

Principle Adverse Impact Statement

Annex 1
23 March, 2024

Financial market participant Alder Funds, Stockholm Sweden, Alder I - LEI: 2138007JY7ZENKS8O467, Alder II - LEI: 636700XOBQRZYJTQIM41, Alder III (D) – LEI: 636700MT6HSS3C9VB693 and Alder III (E) – LEI:636700WGKVT1U3RKYI83.

Summary

Alder considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. For sustainable investments this means ensuring that the investments do no significant harm to any environmental or social objective.

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Alder, including Alder I, Alder II, Alder III (D) and Alder III (E) .

This statement on principal adverse impacts on sustainability factors covers the reporting for the period of 1 January to 31 December 2022 and 1 January to 31 December 2023. We consider the mandatory principal adverse impact indicators in table 1, voluntary climate and other environmental in table 2 and voluntary social indicators in Table 3 described and applicable in line with our Sustainable Investment Objective.

Description of principal adverse sustainability impacts

Indicators applicable to investments in investee companies

Table 1 - Description of the principal adverse impacts on sustainability factors

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability indicator		Metric	Impact Year 2023	Impact Year 2022	Explanation	Actions
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tCO2e)	1,586	2,741	From 2022 to 2023 data two companies exited and 4 new investments are included for Alder II and Alder III.	Alder is committed to contribute to the goals of the Paris Agreement and to achieving net zero carbon emissions by 2050. All our portfolio companies are to set targets and roadmap on Climate Change Scope 1&2 and Scope 3 in line with the Paris agreement. We have an aligned way to measure GHG scope 3 according with GhG protocol We measure and visualize our Targets (Race to Zero, Alignment, Impact) for all our Portfolio companies. Sustainability risk as well as potential
		Scope 2 GHG emissions (tCO2e)	71	381		
		Scope 3 GHG emissions (tCO2e)	57,975	50,629		
		Total GHG emissions (tCO2e)	59,632	53,751		
	2. Carbon footprint	Carbon footprint	58	45		
	3. GHG intensity of investee companies	GHG intensity of investee companies	56	13		

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0	0		opportunities, are included in the investment case business plan.
	5. Share of renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	49	29		
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, for high impact climate sector C	0.0016	0.0035		
		Energy consumption in GWh per million EUR of revenue of investee companies, for high impact climate sector E	0.013	0.005		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Energy consumption in GWh per million EUR of revenue of investee companies, for high	0	0		

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		impact climate sector E				
Water	8. Emissions to water	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0,02	0		
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	12	0,1		

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact Year 2023	Impact Year 2022	Explanation	Actions
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0	0	From 2022 to 2023 data two companies exited and 4 new investments are included for Fund II and Fund III.	<p>Company alignment with the OECD Guidelines and UNGP on Business and Human Rights is ascertained during the ESG DD Process.</p> <p>Sustainability risk as well as potential opportunities, are included in the investment case business plan.</p> <p>The internal ESG handbook, "the Alder Way", outlines key tools, frameworks and responsibilities, and includes a checklist for progress against requirements that the company is expected to meet within the first year, if they are not already met at point of acquisition.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for	79	58		

	Multinational Enterprises				
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	19	15		
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	16	17		
14. Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0	0		

Table 2 - Additional climate and other environment-related indicators

INDICATORS FOR CLIMATE AND OTHER ENVIRONMENTAL-RELATED MATTERS						
Adverse sustainability indicator	Metric	Impact Year 2023	Impact ref Year 2022	Explanation	Actions	
Water, waste and material emissions	6. Water usage and recycling	Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	38	2	From 2022 to 2023 data two companies exited and 4 new investments are included for Alder II and Alder III.	The internal ESG handbook, "the Alder Way", outlines key tools, frameworks and responsibilities, and includes a checklist for progress against requirements that the company is expected to meet within the first year, if they are not already met at point of acquisition.
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	14	0,14		

Table 3 - Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Adverse sustainability indicator	Metric	Impact	Impact ref	Explanation	Actions
		Year 2023	Year 2022		
Social and employee matters	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	25	22	From 2022 to 2023 data two companies exited and 4 new investments are included for Alder II and Alder III. Company's calculate days lost to injuries different from 2022 to 2023 where 2023 accounted all workdays lost.
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	5 232	218	
Anti-corruption and anti-bribery	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	25	33	Company alignment with the OECD Guidelines and UNGP on Business and Human Rights is ascertained during the ESG DD Process. Sustainability risk as well as potential opportunities, are included in the investment case business plan. The internal ESG handbook, "the Alder Way", outlines key tools, frameworks and responsibilities, and includes a checklist for progress
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers	7	3	
	15. Lack of anti-corruption	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the	10	29	

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	and anti-bribery policies	United Nations Convention against corruption				against requirements that the company is expected to meet within the first year, if they are not already met at point of acquisition.
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Other indicators for principal adverse impacts on sustainability factors

In addition to the set of mandatory indicators above, we are measuring a couple of additional indicators subject to customer satisfaction, implementation of management systems, employee satisfaction and employee competence development.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Our Responsible Investment Policy describes the framework governing our approach to responsible investments and ESG/sustainability. Our ESG strategy identifies four core areas of interest.

Engagement policies

Alder is a member and a signatory of the UNPRI, the SVCA and the EVCA. In line with the guidelines from these organisations, it puts a high value on professional conduct in all aspects, including ESG. ESG is integrated in all Alder's core processes, from exclusion to investment, development, and exit.

Alder strongly believes that transparency, engagement, cooperation, and partnership is how we can leverage a positive result for the resilience of our Portfolio Companies and our funds.

We have a clear engagement policy for our portfolio companies – and through that we have a program to engage, support and share best practice.

We engage with Stockholm Resilience center to be able to offer executive training sessions to our portfolio companies and stay ahead of the sustainability agenda.

We engage with our investors and reports on ESG development twice yearly at LP meetings.

We engage with PRI, PE Growth Sustainability network and SVCA Invest Europe to share and learn from our peers and follow the European development of the Green Deal.

References to international standards

Alder's Sustainable Investment Policy and hence its assessment of PAIs is based on international norms and conventions including:

Paris Agreement under the United Nations Framework Convention on Climate Change - As a signatory to Net Zero Asset Managers Initiative we are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.

UN Global Compact

OECD Guidelines for Multinational Enterprises

UN Guiding Principles for Business and Human Rights

Universal Declaration of Human Rights

UN Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI)

Task Force on Climate-related Financial Disclosures (TCFD)

Historical comparison

Alder has published Sustainability reports since 2018, they can be found on www.alder.se. The choice of indicators has evolved since the first year and 2021 years report was to a large extent aligned with the PAI indicators in this document.