Alder.

OUR PROGRESS 2021

Sustainability Report

Alder's why is to generate attractive returns by owning and developing companies that improve the long-term sustainability of our environment. As an active owner, we enable companies to grow by providing capital, skills and a network of experts who provide strategic advice. Our portfolio companies create value for both investors and the environment through innovations in reduced energy and resource consumption, limiting air and water emissions, cutting and reusing waste and contributing to the UN Sustainable Development Goals and the Paris Agreement.

The name Alder comes from the Alder tree, which has an intricate root system and nitrate fixing properties that improve soil fertility and prevent erosion. Our name, therefore, represents development, persistence, resilience, collaboration and sustainability.

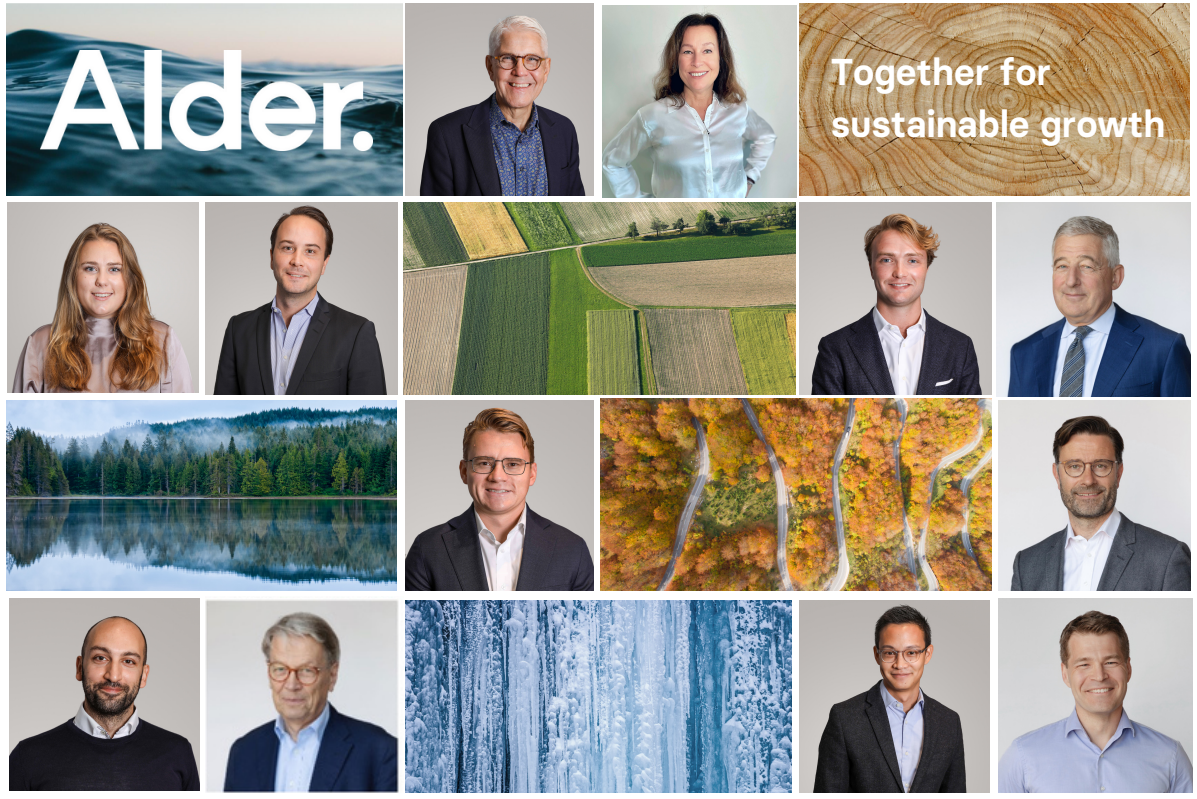
CONTENTS

A message from our team: Together for sustainable growth

Despite the continued global challenges in 2021, we are proud that Alder achieved the most successful year to date in terms of new investments, growth and sustainability leadership.

This success was largely thanks to our team's hard work, dedication, and expertise. It is also a testament to our future-focused portfolio companies that have been able to avoid significant pandemic-related challenges. Further, it is a signal of the world waking up to the brand value, asset worth and opportunities of ESG investments.

Sustainability is the very foundation on which we built our business. Alder's why continues to be: to generate attractive returns by owning and developing companies that improve the long-term sustainability of our environment. When we invest, we look for a value proposition based on an environmental benefit and probable success in mitigating climate change, resource scarcity and biodiversity loss, and adapting to societal and demographic shifts. This year, COP26 reminded us once again of the urgency of climate action and the importance of investing in solutions that contribute to a stable environment and a fair society.



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The United Nations Sustainable Development Goals (SDGs) continue to inform new acquisition decision-making. In 2021, we strengthened this process by including the EU Taxonomy as a guide and began measuring investments against the full scope of the GHG Protocol. We can now clearly identify our strengths and areas for improvement through these tools. This year, we also reassessed what are understood to be the most critical environmental issues: climate change, resource scarcity and biodiversity loss. This focus will help guide future investments, proactively ensuring our portfolio has a significant impact.

An important milestone in 2021 was when Alder decided to work as a SFDR Article 9 Fund. We were also honoured to be selected as one of Real Deal's Future 40 Impact Investment Funds. This initiative showcases global funds at the forefront of private market investment that make a measurable difference to society and the environment.

We were happy to welcome three new companies into Alder this year: Centriair, AB Inventech and Systeminstallation. These companies increase our sector scope to include air cleaning, wind turbine manufacturing technology, and sustainable building management; read more in the Portfolio Companies chapter of this report. We were also honoured to see Nordic Water, one of our original portfolio companies from Fund I, take the next step in their journey. Read about their divestment story on p. 20.

We continued with a hybrid work structure, combining online and remote working, moving towards more time together in person where it was safely possible. We have proven that we can achieve a lot even when working like this. But we also know that the moments in between—over coffee, in the corridor, sitting side by side—are the glue that binds us together and what makes us stronger. We look forward to more of these occasions in the year ahead.

> The world is increasingly waking up to the asset and brand value of ESG. In 2021 we took this as an opportunity to accelerate our investment program and grow our portfolio more than any other year.
>
> Arash Raisse - Partner

A snapshot of Alder's achievements in 2021

3
new portfolio companies, taking the total to 10

18
new add-on acquisitions

1
company divested

2
new Alder employees

88%
of our companies' activities eligible according to the EU Taxonomy / Climate Mitigation & Adaptation

8
companies measured against the full scope of the GHG Protocol for the first time

Article 9
SFDR classification

3.3bn
SEK aggregated sales

1350
total employees across our portfolio

ABOUT ALDER

Meet the team

Alder's strength has always been in our team's range of complementary skills and backgrounds, as well as our shared vision. We thrive in a personal and open working environment, both internally and with our portfolio companies, investors and other stakeholders. We are constantly educating ourselves around the sustainability agenda and we are curious about how we can improve to have greater impact. Our commitment to supporting a better future not only connects us, but helps retain and recruit talent.

Alder comprises a partnership and investment team based in Stockholm with supporting regional affiliates.

Dag Broman
Partner

Eva Normell
Sustainability Manager

Henrik Blomé
Partner

Henrik Flygar
Partner

Maja Förberg
Investment Analyst

Carl-Johan Langenskiöld Folke
Investment Analyst

Henrik Lindholm
Investment Director

Jonas Frick
Partner

Thomas Nilsson
Partner & Chairman

Keiward Pham
Investment Director

Arash Raisse
Partner

Zacharias Rosenlew
Investment Manager

> Everyone at Alder is driven and curious, we really believe in what we are doing. All our opinions count, no matter if you are an Analyst or a Partner.
>
> Maja Förberg
> Investment Analyst

A history of sustainability at Alder

Sustainability has been our North Star from the beginning. When Alder started in 2010, our founding partners recognised the urgency of environmental transformation and the potential returns from companies pioneering technological solutions to sustainability. Our focus continues to be the Nordic region, and our ambition is to expand geographically in the coming years.

Our definition of what constitutes strong ESG has evolved to become ever more rigorous. We have followed and adapted to shifts in the understanding of global sustainable development and sustainable finance, such as the SDGs and, most recently, the EU Taxonomy.

2008

- Alder founded on the principle of developing and investing in Nordic sustainable technology companies

2010

- Fund I established as the first thematically focused ESG fund in the Nordics with committed capital of SEK 1.1 billion
- New acquisitions systematically screened

2011

- Portfolio companies appoint an internal person responsible for ESG

2012

- Alder signatory to the PRI

2016

- ESG ambassador network set up among portfolio companies

2018

- Fund II starts with a committed capital of SEK 1.5 billion
- Alder Sustainability Manager appointed
- Measuring ESG related KPIs

2019

- The Alder Way launched with stronger ESG expectations for portfolio companies
- Sustainability Assessment tool & Due Diligence process in place
- SDGs and Paris Agreement goals incorporated into portfolio decision making
- Reporting to the TCFD
- First Sustainability Report published

2021

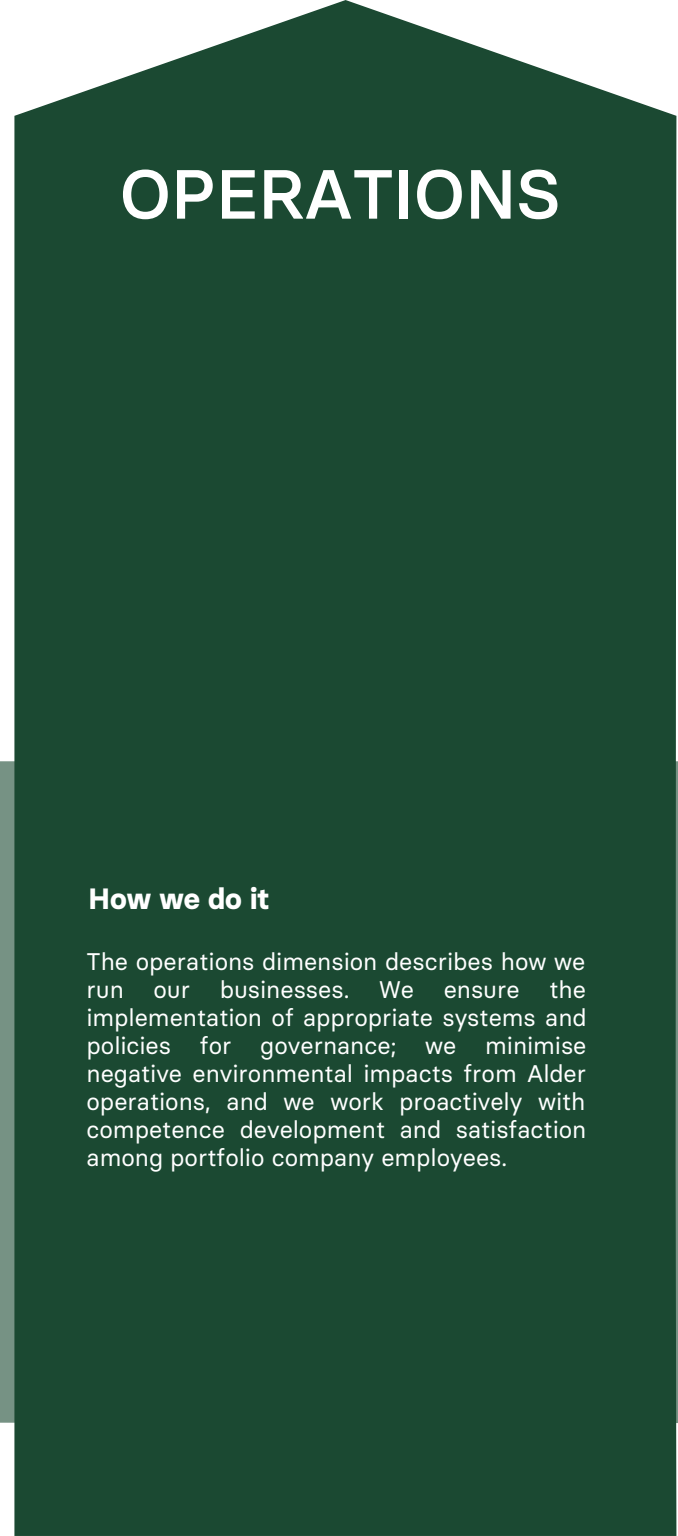
- Alder's funds classified as EU SFDR, Article 9
- Introduced EU Taxonomy eligibility
- Measured full scope GHG protocol

Timeline of Alder's ESG initiatives

OUR APPROACH TO SUSTAINABILITY

Impact & Operations: Two dimensions of sustainability

Alder's framework takes a two-dimensional approach to sustainability, where our portfolio companies create value through both impact (what we do) and operations (how we do it).



What we do

The impact dimension includes the environmental value that we, with our portfolio companies, create through business models, products and services. Impact typically occurs at the customer use phase, such as driving down scarce resource and energy use, reducing greenhouse gas emissions or improving water quality.

We assess impact at the pre-investment stage (see p. 17) and throughout ownership using the SDGs, the EU Taxonomy and internal measures.

How we do it

The operations dimension describes how we run our businesses. We ensure the implementation of appropriate systems and policies for governance; we minimise negative environmental impacts from Alder operations, and we work proactively with competence development and satisfaction among portfolio company employees.

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The UN Sustainable Development Goals

A guiding framework for environmental relevance, both during investment selection and company development, are the UN Sustainable Development Goals (SDGs). Our portfolio companies currently contribute to eight of the 17 goals, and all companies further goal 13, Climate Action.

Each company's contribution towards the SDGs is described in more detail on pp. 21–30.

Figure 1: Alder portfolio companies' contributions to the UN Sustainable Development Goals

Aidon							✓						✓				
Autocirc												✓	✓				
Briab			✓								✓	✓	✓				
Centriair			✓								✓		✓				
AB Inventech							✓						✓				
Samon			✓			✓					✓		✓				
Satel		✓				✓	✓				✓		✓				
Scanacon			✓			✓						✓	✓	✓			
Systeminstallation						✓	✓				✓		✓				
Umia							✓					✓	✓				

Alder's key SDGs

IMPACT

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Alder and the EU Taxonomy

The EU Taxonomy provides clear information for the investment community on which economic activities have the potential to make a significant difference to the major environmental challenges of our time.

Purpose

Alder welcomes the EU Taxonomy, which is a classification system establishing a list of environmentally sustainable economic activities and sets out six environmental objectives (see icons on the right). We will make full use of it to support us in evaluating investment opportunities and setting targets for business development. This opportunity is aligned with our ambition to significantly contribute to solutions to environmental and climate challenges.

We see it as a way to:

- Facilitate the financing of the economic transition needed to meet the Paris Agreement
- Consolidate our impact by having a common approach to measuring and benchmarking
- Shift from static ESG indicators towards targets and impact data with a focus on change
- Help identify investment opportunities that support a positive environmental impact

Approach

We approach the Taxonomy with a focus on value creation. In 2021 we covered step one out of the five steps in our Taxonomy journey, illustrated in Figure 2. on the next page.

The eight companies under Alder ownership throughout 2021 (excluding our two newest companies) have participated in the first step of this journey to understand the extent their primary economic activities are aligned with the Taxonomy.

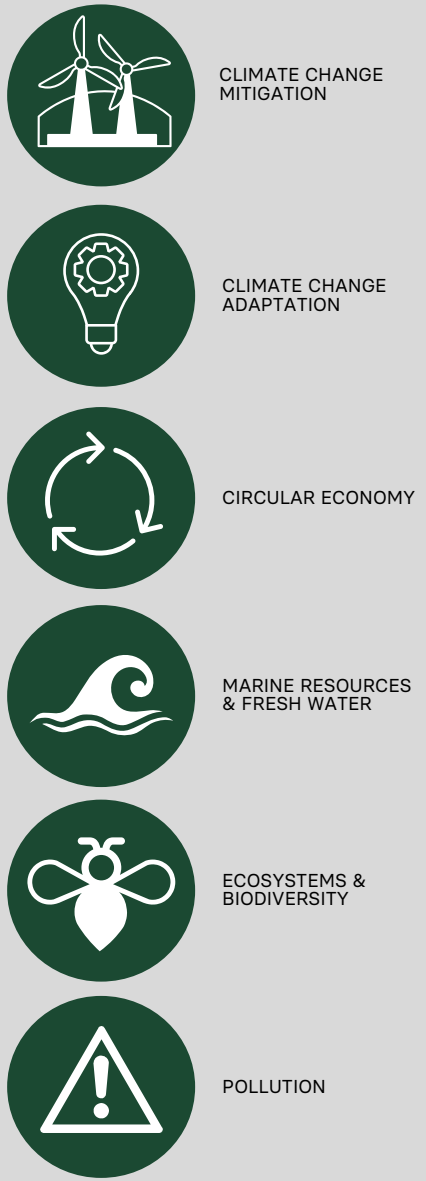
The work we have done together includes:

- Overall training
- Step 1 of the assessment
- Coaching
- Conclusion

The next stage of the EU Taxonomy will include additional areas, namely the circular economy, pollution and water, to which several of our companies make positive contributions. For this reason, we have mapped our business towards all six Taxonomy objectives for a fuller picture and recommend that our public disclosure be read as a baseline that we will develop over time.

Results

The results show that overall, 88% of our companies' activities are eligible according to the Taxonomy Compass on Climate Mitigation and Adaptation. A breakdown of the results can be found in Appendix 3.



The EU Taxonomy's six criteria for sustainable investment

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EU Taxonomy cont.

Learnings

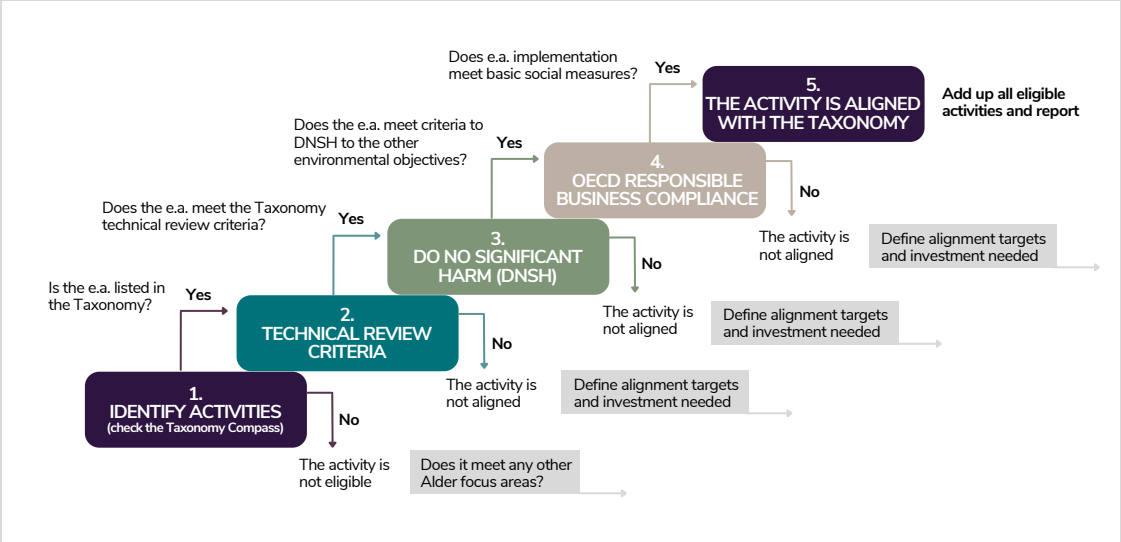
The investments Alder has made over the past 12 years have been in keeping with our vision and mission to enable a sustainable economy, and contribute to the wider economy. While the Taxonomy enables us to set targets and clarifies how our companies contribute to the European Green Deal, it does not cover all the areas Alder has identified as significant in the necessary transition.

Activities listed under Climate Mitigation and Adaptation in the Taxonomy were not evident for all our companies, despite the role many of them have in various value chains. Moving forward, we will continue to assess how we can better meet these objectives as well as focusing on the objectives where we are already strong.

Next steps

- Cover stage 2–5 in our Taxonomy ladder
- Set up 1–3 year targets for our portfolio companies
- Set up 1–3 year targets for Alder
- Follow the development of criteria for additional Taxonomy environmental goals

Figure 2: Taxonomy ladder, process for every economic activity (e.a.) in turnover, OPEX, CAPEX



IMPACT

Guiding tools for Alder's operations

We use the Green House Gas Protocol (GHG Protocol), Sustainable Finance Disclosure Regulation (SFDR), The Principle Adverse Impact indicators (PAI), Principles for Responsible Investment (PRI) and the Task Force on Climate Related Financial Disclosure (TCFD) as frameworks for continuous operational improvement.

GHG Protocol

Alder's sustainability approach is dependent on our portfolio's performance. The diverse structure of our assets makes carbon accounting more complex, calling for close alignment with international standards to disclose carbon emissions effectively. We chose the GHG Protocol as the most relevant standard for calculating emissions and reporting.

In 2021, we engaged third-party consultants, Ramboll, to deliver a scope 3 GHG emissions baseline for eight of our portfolio companies covering the 2021 reporting year (excluding the two newest acquisitions).

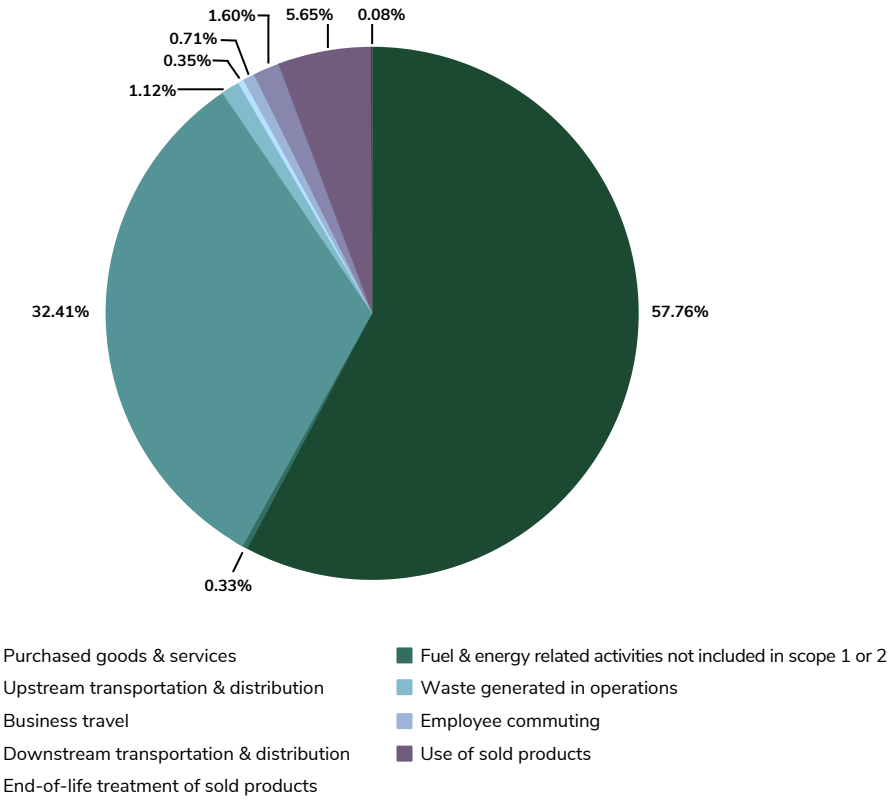
Alder's total scope 3 emissions for all portfolio companies according to the market-based approach for the 2021 reporting period is: 118,782 t of CO_2 eq.

Purchased goods and services is the most significant area of emissions for our portfolio companies.

This was the first time we calculated GHG scope 3 emissions according to the full GHG Protocol. The results for each company appear higher this year—a result of having a better understanding of data collection and accuracy and because we have gathered more data this year.

Data collection proved a challenge for some of our companies, but it was a big step in the right direction and helped us see where we need to improve in 2022.

Figure 3: Scope 3 result breakdown per emission source (market-based)



Sustainable Finance Disclosure Regulation (SFDR)

In March 2021, we implemented the EU SFDR guidelines into our investment policy. This year, we began working as an SFDR Article 9 Fund, meaning that we are considered a fund that has sustainable investment or a reduction in carbon emissions as its objective.

The Principal Adverse Impact (PAI)

We measure against the SFDR's PAI indicators each year and include them in the portfolio company ESG scorecards. Appendix 1 and 2 show the results for 2021.

Principles for Responsible Investment (PRI)

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. This year Alder once again achieved the highest score (A+) in both assessed modules.

Signatory of:

PRI Principles for Responsible Investment

Task Force on Climate Related Financial Disclosure (TCFD)

Our climate-related financial disclosures are made according to the TCFD's recommendations within governance, strategy, risk management, and metrics and targets. These disclosures can be found in Appendix 5 of this report.

CASE: ALWAYS LEARNING

Towards the end of 2021, we planned an executive training in 'Resilience Thinking', which will be held in 2022. The two-day event is developed in collaboration with the Stockholm Resilience Center and will include contributions from academia, thought leaders and business frontrunners. The Chairman of the Board, CEO and ESG Ambassador from each company will attend to ensure coherent and aligned development across our portfolio.

On the agenda will be: gaining a science-based understanding of environmental challenges, how our companies can contribute to solutions, and strategies for long-term resilience and business value.

We look forward to sharing the results next year.

RESPONSIBLE INVESTMENT POLICY

Investing where it counts

We integrate sustainability at each stage of ownership through Alder's Responsible Investment Policy. We apply both external guidelines, such as PRI and SFDR and use internal frameworks and tools to strategically assess the sectors and sustainability issues we should focus on for the most valuable impact.

Future ready

We want to ensure that our investment decisions bolster innovation and development, help solve the most pressing environmental issues and create value. In 2019 we conducted a materiality assessment to define our sustainability priorities and focus areas and to ensure that we meet stakeholder expectations. In 2021 we refined our future focus even more to assess how we can create value through responsible investments and clarified what it will take to succeed.

The areas we have identified where our investments can have the most impact and create significant environmental value are:

Climate change:
Contribute to stabilising GHG emissions by avoiding, reducing, or removing them and help to reduce or prevent the adverse effects and risks of current or future climate change.

Resource scarcity:
Increase circularity, product durability, reparability, upgradeability, and reusability and/or seek to develop 'product-as-service' business models with circular value chains.

Biodiversity:
Prevent or reduce pollutants and achieve high quality surface, ground, and marine water to protect ecosystems and biodiversity.

Next steps

We will continue to live up to stakeholder expectations, develop internally to enable our strategy and support our portfolio companies to achieve our overall goals. In 2022 we will refine our sustainability themes based on the EU Taxonomy and other factors, and define further focus sectors where Alder can create maximum value and impact.

Based on the alignment and baseline that we created through the EU Taxonomy framework and GHG Protocol, we will set comparable targets for Alder and our portfolio companies. We will measure and target our positive and negative impact.

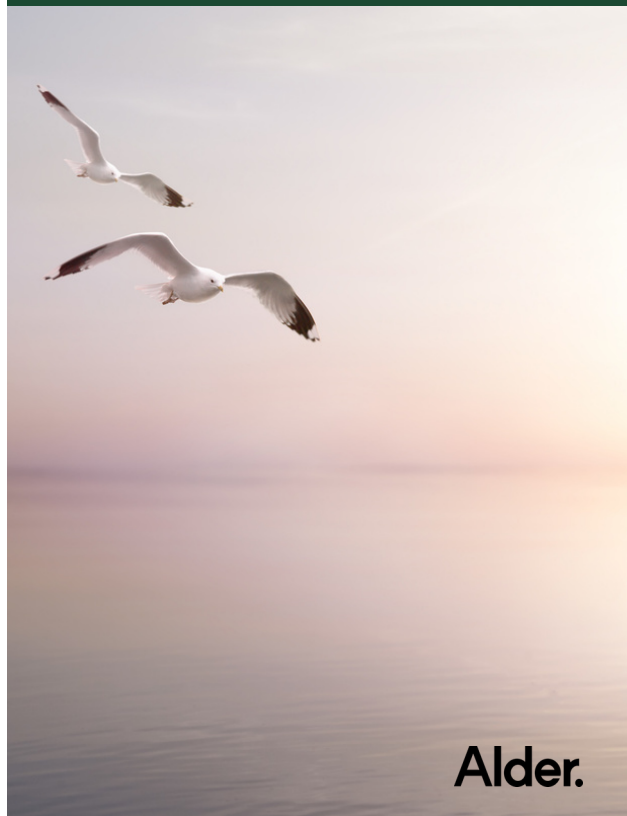
The targets are three-fold:

1. Align with selected EU Taxonomy activities
2. Join the UN Race to Zero campaign, and commit to halving emissions by 2030
3. Set company-specific impact targets

We will continue to develop internal tools and processes that will help us achieve the following:

- Build competence
- Increase diversity in our teams
- Clarify impact targets
- Develop strategic communication

> During our ownership, we develop our portfolio companies into something truly future-proof and sustainable.
>
> Dag Broman - Partner



Three stages of ownership

At each stage of the relationship with our portfolio companies, from entry to ownership and exit, creating environmental and stakeholder value is a constant that guides our decision making and development.

ENTRY

Investing in a new company is the most exciting and vital stage of impact evaluation. The process includes a risk and opportunity assessment and an analysis of the company's potential to create impact. We include the following steps:

1. Identify: Our team and network constantly seek out promising companies who fit our investment criteria.

2. Screening: Initial screening is focused on companies that already create environmental impact or that have the potential to do so. Companies within alcoholic beverages, commercial gaming, tobacco, pornography or military weapons are rejected.

3. Initial assessment: We use the Alder Environmental Impact Assessment Tool (see p. 18) to determine if businesses meet our investment criteria. In 2021 we integrated the EU Taxonomy into this stage.

4. Due Diligence (DD): We perform sustainability DD following the ESG DD guidelines (see p. 18) and our ESG DD scorecard.

5. Investment decision: Red flags identified during DD need to be mitigated for the investment to go ahead.

OWNERSHIP

As owners, we are committed to the process of guiding and developing companies. We don't simply buy and sell, we invest our time, resources and expertise in the stewardship of each company so that they are resilient, future ready and can offer long-term customer value.

When Alder acquires a company, it is expected to comply with our sustainability requirements. Our internal ESG handbook, the Alder Way, outlines key tools, frameworks and responsibilities and includes a progress checklist (see p. 18).

EXIT

At the end of each company's Alder journey, we ensure that they leave us with a more attractive, competitive and sustainable proposition than when they joined us.

Sustainability impact, progress, and KPIs are a core component for enhancing value in the company's sales material. We highlight the sustainability perspective of potential buyers to assess any risks for the company's future development or stakeholders.

Internal analysis & governance tools

Our internally developed tools and initiatives extend our understanding of sustainability, enable us to rigorously ensure that governance within Alder lives up to our own high standards as well as external requirements.

Alder Environmental Impact Assessment Tool

The Environmental Impact Assessment Tool is our internal decision-making process for evaluating investments in new portfolio companies. Using a set of fundamental questions, we effectively move through a process of elimination or selection. Our questions are:

- Does the company's product/service have a positive environmental impact?
- Does the environmental impact drive customer value?
- Can the results be measured?
- Does the impact relate to one or more of the six EU Taxonomy objectives?
- Does the company do no significant harm to the other objectives?

ESG Due Diligence Scorecard

Alder's internal ESG DD scorecard rates potential companies according to some 30 topics within environmental, social and governance. It determines risks and opportunities for each topic across the company's value chain, from sourcing raw materials to the customer use stage. We evaluate how the company manages risks and opportunities and identify follow up actions.

The Alder Way

The internal guidebook for portfolio companies, the Alder Way, helps guide companies in their operations and outlines requirements and responsibilities. These include:

- Appoint a Sustainability Ambassador responsible for sustainability who will participate in biannual portfolio company sessions
- Sustainability to be on the agenda of the Board of Directors at least once a year
- Assess sustainability related risks and opportunities and identify material environmental, social and governance topics, as well as define related strategic goals and action plans. The sustainability strategy should be integrated within the overall corporate strategy
- Align Code of Conduct with Alder's Code of Conduct
- Report sustainability performance to Alder in an annual ESG scorecard covering environmental, social and governance KPIs

> Alder's approach is about joint responsibility and decisions, upholding our common values and sharing knowledge and information. That's how we succeed.
>
> Thomas Nilsson
> Partner & Chairman

PORTFOLIO COMPANIES

Ten companies strong in 2021

2021 saw Nordic Water take their next step and exit from our portfolio, while three new companies joined our family (SystemInstallation, Centriair and AB Inventech) taking our portfolio to a total of ten.

CASE: Nordic Water takes the next step

In 2021, one of our Fund I companies, Nordic Water, was divested after eight years in our portfolio. They were acquired by a Swiss pump manufacturer that are global leaders in fluid engineering, in a move that will benefit both companies' development.

Providing clean water for a growing population, particularly in urban areas, while simultaneously reducing climate impact is one of today's biggest global challenges, and Nordic Water is living up to it. But water treatment has been around for many years, so what is unique about Nordic Water's approach? By supplying innovative equipment and solutions to plants worldwide, they enable customers to reduce their energy consumption, thereby decreasing carbon emissions, saving costs and ensuring the equitable availability of clean water. Their approach secures human health through safe drinking water and protects biodiversity and ecosystems in wastewater.

During Alder's ownership, we supported Nordic Water's development, from offering a traditional purification system to driving technological innovation that reduces the carbon footprint of this basic necessity. We are proud to have been part of their journey and look forward to seeing their continued growth.

AB INVENTECH
INNOVATION · RATIONALIZATION · AUTOMATION

Make it automatic

AB Inventech is a leading supplier and provider of automation applications and processes, primarily for global wind turbine blade manufacturers and handling industrial composite fibres. Based in Denmark, their product and service offering adds value to its customers by improving productivity, quality, work environment safety and cost of production through automation and professionalisation of manufacturing processes.

SDGs

AB Inventech contributes to SDG 7 and 13 through the delivery of reliable automation systems to the wind turbine industry.

2021
Acquired

70%
Alder ownership

Fund II

> AB Inventech has considerable expertise and insight. We see a growing need for their know-how and innovation as wind turbine blade manufacturing becomes increasingly complex. We look forward to supporting the future of this promising company.

Jonas Frick - Partner

Aidon

Smart measurements

Founded in 2004 and headquartered in Jyväskylä, Finland, Aidon is a leading provider of smart grid and smart metering solutions, applications and services in the Nordics. Their systems enable reliable metering and distribution of energy as well as efficient maintenance of distribution networks. Aidon's technology is used in 3.5 million energy metering points in the Nordic countries.

SDGs

Aidon contributes to SDG 7 by enabling better energy saving behaviour through smart meters, and SDG 13 by assisting the transition to renewable energy sources.

2013
Acquired

57%
Alder ownership

Fund I

CASE: OPERATIONAL EFFICIENCY PROMOTES SUSTAINABILITY

Norrtälje Energi operates and maintains energy distribution for over 17,000 homes and businesses in Norrtälje municipality, northeast of Stockholm. All their electricity is renewable from solar, wind, biofuel and water, and district heating is produced from biofuel and waste heat.

In 2019–2021 the company upgraded their energy metering to an Aidon system to which both heat and electricity are connected for greater efficiency. The system provides Norrtälje Energi's customers with accurate information about energy use, which they can manage through the meter's interface. It ensures reliable and automated collection of metering values for monthly billing, which minimises extra field visits to collect missing data. The system also sends a signal to operators from the grid if there is an electricity outage so they can carry out fast and efficient repairs.

2021 HIGHLIGHTS

- New metering service business which is based on secure and scalable cloud native technology with high performance
- 7000 series IoT device launched for electricity metering and advanced smart grid management. It uses 16% less electricity consumption compared to the previous generation. Material in the device is reduced by 9.7% and the amount of copper by 2.5%
- Improved the occupancy rate of freight containers by 4.6%
- Employee satisfaction improved in all five measured areas and the total score was 3.4 on scale 1 to 4

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autocirc

Car parts that go round

Autocirc is the hub for several independent operators working together within a circular business model for spare auto parts. Operators within dismantling, remanufacturing, scrap metal, tyres and rims, workshops, and vehicle transport all contribute to the goal of minimising material waste and optimising the reuse of end-of-life vehicles.

SDGs

Autocirc contributes to SDG 12 and 13 with their circular business model that helps reduce consumption, ensures more efficient material use, enables recycling and reuse as well as limits climate change through reduction in energy consumption.

CASE: CAR RECYCLING WINS BIG

The reuse and recycling of electronic car parts, particularly batteries that still have life, is an essential part of the transition to electrification with significant economic and sustainability benefits.

One of Autocirc's key partners, Vimmerby Bildemontering, is fast becoming recognised as one of Sweden's foremost specialists in dismantling and recycling electric cars. So much so that this summer, they were awarded the 2021 Regional Environmental and Building award. The jury's motivation? The company has improved the environment and enriched the building industry in the municipality.

2020
Acquired

65%
Alder ownership

Fund II

2021 HIGHLIGHTS

- Grew from 54 to 280 employees
- Established operations in Norway and the UK
- Partner company, Kungsåra Bildemontering, invested in replacing black roofing with white to reduce the need for interior cooling systems
- Partner company, Erikssons. prepared for installing heat pumps
- Partner company, Jämtland, carried out an energy efficiency survey and will install district heating and replace some doors to reduce heat loss

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Briab

The right side of risk

Briab started in 2002 and is headquartered in Stockholm, Sweden. They offer consulting services, software solutions and products for risk management. Briab has a background in fire safety engineering but has broadened its scope to include managing risks and planning sustainable communities. They work with architects, consultants, municipalities, developers and contractors to meet the interests of both authorities and clients.

SDGs

Briab contributes to four of the SDGs: 3, 11, 12 and 13, by managing risk and optimising resilience, material choices and project management,

CASE: OFFICES GO GREEN

In 2021 Briab completed work on a major project with property developer Vasakronan. 'Magazin X' is Sweden's largest office building with a frame built entirely in wood and with exposed wooden features throughout its interior. Using wood as the primary building material has a much smaller climate impact than traditional building materials like concrete and steel, and it can store carbon.

The unique features of this building required the highest standards of fire safety without cladding or protective finishes that would impair the aesthetics and add to the environmental impact. Briab's approach, using dimensional analysis, will help to ensure that the building receives the highest level environmental classification according to LEED.

2020
Acquired

65%
Alder ownership

Fund II

2021 HIGHLIGHTS

- Internal training to increase understanding of the climate impact of different construction materials
- Company-wide materiality assessment carried out
- Stockholm office signed an agreement with electric car sharing company to provide 100% electric transport

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centriair

Clean air innovation

With their main offices in Sweden and the US, and with markets in Asia, Europe and North America, Centriair is a cleantech company that designs, develops and delivers leading solutions for the abatement of industrial airborne emissions. Their solutions result in lower concentrations of harmful gases and aerosols such as volatile organic compound (VOC) emissions as well as odours, using lower energy consumption than prevailing solutions. Centriair operates across a broad range of sectors, including food and waste processing.

SDGs

Centriair contributes to SDG 3 where the abatement of airborne emissions secures human health, SDG 11 where cities and communities become cleaner and SDG 13 where they help industries solve a broad range of emission problems.

CASE: SUSTINABLE SNACKS

The food industry is a key customer for Centriair, and this year they won their largest deal to date with snack manufacturer, Estrella Angered.

The snack giant received funding from the Swedish Environmental Protection Agency to install Centriair's climate-smart air purification system. The facility Centriair are developing recovers energy corresponding to the annual heat consumption of 400–600 houses.

2021
Acquired

16%
Alder ownership

Fund II

“Centriair is active in an attractive market that has shown impressive growth in the past few years. The company delivers a leading technology offering and we look forward to working with team to continue their growth journey.

Henrik Lindholm
Investment Director

SAMON
safe monitoring

Gas detection

Founded in Sweden in 1990, Samon provides gas detection systems for the refrigeration industry and other industries where dangerous concentrations of gas can occur, including industrial, commercial, and marine applications.

SDGs

Samon contributes to SDG 3 by ensuring health through the detection and warning for hazardous gases, SDG 6 by reducing ammonia in bodies of water through gas leak detection, SDG 11 by securing safer urban areas and SDG 13 by protecting the ozone layer, reducing greenhouse gases and enabling energy savings.

CASE: SAFE PASSAGE

According to the World Economic Forum, 90% of goods consumed globally are transported by sea. Refrigerant leaks from shipped goods, as well as onboard air conditioning for cruise ships, pose a major environmental hazard and can affect the health and safety of crew and passengers. So, the need for fast and effective refrigerant leak detection has never been greater.

That is why Samon was delighted to enter into an agreement with Wilhelmsen Ships Service, Marine Products (WSS) in 2021. As an exclusive global distributor, they will supply spare parts for existing maritime customers to maintain their Samon Refrigerant Leak Monitoring System and ensure safety onboard.

2020
Acquired

67%
Alder ownership

Fund II

2021 HIGHLIGHTS

- Acquired ISO9001 certification for their quality management system and meeting customer and other stakeholder needs
- As part of following The Alder Way, a whistleblowing process and tool was launched
- All key suppliers have committed to the Supplier Code of Conduct

Alder.

SATEL

Mission critical connectivity

Satel is a leading expert and innovator in independent radio networking technology. They develop high quality private radio solutions to enable secure, mission-critical connections. Satel's technology is used in a wide range of industrial applications, many that are vital to achieving the SDGs and global climate ambitions. These include electricity distribution, smart grids, water use and treatment, weather stations, environmental monitoring, transport systems and improved crop harvesting.

SDGs

Satel contributes to five of the SDGs. SDG 2 by enabling precision farming with satellite communication. SDG 6 by making utilities, including the supply of drinking water, more reliable. SDG 7 with the reliability of electricity distribution. SDG 11 with infrastructure solutions for public transport. SDG 13 through precision farming technology, which reduces GHG emissions.

CASE: COMMUNICATIONS GO UNDERGROUND

In summer 2021, Satel became partner in a project funded by Business Finland to investigate strategies for more efficient mining. The 'Next Generation Mining' project was initiated by VTT, Nokia and Sandvik to develop autonomous and digitalised mining based on 5G networks, edge computing and AI.

In a high-energy consumption industry, making communications more effective between autonomous vehicles and machines in tough underground conditions is essential to meeting sustainability targets. With optimal signalling, autonomous vehicles can utilise less fuel and require less maintenance, which results in a reduced carbon footprint.

2014
Acquired

93%
Alder ownership

Fund I

2021 HIGHLIGHTS

- Buy-back scheme for selected customers. Old products are recycled as WEEE or renovated and resold
- Satel EASy-Proof cover manufactured using cast aluminium instead of machined aluminium resulting in 80% less material
- Process (2022 rollout) to reduce automatic inclusion of standard parts in orders when not required to reduce product waste
- Recycling of solder paste increased
- Project to investigate recycling plastic packaging
- Whistleblowing process and tool launched

Alder.

SCANACON

Closing the loop

Scanacon was founded in 1982 in Sweden, and provides acid management systems used in the production of special metals. Their solutions reduce the volume of acids and chemicals required, bringing down costs and emissions. They also provide technology to clean and recycle waste acids, minimising the use of scarce resources. They have installed hundreds of systems worldwide, currently serving customers from offices in Stockholm, Ohio, Shanghai and Hong Kong.

SDGs

Scanacon contribute to five SDGs. SDG 3 through the safe handling of hazardous acids, minimising manual operation and mitigating workplace health risks. SDG 6 by enabling significant water-use reduction in stainless steel production. SDG 12 by enabling recycling of up to 90% of acids. SDG 13 by reducing acid waste and SDG 14 by preventing water contamination.

CASE: HELPING CLIENTS MEET REGULATIONS

As environmental regulations become stricter in China, businesses operating there are naturally looking for partners who can handle current regulations and anticipate tighter rules going forward. When China's leading stainless-steel producer, Jiuquan Iron & Steel (JISCO), was looking for an Acid Management Systems partner, they had tough requirements for environmental impact such as nitrate discharge, acid savings and sludge handling as well as running costs.

Scanacon lived up to what was required and at the end of 2021, they won their largest contract to date with JISCO for two systems that will be delivered by the end of 2022.

2018
Acquired

87%
Alder ownership

Fund II

2021 HIGHLIGHTS

- Trials performed for both filter development and metal recovery
- Material safety data sheets (MSDS) established for chemical products
- External environmental audit and further trials successfully completed on the metal recovery plant
- Improved processes and routines launched to handle and store chemicals
- Health and safety improvements at customer sites
- As a result of an investigation into occupational health/safety standards, gas detectors and new air supply masks will be used at customer sites for service technicians and field engineers

Alder.

System Installation

Sustainable intelligence

Systeminstallation (SI) was founded in 1998 in Sweden and they design, develop and deliver solutions for energy efficiency and automation in buildings and other facilities. By improving the sustainable management of buildings, their vision is to create an energy efficient world for the next generation.

SDGs

SI contributes to SDG 6 through automation, control and servicing of municipal water treatment facilities, SDG 7 through solutions for energy efficiency and automation, SDG 11 by reducing energy consumption in cities and SDG 13 by reducing the climate impact of buildings.

CASE: JOINING FORCES FOR ENERGY SAVINGS

In 2021, SystemInstallation added Keylogic to their family, a company that develops smart building control systems. This further strengthens SI's offering of solutions for energy-efficient properties.

Keylogic showcased its innovative thinking in a system developed for Platinan, a new 60,000sqm office complex in Gothenburg, which was completed this year. Their assignment was to design, deliver and install a complete control and regulation application for cooling, heating, ventilation and lighting. Since the property is clad top to bottom in glass, the challenge was to account for solar power and radiation. Their solution enables an estimated 47% reduction in energy consumption compared to standard new-build energy requirements—a significant saving for the property owners and the planet.

Image: Vasakronan

2021
Acquired

51%
Alder ownership

Fund II

"The Systeminstallation team has impressed us with their strong company culture, advanced offering and strong results. We look forward to collaborating for the continued growth of the company.

Henrik Flygar - Partner

umia

Integrated efficiency

Umia was founded in 2012 and is headquartered in Umeå, Sweden. They provide energy-efficient installation solutions by combining and integrating electrical, piping, sprinkler and HVAC technologies for customers in public, commercial and industrial sectors. Their integrated model enables more efficient installation resulting in lower energy costs for the customer over time.

SDGs

Umia contributes to SDG 7 by identifying and delivering energy-efficient solutions in buildings, SDG 12 with average savings of 13% for materials and appliances in projects and SDG 13 by reducing project emissions through reduced use of materials, efficient logistics solutions and energy savings for customers.

CASE: PLANNING IN EFFICIENCY

Two projects stood out for Umia in 2021, which showcase their expertise in highly energy-efficient buildings, from a multi-dwelling complex to a single home.

The first was on a 130-million SEK new-build with AB Bostaden Umeå, of 120 assisted-accommodation apartments and 345 ordinary flats. Umia's assignment is to enable a maximum of 34kWh/m^2 for heating, c. 36% less than the standard for residential buildings in the area. How will they achieve it? Through their signature integrated approach using heat pumps and cooling, hot water and ventilation recycling and solar cells for electricity. The project will be completed in 2024.

On another scale, Umia was commissioned by Swedish gold-medalist skier, Anja Pärson, to design efficient heat and power for her new home. The 180m^2 house is described by the athlete as "the world's most sustainable house".

Together, these examples show the importance of planning in energy efficiency from the drawing board, no matter the building's size.

2015
Acquired

49%
Alder ownership

Fund I

2021 HIGHLIGHTS

- Measuring and following up material use in projects to reduce CO_2 emissions
- Reduced delivery shipments
- Modernisation project for Klagshamn's sewage treatment plant in Malmö to utilise the biogas produced in a more efficient way

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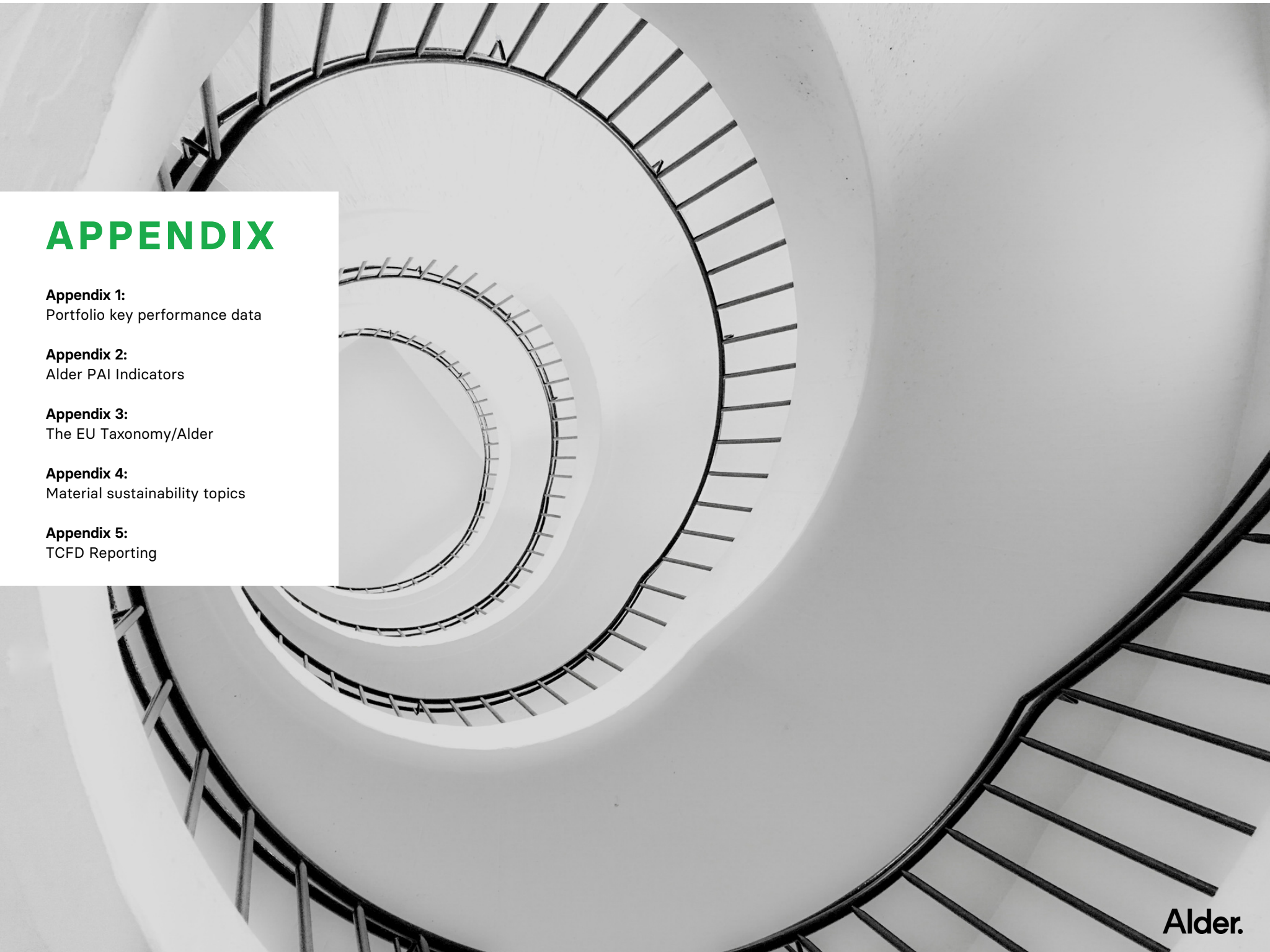


APPENDIX

Appendix 1:
Portfolio key performance data

Appendix 2:
Alder PAI Indicators

Appendix 3:
The EU Taxonomy/Alder

Appendix 4:
Material sustainability topics

Appendix 5:
TCFD Reporting

Alder.

Portfolio company key performance data

As part of the Alder Way, our companies report sustainability performance to Alder in an annual ESG scorecard covering environmental, social and governance KPIs. Each company sets their own focus, action plans and KPIs.

Aidon

KEY DATA	21	20	19
Sales (Reported m€)	38	40	29
EBITDA (Reported m€)	4.6	6.3	0
Scope 1 Emissions, tCO_2e	26	32	59
Scope 2 Emissions, tCO_2e	14	8	53
Scope 3: Emissions, tCO_2e/m€*	7821	N/A	N/A
Scope 3 Emission, tCO2e/m€ Sales*	207	N/A	N/A
Energy use, MWh	170	259	N/A
Waste: % of recyclable fractions sorted	100%	100%	100%
Employees	58	54	55
Of which female %	19%	17%	18%
Employee Satisfaction %	85%	83%	75%
Sick leave %	0.6%	1%	0.9%
Customer satisfaction	75%		
Taxonomy eligible of turnover **	100%		

*calculated according to full GHG protocol
** 1st step to calculate alignment

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	yes
Supplier Chain risk assessment	yes
Whistleblower	yes
Management system	ISO 9001, ISO 14001, ISO 45001, ISO 27001

Autocirc

KEY DATA	21 (18 units)	20 (6 units)	19
Sales (Reported mSEK)***	625	127	N/A
EBITDA (Reported mSEK)***	89	16	N/A
Scope 1 Emissions, tCO_2e	1403	453	N/A
Scope 2 Emissions, tCO_2e	407	189	N/A
Scope 3: Emissions, tCO_2e*	6310	N/A	N/A
Scope 3: Emissions, tCO_2e/mSEK Sales*	10	N/A	N/A
Energy use, MWh	2798	556	N/A
Waste: % of recyclable fractions sorted	100%	100%	N/A
Employees	286	54	N/A
Of which female %	14%	9%	N/A
Employee Satisfaction %	82.4%	N/A	N/A
Sick leave%	4.7%	2.8%	N/A
Customer satisfaction	85%	N/A	N/A
Taxonomy eligible of turnover **	94%	N/A	N/A

*calculated according to full GHG protocol
** 1st step to calculate alignment
*** these figures are proforma

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	yes
Supplier Chain risk assessment	yes
Whistleblower	yes
Management system	50% of units within the group

Briab

KEY DATA	21	20	19
Sales (Reported mSEK)	167	161	N/A
EBIT Group (Reported mSEK)	-2.9	10.6	N/A
EBIT Services (Reported mSEK)***	13,0	19.4	N/A
Scope 1 Emissions, tCO_2e	27	6.6	N/A
Scope 2 Emissions, tCO_2e	25	13.8	N/A
Scope 3: Emissions, tCO_2e*	112	N/A	N/A
Scope 3: Emissions, tCO_2e/mSEK Sales*	1	N/A	N/A
Energy use, MWh	73	82.4	N/A
Waste: % of recyclable fractions sorted	90%	100%	N/A
Employees	122	112	N/A
Of which female %	33%	34%	N/A
Employee Satisfaction (1-4)	76%	68%	N/A
Sick leave %	2.8%	2.96%	N/A
Customer satisfaction	88%	84%	N/A
Taxonomy eligible of turnover **	70%	N/A	N/A

* calculated according to full GHG protocol
** 1st step to calculate alignment
*** Services sales and EBIT are subtotals of overall group financials and refer to the company's consultancy business, i.e. Excluding the costs for software development.

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	no
Supplier Chain risk assessment	no
Whistleblower	yes
Management system	ISO 9001 and 14001

Samon

KEY DATA	21	20	19
Sales (Reported mSEK)	40	40	N/A
EBITDA (Reported mSEK)	11,0	12.5	N/A
Scope 1 Emissions, tCO_2e	8	3.4	N/A
Scope 2 Emissions, tCO_2e	15	12.8	N/A
Scope 3: Emissions, tCO_2e*	1547	N/A	N/A
Scope 3: Emissions, tCO_2e/mSEK Sales*	38	N/A	N/A
Energy use, MWh	50	50	N/A
Waste: % of recyclable fractions sorted	35%	25%	N/A
Employees	17	13	N/A
Of which female %	24%	23%	N/A
Employee Satisfaction (1-4)	N/A	N/A	N/A
Sick leave %	3.89%	3.6%	N/A
Customer satisfaction	90%	N/A	N/A
Taxonomy eligible of turnover **	95%	N/A	N/A

*calculated according to full GHG protocol
** 1st step to calculate alignment

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	yes
Supplier Chain risk assessment	yes
Whistleblower	yes
Management system	ISO 9001

Portfolio company key performance data

Satel

KEY DATA	21	20	19
Sales (Reported m€)	16,4	12.8	13.6
EBITDA (Reported m€)	3.6	1.9	1.7
Scope 1 Emissions, tCO_2e	3	10	38
Scope 2 Emissions, tCO_2e	36	136	149
Scope 3: Emissions, tCO_2e*	1712	N/A	N/A
Scope 3: Emissions, tCO_2e/m€ Sales*	104	N/A	N/A
Energy use, MWh	56	53	58
Waste: % of recyclable fractions sorted	58%	25%	38%
Employees	83	77	75
Of which female %	22%	23%	24%
Employee Satisfaction (1-4)	75%	78%	74%
Sick leave %	1.9%	2.2%	3.2%
Customer satisfaction	88%	83%	85%
Taxonomy eligible of turnover **	98%	N/A	N/A

* calculated according to full GHG protocol
** 1st step to calculate alignment

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	yes
Supplier Chain risk assessment	yes
Whistleblower	yes
Management system	ISO 9001 and 14001

Scanacon

KEY DATA	21	20	19
Sales (Reported mSEK)	100	111	156
EBITDA (Reported mSEK)	19	17	36
Scope 1 Emissions, tCO2e	0	38	32
Scope 2 Emissions, tCO2e	16	15	21
Scope 3: Emissions, tCO_2e*	406	N/A	N/A
Scope 3: Emissions, tCO_2e/mSEK Sales*	4	N/A	N/A
Energy use, MWh	87	96	84
Waste: % of recyclable fractions sorted	N/A	N/A	N/A
Employees	36	37	40
Of which female %	22%	27%	28%
Employee Satisfaction (1-4)	N/A	N/A	N/A
Sick leave %	2.1%	6.9%	2.8%
Customer satisfaction	N/A	N/A	N/A
Taxonomy eligible of turnover **	82%%	N/A	N/A

*calculated according to full GHG protocol
** 1st step to calculate alignment

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	yes
Supplier Chain risk assessment	yes
Whistleblower	yes
Management system	ISO 9001 at Scanacon AB

Systeminstallation

KEY DATA	21	20	19
Sales (Reported mSEK)	251	N/A	N/A
EBITDA (Reported mSEK)	52	N/A	N/A
Scope 1 Emissions, tCO_2e	69	N/A	N/A
Scope 2 Emissions, tCO_2e	5	N/A	N/A
Scope 3: Emissions, tCO2e*	2847	N/A	N/A
Scope 3: Emissions, tCO2e/mSEK Sales*	11	N/A	N/A
Energy use, MWh	213	N/A	N/A
Waste: % of recyclable fractions sorted	95%	N/A	N/A
Employees	110	N/A	N/A
Of which female %	15%	N/A	N/A
Employee Satisfaction (1-4)	N/A	N/A	N/A
Sick leave %	4.6%	N/A	N/A
Customer satisfaction	95%	N/A	N/A
Taxonomy eligible of turnover**	75%	N/A	N/A

* calculated according to full GHG protocol
** 1st step to calculate alignment

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	yes
Supplier Chain risk assessment	no
Whistleblower	yes
Management system	FR2000 at Keylogic

Umia

KEY DATA	21	20	19
Sales (Reported mSEK)	1208	1164	926
EBIT Group (Reported mSEK)	45	33	36
Scope 1 Emissions, tCO_2e	2428	1129	1 373
Scope 2 Emissions, tCO_2e	35	34	43
Scope 3: Emissions, tCO2e*	98025	N/A	N/A
Scope 3: Emissions, tCO2e/mSEK Sales*	81	N/A	N/A
Energy use, MWh	305	788	956
Waste: % of recyclable fractions sorted	100%	N/A	N/A
Employees	827	750	809
Of which female %	6%	7%	6%
Employee Satisfaction ***	1+	0.78	0.81
Sick leave %	4.9%	5%	5.5%
Customer satisfaction	88%	N/A	N/A
Taxonomy eligible of turnover **	80%	N/A	N/A

*calculated according to full GHG protocol
** 1st step to calculate alignment
*** New measurement eNPS

The Alder way compliance 2021	
Organising for Sustainability (Ambassador)	yes
Code of Conduct	yes
Supplier Chain risk assessment	yes
Whistleblower	yes
Management system	no

Alder.

Alder PAI Indicators

Alder acknowledges responsibility towards climate change risks and other principal adverse impacts through the investment decisions we make and how we steer our portfolio companies during ownership.

Principal Adverse Impact (PAI) are a set of environmental, social and governance indicators. The concept is: "Negative, material or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity."

We have used our scorecard to follow up on environmental, social and governance indicators annually. In 2021, we added several indicators to our scorecard, based on input from PAI, as presented in the table below. This will help us better manage positive impact.

Based on our materiality process (see Appendix 4), we will follow up on a regular basis in 2022 on sustainability topics that create most value and on the sectors that enable those topics.

Environmental

Area	Measurement	21
Greenhouse gas emissions	Scope 1 Tons CO_2e	3,964
	Scope 2 Ton CO_2e	553
	Scope 3 Tons CO_2e	118,782
	Total GHG emission CO_2e	123,299
	Carbon footprint Tons CO_2e/M€ capital*	1,319
	Carbon intensity of investor companies Tons CO_2e/M€ revenue**	536
Energy consumption	Renewable consumption %	58%
Exposure to fossil fuels	% of revenue derived from fossil fuels	0%
Waste	Waste fractions	yes
	Recycled waste %	75%
	Hazardous waste generated Tons	211
Water	Emissions to water Tons	95%
Biodiversity	Negative impact on Biodiversity (% of companies)	13%

*based on total investment cost
**based on total aggregated revenues

Social

Area	Measurement	21
Diversity	Number of employees	1,538
	Percentage overall female	12%
	Percentage managers female	23%
	Percentage of board members who are female	23%
Employee earnings	Gender pay gap % difference woman & men	9%
Employee satisfaction	Employee satisfaction % satisfied	80%
Employee safety and health	Near accidents or accidents	Measured
	Sick leave measured and followed up	Measured
Employee competence development	Employee competence development	Measured
Supply chain Human rights and working conditons	Supplier CoC including UN Global compact principles & OECD guidelines for multinational enterprises %	63%
	Violations of Principles or OECD Guidelines for Multinational Corporations	0
	Process to follow up adherence to the code	63%
Customer satisfaction	Measure of customer satisfaction	79%
	Satisfied customers %	87%
Exposure to controversial weapons	Involved in manufacture or selling of controversial weapons	0%

Governance

Area	Measurement	21
Code of conduct	% Code of conduct	88%
	% policy on Anti-Corruption	88%
Whistleblowing channel	% Whistleblowing channel	100%
Management systems	% Quality Management systems	88%
	% Environmental Management systems	63%

The EU Taxonomy/Alder

A clear connection to the listed activities in the Taxonomy Compass under Climate Mitigation and Adaptation was not evident for all of our companies, despite the role they play along relevant value chains.

We look forward to working on the next stage of the EU Taxonomy as several of our companies make larger contributions to the areas to be further developed in the Taxonomy such as circular economy, pollution and water.

In this first step, the results show that overall, 88% of our companies' activities are eligible according to the Taxonomy Compass on Climate Mitigation and Adaptation. A welcome result from this work on the EU Taxonomy has been the overview of impact from Alder's investments. Work towards significant contributions meet the following areas, with both direct and enabling activities:

3.6	Manufacture of other low carbon technologies	Samon Satel Scanacon
(7.1)7.3, 7.5	Installation, maintenance and repair of energy efficiency equipment	Briab Umia SI
4.9	Transmission and distribution of electricity	Aidon
5.9	Material recovery from non-hazardous waste	Autocirc

Company name	Aidon	Umia	Satel	Scanacon	Autocirc	Briab	Samon	SI
% of Total turnover eligible according to the EU Taxonomy	100%	80%	98%	82%	94%	70%	95%	75%
% Eligibility of Alder's funds based on investment cost	**88%**							

Material sustainability topics

We have identified Alder's sustainability priorities and how our business can create impact and value for stakeholders at the same time as supporting our strategy.

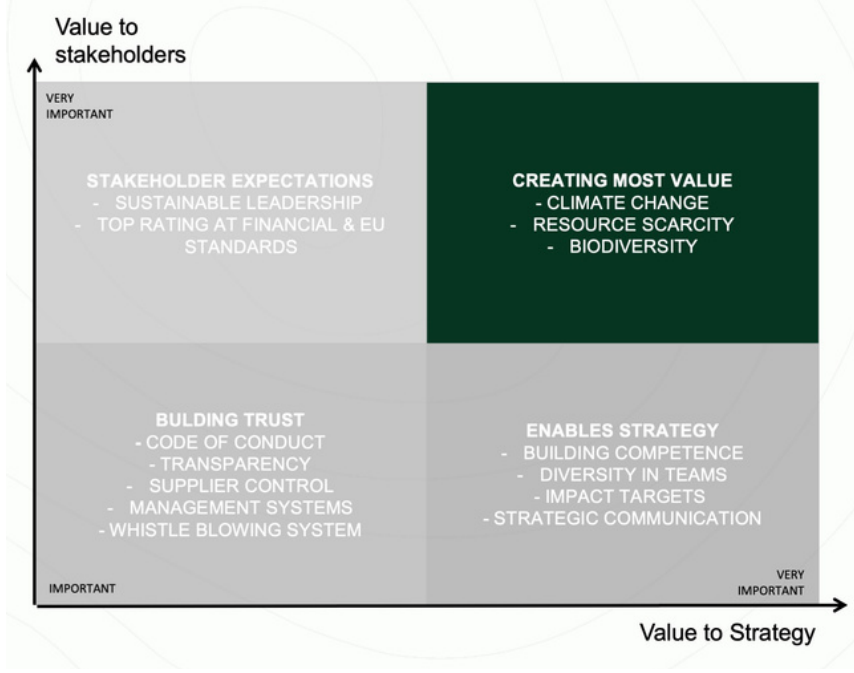
This year, we have further refined how we can create most value in sustainable investments and clarified what it will take to succeed.

Our conclusion is that the sustainability topics where we can create most value (economic and environmental) are; climate change, circularity and biodiversity. We will focus on these three topics through our investments and by supporting our portfolio companies

We can drive these topics by building competence, increasing diversity in teams, setting impact targets and using strategic communication.

We will continue to live up to our stakeholders' expectations but need to improve the communication of our strategy and results.

We will build a stable sustainability core in our portfolio companies through systematic work and continuous improvement.



ENVIRONMENT

We set a high environmental standards for ourselves. All Alder company cars are electric and our offices are energy efficient with LED lighting. Our calculated emissions in 2021 amounted to 58 tCO2e, down from 175 tCO2e 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 CO2e emissions at a rate of twice the emissions generated. For 2021 emissions, we contribute to 116 tonnes of CO2e reduction through the Gold Standard Bhilwara solar power project in India.

CO_2e, tonnes	2021	2020	2019
Travel	19	73	156
Energy and Heating	12	12	12
Other	6	5	7
Total	58	90	175
Climate compensation	(116)	(180)	(350)
Carbon intensity, tonnes CO_2e/employee	4,8	6,4	14,6

SOCIAL

The Alder team consisted of 14 full-time employees and four regional partners at the end of 2021. 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 and Human rights policy, shared on 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.

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 2021.

Reporting 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 decision and our value creation strategy.

With this climate report, and our support of the Task force on Climate Related Financial Disclosure (TCFD), we seek to contribute to the financial sector's transparency and reporting on the 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 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 of current research 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 CEOs and COBs and in 2020 with all Sustainability Ambassadors. During 2021 we focused our efforts to include scope 3 emissions in a systematic way and started to integrate the EU Taxonomy to address our positive impact.

Strategy and Risk Management
We have used the TCFD framework to define risks and opportunities in our portfolio, and to structure the analysis of two 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. The opportunities include resource efficiency, energy source, products and services, markets and resilience.

Using this framework, we have 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 following pages.

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 difficult to verify if the impact is attributed to the portfolio company. We have begun to describe our companies' contribution to the EU Taxonomy but are not ready to publish the full results. However, the mitigating impact from our investments are significantly higher than the emissions generated by their operations.

Our portfolio companies have measured scope 1 and 2 emissions since 2019. In 2021 we used an external partner, Ramboll to measure scope 3 according to the GHG Protocol. Measurements can be seen for each company in Appendix 1 and summarised for Alder in Appendix 2.

Targets are set by the portfolio companies, with actions identified to improve performance.

Climate-related risk assessment and scenario analysis

On 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.

We have considered two scenarios, outlined below. The scenarios have been discussed with the Alder team and in a workshop with all portfolio company CEOs and Chairmen of the Boards.

The tables in the following pages, adapted from TCFD's formats, summarise some of the conclusions.

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 destabilising 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^2$)
  - 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

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 temperature warms 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 scenario analysis: Transition risks

(adapted from TCFD table 1A)

Climate-related risk	Potential financial impact	Scenario probability		Alder analysis of risks and scenarios
		1.5ºC	3-4ºC	Potential impact and management of risks and/or opportunities
Policy & Legal • 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	Policy and regulation, including higher cost of CO_2 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. 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.
Technology • 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 10% of sales invested into R&D.
Market • 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.
Reputation • 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 scenario analysis: Physical risks

(adapted from TCFD table 1B)

Climate-related risk	Potential financial impact	Scenario probability		Alder analysis of risks and scenarios
		1.5°C	3-4°C	Potential impact and management of risks and/or opportunities
Acute • Increased severity of extreme weather events such as cyclones and floods Chronic • Changes in precipitation patterns and extreme variability in weather patterns • Rising mean temperatures • Rising sea levels	• Reduced revenue from decreased production capacity (e.g. transport difficulties, supply chain interruptions) • Reduced revenue and higher costs from negative impacts on workforce (e.g., health, safety, absenteeism) • Write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations) • Increased operating costs (e.g., inadequate water supply) • Increased capital costs (e.g., damage to facilities) • Reduced revenues from lower sales/output • Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations	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. 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. 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.

Climate-related risk and scenario analysis: Opportunities

(adapted from TCFD table 2)

Climate-related opportunity	Potential financial impact	Scenario probability		Alder analysis of risks and scenarios
		1.5°C	3-4°C	Potential impact and management of risks and/or opportunities
Resource Efficiency & Energy Source • 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	• Reduced operating costs (efficiency gains) • Increased production capacity, increased revenues • Increased value of fixed assets (e.g. energy- efficient) • Benefits to workforce management and • Reduced exposure to future fossil fuel price increases • Reduced exposure to GHG emissions and therefore less sensitivity to changes in cost of carbon • Returns on investment in low-emission technology • Increased capital availability • Reputational benefits resulting in increased demand for goods/services	High	Medium	Resource efficiency and energy source transition are opportunities that Alder's portfolio companies strive to accelerate. 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.
Products and Services • 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	• Increased revenue through demand for lower emissions products and services • Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services) • Better competitive position to reflect shifting consumer preferences, resulting in increased revenues	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.
Markets • Access to new markets • Use of public-sector incentives	• Increased revenues through access to new and emerging markets (e.g., partnerships with governments, development banks) • Increased diversification of financial assets (e.g., green bonds and infrastructure)	Medium	Low	Possible long term opportunities for portfolio companies, including financing opportunities with expanding access to "green" capital.
Resilience • Participation in renewable energy programs and adoption of energy- efficiency measures • Resource substitutes/diversification	• Increased market valuation through resilience planning (e.g., infrastructure, land, buildings) • Increased reliability of supply chain and ability to operate under various conditions • Increased revenue through new products and services related to ensuring resiliency	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.

About this Report

This is the fourth Sustainability Report from Alder Funds, covering the legal entities Alder Fund I AB with organisation number 556807-9916, and Alder Fund 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 2021.

This report has not been externally audited. The report is available via Alder's website, www.alder.se.

For questions about this report, please contact Alder's Sustainability Manager, Eva Normell: eva.normell@alder.se.