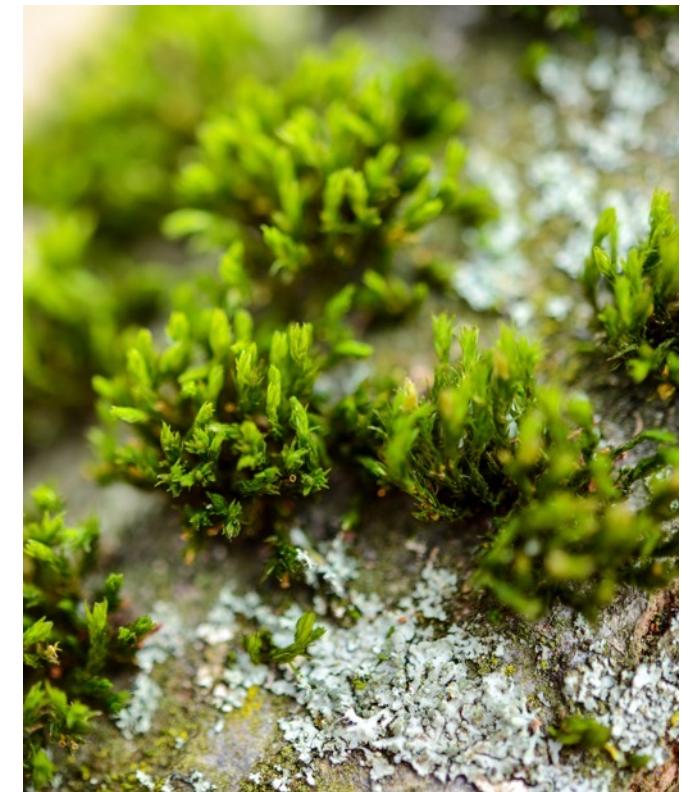
Using this framework, we have also assessed the potential impacts and strategies to mitigate risks and capture opportunities in two climate-related scenarios - Low-carbon future (1.5°C) and Limited mitigation (4°C). A summary of the conclusions from this analysis can be found in the Appendix, p. 38.

## Metrics and Targets

The Alder portfolio companies make significant contributions to mitigating climate change. In some cases, the impact can be measured or estimated, in other cases it is more difficult to single out the impact attributable to the portfolio company's contribution. We are therefore not attempting to summarise the positive impact of the portfolio but report this in the quantified or descriptive terms suitable for each portfolio company. However, the mitigating impact from our investments are significantly higher than the emissions generated by their operations.

From 2019, Scope 1 and 2 emissions are reported for all portfolio companies, and can be summarised for the portfolio in the below table. Scope 3 emissions are tracked based on materiality. Targets are set by the portfolio companies, with actions identified to improve performance.

The portfolio's absolute Scope 1 and 2 emissions totalled 2,528 tCO<sub>2</sub>e in 2020. Three new companies have been added to the portfolio during the year. The CO<sub>2</sub> intensity of the portfolio remains close to last year's level, at 0.99 tCO<sub>2</sub>e/SEK million in revenues.



Total Alder Funds I and II	2020	2019 <sup>1</sup>
The portfolio's absolute emissions of greenhouse gases (Scope 1 och 2) (tCO <sub>2</sub> e)	2,528	2,092
CO <sub>2</sub> intensity related to the ownership share of the portfolio companies' revenue <i>The sum of the Fund's proportion of the companies' emissions divided by the sum of the Fund's proportion of the companies' revenue. (tCO<sub>2</sub>e/SEK million)</i>	0.99	1.00

<sup>1</sup>. 2019 emissions data has been updated to reflect more accurate assumptions.



# Portfolio Companies

## Changing energy markets call for new capabilities

Our mission is to provide smart grid solutions to enable an effective use of energy and sustainable lifestyle in our society. With our solutions we support the transition to a modernised energy system in which the energy Distribution System Operators can efficiently manage their power grids while integrating variable emission-free energy sources to the grid. At the same time the consumers are provided with means to manage and control their usage of energy.



### Contribution to the UN Sustainable Development Goals



Smart grids contribute to **affordable and clean energy** and **climate action** through efficient, reliable energy distribution and enabling of renewable sources.

By the end of 2020, near to 3.5 million Aidon smart meters had been installed to homes, offices and public buildings in Finland, Sweden and Norway. With more than 120 energy Distribution System Operators as customers, Aidon is the leading provider of smart metering solutions in the Nordics.

Aidon's customers operate, maintain, and develop the energy distribution systems in their area. Based on smart metering, as well as on the refinement and utilization of grid data, the solutions provided by Aidon enable energy companies to increase efficiency, ensure the faultless delivery of electricity to end users and enable the transition to renewable sources.

Aidon's smart metering solutions and the utilization and analysis of data contribute to better energy management.

As the energy market changes with a transition to more renewable sources of energy, Aidon's solutions enable energy companies to manage the increasing complexity.

The technology enables the connection of energy from new sources to the power grid. Customers with their own energy generation, for example an industrial building with solar panels, can feed peak production surplus energy into the grid.

Aidon's solutions also enable better risk management, faster detection and solutions to problems in the grid, such as interferences or faults.

Through monitoring, transformer stations can be better managed and maintained.

With timely, accurate and easily accessible information, end customers can also improve their energy efficiency and reduce their use of energy. Research carried out in the UK<sup>1</sup> shows that the large majority of people with a smart meter (86%) make energy saving changes to their behaviour. Other studies show that the energy savings through meter feedback are between 1-20% and most often is seen in the range between 5-12%.<sup>2</sup>

1. Smart Energy GB/Populus: *Smart meters and energy usage: a survey of energy behaviour before and after upgrading to a smart meter*, October 2017  
2. Fischer, *Feedback on electricity consumption – a tool for energy saving*, 2008.

## ENVIRONMENT

Aidon applies a life cycle perspective when assessing the environmental impact of its products, from raw material extraction all the way to recycling or disposal. By using life cycle assessment in product design, the company can minimise the harmful environmental impacts and maximise the beneficial ones. In the modular energy meters, for example, the parts with a shorter lifetime can be replaced when needed without having to change the whole device. This ensures optimal longevity, extends the duration and value of the investment, and saves the environment from unnecessary waste. In the recent development of new metering and communication technologies, which will enable more detailed and more frequent capturing of data from the grid, life cycle assessment has been used to select raw materials and minimise own energy consumption.

In 2020, the company's Scope 1-3 emissions, including freight and business travel in Scope 3, were 154 tCO<sub>2</sub>e, a significant reduction from 338 tCO<sub>2</sub>e in 2019. This was partially due to the Corona pandemic, due to which car mileage in Scope I and Scope III business travel decreased sharply. Scope II emissions have also decreased

significantly, mainly due to a higher proportion of green energy, up from 18% to 85%. Energy use also decreased, from 259 MWh to 170 MWh, helped by the 2019 investment into heat recycling system in the Jyväskylä office. In addition, the company is continuously improving key processes, optimising the logistics flow and minimising air freight.

Environmentally friendly and recyclable packaging is used throughout the whole supply chain. The packaging has been designed specifically for Aidon products to ensure the secure, efficient and logically optimal transportation from the manufacturing to the final installation. It is easy to convert into space-saving flat-packed waste.

Waste is sorted into up to 11 fractions – all recyclable fractions available in each location – and reused when possible. For supplier shipments, reusable carton boxes are used, which are returned to the supplier. Each box is used approximately 10 times. Incoming package boxes and pallets are also used on outgoing materials.

Aidon's environmental management system is certified to ISO 14001.

## GOVERNANCE

A focus topic in 2020 was to become ISO 27001 certified for information security management system (ISMS), which is an essential topic for Aidon's business. Aidon's Information Security Management System (ISMS) provides business continuity and tolerance to possible disturbances and confirms compliance to requirements from stakeholders.

Aidon's Code of Conduct has been fully implemented with annual e-training and confirmation for the entire personnel. A new external whistle-blowing system was implemented in 2020, supplied by WhistleB. There were no reported violations of the Code of Conduct in 2020.

## SOCIAL

Aidon strives to build a motivated and capable workforce and to empower employees to do their best. Employee satisfaction is measured and followed up annually, and increased to 3.3 in 2020 on a scale from 1-4.

To ensure employee health and safety, Aidon has been certified to the OHSAS 18001 health and safety management system. Occupational accidents leading to absence are tracked and monitored and the zero target was kept through 2020.

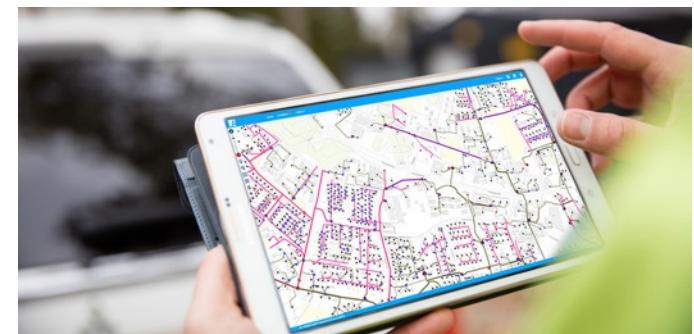
Customer satisfaction is measured annually with Net Promotor Score (NPS), and followed up with action plans to meet customer needs.

Aidon works closely with its first-tier suppliers to ensure that high social and environmental standards are kept in its supply chain. The Supplier Code of Conduct, which reflects the UN Global Compact principles, has been signed by all tier 1 suppliers. All of these suppliers are also certified to ISO 9001 and 14001 have a sustainability plan. The suppliers' performance is monitored through yearly audits and supplier questionnaires.

There are components in Aidon's products that contain conflict minerals such as tin, tantalum, tungsten and gold (3TG). Aidon works with its suppliers to verify that these metals are sourced from responsible suppliers. So far, 60 % of the first tier suppliers use Responsible Minerals Initiative (RMI)'s Conflict Minerals Reporting Template (CMRT) to verify the origin and chain of custody of the metals.

KEY DATA	2020	2019	2018
Sales (Reported m€)	40	29	57
EBITDA (Reported m€)	6.3	0.0	4.0
Scope 1 Emissions, tCO <sub>2</sub> e	32	59	N/A
Scope 2 Emissions, tCO <sub>2</sub> e	8	53*	N/A
Scope 3: Freight, tCO <sub>2</sub> e Business travel, tCO <sub>2</sub> e	107 7	163 63	N/A 67
Energy use, MWh	170	259*	N/A
Waste: % of recyclable fractions sorted	100%	100%	95%
Employees	54	55	63
Of which female	9	10	14
Employee Satisfaction (1-4)	3.3	3.0	3.1
Sick leave %	1.0%	0.9%	0.9%
Management systems	ISO 9001, ISO 14004 OHSAS 18001, ISO 27001		

\* Energy use and Scope 2 emissions 2019 have been updated with more available data replacing estimates.



## Case: Solar power and enhanced grid management in Stavanger

Lyse Elnett, an electricity distribution system operator located in Stavanger, the South-Western part of Norway, chose Aidon as the provider of their automated meter management (AMM) solution in 2014. Nearly all of Lyse Elnett's 160,000 customers have an Aidon smart meter installed.

Norway's climate target is to reduce emissions by at least 50% and up to 55% by 2030 compared with the 1990 level. To succeed in this, it is important to have a good overview of electricity consumption, production and capacity, and to have the means to control these while replacing fossil energy sources with renewable energy. Smart grid technology is key in this. Lyse Elnett aims to increase their expertise in smart grids and use technological solutions to achieve high delivery security of electricity and cost-effective development and operation of the power grid.

With the Aidon solution, Lyse Elnett collects hourly electricity consumption values for billing. Via the smart meters, customers are able to manage their energy usage in a smarter way, which supports the greener future and more conscious usage of electricity. Furthermore, the Aidon system provides Lyse Elnett with information from the distribution network in order to secure even better energy delivery to their customers.

The popularity of solar panels is rapidly increasing as a source of renewable energy. In March 2021, 430 of Lyse Elnett's customers were using solar power to produce energy. When the production of energy is

higher than one's own demand, the customers can sell the surplus energy to the grid operator. In that case, the Aidon meter measures how much energy is put into the grid, and the customer gets compensation for the produced energy.

Solar power comes with some challenges: The electric grid is a dynamic system, and the output of a solar panel is always fluctuating. This might cause power quality problems on the grid if the quality of the power is not monitored all the time. The smart meters bring help to this challenge by providing detailed data of the quality of energy produced by the solar panels. Lyse Elnett uses this information to manage the voltage levels and the quality of the complete grid, to give their customers the possibility to choose the option of locally produced renewable energy.

To make even more efficient use of the smart Aidon technology, Lyse Elnett is involved in three development projects together with Aidon and the national Centre for intelligent Electricity Distribution CINELDI:

### 1. Fully automatic earth failure management, from alarm to repair and acknowledgement.

Making use of Aidon meters' capability to detect dangerous earth failures and to locate the faults faster and precisely. This will help to protect people from injuries, and appliances from damage caused by the earth failure. In addition, it will save a lot of work, travelling and time spent on troubleshooting.

### 2. Improved insight and visualisation of smart meter data.

Utilising the data from smart meters to detect events and receiving alarms from the low-voltage network and visualising them on a map will enable proactive failure management, increase the operational efficiency and secure the reliability of energy supply. In addition, it will allow Lyse Elnett to identify load restraints and manage balance in the grid.

### 3. Enhanced use of soft fuse

With the soft fuse functionality in Aidon meters, Lyse Elnett will be able to remotely manage the fuse size of the customers' electricity contract. With help of this they will be able to manage load restraints and add manageable flexibility in the grid.





## The Right side of Risk

We turn uncertainty into opportunity, through creativity and efficient solutions that improve processes, reduce costs and create safety. From our origins in Fire Safety Engineering, we have developed into a company of innovative risk management experts.



Sergelhuset, Stockholm  
Photo: Vasakronan

### Contribution to the UN Sustainable Development Goals



*By managing risk and optimising resilience, materials choices and project management in building projects, Briab contributes to **good health, sustainable cities, responsible production, and climate action**.*

Briab contributes to positive environmental and social impact through risk management, by preventing fires and improving the resilience of buildings and infrastructure.

The company contributes by preventing significant negative human and environmental impacts from fire through preventive measures. The risk to human health stems both from acute risk at the time of the fire, as well as from the toxins released in the fire.

Fires in buildings can create substantial CO<sub>2</sub> emissions as well as the release of toxic and carcinogenic gases and particles as well as toxic contamination spreading through water from firefighting and PFAS from firefighting foams. Particularly dangerous heavy metals that are spread by fires include mercury, lead and cadmium.

Sustainable buildings need to be resilient to risks, including fire. In addition to this requirement for all buildings, there is an opportunity to reduce the environmental impact of buildings, using more sustainable materials and innovative solutions. However, these materials and products may introduce additional risks that must be managed. For example, a sustainable material like wood is combustible and requires specific fire safety strategies.

The production of a traditional six storey residential building with 22 apartments can cause about 700 tons of CO<sub>2</sub>-equivalents with traditional material choices including steel and concrete. A carbon-emission optimised design with a high usage of wood can reduce this by almost 50%. Through engineering expertise in performance-based design, Briab empowers their clients to make more sustainable decision making with smart risk management.

The construction industry is renowned for its inefficiency and lack of productivity improvements and Sweden alone has a yearly cost of 50-100 bnSEK due to construction errors. Briab strives to reduce this waste of material and energy by ensuring a smoother process to fire safe built environment. By digitalising the fire safety information process we may vastly improve quality and efficiency. Briab has released Bimfire, a Building Information Modeling software that allows fire protection information and requirements to be maintained over the lifetime of the building process.

Digitalisation does not only minimize building errors but also contributes to a higher quality of the finalized building. This in turn minimizes the risk of errors in installations regarding fire protection and hence leads to more reliable building fire protection. Digitalisation of fire safety has been identified as a key area to prevent building failures such as the Grenfell Tower Fire or the Berlin Airport's 9-year building delay.

## ENVIRONMENT

Briab's main operation is a consulting practice, with no production or heavy machinery. The management of environmental topics is systematic and ISO 14001 certified.

Scope 1 emissions are limited to company cars and totalled 6.6 tCO<sub>2</sub>e in 2020. Scope 2 emissions, covering electricity and heat in the company's nine offices, totalled 13.8 tCO<sub>2</sub>e.

The company started measuring CO<sub>2</sub> emissions prior to Alder's ownership, through Zero Mission, tracking freight, business travel and employee commuting within Scope 3 emissions. In 2020, these emissions totalled 106 tCO<sub>2</sub>e. This is a reduction from 2019 with 46% which mainly is due to reduced travel caused by effects of the pandemic.

Briab's target is to reduce its emissions intensity by 10% per employee and year. Initiatives include a "stay on the ground policy" for business travel.

Office waste is sorted into seven fractions and recycled to the extent possible.

## GOVERNANCE

Briab is ISO 9001 certified for quality assurance.

A Code of Conduct is under development, to be implemented in H1 2021, as will a policy for whistleblowing.

No incidents were reported in 2020.

## SOCIAL

Briab strives to create the best working environment in the business and to recruit, develop and retain highly skilled employees.

The company invests into training and development, with all employees attending training sessions in 2020. During the year, Briab's employees attended an estimated total of 2,300 hours of training, averaging 20 hours for each employee.

Employee satisfaction is regularly measured and followed up, at 6.8 in 2020 on a scale from 1-10. The onboarding of new employees is structured and there is a comprehensive digital personnel handbook.

Diversity is valued at Briab and for 2021 we will strive to increase our diversity when recruiting new employees by seeking candidates with different backgrounds from perspectives such as educational, cultural, ethnic, age and gender, in order to reflect our customers and society in general.



## KEY DATA

2020

Sales (Reported mSEK)	136
EBITDA (Reported mSEK)	8
Scope 1 Emissions, tCO <sub>2</sub> e	6.6
Scope 2 Emissions, tCO <sub>2</sub> e	13.8
Scope 3: focus emissions, tCO <sub>2</sub> e	
- Freight	1.5
- Business travel	33.4
- Employee commuting	29.3
Energy use, MWh	
- Electricity	82.4
- Heating	203.4
Waste: % of recyclable fractions sorted	100%
Employees	112
Of which female	38
Employee Satisfaction (1-10)	6.8
Sick leave %	2.96
Customer satisfaction (1-10)	8.4
Management systems	ISO 9001 and 14001

## Case: The Forest

The Swedish participation at the next world exhibition, Expo 2020, is one of Sweden's largest export initiatives in the coming years. The initiative is funded jointly, by Sweden's government and business sector. Briab was commissioned to design the fire protection for Sweden's unique pavilion, The Forest.

The construction of the Swedish wooden pavilion will be completed in the spring of 2021. The 18-meter-high building gives a powerful impression. The pavilion is built entirely of wood. The pavilion's wooden construction and interior contain many new innovative, smart and sustainable solutions. The wooden building itself means significantly reduced carbon dioxide emissions in comparison with traditional construction technology, estimated at 3,000 tCO<sub>2</sub>. The Swedish pavilion is located in the sustainability district at the world exhibition and will allow Swedish companies to showcase sustainability solutions and innovation.

### Ensuring fire protection in The Forest

Briab has been part of the Swedish design group that is working with the pavilion's architects, Alessandro Ripellino Arkitekter, Studio Adrien Gardère and Luigi Pardo Architetti, to realise The Forest.

Briab has collaborated with local fire protection consultants in Dubai, where part of the challenge has been – and still is – to interpret the local regulations, which has not always been easy.

### Team Briab

At Briab, the experienced team consists primarily of Therese Samuelsson and Fredrik Hiort. Naturally, they are supported by the vast expertise and commitment offered by Briab in its entirety.

Therese summarizes the experience:

*"Having grown up in the north of Sweden, with forest right outside the window, it has been lots of fun to be part of designing a pavilion that takes inspiration from the Swedish forests. But it has been a challenge to get approval for a building made of wood in a part of the world where they are not used to wood as a construction material. Done right, with a sound fire safety strategy and choice of fire protection we know we can create safe timber buildings. In many parts of the world, it's the traditional approval processes that prevent innovative safety approaches."*

### Contributing to visitors' safety

Briab is also an official sponsor, since Briab Products & Solutions, which works in knowledge and system solutions in evacuation, supplies the Swedish pavilion with emergency and evacuation lighting.

*"We're delighted to have the opportunity to assist in this major Swedish export initiative, providing benefits to our entire business sector. We're all a bit proud of The Forest of course, but also of the fact that our products and our knowledge are contributing to everyone's safety on site", says Kenneth Lodeklin, Business Area Manager at Briab Products & Solutions.*

### Sustainability inspiration and innovation

The theme for Expo 2020 is *"Connecting minds, creating the future"*. The Forest, located in the area with the main theme Sustainability, brings the attention to our focus at Briab: timber construction, new and smart ways to build and fire-protect and innovative solutions to improve sustainability and manage risk.



Photo: Ripellino architects

## Making water go around

"Clean water for everyone! Our vision is to be a leading provider of compact and energy efficient water and wastewater treatment solutions – ensuring that there is enough clean water in the world for everyone."

Nordic Water develops and supplies efficient and cost-effective water treatment solutions for municipal and industrial markets worldwide with water treatment solutions that provide several environmental benefits:

- improved water quality
- reduced footprint (required area of land)
- lower energy use
- possibility to reuse wastewater and products
- minimum chemical usage

Nordic Water promotes sustainable economics and responsible growth.



## Contribution to the UN Sustainable Development Goals



### **Clean Water and Sanitation and Life Below Water** with leading technology for water treatment and purification.

Nordic Water contributes to the solution of water related challenges by improving the access to clean water and mitigating the threat of pollution to life below water.

With world renowned technologies for sedimentation, filtration and process, Nordic Water offers water treatment solutions for industries and communities.

The company's technology can clean water from particles, all the way down to a particle size of 0.006 mm, and from phosphorus to levels below 0.1 mg/l, with market leading reliability.

In Simrishamn wastewater plant, the combination of ozone and DynaSand Carbon provides very high efficiency of pharmaceutical removal, on average above 97%. The overall reduction rates of microplastics are about 99.8 %.

Every day, water treatment facilities with equipment from Nordic Water process and clean more than 38 million m<sup>3</sup> of water, corresponding to 15 200 Olympic sized swimming pools.

### **Sustainable communities** with compact water purification solutions.

Nordic Water's solutions are very space efficient and can be operated in highly populated areas.

Large cities with Nordic Water equipment for water treatment include London, Mexico City, Ho Chi Minh City and Singapore.

In Cairo, the Nile has been the source of water for thousands of years. The raw water quality is demanding, as high turbidity occurs during the rainy season. Nordic water has supplied DynaSand filters to the three water treatment plants, Gaziret El Dahab, Haggara & Nubariya to ensure high quality drinking water supplies.

In March 2020 after 2 days of heavy rain the turbidity in the Nile river raised to its extreme. The plants showed reliance and proved their efficiency, securing the water supply to the city, even when other water treatment plants were forced to shut down. As an example, Gaziret El Dahab produced excellent water quality at its full capacity of 80 000 m<sup>3</sup>/day.

### **Climate action** through energy efficient solutions and reuse of waste products.

The efficiency of Nordic Water's water treatment solutions contribute to reduced greenhouse gas emissions. The technology saves energy and reduces the need for maintenance.

Nordic Water's Nordic®Primary system uses approx. 0.10 kWh/m<sup>3</sup>, which is some 50% less than conventional systems.

In Montornés del Valles, Spain, Nordic Water has developed a solution to meet the country's stringent regulations, with physical and disinfection parameters, to reuse wastewater for irrigation. The water cleaned in the plant can now be reused for irrigation and to local water consuming industries. The filter solution from Nordic Water also has a very low energy use in combination with a small physical footprint.

Nordic water is also eager to find new applications and even more efficient solutions, by running pilot trials. During 2020 over 20 pilots were performed worldwide, many of them in cooperation with universities.



## ENVIRONMENT

Nordic Water has set the target to become carbon neutral by 2024 and carbon positive by 2030.

In 2020, the company's measured Scope 1-3 emissions totalled 1,166 tCO<sub>2</sub>e. Comparisons versus 2019 are not relevant, as methods of measurements have improved, including the coverage of measured emissions.

For example, a larger proportion of freight emissions are now measured, up from 40% in 2019 to 77% in 2020. Efforts are continuously made to reduce emissions. Shipping is now concentrated to freight companies that provide emission reports, to enable tracking and reducing the footprint in cooperation with likeminded suppliers. The company also aims to minimise air freight.

Business travel decreased significantly due to Covid 19, with emissions down from 184 to 54 tCO<sub>2</sub>e. The investments made in the previous year into video conference facilities and technical platforms enabled a smooth transition to digital meetings and workflows.



## GOVERNANCE

In Q4 2020, Nordic Water's ISO 9001 certification was confirmed by external audits in Germany and Sweden, with no non-conformities found. In end of 2020, Nordic Water Sweden started project ISO 14001:2015. Certification audit planned for November 2021.

Nordic Water's long-term success is built on conducting business in a fair and ethical manner. This is described in the Code of Conduct, which has been communicated to, and accepted by, all employees. It is included in distributor agreements and has been rolled out in supplier agreements.

All employees have an important role in raising concerns of serious misconduct. Concerns can be raised anonymously by using the third-party reporting channel, managed by WhistleB and introduced in 2020. No incidents were reported in 2020.



## SOCIAL

The Nordic Water Way is a guide to the values, principles and policies that guide the organization in their daily operations and interactions.

Nordic Water acts according to the core values **W.E.T.**:

- Winning spirit – we go the extra mile
- Engagement – we do the right thing
- Teamwork – we work together for the best solution

The Nordic Water Way also includes a systematic approach for annual performance review and individual targets for all employees.

The company has prioritised further investment into competence building efforts during the pandemic, introducing the Nordic Water Academy platform. Employee training and development increased by 2020 versus 2019.

Nordic Water's new digital HR system, Winningtemp, has been implemented in 2020. This system enables continuous monitoring of critical organisational measures such as eNPS, working environment, leadership and commitment, supporting managers in their ongoing work of developing teams and individuals. This has been a particularly valuable tool to manage and motivate the organisation during the long periods of working from home during the pandemic.

Employee wellbeing is promoted through healthy and ergonomic working conditions and annual contributions to preventive health care. Sick leave was 3.7% in 2020 for the whole group, slightly up from 3.5% in 2019. In Sweden, sick leave including long term leave was 2.6% in 2020.

The supplier Code of Conduct has been signed by all 3 suppliers in countries with high risk for human rights violations and poor working conditions. The implementation continues to all suppliers, with 95% of all A and B suppliers now having signed to confirm their commitment to the Code.

## KEY DATA

	2020	2019	2018
Sales (Reported mSEK)	647	557	573
EBITDA (Reported mSEK)	88	35	26
Energy use MWh*	635	466	N/A
Scope 1 Emissions, tCO <sub>2</sub> e	243	262	N/A
Scope 2 Emissions, tCO <sub>2</sub> e*	162	76	N/A
Scope 3: Freight*, tCO <sub>2</sub> e Business travel, tCO <sub>2</sub> e	707 54	305 184	N/A
Total emission Scope 1-3, tCO <sub>2</sub> e	1,166	827	N/A
Employees			
- Total	202	200	195
- Of which female	47	42	42
- Management team total	7	6	6
- Of which female	2	2	3
Sick leave			
Nordic Water Group	3.7%	3.5%	N/A
Nordic Water Group Sweden	2.6%	2.1%	3.3%
Management systems			
NWP AB	ISO 9001	ISO 9001	-
NORDIC WATER GmbH	ISO 9001	ISO 9001	ISO 9001

\* Energy use, Scope 2 emissions and freight emissions are not comparable year-on-year due to updated measurement methods (Energy, Scope 2) and increased coverage (freight).



## Case: Ability to handle water treatment during storms in Sjölunda, Sweden

Wastewater Screening is the first operation in wastewater treatment plants. The screen separates solids from the wastewater before it flows into the treatment plant.

When a screenings treatment plant was to be built in Sjölunda, there were three key objectives:

- Meet the highest environmental standards;
- Fit within a limited available area;
- Capacity for a growing population and occasional storm water flows.

Nordic Water's solution, which was commissioned in June 2020, meets all objectives.

The Nordic Water Monoscreen® shows a high screenings capture rate (SCR > 80 %), without needing any flush water.

The wash water savings correspond to about 47,000 m<sup>3</sup>/year and energy savings amount to about 80 % compared to conventional perforated band screens.

The solids captured by the screens are pressed into very dry screenings, reducing the amount of sludge to be handled and transported and improving the process with significant reductions in CO<sub>2</sub> emissions.

For Sjölunda, the amount of sludge is expected to be reduced by 26% or about 190 tonnes per year.



Photo: Hans Fredrik Asbjörnsen

## Case: Guaranteeing fresh water supply in Mumbai, India

The population of Mumbai is growing, now over 15 million, with increasing water demand and amounts of sewage. This has led to a need for increased capacity and the decision to upgrade the Colaba Sewage Treatment Plant (STP). The upgrade is part of a long-term plan to meet the city's needs and secure high quality fresh water to the growing population.

The Colaba STP has gone through an extensive modernization and upgrade.

The latest one is tertiary treatment using the Nordic water DynaDisc® microscreens. These remove residual suspended solids containing nutrients, such as phosphate and nitrogen, as well as biological oxygen-consuming material.

The DynaDisc® microscreens allow for potential reuse of treated wastewater, which will help secure future high-quality fresh water to Mumbai.

Some of the most important factors in the evaluation of the process

equipment at the Colaba STP were energy efficiency, a high separation degree and cost efficiency.

The upgraded treatment plant with the DynaDisc® microscreens far exceeds the regulatory requirements, with an average removal rate of about 75 % of suspended solids, which corresponds to a reduced load of 131 tonnes of fertile nutrients to the sea per year, without any use of coagulation or flocculation chemicals.



## Environmental protection and safety is what we do

Samon AB develops and manufactures gas detection products for the refrigeration industry and for demand based control of garage ventilation. Gas detection technology is a key enabler in the conversion to cooling systems without environmentally hazardous fluorinated greenhouse gases. Samon AB has a wide range of detection options for the most common gases combined with complete control solutions, for land-based as well as marine applications.



### Contribution to the UN Sustainable Development Goals



Samon's gas detection technology is used to detect gas leaks from cooling and heat-pump systems. Fast and reliable gas detection contributes to positive environmental and health impacts.

Gas detection technology is necessary in the overall conversion to environmentally friendlier cooling systems, replacing ozone depleting, and fluorinated greenhouse gases (F-gases), which are phased out in accordance with global agreements, including the EU F-gas directive.

Many of the HFC alternatives to replace CFC's and HCFC's (Ozone depleting gases) have high global warming potential, often multiple times than CO<sub>2</sub>. Gas leak detection systems are essential to monitor, detect and prevent leakages of these gases, avoiding their potential climate impact if undetected.

Emissions of refrigerant gases is a substantial part of emissions in sectors such as food, retail, hotels and transport, and a key area for improvement as companies in these sectors seek to reduce their climate impact.

As an example, Sweden's largest food retail chain ICA reports<sup>1</sup> that their refrigerant emissions account for 36% of the chain's total greenhouse gas emissions, or about 33,000 tCO<sub>2</sub>e in 2020. In 2006, emissions were more than twice as high. By moving to more climate friendly refrigerants, ICA's emissions have decreased by more than 40,000 tCO<sub>2</sub>e.

In addition to the climate impact, several of the gases replacing the F-gases are hazardous for people's health and/or highly flammable. Quick and reliable detection is necessary to mitigate these health and fire hazards.

There are also energy savings to be made through optimisation of cooling systems. If gas leaks are detected and addressed as early as possible, the energy efficiency of the cooling system is kept and production disruptions can be prevented. Besides the impact on energy use, disruptions can cause large amounts of food waste when temperatures are not maintained in storage areas or during food transport.

Samon AB also offers gas detection systems for ventilation in garages, ensuring sufficient ventilation to avoid hazardous emission levels while optimising energy use for ventilation. For a heated commercial garage, the saving of energy used can be up to 60% depending on type of heat settings, if the actual CO and NO<sub>2</sub> levels are monitored by gas detectors instead of constant ventilation.

1. ICA Gruppen Annual Report 2020

## ENVIRONMENT

Samon's operations include product assembly, the components for which are produced by its suppliers. Scope 1 and 2 emissions are thus limited to company cars and the electricity and heating for company locations, at a total of 16.2 tCO<sub>2</sub>e in 2020. Heat pumps and gas heating are used to minimise these emissions, and low consumption LED lights are used everywhere in the facility. The total energy use for which was 92 MWh in 2020.

The company measures Scope 3 emissions from three sources:

- emissions from freight at 6.4 tCO<sub>2</sub>e;
- business travel, which totalled 2.2 tCO<sub>2</sub>e in 2020, below the normal level of travel due to the pandemic, as sales travel has been replaced by digital meetings;
- employee commuting at 8.8 tCO<sub>2</sub>e.

Corrugated Cardboard boxes and packaging materials are reused when possible, and otherwise recycled. Plastic and aluminum waste is sorted and recycled. Electronics waste and batteries are deposited at a local waste collection point.

Water use at the company is limited, at 67m<sup>3</sup> in 2020. Water is only used for household purposes and modern restricted flow faucets are installed in company premises.

## SOCIAL

The Samon organisation totals 13 employees. The cultural diversity in the team is high, with employees from six different national origins.

The company values open communication, encouraging all employees to share their viewpoints and suggestions. This is a key enabler for a healthy and motivated organisation.

Annual audits are made for workplace safety in production, although the risk of injury is low in the company's light assembly operations. The company contributes to employee health care activities, to promote a healthy lifestyle.

Samon has three suppliers in geographies with high risks relating to working conditions. A supplier code of conduct was developed in 2020 and all suppliers will be asked to commit to this code in 2021.



## GOVERNANCE

Samon has developed a new Code of Conduct, which was approved in the beginning of 2021 and will be communicated to all employees. The Code includes policies for anti-corruption and whistle blowing.

The company's whistle blowing channel is currently managed through Alder. An external provider is evaluated for planned implementation during 2021.

No incidents were reported in 2020.

## KEY DATA

2020

Sales (Reported mSEK)	40
EBITDA (Reported mSEK)	12
Scope 1 Emissions, tCO <sub>2</sub> e	3.4
Scope 2 Emissions, tCO <sub>2</sub> e	12.8
Scope 3: focus emissions, tCO <sub>2</sub> e	6.4
- Freight	2.2
- Business travel	8.8
- Employee commuting	
Energy use, MWh	50
Gas heating, MWh	42
Water used m <sup>3</sup>	67
Waste: % recycled	25%
Employees	13
Of which female	3
Sick leave %	3.6

## Case: Emporia - preventing almost 100% of refrigerant gas leaks

The shopping mall Emporia is one of the largest malls in Scandinavia, situated in the city of Malmö in Sweden.

Approximately 200 shops are located in Emporia, with a total area of 93,000 m<sup>2</sup>. The mall is three stories high, topped with a roof terrace measuring 27,000 m<sup>2</sup>, equivalent to approximately four soccer fields. In total, the mall employs around 3,000 people. According to Emporia, the mall has around 25,000 visitors per day.

The owner Steen & Strøm has developed a CSR (Corporate Social Responsibility) strategy, which covers environmental and social aspects of sustainability, as well as the relation to the society in which it operates and its inhabitants.

When building the facility, complying with the most stringent environmental standards and regulations was of great importance. Consequently, the complete facility is certified according to ISO 14001 and BREEAM, with a focus on minimising the carbon footprint of the shopping mall.

In order to minimise greenhouse gas emissions, it was required for Emporia to install a gas leak detection system for the heating, ventilation and air conditioning (HVAC) systems, in order to monitor leaks of hydrofluorcarbon (HFC) refrigerants to the environment.

The HVAC system for Emporia consists of three different systems with a total charge of 3 tonnes of HFC (R134a refrigerant). This equals 4.3Mt of CO<sub>2</sub>e.

According to the Swedish Environmental Protection Agency (Naturvårdsverket), the annual leak rate for medium and large commercial applications averages about 10%, an assumption which can be applied to a shopping mall such as Emporia. This corresponds to an annual estimated "normal" leak of 0.3 tonnes HFC for the Emporia HVAC systems.

By monitoring the system with Samon gas leak detection, the actual leak has been reduced to a minimum for the whole period from build to current date (2012-2020). During this period, a few gas leaks have been detected by the Samon system, but with immediate attention and action from service technicians, no significant quantity of gas has been reported to be leaked from the HVAC system.

For the period of 8 years the total estimated leak without detection would normally equal 0.3t x 8 year = 2.4 tonnes HFC. With assistance of Samon gas leak detection system, no noticeable leaks were reported.

The gas leaks that have been prevented with Samon's gas leak detection amounts to 2.4 tonnes HFC. This translates into a total GHG emissions saving of 3.4Mt CO<sub>2</sub>e during this period.



## Mission-Critical Communications solutions

Satel is one of the world's leading experts and innovators in independent radio networking technology. The company develops and sells high quality private radio technology solutions that enable secure, mission-critical connections.

Satel offers reliable and secure connections, that are used in wide range of industrial applications all over the world, including electricity distribution, water works, weather stations and environmental monitoring, security systems and precision farming and irrigation systems.



## Contribution to the UN Sustainable Development Goals



**Clean Energy and Clean Water** through improved reliability, quality and efficiency of important utility systems.

Satel's Utility monitoring systems account for 7% of company sales. Satel radios are used by over 320 Utility companies with over 160 000 radios delivered, about 50% of which are electricity- and 50% are water companies.

Real-time wireless monitoring and remote access to utility systems adds efficiency, cuts reaction time and minimises the negative environmental impact of utilities. It ensures reliable power and water distribution for society and environmentally critical systems. Reliable connectivity solutions, such as SATEL XPRS, brings 15-35% improvement to System outage figures for the Power Distribution network.

Satel's radio connectivity solution also provides a high level of cyber security. This is firstly due the fact that private networks are by default not connected to public networks.

*Satel technologies enable intelligent transport systems, contributing to Sustainable Cities and Climate Action.*

Intelligent Transportation Systems contribute 11% of Satel's sales. Satel has delivered more than 25000 modems for ITS systems. The largest single market is the Netherlands with more than 15000 modems in use. Other big ITS markets are Finland, UK and France.

Intelligent Transportation Systems are improving transportation everywhere. Remote-controlled traffic signs, traffic light priority, passenger information, automatic vehicle location and real-time weather updates improve road safety and reduce traffic jams.

The goal of ITS is to process and share important information that can be used to improve safety by preventing crashes, keep the traffic moving more fluently, and to reduce the negative environmental impacts of traffic. By automating traffic, we are able to cut down CO<sub>2</sub> emissions. Operations become more efficient, vehicles spend less time waiting at red lights, and because there are less vehicles and less idling, less fuel is consumed.

*Precision farming contributes to Zero Hunger and Climate Action through increased productivity and accuracy.*

Precision farming enabling equipment accounts for 7% of Satel's sales, contributing to higher crop yields, reduced CO<sub>2</sub> emissions and reduced use of fertilizers and pesticides.

Satel's Global Navigation Satellite System (GNSS) technology is used for precision farming. It is used to measure variations in field conditions and to use this site-specific information for optimal seeding, watering, use of fertilizers and pesticides as well as for machine steering with the precision of an inch.

Precision farming can contribute to higher crop yields and reduced CO<sub>2</sub> emissions and mitigate soil erosion. A new study by the Association of Equipment Manufacturers et al shows that the following benefits have been achieved through precision agriculture (and as it expands in the future):

- 4% increase in farm productivity
- 7% more efficient fertilizer use
- 9% reduced herbicide use
- 6% decrease in fossil fuel use
- 6% decrease in water use

Another common application of Satel's GNSS technology is machine control. According to a study at Reykjavik University<sup>2</sup>, both fuel and time savings in excavation of a trench were over 20% with machine guidance technology.

## ENVIRONMENT

At Satel, management of environmental topics is well developed and the company has been ISO14001 certified since 2008. The company's products are made to last - clients often use the products for tens of years.

In 2020, many sustainability KPI:s were affected by the pandemic, as employees worked from home and travel was very limited. Energy use decreased by 9% to 528MWh and water use by 25% to 321m<sup>3</sup>. Scope 1 and 2 CO<sub>2</sub>e emissions decreased from 187 to 146 tCO<sub>2</sub>e and Scope 3 emissions from business travel came down from 98 to 22 tCO<sub>2</sub>e to.

## SOCIAL

Satel strives to create a working environment that promotes health, wellbeing, motivation and competence growth among its employees. Employee satisfaction is measured annually and followed up in a structured process. In 2020, employee satisfaction increased to 3.9 (3.7) on a scale from 1-5.

Sick leave is measured and followed up in a health care plan. In 2020, sick leave came down to 2.2% from 3.2% in 2019. The company has an equality plan with follow-up on both gender and age distribution.

In order to ensure fair working conditions and adherence to human rights in the supply chain,

## GOVERNANCE

The internal Code of Conduct is included in on-boarding for all new employees, describing the most important principles and policies for Satel and its employees, including anti-corruption.

In Q1 2021, Satel will implement an external whistle-blowing process, through WhistleB.

No incidents or breaches of the Code of Conduct have been reported during the year.

## KEY DATA

2020    2019    2018

Sales (Reported m€)	12.8	13.6	14.5
EBITDA (Reported m€)	1.9	1.7	1.7
Scope 1 Emissions, tCO <sub>2</sub> e	10	38	N/A
Scope 2 Emissions, tCO <sub>2</sub> e	136	149	145
Scope 3: Business travel, tCO <sub>2</sub> e	22	98	N/A
Energy use, electricity and heating, MWh	528	580	563
Water used m <sup>3</sup>	321	428	N/A
% Waste recycled (100% of recyclable)	25%	38%	38%
Employees	77	75	71
Of which female	18	18	17
Employee Satisfaction (1-5)	3.9	3.7	3.6
Sick leave %	2.2	3.2	3.7
Customer Satisfaction	3.3	3.4	3.4
Supplier Code of Conduct			
A supplier response rate	100%	100%	100%
B supplier response rate	100%	91%	20%
Management systems	ISO 9001 & ISO 14001		



## Case: Enabling safe and productive wind power in icy conditions

Finnish Labkotec is a leading measurement equipment manufacturer and services provider for many industrial applications. One of their solutions is an ice detection system for wind turbines. Ice reduces the productive capacity of wind turbines and burdens their construction. Falling ice can also cause damage to people and buildings nearby. Labkotec's ice detection system uses SATEL-LP radio modems and I/O data transfer equipment units.

Ice detection systems are used in wind farms, airports, weather stations and marine applications. Labkotec's solution, LID-3300IP Ice Detection System, detects all icing types from freezing rain to in-cloud icing.

Icy weather conditions impede wind turbine service reliability, because even a thin layer of ice on turbine blades will increase the risk of

accidents, decrease productivity and wear out turbine structures. This is especially important to consider in northern coastal regions where the weather conditions include icy winds, heavy frost and rapid temperature changes.

The Ice Detector is developed especially for wind turbines in icy conditions. It improves the reliability of the wind turbine and reduces risks related to ice formation.

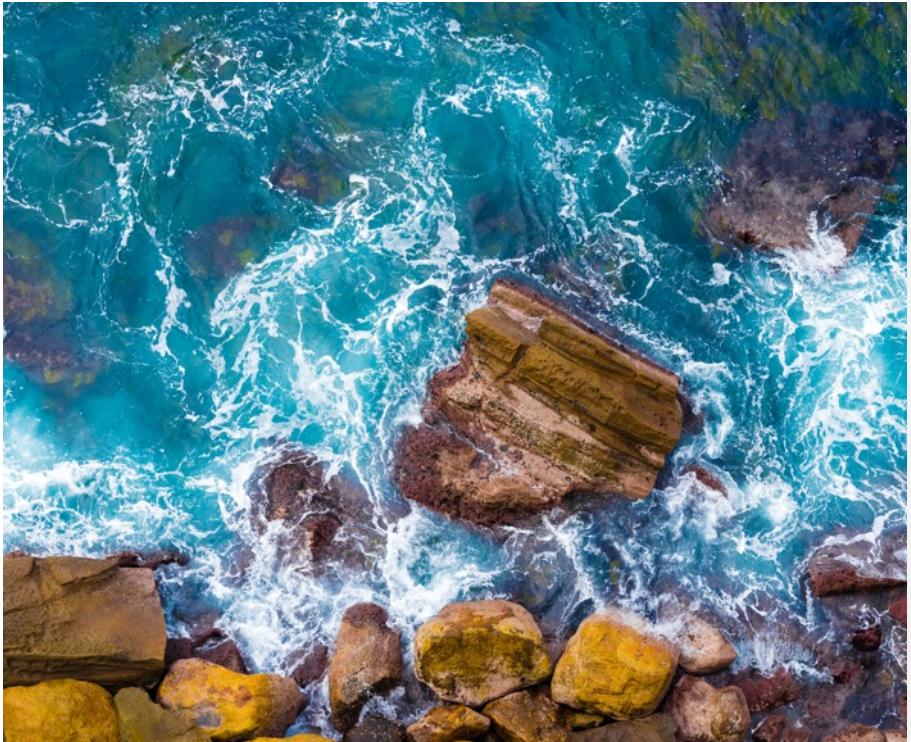
The system warns about icing conditions already at an early stage. When it detects the icing condition, it changes the state of the ice alarm relay and gives an alarm. The base station transmits the relay status wirelessly with SATEL radio modems to substations, which control the LED strobe light warning signal.



## World leader in acid management

"Based on our vision - Advancing the circular economy, making industries sustainable - our mission is Closing the loop."

Scanacon is a world leading provider of acid management systems, used in the production and etching/milling of special metals. The company's solutions enable safe, efficient, high quality treatment of metal products with a closed loop acid management system, minimizing hazardous emissions and waste and reducing the use of scarce resources.



Alder.

### Contribution to the UN Sustainable Development Goals



Scanacon's systems minimise acid effluents from the metal production process, contributing to **clean water, responsible production, climate action and life below water**.

Scanacon's systems reduce the negative environmental impact from the production of stainless steel and other metals and alloys. The finishing process of pickling, milling and etching normally generate a waste stream of toxic solids, liquids and gases, all of which require appropriate treatment prior to disposal or discharge, causing pollution of air and water and large CO<sub>2</sub> emissions.

The Scanacon technology has demonstrated significant environmental benefits. Through analysis and recycling of the acids used in the process, some 90% can be reused, reducing the quantity of dangerous acids that need to be manufactured, transported, managed and deposited.

In addition to the acid recovery, Scanacon has developed systems for recycling of metals released in the process, capturing high value metals from normally inaccessible wastewater streams.

Scanacon's systems reduce the primary by-products of pickling and milling – metal oxide sludge, waste liquor, acid gases and acidic wastewater from rinses. When both acids and metals are recycled with Scanacon's systems, the toxic sludge to landfill from the pickling process is greatly reduced, reducing the need for handling and transport as well as the risk of ground water contamination from the landfills. There is also no heavy metal contamination of water from the production line.

This also reduces the need for Calcium Oxide (quicklime) to neutralize the waste acids, which leads to large reductions in process CO<sub>2</sub>e emissions. In one single production line of one customer in China, the installation of Scanacon's system has resulted in a decreased use of 9 000 tonnes of calcium oxide per year. Since the production of one tonne of calcium oxide in China generates CO<sub>2</sub>e emissions of ca 1.5 tonnes, this translates into annual emissions reductions of 14,500 tCO<sub>2</sub>e from

one production line. Aggregating this figure to all the currently operating Scanacon systems globally, this would translate into a total annual reduction of 363 000 tCO<sub>2</sub>e.

Scanacon's currently installed equipment also contribute to a saving of 63 400 tonnes of nitric acid annually. Each kilogram of nitric acid recycled means nearly one kilogram of nitrate eliminated from the environment and considerable water resources preserved as well as saving some 242 000 tonnes of technical grade calcium hydroxide that would have been needed for neutralization of the acids.

Scanacon's system means a safer workplace for the staff of the steel mills that handle dangerous acids. With the closed system, high degree of automation and reduced amounts of dangerous acids to handle, the risk of injury and serious workplace accidents decreases.

## ENVIRONMENT

Scanacon's highest emissions footprint normally comes from business travel, as customers and operations are spread out across the world. In 2020, due to the pandemic, estimated Scope 3 emissions from travel were significantly reduced, at an estimated 77 tCO<sub>2</sub>e versus 256 tCO<sub>2</sub>e in 2019.

Scope 1 and 2 emissions remained close to last year's level at a total of 53 tCO<sub>2</sub>e. Scanacon seeks to minimise emissions with only electric/hybrid company cars. In Sweden, 100% of the company's electricity is from renewable sources. Energy saving initiatives are undertaken in the offices, including adjustment of office temperatures and geothermal heating.

Waste is sorted into seven recycling fractions and new routines have been implemented to increase recycling.

## GOVERNANCE

Scanacon is certified to ISO 9001.

The Scanacon Code of Conduct is communicated to all employees and includes an anti-corruption policy and a process for whistle blowing.

An employee's violation with the code of conduct, regarding a conflict of interest, was identified and investigated in H2 and led to termination of employment.

## SOCIAL

Scanacon's organization is small but global, with offices in Sweden, the US and China. With focus on a strong company culture and values, Scanacon builds team spirit across these distances.

Health and safety for employees is an important area due to handling of high-risk chemicals and acids. The company has received approval from authorities for its in-house safety work with regards to laboratory work hazards.

All personnel have received documented training to improve work safety both in-house and on-site in how to treat and react to hydrofluoric acid exposure as well as truck driving and safety education for relevant personnel.

During 2020, sick leave in Sweden increased to 6.9%, due to the Corona pandemic.

Scanacon does not have any direct suppliers in countries with high social risk relating to human rights or poor working conditions.

## KEY DATA

	2020	2019	2018
Sales (Reported mSEK)	111	156	146
EBITDA	16	36	29
Scope 1 Emissions, tCO <sub>2</sub> e	38	32*	N/A
Scope 2 Emissions, tCO <sub>2</sub> e	15	21	25
Scope 3: Business travel, tCO <sub>2</sub> e	77	256	N/A
Energy use, MWh	96	84	100
Water used m <sup>3</sup>	166	255	N/A
Employees	37	40	39
Of which female	10	11	9
Sick leave %	6.9%	2.8%	1.6%
Management systems	ISO 9001		

\*2019 Scope 1 adjusted from 21 tCO<sub>2</sub>e



Fund: Alder II  
Investment year: 2018

## Case: Metal Recycling Pilot

The Scanacon Metal recycling pilot and demonstration unit has been built to showcase the operational function of the Scanacon metal recycling system.

To remove impurities, oxides and scales from the steel's surface in stainless steel production, pickling is used as a surface treatment. Pickling is usually performed by submerging the steel in warm high concentrated acid, the acid composition can vary heavily between customer and steel type, however, the most common is a mixture of nitric and fluoric acid.

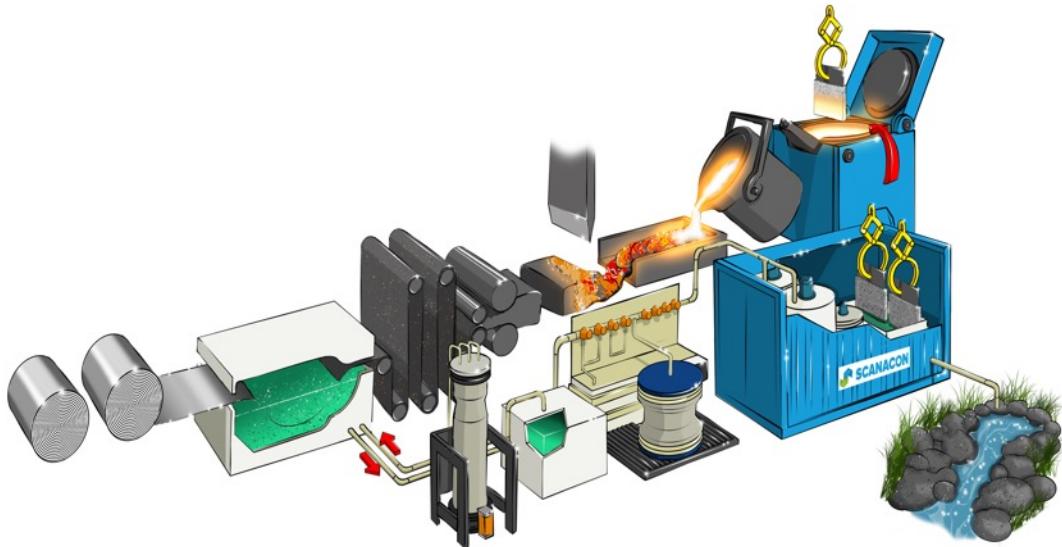
During the pickling, the acid dissolves some of the heavy metals in the steel, mainly iron, chromium, and nickel. These dissolved metals are traditionally sent with the spent pickling acid to neutralization, which is a process where the acid is neutralized with calcium oxide and the dissolved metals and fluorides are precipitated as a toxic sludge that must be sent to landfill. This process is costly in terms of neutralization and landfill cost for the customer but also leads to environmental concerns, large carbon footprints and a loss of valuable metals, i.e. nickel and chromium. It also creates great future environmental hazards when the sludge piles starts to leak heavy metals and other toxic matters into the ground water.

This is what Scanacon strives to change, to reduce the toxic waste piling up on landfills, reducing the calcium oxide use (the production of which is a large contributor to CO<sub>2</sub> emissions) and returning the

valuable metals to the process with minimal losses. Scanacon has a long tradition of providing acid recycling and is now setting the bar even higher when incorporating The Scanacon Metal Recycling pilot unit is fed by-product from a Scanacon acid recycling system, a system that recycles 90% of spent pickling acid and removes 75% of dissolved heavy metals for connected pickling baths. The Scanacon acid recycling

system is required, as a middle step between the pickling bath and the metal recycling unit, to remove a sufficient amount of acid to save process economy. From this low concentration acid with a relatively high metal concentration, the Scanacon metal recycling pilot extracts the dissolved Nickel and turns it into metallic nickel sheets that can be returned into the steel making process as raw material. The remaining metals are now available as metal oxides that can be used in other processes.

The pilot unit has been on a Swedish customer site during the initial part of 2020 as part of the development and initial testing and has gone through improvement modifications and is now going through its final stages of testing before being shipped off to a customer site in China for functionality demonstration during the course of 2021.



## For future installations and generations

Umia is an integrated supplier of technical installation and service solutions within the fields of ventilation, piping, electricity, sprinkler, energy and security.

Through its integrated approach – the Umia Model – Umia can optimise complex projects and find innovative solutions, consistently achieving energy- and resource efficiency improvements and exceeding customer expectations.

### Contribution to the UN Sustainable Development Goals



*The integrated Umia approach for optimized solutions contribute to savings in resources, energy and emissions.*

The planning and management of large installation projects have a significant impact on resource use – both building materials and appliances – and on the long-term energy efficiency of the finished building.

Large installation projects require technical expertise covering a wide range of fields. Through a unique, integrated approach, involving all of the expertise required for a project, Umia creates resource and energy efficient installation solutions. Environmental aspects for the project itself, and the long term environmental impacts for the customer, are always analysed and included in the project plan.

Umia creates long-term positive impact by optimising energy use and sources of energy for its customers. Identifying incremental energy savings opportunities and possibilities to use renewable energy sources are important and recurrent aspects of Umia's solutions. Customer energy savings projects are tracked after

completion to ensure that the calculated energy savings are realized.

In addition, the Umia Model is designed to identify improvements and savings opportunities in installation projects.

Umia has developed tools to calculate and track the environmental impact of its projects, in materials used and CO<sub>2</sub>e emissions, and to optimise projects from an environmental perspective. This improved transparency allows Umia's customers to make informed decisions with environmental aspects considered.

In sample of projects managed with the Umia model, the material savings was between 16-25%. This translates into an emissions reduction of 556 tCO<sub>2</sub>e in these projects. Applying the conclusions from the sample to Umia's total annual project portfolio, emissions reduction potential generated through the use of the Umia model amounts to more than 8,000 tCO<sub>2</sub>e per year.



 ENVIRONMENT

At Umia, there is always a focus on optimising the use of resources and energy efficiency. All employees are expected to strive to minimise the negative impact on the environment in their roles, as outlined in the Umia environmental policy.

Umia's Scope1 emissions from the company's car fleet has decreased during 2020 from 1373 tCO<sub>2</sub>e in 2019 to 1129 tCO<sub>2</sub>e in 2020. Scope 2 emissions also decreased to 34 tCO<sub>2</sub>e on the back of an 18% reduction of energy use, to 788 MWh, 83% of which was bought from 100% renewable sources. Going forward, Umia strives for climate neutrality in its operations, with actions to reduce own emissions, and to increase the net positive impact from materials savings (estimated at 8,000 tCO<sub>2</sub>e 2019 as described on the previous page).


 GOVERNANCE

In Umia's line of business there is a risk of corruption, mainly within customer relations. Umia's Code of Conduct prescribes important ethical policies and principles, including a policy for anti-corruption. All employees commit to adhere to the Code of Conduct at the time of employment.

Umia's manual for whistleblowing is included in the Code of Conduct. The plan is to implement a system for this under 2021.

There were no reported incidents or breaches of the Code of Conduct in 2020.

 SOCIAL

Umia is a fast-growing company that has gone from 97 employees to 750 in the past seven years. Recruiting, developing and retaining talented employees is key to the company's success.

Annual employee satisfaction surveys also measure the strength of Umia's core values and supporting targets. Development plans are based on this input, including employee training and development, onboarding and skills development.

Employee satisfaction is high, 7.8 on a scale from 0-10, well above the target that was initially set at 6. Employee health and wellbeing is continuously followed up. The target is to reduce sick leave to 2%, which is an ambitious goal in Umia's line of business. In 2020, sick leave was 5%.

Processes are in place to ensure a safe and healthy working environment and minimise work-related injuries. Preventive measures are also in place, including subsidies for active health care.

A new system for HR management has been implemented in 2020 that includes everything from preboarding, education employer branding and employer development.

Umia strives to improve diversity in its workforce. In 2020, this has been addressed through a review of the recruitment process and by setting diversity goals in the business plan of each subsidiary.

KEY DATA	2020	2019	2018
Sales (Reported mSEK, Umia Sweden's share)	949	926	750
EBITDA (Reported mSEK, Umia Sweden's share)	12	36	36
Scope 1 Emissions, tCO <sub>2</sub> e	1,129	1,373	1,090
Scope 2 Emissions, tCO <sub>2</sub> e	34	43	N/A
Energy use, MWh	788	956	N/A
% renewable energy	83%	82%	N/A
Employees	750	809	730
Of which female	51	48	41
Employee Satisfaction (1-10)	7.8	8.1	8.3
Employee sick leave	5.0%	5.5%	4.6%

## Case: Material efficient installations in Luleå

The Polstjärnan student housing building is centrally located on the Luleå University of Technology's campus. The house will be built with both four and five floors and a total of 266 students and researchers will be able to live here. The house will have a cast-in-place concrete frame and the façade will mostly consist of wood panelling and façade panels.

Umia's project consists of the installation work for this new housing construction.. Through active improvement work with the Umia model and in dialogue with the customer, the project team came up with a new technical solution.

Improvements identified included a new solution for ventilation, with fewer ventilation units and equipment needed and a reduced need for pipeline isolation. The power stations were also improved and more efficient solutions for lighting were identified.

This solution meant a significant reduction in materials used while also increasing the lettable area for the customer. Umia estimates that the material use was reduced by 16% compared to the initial project specifications. This also reduced CO<sub>2</sub> emissions due to materials by an estimated 16%, which translates into emissions savings of more than 70 tCO<sub>2</sub>e.



Illustration: Tirsén & Aili  
Source: NCC

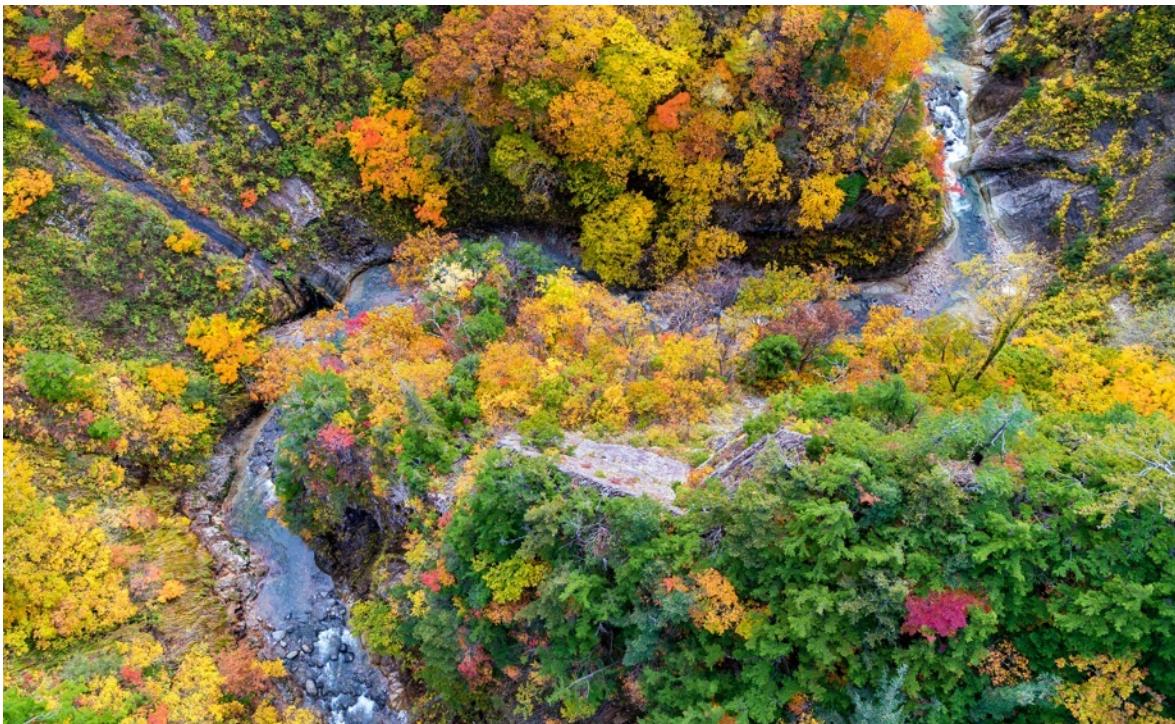
# Appendix



## Material sustainability topics

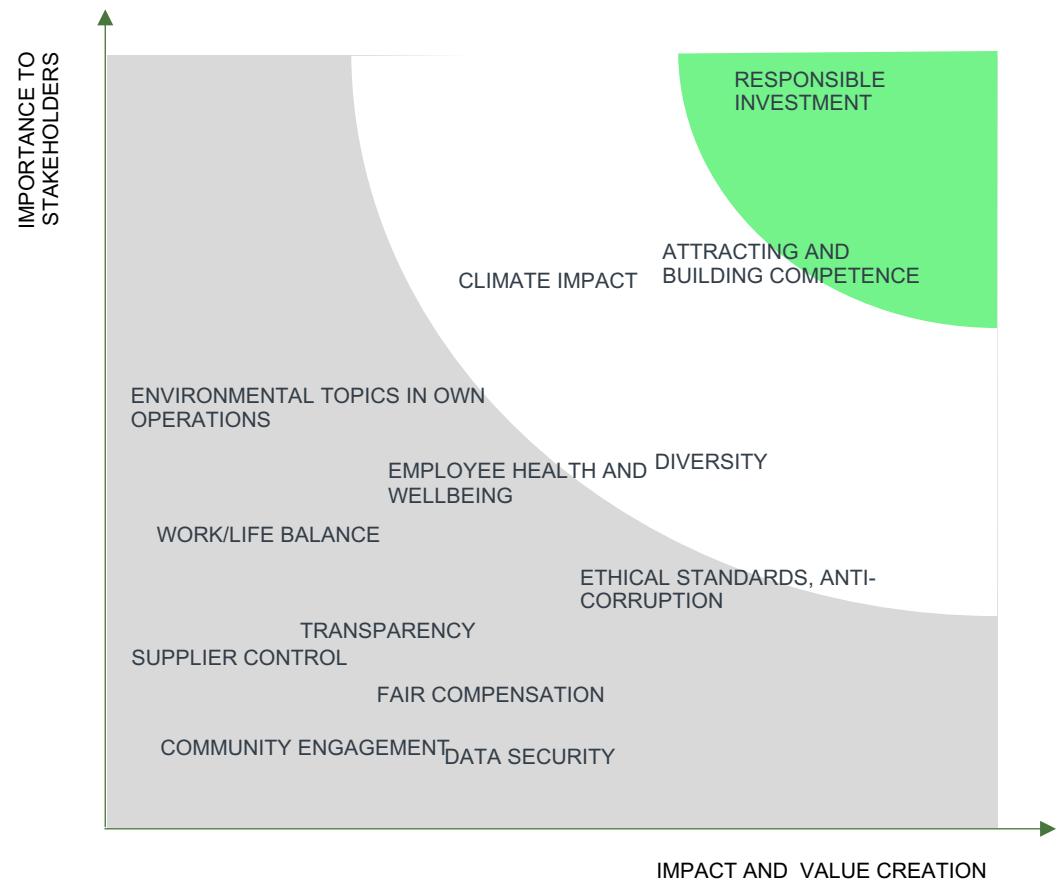
As a basis for setting priorities in our sustainability efforts, and to ensure that we meet the expectations from our stakeholders, we have conducted a materiality analysis for Alder, with input through interviews or surveys from three important stakeholder groups – employees, investors and portfolio companies.

Our conclusion is that responsible investment is by far the most important topic to all stakeholder groups. Effectively integrating sustainability into all aspects of our investments, from target company identification through investment, ownership and exit, is our most significant impact possibility for environmental, social and governance topics.



Internally, the key environmental topic identified is to mitigate our climate impact. The level of climate awareness is high among our stakeholders and, given the emphasis on this issue through our investments it is also important that we practice what we preach in our own operations.

Two social topics are highlighted – attracting and building competence and diversity, both of which are integral to building a successful team.



# Climate-Related risk assessment and scenario analysis

In the following pages, we outline key takeaways from an analysis of climate-related risks and opportunities. For each identified risk or opportunity, we have assessed the likelihood of its occurrence in two scenarios, as well as the financial impact on Alder and strategies to mitigate risks and capture opportunities.

## Low-Carbon Future Paris Agreement (1.5°C)

### Scenario Assumptions:

- Rapid transition to a low-carbon economy
  - Global emissions are reduced by half every 10 years from 2020.
  - Significant Political action - Policies and Regulations
  - Rapid technological progress
- *Less destabilizing to the planet*
- *More disruptive for the markets in the near term since industries must adjust quickly.*

### Possible Game Changers:

- New policies and regulations,
  - GHG tax (\$60-100/tCO<sub>2</sub>)
  - Reporting requirements
- Stranded assets, geopolitical changes
- Significant price increases for materials and transports
- Markets impacted by transition to new technology, investments into new infrastructure
- Circular and Sharing business models

We have considered two scenarios, outlined below. The scenarios have been discussed with the Alder team and in a workshop 2019 with all portfolio company CEO:s and chairmen of the boards, and 2020 with all sustainability ambassadors. The tables in the following pages, adapted from TCFD:s formats, summarise some of the conclusions.

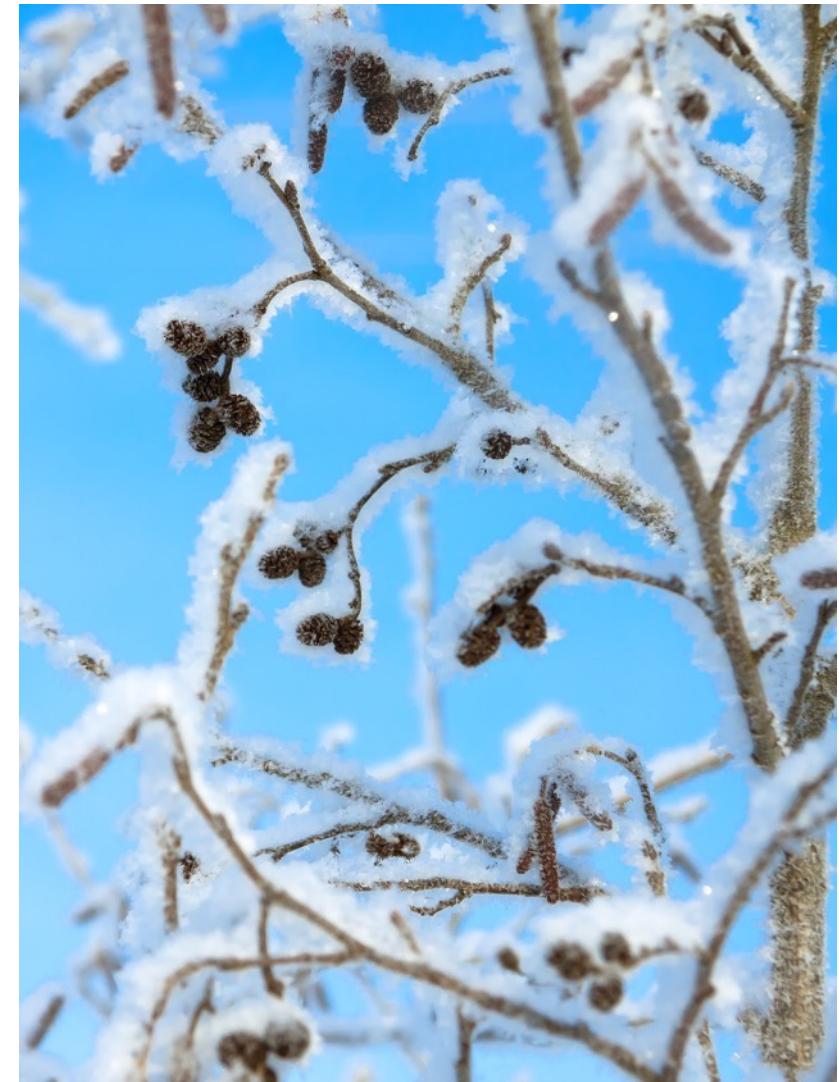
## Limited mitigation Global Warming (3-4°C)

### Scenario Assumptions:

- Little or no mitigation action is taken and climate change continues on its current projected path
  - Global emissions continue rising at current rates
- *Policy and regulation do not adequately address greenhouse gas emissions*
- *Earth's temperatures warm significantly more than 1.5°C, with severe consequences*

### Possible Game Changers:

- Extreme weather events occur more frequently and at a more damaging scale and with high costs of remediation
- Rising sea levels displace coastal areas and populations
- Changes in precipitation patterns
- Water and food scarcity in climate-stressed regions
- Land, materials and other resource constraints
- Migration, climate refugees



# Climate related risk and opportunity scenario analysis - Transition risks

(adapted from TCFD:s table 1A)

Climate-related risk	Potential financial impact	Scenario probability		Alder analysis of risks and scenarios
		1.5°C	3-4°C	
<u>Policy &amp; Legal</u> • Increased pricing of GHG emissions • Enhanced emissions-reporting obligations • Mandates on and regulation of existing products and services • Exposure to litigation	• Increased operating costs • Write-offs, asset impairment due to policy • Increased costs and/or reduced demand for products	High	Low	Potential impact and management of risks and/or opportunities  Policy and regulation, including higher cost of CO <sub>2</sub> emissions, would be positive for the Alder portfolio, since this would drive demand for portfolio company products, relevant for all companies in Alder's portfolio, particularly Samon, Scanacon, Aidon. On the downside is the potential financial impact for customers which may put a pressure on costs and their ability to invest, e.g. within steel production. Alder's strategy is to stay abreast of policy development, understand impact on customers from new regulations and how to provide solutions that enable customers to meet required levels.
<u>Technology</u> • Substitution of existing products and services with lower emissions options • Unsuccessful investment in new technologies • Costs to transition to lower emissions technology	• Write-offs and early retirement of assets • Reduced demand for products and services • Research and development (R&D) expenditures in new and alternative technologies • Capital investments in technology development • Costs to adopt/deploy new practices and processes	High	Low	Alder's portfolio companies are exposed to technologies that lower emissions. Technology transition would be more opportunity than risk for Alder's portfolio. Alder continues to invest into new technology for portfolio to stay in the product development forefront and to increase the positive environmental impact of their products. Some of these R&D investments may prove unsuccessful, but Alder only invests into companies with proven products and technologies so these would normally be product extensions of further development and not "make or break" technology bets. Alder's strategy is to continue investing wisely into new technology, with on average 8% of sales invested into R&D.
<u>Market</u> • Changing customer behaviour • Uncertainty in market signals • Increased cost of raw materials	• Reduced demand for goods and services due to shift in consumer preferences • Increased production costs due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment) • Abrupt and unexpected shifts in energy costs • Change in revenue mix and sources, resulting in decreased revenues • Re-pricing of assets (e.g., fossil fuel reserves)	High	High	If customer behaviour implies that customers are willing to pay a premium for a more sustainable product or service, Alder's portfolio companies are well positioned to leverage from this. However, it is possible that ingoing costs increase by more than customers are willing to pay, which would lead to a pressure on margins. An important strategy will be to effectively communicate sustainability strengths of the product offering, and to also translate these into customer cost savings.
<u>Reputation</u> • Shifts in consumer preferences • Stigmatization of sector • Increased stakeholder concern or negative stakeholder feedback	• Reduced revenue from decreased demand for goods/services – Reduced revenue from decreased production capacity (e.g. delayed planning approvals, supply chain interruptions) • Reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) • Reduction in capital availability	High	High	As a current leader in corporate sustainability, Alder's reputational risk under a low-carbon scenario is minimal. We believe that transparency and clarity of communication will be important to earn the trust of customers and investors.

## Climate related risk and opportunity scenario analysis - Physical Risks

(adapted from TCFD:s table 1B)

Climate-related risk	Potential financial impact	Scenario probability		Alder analysis of risks and scenarios
		1.5°C	3-4°C	
<u>Acute</u> <ul style="list-style-type: none"><li>Increased severity of extreme weather events such as cyclones and floods</li></ul>	<ul style="list-style-type: none"><li>Reduced revenue from decreased production capacity (e.g. transport difficulties, supply chain interruptions)</li><li>Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism)</li></ul>	Medium	High	Physical risks may impact the Alder portfolio, although none of the operations have own locations that are deemed to be in areas primarily at risk. Portfolio company Briab can support customers in managing risks, including wildfires and floods.
<u>Chronic</u> <ul style="list-style-type: none"><li>Changes in precipitation patterns and extreme variability in weather patterns</li><li>Rising mean temperatures</li><li>Rising sea levels</li></ul>	<ul style="list-style-type: none"><li>Write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations)</li><li>Increased operating costs (e.g., inadequate water supply)</li><li>Increased capital costs (e.g., damage to facilities)</li><li>Reduced revenues from lower sales/output</li><li>Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations</li></ul>			<p>Weather events and climate changes such as rising temperatures and changes in precipitation patterns may impact value chains in the short and long term, for example due to work force health issues, suppliers or transport solutions impacted by such risks. It is likely that, especially in a 3-4°C scenario, value chain disruptions become more frequent in coming years.</p> <p>Such events may put pressure on short term cash flow. Alder considers the vulnerability to unexpected events in liquidity planning and sensitivity analysis of value chains and customer base.</p>

# Climate related risk and opportunity scenario analysis – Opportunities

(adapted from TCFD:s table 2)

Climate-related opportunity	Potential financial impact	Scenario probability		Alder analysis of risks and scenarios
		1.5°C	3-4°C	
<u>Resource Efficiency &amp; Energy Source</u> • Use of more efficient modes of transport • Use of more efficient production and distribution • Use of recycling • Move to more efficient buildings • Reduced water usage and consumption • Use of lower-emission sources of energy • Use of supportive policy incentives • Use of new technologies • Participation in carbon market • Shift toward decentralized energy generation	<ul style="list-style-type: none"> <li>Reduced operating costs (efficiency gains)</li> <li>Increased production capacity, increased revenues</li> <li>Increased value of fixed assets (e.g. energy- efficient)</li> <li>Benefits to workforce management and</li> <li>Reduced exposure to future fossil fuel price increases</li> <li>Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon</li> <li>Returns on investment in low-emission technology</li> <li>Increased capital availability</li> <li>Reputational benefits resulting in increased demand for goods/services</li> </ul>	High	Medium	<p>Resource efficiency and energy source transition are opportunities that Alder's portfolio companies strive to accelerate. For example, Aidon would benefit from faster regulations and more demand to provide smart meters and services. There could also be a higher demand for Samon's gas detection technology as more customers need to replace refrigerants, improve energy efficiency and mitigate refrigerant emissions. Steel industry ambitions to produce climate neutral steel would drive demand for Scanacon's systems. Umia would see increased demand for energy efficiency projects.</p> <p>Alder needs to keep focus on emerging opportunities to leverage the strength of current portfolio companies and to find exposure to key technologies and solutions through future investments.</p>
<u>Products and Services</u> • Development and/or expansion of low emission goods and services • Development of climate adaptation and insurance risk solutions • Development of new products or services through R&D and innovation • Ability to diversify business activities • Shift in consumer preferences	<ul style="list-style-type: none"> <li>Increased revenue through demand for lower emissions products and services</li> <li>Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)</li> <li>Better competitive position to reflect shifting consumer preferences, resulting in increased revenues</li> </ul>	High	Medium	Continue development of products and services to meet customer demand for new and improved solutions. Focus on customer needs and expectations and on communication of sustainability related product benefits, relevant for all portfolio companies.
<u>Markets</u> • Access to new markets • Use of public-sector incentives	<ul style="list-style-type: none"> <li>Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks)</li> <li>Increased diversification of financial assets (e.g., green bonds and infrastructure)</li> </ul>	Medium	Low	Possible long term opportunities for portfolio companies, including financing opportunities with expanding access to "green" capital.
<u>Resilience</u> • Participation in renewable energy programs and adoption of energy- efficiency measures • Resource substitutes/diversification	<ul style="list-style-type: none"> <li>Increased market valuation through resilience planning (e.g., infrastructure, land, buildings)</li> <li>Increased reliability of supply chain and ability to operate under various conditions</li> <li>Increased revenue through new products and services related to ensuring resiliency</li> </ul>	Medium	High	Understand how products in all portfolio companies support increased need for resilience, relevant for most portfolio companies and an opportunity for e.g. Satel with secure communications solutions and Aidon, mitigating electric grid failures. Opportunity for Briab to develop climate risk management services and for Umia to secure buildings and infrastructure to withstand climate related pressure.

## **About this Report**

This is the third sustainability report from Alder Funds, covering the legal entities Alder Fund I AB with organization number 556807-9916, and Alder II AB, 559130-3986. The reporting cycle is annual and follows the calendar year. This sustainability report covers our sustainability performance for the financial and calendar year 2020.

This report has not been externally audited. The report is available at Alder's website, [www.alder.se](http://www.alder.se).

For questions about this report, please contact  
Åsa Mossberg, Sustainability Manager at [asa.mossberg@alder.se](mailto:asa.mossberg@alder.se)

**Alder.**