

Alder Responsible Investment Policy

Alder's Why is to generate attractive returns by owning and developing companies that improve the long term sustainability of our environment. We strive to create a positive impact on the environment, to the benefit of our planet, our investors and other stakeholders.

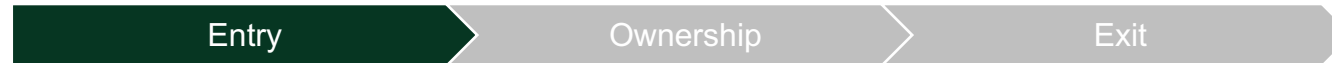
Our world is changing, with climate change, scarce resources, demographic shifts and technological innovation. We invest in companies that are likely to be successful throughout these changes, and which can contribute to solutions to some of the challenges that we face. Companies that are well positioned and resilient in a changing world are more likely to provide value growth, at lower risk, to our investors. When we make our investments, we look for a value proposition based on an environmental benefit, contributing to savings in the use of scarce resources, energy and waste.

We have integrated sustainability into our business model and into the strategies and operations of our portfolio companies. This policy describes our framework for responsible investments, what we expect from our portfolio companies, and how we will support them in their sustainability work – “The Alder Way”.

Our approach is for each portfolio company to develop a sustainability strategy, identifying and addressing environmental, social and economic risks and opportunities, and to integrate this into the overall strategy for the company. It is the responsibility of the boards in our portfolio companies to follow up on sustainability compliance, strategy and progress.

Alder is a member and a signatory of the UNPRI and we follow their applicable guidelines for responsible investing.

Sustainability is integrated in all our core processes, from Entry, during ownership and through the 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 Centre¹ 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

<https://www.stockholmresilience.org/research/planetary-boundaries.html>
<https://sdgs.un.org/goals>

Internal Tools

Environmental Impact Assessment Tool

Due Diligence Guidelines and Tool



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.

Internal Tools

The Alder Way
Sustainability
Handbook

Alder Code of
Conduct

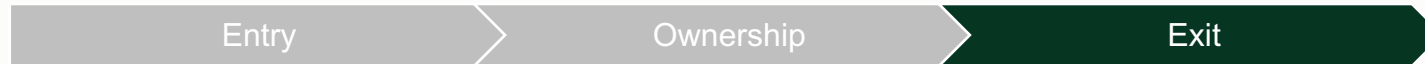
ESG Scorecard

External Frameworks

UN Sustainable
Development Goals

UN Guiding
Principles

<https://www.ohchr.org/>



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.



Making it happen

Our commitment to sustainability is strong. We have a dedicated sustainability manager, who leads the portfolio wide sustainability efforts by supporting our investment teams in entry- and exit phase sustainability assessments, providing our portfolio companies with tools and guidance, monitoring progress, and aggregating and reporting on portfolio wide sustainability to our stakeholders.

These are some of the processes that help us to put words into action:

- Our partner group regularly reviews the sustainability performance of the entire portfolio.
- We report on our sustainability efforts in an annual Sustainability Report, in our quarterly reports and in investor meetings.
- We report annually to the UNPRI regarding our commitments and progress.
- We have created a Sustainability Ambassador network of representatives from all of our portfolio companies, that meets biannually and shares information about relevant sustainability topics and best practices.

Revision practice

This policy will be reviewed annually and updated as needed.

Latest update: 2021-03-01