

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 are committed to ensuring that sustainability is at the heart of our investment process, from entry to exit. We strive to support our portfolio companies in their sustainability efforts, and to drive positive change in the communities in which they operate. By integrating sustainability into our business model, strategies, and operations, we are taking action to ensure that our investments are responsible and have a lasting, beneficial impact. Our framework, "The Alder Way", outlines our expectations on our portfolio companies and how we will support them on their sustainability journeys.

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 signatory of the UNPRI and a member of Invest Europe and SVCA. We follow their applicable guidelines and best practise for responsible investing.

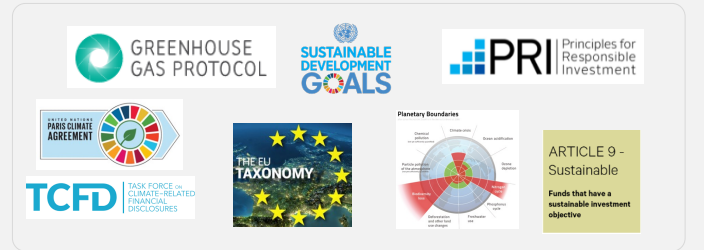
Investments and ownership are guided by the European Green deal including the EU Taxonomy, SFDR, TCFD, planetary boundaries, UN SDGs and the Greenhouse Gas (GHG) Protocol and Alders internal frameworks and guidelines.



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 process for identifying investment opportunities is to focus on sustainable industries or sub-industries, with technologies or solutions which can contribute to environmental benefits. We have defined four key investment themes where we will focus our efforts in the coming years; Care of natural resources, Building efficiency, Intelligent infrastructure and Sustainable industry.
- **Screening** - to select companies that have a positive environmental impact or have the potential to do so. We automatically reject companies within e.g. alcoholic beverages, gaming, tobacco, pornography or weapons.
- **Initial assessment** – Evaluation of whether the environmental benefit meets our investment criteria. The evaluation is conducted with the use of our Environmental Impact Assessment tool and the conclusions from this assessment need to be confirmative and are included in the indicative bid decision making materials. The assessment includes and takes into account the EU Taxonomy framework and the UN Sustainable Development Goals.
- **Due Diligence** – We perform an ESG due diligence as a part of the overall due diligence process. The ESG Due Diligence is performed in accordance with our 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 customers’ 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 final investment decision. Any potential red flags identified in the Due Diligence need to be mitigated in order for the investment to be made. 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



Internal Tools

Environmental Impact Assessment Tool

Due Diligence Guidelines and Tool



As an active owner, we are committed to guiding and developing our companies. We invest our time, resources and expertise in the stewardship of each company to improve the companies' resilience, to make them ready for the future and to offer long term customer value. When Alder acquires a company, it must comply with our sustainability requirements.

- Our ownership directive creates a common understanding and the direction for the Board and Management to develop the company.
- Our handbook, the Alder Way, outlines key tools, frameworks and responsibilities and includes a progress checklist.
- During the onboarding period, the focus is on creating the infrastructure, including establishing ESG parameters, creating systems and processes and implementing data management tools.
- 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.
- During Alder's ownership, the portfolio companies are guided by hands-on tools and support to increase the positive impact and create business value while reducing the footprint of operations.
- 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, in compliance with the UN Guiding Principles for business and Human Rights.
- The portfolio companies' performance is measured through targets relating to impact and operations. Progress and achievements are followed up bi-monthly via the Ambassadors to Alder sustainability manager and at board meetings on quarterly basis.

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

External Frameworks



Internal Tools

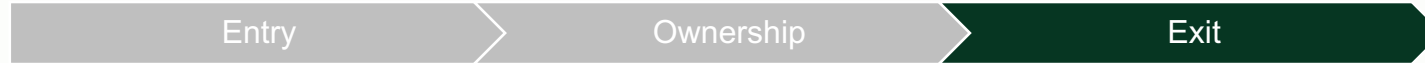
The Alder Way 2.0

Alder Code of Conduct

SustainLab

Follow up

Task / activity	Status	Comment
OPERATIONS		
How we do it		
People: Roles and responsibilities clarified?	Completed	
Systems: Code of Conduct produced?	Completed	
Systems: Supply chain risks assessed?	Completed	
Systems: Whistle blowing channel established?	Completed	
Systems: Management systems in place?	Completed	
Data: GHG scope 1,2 infrastructure in place?	Completed	
Data: GHG scope 3 infrastructure in place?	Completed	
Data: Taxonomy infrastructure in place?	Completed	
Data: SustainLab up and running?	Completed	



By time of exit, the portfolio companies shall leave Alder's ownership with a more attractive, competitive and sustainable value proposition.

- ✓ ESG infrastructure in place to comply with regulations and to track progress
- ✓ Improved positive environmental impact
- ✓ Reduced footprint of operations

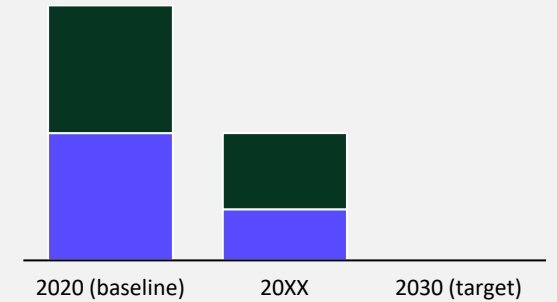
Sustainability development and KPIs are key components for describing the companies and enhancing value in the exit process marketing materials.

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.

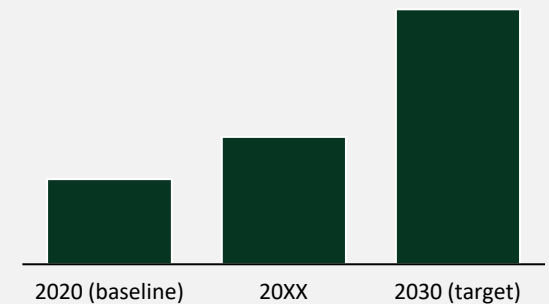
Operational target, portfolio company X

Kton CO₂/y



Impact target 1, portfolio company X

XXX/y



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 bimonthly and shares information about relevant sustainability topics and best practices.

Revision practice

This policy will be reviewed annually and updated as needed.
Latest update: 2023-04-03