

INDUSTRI  VÄRDEN

2021

Business Review and  
Annual Report

# Business Review and Annual Report 2021





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The 2021 Annual Report submitted by the CEO and Board of Directors is presented on pages 41-64. The Sustainability Report is presented on pages 22-26 and 73-78.

This publication is a translation of the Swedish original.

# Company in brief

**Industrivärden is a listed investment company that contributes to long-term development and value creation of its portfolio companies through active ownership. Operations are based on a concentrated portfolio of listed Swedish companies with strong market positions and good value potential. By contributing to the portfolio companies' operational and strategic development, Industrivärden creates long-term shareholder value at balanced risk.**

The business model is based on Industrivärden's strengths, including a long-term investment perspective, strong positions of influence, a well-developed ownership model, depth of industrial knowledge and experience, financial strength and an extensive network. Industrivärden's influence in its portfolio companies is based on sizable ownership positions and extensive reputational capital.

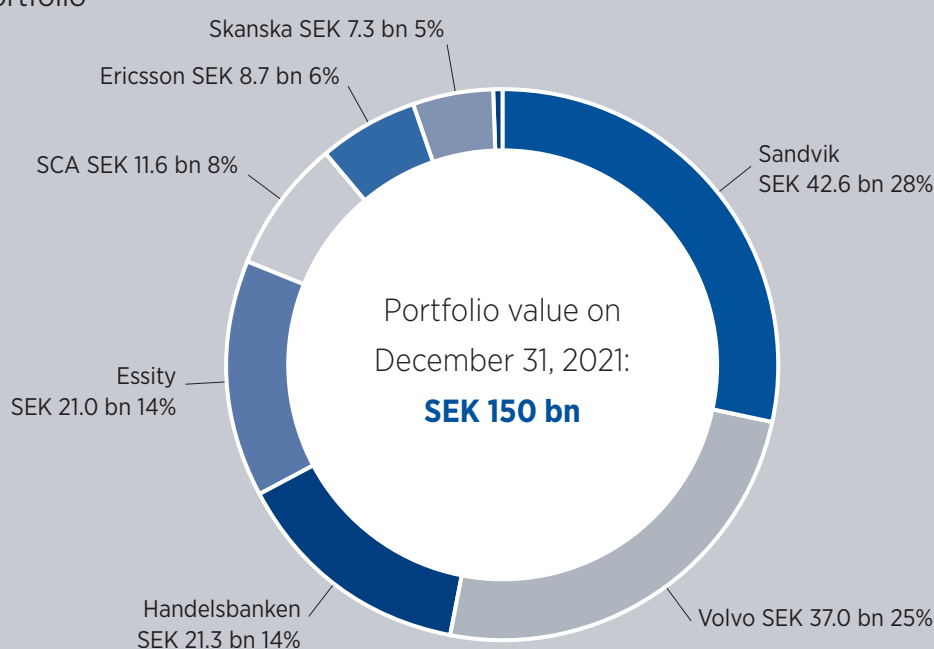
In its ownership role Industrivärden contributes to the portfolio companies' work on establishing and strengthening leading positions in their respective industries over time. Strong emphasis is put on clear leadership, focus and flexibility. Active ownership is exercised mainly through involvement in nominating committee work, board representation and continuous dialogue with the portfolio companies. In addition, continuous evaluation is conducted of the companies and their boards, CEOs and managements. The various measures that are considered to enhance shareholder value are defined in Industrivärden's owner agendas, which serve as the foundation of the Company's influence work.

The long-term objective is to increase net asset value and thereby generate a competitive total return for Industrivärden's shareholders.

The equities portfolio is made up of investments in Sandvik, Volvo, Handelsbanken, Essity, SCA, Ericsson and Skanska. The portfolio companies have strong positions in their respective areas, and the equities portfolio is judged to have attractive long-term return potential at balanced risk.

Many companies today are encountering an increasingly complex world around them, growing competition and formidable challenges. This pertains to everything from different sustainability aspects and macroeconomic conditions in their respective geographic markets to threats and opportunities borne out of tumultuous and tightly intertwined megatrends. This development is creating growing opportunities for engaged and knowledgeable owners that have a keen understanding of their portfolio companies and the world around them. Having active owners that can set clear demands and be challenging, and support their portfolio companies, is therefore a distinct competitive advantage that benefits both the portfolio companies and us as an investor. This is where our strengths lie, with a professional organization and proven capacity to deliver favorable returns.

### Equities portfolio



# Industrivärden as an investment



## High quality equities portfolio

Exposure to a concentrated portfolio of quality companies with good value potential and balanced risk exposure through portfolio companies with leading positions in their respective industries, great operational and financial flexibility, and good capability to generate cash flows.



## Long-term and sustainable perspective

Industrivärden's long-term ownership perspective entails a natural focus on sustainable development and long-term value-creating measures in the portfolio companies.



## Active ownership

With a foundation in strong positions of influence, a long-term perspective and substantial knowledge about the portfolio companies and the environments they work in, Industrivärden makes an active contribution to their operational and strategic development by evaluating, making demands, influencing and providing support. The active ownership thereby reduces Industrivärden's risk in its shareholdings.



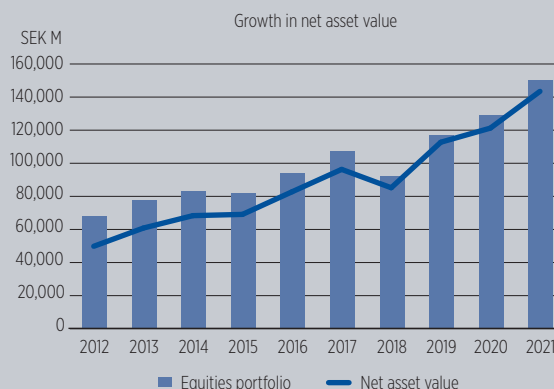
## Competitive return

Industrivärden's stock has generated a competitive return at balanced risk over both the medium and long terms.

## Net asset value

Net asset value consists of the market value of the equities portfolio less net debt. Industrivärden has a strong financial position, where the debt-equities ratio is within the target range. During the last ten-year period net asset value including reinvested dividend grew by an average of 15% per year, compared with a 17% gain for the Stockholm Stock Exchange's total return index (SIXRX).

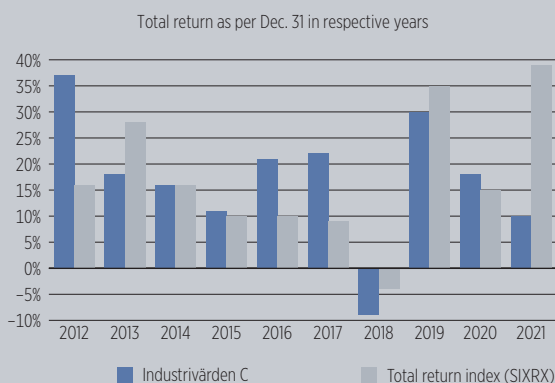
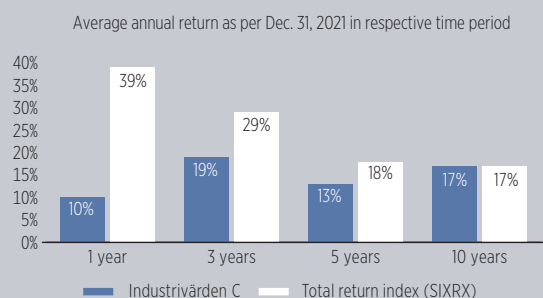
The market value of the equities portfolio on December 31, 2021, was SEK 150.0 billion, and net debt was SEK 6.5 billion, corresponding to a debt-equities ratio of 4%. Net asset value was SEK 143.5 billion, or SEK 332 per share.



## Industrivärden's stock

Industrivärden's stock is listed on the Stockholm Stock Exchange's Large Cap list (Nasdaq Stockholm).

In 2021 Industrivärden's Class C shares generated a total return of 10%, compared to 39% for the Stockholm Stock Exchange's total return index (SIXRX).



# Highlights 2021

## Industrivärden

- Net asset value at year-end was SEK 332 per share, an increase of 22% for the year including reinvested dividend
- The total return was 8% for the Class A shares and 10% for the Class C shares
- The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 19 billion to SEK 150 billion. The total return was 21%
- During the year, shares were purchased in Sandvik for SEK 2.5 billion, in Volvo for SEK 0.8 billion, in Handelsbanken for SEK 0.5 billion and in Essity for SEK 0.5 billion
- The remaining shareholding in SSAB was sold for SEK 2.0 billion
- During the year a distribution in kind was received from Handelsbanken in the form of Industrivärden Class A shares, which were subsequently canceled pursuant to a resolution by an Extraordinary General Meeting
- The debt-equities ratio was 4%

## Value as per December 31

|   | 2021    | 2020    |
|---|---------|---------|
| <b>Total return, Industrivärden's stock</b> |         |         |
| Class A shares (%)                          | 8       | 18      |
| Class C shares (%)                          | 10      | 18      |
| Total return index, SIXRX (%)               | 39      | 15      |
| <b>Equities portfolio</b>                   |         |         |
| Market value (SEK M)                        | 149,955 | 128,893 |
| Total return (%)                            | 21      | 7       |
| <b>Net debt</b>                             |         |         |
| Value (SEK M)                               | -6,500  | -7,654  |
| Debt-equities ratio (%)                     | 4       | 6       |
| <b>Net asset value</b>                      |         |         |
| Value (SEK M)                               | 143,455 | 121,239 |
| Net asset value per share (SEK)             | 332     | 279     |
| Growth incl. reinvested dividend (%)        | 22      | 8       |
| <b>Equity ratio (%)</b>                     | 95      | 94      |
| <b>Dividend</b>                             |         |         |
| Dividend per share (SEK)                    | 6.75    | 8.25    |

The Board of Directors proposes that the 2022 Annual General Meeting resolve in favor of an ordinary dividend of SEK 6.75 per share. In 2021 the AGM resolved to pay an ordinary dividend of SEK 6.25 per share and an extra dividend of SEK 2.00 per share.

## Portfolio companies

### Sandvik



### Volvo



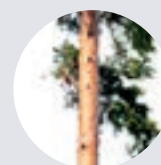
### Handelsbanken



### Essity



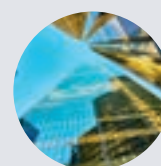
### SCA



### Ericsson



### Skanska



- Strong growth with increased profitability despite supply chain imbalances
- A number of add-on acquisitions carried out in the manufacturing, tools and mining areas, for greater value creation in key growth areas
- Formation of new business areas and segments aimed at accelerating profitable growth in selected core areas (e.g., Sandvik Rock Processing became an own business area)

- Raised revenue target for Sandvik Manufacturing Solutions, to SEK 6 billion by 2025, as a result of high pace of acquisitions
- The company joined the Science Based Targets initiative
- Dividend payment of SEK 6.50 per share, of which SEK 2.00 as extra dividend

- Sales growth with good profitability and strong cash flow, despite supply chain challenges
- Launch of complete range of electric trucks in Europe and formation of Volvo Energy for a stronger customer offering in battery optimization and charging infrastructure
- Agreement to form the fuel cell company cellcentric together with Daimler Truck
- Intention together with Daimler Truck and the Traton Group to establish Europe's first public charging network for battery electric heavy-duty trucks

- Announcement of strategic acquisition of Chinese truck company to capitalize on growth opportunities through local manufacturing and sales of Volvo's heavy-duty trucks in China
- Completion of the sale of UD Trucks to Isuzu Motors, and distribution of the proceeds
- Approval of the company's climate targets by the Science Based Targets initiative
- Dividend payment of SEK 15.00 per share, plus distribution of proceeds from the sale of UD Trucks, corresponding to SEK 9.50 per share

- Increased income and strengthened earnings. The cost-reduction measures proceeded according to plan, but with increased development costs
- Fund volume increased by as much as 28%, driven by value growth and continued large inflows to the bank's funds
- Stronger return through cost-reduction measures and growth-oriented investments
- Intensified adaptation of UK operations, with focus on growth
- Announcement of the bank's intention to leave Denmark and Finland, where it has had a small market position, to focus on markets with profitable growth

- Clear sustainability focus in the bank's product offering, e.g., through the first EU taxonomy-adapted loan in the Nordics, and a significant part of the fund volume in the two highest categories of the EU's new SFDR regulations
- Measures for stronger and more stable capitalization led to decision on distribution in kind of Industrivärden shares managed by a pension foundation
- Dividend payment of SEK 4.10 per share, plus distribution in kind of Industrivärden shares

- Sales growth and higher market shares, but lower earnings owing to significant cost inflation
- Continued measures for higher cost and capital efficiency
- Strengthened ownership positions for several partly owned businesses, and add-on acquisitions, in the key hygiene and health growth areas

- Process begun to create a separate private label division in the Consumer Tissue business area
- Raised sales growth target of more than 5% and adapted business area structure in 2022 for stronger customer offering
- Revised sustainability targets with higher emissions reduction ambition
- Dividend payment of SEK 6.75 per share

- Sales on par with the preceding year owing to portfolio adjustments, with the company's highest earnings ever
- Important investments in growth areas continuing according to plan, such as capacity investments in containerboard in Obbola
- Complementary acquisitions of forestlands in the Baltic countries, in line with the company's investment program for the region

- Establishment of long-term sustainability targets and program for preserving biodiversity in the company's forestlands
- Joint venture started with fuel company to produce and sell liquid biofuels
- Dividend payment of SEK 2.00 per share

- Strong earnings performance and higher cash flow generation
- Numerous significant contracts signed and further strengthening of 5G market position. The company lands its largest deal ever, with American company Verizon
- Announcement of acquisition of American company Vonage for slightly more than USD 6 billion to spearhead creation of global network and communication platform for the enterprise market

- Presentation of several new solutions and key partnerships in 5G
- Geopolitical developments resulted in lower market shares in next phase of China's 5G expansion
- Global patent license agreement signed with Samsung
- Dividend payment of SEK 2.00 per share

- Strong profitability improvement in Construction and continued good performance for Residential Development and Commercial Property Development
- Launch of new Investment Properties business stream and revised financial targets for the Group
- Ambitious infrastructure investment plans unveiled for most of the company's markets
- Several significant contracts signed, including in key U.S. market

- High level of project development activity, including project start in the U.S. of the company's single-largest development project ever
- Continued execution of strategy to focus on core businesses, including divestment of a wholly owned U.S. company and completion of previously announced sale of infrastructure services business in the UK
- Approval of the company's climate targets by the Science Based Targets initiative
- Dividend payment of SEK 9.50 per share, of which SEK 3.00 as extra dividend



# Chairman's message

2021, too, was characterized to a high degree by the viral disease Covid-19 and its consequences for society. Vaccinations began at the very start of the year, but the vaccination rate varies from country to country. In some parts of the world, still only a minority of people are vaccinated. In addition, owing to new mutations of the virus, transmission is continuing. No one knows how long, but it is likely that we will have to live with this virus for a long time to come. The hope is that with continued vaccination and less dangerous mutations, the situation will improve over time.

Owing to extensive financial and monetary policy measures taken during the year in the world's major economies, economic growth was strong in 2021. Global GDP growth amounted to a full 5.9%. For large parts of the business sector, this translated to high demand for products and services. Certain sectors, however, such as aviation, hotels and tourism, continued to have weak demand, as did physical retail.

For many manufacturing companies, major problems arose with supply chain disruptions and shortages of various types of components as well as price increases for energy and transports. A shortage of labor in certain sectors could also be noted. In general, the Swedish business sector succeeded in handling these problems, and as a result earnings performance was strong. The adjustments and efficiency improvements that many companies have made during the last two years also contributed to the favorable earnings.

Ahead of coming years, uncertainty over inflation has increased. I believe that improved focus on pricing of companies' products and services will be extremely important.

The stock markets in Europe and the U.S. rose in general during the past year. The Swedish stock market performed particularly well, where the total return was a full 39%. The good earnings performance combined with record-low interest rates and plenty of money, as well as a lack of investment alternatives, are key explanations for the stock market's performance.

During 2021 Industrivärden did not manage to keep up with average performance in the stock market. Our net asset value including reinvested dividend increased by 22%, and the total return for the Class C shares was 10%. The difference is explained by an increase in the, so called, discount to net asset value during the year.

Over the long term, of course, the goal is to give the shareholders a return that is well in line with the market's required rate of return with consideration to the risk profile of the individual portfolio companies. During periods of strong stock market performance and in which new introductions and young companies in new sectors with new technology draw investors' interest, it can be hard for Industrivärden to keep pace. However, with our choice of portfolio companies and our way of working, I am convinced that over the long term we will continue to deliver an attractive absolute return, especially in view of our level of risk. Comparing us in an individual year with an average equity index is in my view not relevant.

Our portfolio holdings are among the foremost companies in Sweden. They are also sufficiently large to have economies of scale and be able to hold their own against international competition. With our business model, we are a valuable principal owner of the companies. We exercise a form of active ownership that is designed to develop the companies and create shareholder value. And over longer periods of time, Industrivärden's stock has given the shareholders a return that well corresponds to our goal.

In our companies, business and technological development are conducted within the framework of the resources and experience that are characteristic of a large company.

## Our history

### 1940s

Industrivärden is founded in 1944 by Handelsbanken to manage the shareholdings taken over by the bank during the economic crisis in the 1920s and '30s. The equities portfolio consists of eight portfolio companies active primarily in forestry, power generation, textiles, steel and telecommunications (through Ericsson). In 1945 the Company is listed on the stock exchange and its shares are distributed to Handelsbanken's shareholders.

### 1950s

Demand for industrial products and input components rises sharply in post-war Europe. Against this background, Industrivärden strengthens its ownership positions in attractive portfolio companies and carries out new acquisitions in sectors such as forest products, gas and steel. SCA becomes a new portfolio company.

### 1960s

Continued strong growth and extensive housing construction lead to investments in engineering and construction companies. Even though the five largest holdings account for most of the portfolio value, the equities portfolio becomes differentiated to include more than 60 portfolio companies and a number of wholly owned subsidiaries.

### 1970s

Falling productivity and growing international competition put demands on structural measures and stronger competitiveness. Industrivärden formulates a clear investment strategy with the ambition to exercise its ownership in a more structured way. Numerous, large structural and equity deals are carried out. The Company begins to build up a holding in Handelsbanken.

### 1980s

The model for active ownership is developed, and in pace with this the equities portfolio is sharply concentrated at the same time that the unlisted holdings are gathered into a wholly owned industrial and real estate business.



Many talented employees are involved with this undertaking on a daily basis. A major strength of the companies is their existing customer bases that have been built up over a very long time.

For us it is a central duty to make sure that the portfolio companies have competent board members and company management teams. We also believe that the potential of a large company is best utilized in a decentralized organization with broad delegation of responsibility. Countering bureaucracy and encouraging business acumen and customer relationships are key for success. In addition, we put strong emphasis on the importance of leadership and on ensuring that the companies have a strong financial position. During 2021 we continued to invest in the portfolio companies – something that we intend to do also in the coming years. We believe there are good opportunities for value creation in the companies over time. Furthermore, our ambition is that our share of ownership in the companies will be sufficiently large – preferably more than 10% of the capital. After many years as a major shareholder of SSAB, we divested our holding in order to concentrate on our other portfolio companies.

I am impressed by the work that the CEOs and their management teams and organizations have done in 2021. On the whole they advanced their companies' positions, which bodes well for the future.

Industrivärden's financial position remains strong, with a net debt-equities ratio of 4%. Owing to this and the positive performance during 2021, the Board of Directors proposes to the coming AGM an increase in the ordinary dividend to SEK 6.75 per share.

During 2021 the board work in Industrivärden worked well. This was reaffirmed by the yearly board evaluation that was conducted in December.

We held eleven board meetings during the year in addition to numerous meetings of the compensation and audit committees. The CEOs of a number of our portfolio companies visited our board meetings and talked about their respective companies.



Our CEO Helena Stjernholm and her colleagues have shared their views on our portfolio companies on a regular basis, including very thorough analyses. On top of this, the Board has dedicated time to analyses and discussions on the macro economy, the effects of the Covid-19 pandemic and sustainability issues, among other things.

As in her previous years as CEO, Helena has done an exceptionally good job. In her role as a board member of three portfolio companies and chair of four nominating committees, she represents Industrivärden in a superb manner. Her knowledge and judgment are respected.

On behalf of the Board of Directors I want to extend a warm thanks to Helena and the other employees.

I also want to thank my colleagues on the Board for their fruitful and pleasant cooperation.

Finally, great thanks to the boards and management teams of our portfolio companies for their solid work during the past year.

Stockholm, February 2022

*Fredrik Lundberg*

#### 1990s

Consolidation of the wholly owned businesses continues, culminating in the formation of the industrial company Inductus, the industrial trading company Indutrade, and the property company Fundament. The equities portfolio is changed with the divestment of the holdings in PLM and AGA, new purchases are made in SSAB and Sandvik, and the holding in Skanska is doubled.

#### 2000s

A globalized capital market and mounting competition drive towards specialization. Industrivärden focuses on its area of strength: active ownership in large, listed companies. The portfolio is refined through the sale of the remaining subsidiaries. Industrivärden further develops its ownership strategy.

#### 2010s

At the start of the decade Industrivärden becomes the largest shareholder in Volvo. Many industrial companies are struggling with lingering effects from the financial crisis of the 2000s, and focus is directed above all on various measures in existing portfolio companies. In February 2016 Industrivärden unveils a refined strategy for active ownership, with greater focus on existing portfolio companies and increased financial flexibility.

#### 2021

Industrivärden enters the 2020s with a concentrated portfolio of Swedish listed companies with leading positions and strong financial positions. In 2021 the holding in SSAB is sold, and as in 2020, investments are increased in several portfolio companies.

# CEO's message

The past year was largely characterized by continued measures to deal with the coronavirus pandemic and the strong economic recovery. The extensive vaccinations against Covid-19 that have been conducted in large parts of the world enabled societies to once again open up. From a real economy perspective, the easing of restrictions combined with major stimulus packages created conditions for strong demand. On the supply side, however, significant disruptions took place in global supply chains, resulting in a shortage of semiconductors, rising prices for input goods and energy, a shortage of labor and higher transport costs, among other things.

The stock market performed very strongly during the year, and the Stockholm Stock Exchange's broad index (OMXSPI) rose by 35%. On top of the strong economic recovery, the continued vaccinations against Covid-19 made a positive contribution. This, combined with continued low interest rates and a shortage of attractive investment alternatives, lent support to the stock market, even though discussions about inflation expectations and rising interest rates intensified towards the end of the year, which contributed to increased volatility.

Despite a challenging year, our portfolio companies performed very well. By continuously adapting their operations to rapidly changed conditions, they managed the sharp decline at the start of the pandemic as well as the strong recovery phase. Parallel with this, the portfolio companies worked to transform their businesses over the long term to meet trends such as digitalization and growing demands for sustainable solutions. Successfully managing these types of transformations is crucial for creating value over the long term. As an active owner we focus strongly on this work, and for several years we have driven issues related to focusing, stable finances, integrated sustainability work and increased flexibility.

At its core, Industrivärden's business mission is grounded in a strong business focus, engagement and long-term perspective. Our objective is to actively contribute to long-term value creation in a limited number of portfolio companies. Work is based in part on our equities portfolio, comprising some of Sweden's finest quality companies, and in part on our operations with talented employees and a highly developed corporate governance model. Without a doubt it is here where we have our relative strength advantage – to develop leading companies in which we have a depth of knowledge and strong influence. Against this background it is gratifying to see how our portfolio companies further strengthened their positions during the year. Our involvement and depth of knowledge along with the opportunity to influence the portfolio companies increases value creation in Industrivärden at the same time that it mitigates the risk in our investments.

Our chosen business model has been successful, which is illustrated in among other things good growth of net asset value at balanced risk. Over the last three- and five-year periods Industrivärden has generated an annual net asset growth of 21% and 14%, respectively, including reinvested dividend. The active owner role, with clear involvement in the companies' strategic development, entails quite naturally a long-term evaluation and investment perspective. Our focus is therefore on company development rather than on equity transactions. Industrivärden today can be regarded more as an owner-company with a clear agenda rather than a more traditional holding company.

*“Our involvement and depth of knowledge along with the opportunity to influence the portfolio companies increases value creation in Industrivärden at the same time that it mitigates the risk in our investments”*

If we look a bit more closely at our portfolio companies, there are several common denominators. They have strong market positions in their respective areas, stable finances, and overall good profitability and strong cash flows. This has been made possible thanks to success factors such as first-rate business models, competent management teams and employees with a clear capacity for adaptation, innovation and development. Our portfolio companies are without a doubt good at formulating as well as executing upon their strategies. Even though the portfolio companies' successes at their core are based on their respective operating activities, corporate governance makes up a vital component. Good companies have competent boards and management teams. Understanding the portfolio companies' challenges and converting these into concrete competency needs in their respective boards is one of our main duties. We therefore put great energy into our participation on the companies' nominating committees. In the same way, it is of utmost importance for us to participate in the portfolio companies' board work as an engaged and influential owner. In recent years, the pace of change in the companies has increased, which is a result of the rapid shifts that are taking place in our world, such as digitalization, electrification and stronger focus on sustainability. From a governance perspective this entails intensified and more complex board work, and that the competency needs in company boards are changing at an ever-faster pace. This is a challenge, but also a competitive advantage for an owner like Industrivärden, with a proven and successful ownership model.

Ultimately, active ownership is about the strategic activities and step changes that are carried out in our portfolio companies. I therefore want to mention a few concrete examples of this during 2021.

Long-term value is basically created by focusing on the parts of business that have potential for sustainable growth, good profitability, and where the company has the opportunity to command a leading position. Against this background it is gratifying to see how Sandvik carried out several acquisitions during the year that strengthen the company's business in both the manufacturing and mining industries. Handelsbanken is another example, where the bank is leaving markets with lower growth potential in order to further develop its business in markets and areas in which it has a strong position. In addition, Skanska's launch of the new Investment Properties business stream is a prime example of how a company can capitalize on a greater share of the value that it takes part in creating.

Another important perspective is transformation – adapting a company's operations to changed conditions while at the same time advancing its positions. Here I want to mention Volvo, which has successfully strengthened its positions in the areas of electromobility and autonomous and connected vehicles. During 2021 Volvo signed one of the world's largest orders for fully electric heavy-duty trucks – a segment in which it is a world leader. Our portfolio companies Essity and SCA are also at the forefront of driving the transformation towards greater sustainability, with a high pace of innovation and continuous product development as key competitive advantages. In both cases it's very much a matter of meeting changed customer needs, and for SCA's part also about the operational process and innovating uses for the forest raw material. For these, but also for our other portfolio companies, innovation is tightly interwoven with sustainability – to make the companies and their products more sustainable over time. Ericsson's acquisition of the American software company Vonage, a global provider of cloud-based communication, is an example of a transformative acquisition that is enabling the building of a global networking and communication platform in open innovation for enterprises, developers and operators.

Sustainable business goes hand-in-hand with long-term value creation. Industrivärden therefore puts strong emphasis on analyzing, understanding, and where needed influencing its portfolio companies on material sustainability issues. One important insight is that genuine sustainability is an approach that must encompass all parts of a company and be an integrated part of its operating activities. Our sustainability work is therefore an integral part of everything we do, from participating in nominating committee work to the continuous evaluation of our portfolio companies. During 2021 we further developed our work and



among other things more clearly defined our climate and diversity goals. We have set a goal to ensure that the portfolio companies reduce their carbon footprints based on a scientifically based framework. Against this background it is gratifying that most of our portfolio companies have joined the Science Based Targets initiative (SBTi). Through our active owner role we aim to contribute to a sustainable world and will continue to support and promote the UN Global Compact and its ten principles.

For several years we have had a dividend policy that aims to create a positive net balance of dividends before investments. During the past year the net of dividends received and paid out amounted to just over three and a half billion SEK. We have thereby once again generated significant investment capacity for future value creation. In 2021 we invested more than four billion SEK in Sandvik, Volvo, Handelsbanken and Essity. In addition, we sold our remaining shareholding in SSAB for two billion SEK.

In a concentrated equities portfolio, for natural reasons returns may be uneven between individual calendar years. The portfolio had weaker growth in value during the past year, which impacts upon our long- and medium-term returns. However, we believe that our portfolio companies have substantial value potential. Industrivärden thereby has a solid foundation to continue generating a long-term favorable return at balanced risk.

Through Handelsbanken's distribution in kind of Industrivärden shares, during the year we were able to welcome some 90,000 new shareholders, and we now have approximately 204,000 shareholders. It is my ambition and conviction that, with our high-quality portfolio companies and well-developed ownership model, we will be able to create value for our shareholders over time.

Stockholm, February 2022

*Helena Stjernholm*

## Operations

# Mission, objective and strategy



### Business mission

To contribute to long-term value creation through active ownership. The mission is based on Industrivärden's strengths, including a long-term investment perspective, strong positions of influence, a well-developed ownership model, depth of industrial knowledge and experience, financial strength and an extensive network.



### Objective

The long-term objective is to increase net asset value and thereby generate a return for Industrivärden's shareholders that exceeds the market's required rate of return. Taking into account the risk profile of the portfolio investments, the shareholders are to be given a total return which over time is higher than the average for the Stockholm Stock Exchange. The total return for Industrivärden's stock over time is presented on page 30.



### Strategy

The business mission is executed with a base in the Company's shareholdings and active ownership role.

- *Evaluation of the shareholdings* is built upon a structured process with continuous analysis of existing and potential investment alternatives. The estimated return potential for existing investments is to be compared with the return potential for possible investment alternatives, taking into account continuity and long-term perspective.
- Industrivärden conducts *active ownership* in the respective portfolio companies with a view to contribute to competitive growth in value over time.

The forms of executing this strategy are presented on pages 13–26.



### Approach

Industrivärden shall always act with the overarching goal to give the shareholders an enduring, favorable return at balanced risk. Operations are to be conducted with high integrity and a sustainable approach. By being a long-term active owner, Industrivärden contributes through its involvement to long-term sustainable development of the portfolio companies. Industrivärden's Code of Conduct is available at [www.industrivarden.net](http://www.industrivarden.net) under the menu Corporate Governance. The Sustainability Report is presented on pages 22–26 and 73–78.

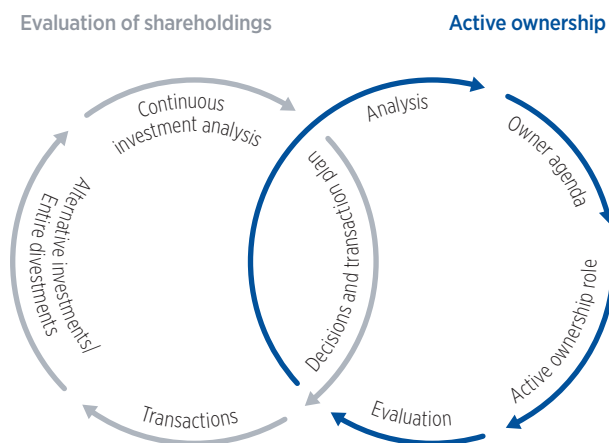


# Business model

## Areas of operation

Industrivärden's business mission aims to create shareholder value, in part through active ownership that contributes to the portfolio companies' operational and strategic development, and in part through professional evaluation of the Company's shareholdings. Evaluation of the shareholdings aims to maximize Industrivärden's long-term return through divestments and investments in new and existing portfolio companies. The aim of active ownership is to contribute to long-term value creation in the portfolio companies through significant positions of influence and depth of knowledge about the companies and their business environments.

The chosen business model presupposes a long-term perspective and results in relatively low portfolio turnover. It also entails a natural concentration in large ownership stakes and a limited number of portfolio companies with clear value potential.



## Analysis

Investment decisions as well as decisions to exercise active ownership are based on extensive industrial and financial analysis as well as on assessments by the Board of Directors and management. This analysis forms the foundation both for investment decisions and owner agendas for the exercise of active ownership. The owner agendas summarize the strategic value drivers in the portfolio companies that Industrivärden believes to be most important during the coming three to five years. See also pages 16–21.

## Organization

### Structure

Industrivärden has a professional and cost-efficient organization that is characterized by high flexibility and short decision-making channels. The organization has a depth of cumulative experience and pertinent expertise. Operations involve some 15 employees at the office in Stockholm plus eight board members and an extensive network. Internal work is project-oriented and based on well-developed processes.

## Board of Directors

Apart from its customary duties, the Board of Directors makes decisions on major investments, continuously monitors the portfolio companies' performance and decides on matters related to the exercise of active ownership in the portfolio companies. Individual directors on Industrivärden's board are represented on the portfolio companies' boards and participate actively in the portfolio companies' board nomination processes.

## Executive Management

The Executive Management is responsible for the Company's day-to-day administration, which includes strategic, organizational and finance matters as well as control and follow-up, among other things. Members of the Executive Management participate actively in evaluation of the Company's shareholdings as well as in the active ownership and can provide specialist expertise. Certain members of the Executive Management also serve on the nominating committees and boards of portfolio companies.

## Employees

A professional and successful organization requires competent and committed employees as well as an attractive and dynamic workplace. Major emphasis is therefore put on the recruiting process, competence development and a good company culture. Industrivärden's ethical values and ambitions as an employer are set out in the Company's Code of Conduct, which addresses areas such as the work environment, diversity and business ethics. The employees' total compensation shall be competitive and in line with the going rate in the market.

## Investment Committee

Decisions on equity transactions within the continuing administration are made by the CEO, where applicable after consideration by the Company's Investment Committee. The Company's Investment Committee is made up of the members of the Executive Management, and representatives of the investment and analysis organization participate when needed. The committee conducts continuous follow-up of investment decisions and sets Industrivärden's owner agendas for the exercise of active ownership in the portfolio companies.

## Investment and analysis organization

The investment and analysis organization is organized into company teams. Each team is led by a team manager, and employees are normally active on two to three teams.

The company teams are responsible for the continuous monitoring of their respective portfolio companies, updating Industrivärden's owner agendas for exercising active ownership and for conducting specific investigative projects related to strategic issues in the portfolio companies. They also make recommendations for transactions in the portfolio companies as well as for alternative investments and entire divestments.

Industrivärden's equity market function executes investment decisions and supports the organization with market and macro information.

# Shareholdings

## Process

Industrivärden's business model entails sizable ownership positions in a concentrated portfolio of listed companies with favorable value potential. Over time the respective investments shall contribute to growth in net asset value with a view to generate a competitive total return for Industrivärden's stock. The long-term ownership perspective entails a natural orientation towards sustainable development and long-term value-creating measures in the portfolio companies.

Evaluation of the shareholdings is built upon a structured process of continuous analysis of existing and alternative investments with focus on the respective investments' long-term return potential. This analysis is grounded in Industrivärden's investment criteria.

Towards the goal of achieving Industrivärden's long-term objectives, each individual portfolio investment shall over time contribute to a competitive total return. The active ownership strategy conveys a long investment horizon. The return potential for investments in the portfolio companies is therefore continuously evaluated over a time horizon of three to five years. Major emphasis is put on comparisons with the estimated return potential for investment alternatives, taking into account continuity and long-term perspective.

With a foundation in Industrivärden's analysis, transaction plans for future purchases and sales of stocks are continuously updated. These plans cover transactions in existing portfolio companies as well as divestments of entire holdings or investments in new portfolio companies.

## Shareholdings

On December 31, 2021, the investments in Industrivärden's equities portfolio consisted of sizable shareholdings in Sandvik, Volvo, Handelsbanken, Essity, SCA, Ericsson and Skanska. The portfolio's current composition and historical performance over time are shown in the adjacent tables and charts. Further information about the respective portfolio companies is presented on pages 34–40.

## Investment activities 2021

During the year, shares were purchased in Sandvik for SEK 2.5 billion, in Volvo B for SEK 0.8 billion, in Handelsbanken A for SEK 0.5 billion, and in Essity B for SEK 0.5 billion. The remaining shareholding in SSAB A was sold for SEK 2.0 billion.

## Criteria for the Company's shareholdings

### Company

- Listed Nordic companies
- Proven business model
- Strong market positions
- Clear potential for profitable growth

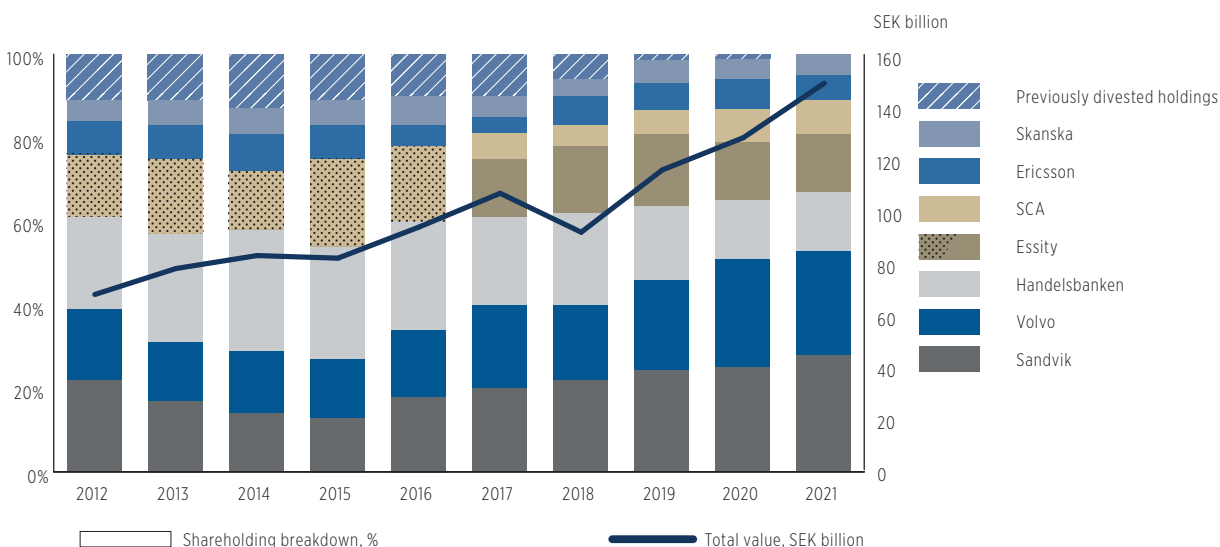
### Ownership position

- Significant influence: at least 10% of votes and representation on nominating committee and board

### Return potential

- Long-term attractive return potential with balanced risk that can be realized through active ownership
- Competitive return at balanced risk

## Breakdown of shareholdings



## Shareholdings

### Composition of equities portfolio

| Holdings                  | No. shares  | 12/31/2021   |       |                |            | 2021              |  |
|---------------------------|-------------|--------------|-------|----------------|------------|-------------------|--|
|                           |             | Ownership, % |       | Market value   |            | Share of value, % | Net purchases (+)/ net sales (-) SEK M |
|                           |             | Capital      | Votes | SEK M          | SEK/share  |                   |  |
| Sandvik                   | 168,700,000 | 13.4         | 13.4  | 42,614         | 99         | 28                | 2,484                                  |
| Volvo A                   | 166,600,000 | 8.6          | 27.7  | 37,013         | 86         | 25                | -                                      |
| Volvo B                   | 7,600,000   |              |       |                |            |                   | 808                                    |
| Handelsbanken A           | 217,200,000 | 11.0         | 11.1  | 21,255         | 49         | 14                | 489                                    |
| Essity A                  | 33,257,000  | 10.1         | 29.5  | 20,951         | 49         | 14                | -                                      |
| Essity B                  | 37,600,000  |              |       |                |            |                   | 482                                    |
| SCA A                     | 33,785,290  | 10.3         | 29.3  | 11,610         | 27         | 8                 | -                                      |
| SCA B                     | 38,300,000  |              |       |                |            |                   | -                                      |
| Ericsson A                | 86,052,615  | 2.6          | 15.1  | 8,722          | 20         | 6                 | -                                      |
| Ericsson B                | 1,000,000   |              |       |                |            |                   | -                                      |
| Skanska A                 | 12,667,500  | 7.4          | 24.3  | 7,299          | 17         | 5                 | -                                      |
| Skanska B                 | 18,500,000  |              |       |                |            |                   | -                                      |
| Other                     |             |              |       | 491            | 1          | 0                 | -2,004                                 |
| <b>Equities portfolio</b> |             |              |       | <b>149,955</b> | <b>347</b> | <b>100</b>        | <b>2,258</b>                           |

### Share of ownership over five years

|               | 12/31/2021   |             | 12/31/2020   |       | 12/31/2019   |       | 12/31/2018   |       | 12/31/2017   |       |
|---------------|--------------|-------------|--------------|-------|--------------|-------|--------------|-------|--------------|-------|
|               | Ownership, % |             | Ownership, % |       | Ownership, % |       | Ownership, % |       | Ownership, % |       |
|               | Capital      | Votes       | Capital      | Votes | Capital      | Votes | Capital      | Votes | Capital      | Votes |
| Sandvik       | <b>13.4</b>  | <b>13.4</b> | 12.5         | 12.5  | 12.4         | 12.4  | 12.1         | 12.1  | 11.8         | 11.8  |
| Volvo         | <b>8.6</b>   | <b>27.7</b> | 8.4          | 27.5  | 7.4          | 24.1  | 6.9          | 22.2  | 6.7          | 22.0  |
| Handelsbanken | <b>11.0</b>  | <b>11.1</b> | 10.7         | 10.9  | 10.3         | 10.5  | 10.4         | 10.6  | 10.1         | 10.3  |
| Essity        | <b>10.1</b>  | <b>29.5</b> | 9.8          | 29.3  | 9.5          | 29.2  | 9.5          | 29.9  | 9.5          | 29.8  |
| SCA           | <b>10.3</b>  | <b>29.3</b> | 10.3         | 29.3  | 9.7          | 29.0  | 9.5          | 29.7  | 9.5          | 29.7  |
| Ericsson      | <b>2.6</b>   | <b>15.1</b> | 2.6          | 15.1  | 2.6          | 15.1  | 2.6          | 15.1  | 2.6          | 15.1  |
| Skanska       | <b>7.4</b>   | <b>24.3</b> | 7.4          | 24.3  | 7.4          | 24.3  | 6.9          | 23.9  | 6.9          | 23.9  |

# Active ownership

## Process

Active ownership aims to contribute to the portfolio companies' strategic development and long-term value creation. Industrivärden's influence is grounded in sizable ownership stakes, strong positions of trust, representation on nominating committees and boards, and depth of knowledge about the companies and their business environments. Industrivärden strives to help the portfolio companies establish and strengthen leading positions in their respective industries over time. Major emphasis is put on clear leadership, focus and flexibility. Active ownership is exercised mainly through involvement in nominating committee work, board representation and active dialogue with the portfolio companies. In addition, continuous evaluation is conducted of the companies and their boards, CEOs and management teams. The various measures that are considered to create the most value over time are defined in Industrivärden's owner agenda, which serves as the foundation of the Company's influence work.

In its role as active owner, Industrivärden adds value through:

- Engaged ownership through representation on nominating committees and boards, with substantial knowledge and an ability to evaluate, make demands, influence and provide support
- A long-term and sustainable perspective with focus on enduring, competitive growth in value over time
- Owner collaborations through consensus-building on important issues with other owners
- Resources in the form of financial strength and an extensive network

## Continuous evaluation and influence

Industrivärden's investment and analysis organization continuously evaluates the portfolio companies' governance, operations and development. Work is conducted from an overarching ownership perspective with focus on

the portfolio companies' boards and management teams, financial development and matters such as strategy, market position, efficiency and capital structure. Analyses are conducted from a broad, business environment perspective and cover everything from customers, competitors and markets to prevailing megatrends such as digitalization, new technology and long-term sustainable development. A good understanding of these trends is essential for being able to assess the portfolio companies' long-term value potential as well as the opportunities and challenges they face.

In this way the investment and analysis organization builds a foundation of deep, fact-based knowledge about the respective portfolio companies and their business environments.

With a starting point in this analysis, an owner agenda for value creation is continuously updated, which summarizes the strategic value drivers that Industrivärden considers to be most important for value creation during the coming three to five years. The aim is to identify and describe various opportunities for value growth and well as strategic measures for realizing this value.

Industrivärden communicates its views of the company and its management primarily with the chairman of the company's board. An active dialogue is also conducted with the respective companies' CEOs and other senior executives.

From a corporate governance perspective, it is the respective portfolio companies that are responsible for and are to have the ability to conduct their operations in an optimal manner with a base in the company's strategy. This is equally important from a practical perspective, since a rapid pace of change in the companies' business environments requires decentralized governance close to the companies' customers, vendors and other interests. A good example is integrated sustainability work, which requires depth of knowledge about a company's own activities and its stakeholders.

## Nominating committee representatives and board members with ties to Industrivärden

| Portfolio companies | Industrivärden's nominating committee representatives | Role   | Board members with ties to Industrivärden | Role                      |
|---------------------|---|--------|---|---------------------------|
| Sandvik             | Fredrik Lundberg                                      | Chair  | Helena Stjernholm<br>Marika Fredriksson   | Director<br>Director      |
| Volvo               | Bengt Kjell   | Chair  | Helena Stjernholm                         | Director                  |
| Handelsbanken       | Helena Stjernholm                                     | Chair  | Pär Boman<br>Fredrik Lundberg             | Chairman<br>Vice Chairman |
| Essity              | Helena Stjernholm                                     | Chair  | Pär Boman                                 | Chairman                  |
| SCA                 | Helena Stjernholm                                     | Chair  | Pär Boman                                 | Chairman                  |
| Ericsson            | Karl Åberg  | Member | Helena Stjernholm                         | Vice Chairman             |
| Skanska             | Helena Stjernholm                                     | Chair  | Fredrik Lundberg<br>Pär Boman             | Director<br>Director      |



## Nominating committee work and board composition

It is of central importance that the portfolio companies' boards have the combined expertise and experience required to manage the respective companies' current situation and long-term ambitions. Industrivärden therefore puts strong emphasis on participating and exercising influence in the portfolio companies' board nomination processes. With a foundation of extensive knowledge about the portfolio companies and their respective business environments along with a keen understanding of their long-term challenges and opportunities, Industrivärden can contribute to their board nomination work. Industrivärden's nominating committee representatives consist of board members and members of the Executive Management.

Good access to qualified board members is a key success factor. Against this background, Industrivärden works actively to identify suitable individuals and maintain the Company's network. Industrivärden invests in companies active in various sectors and with varying needs, which requires a broad network of individuals with various types of expertise and experience.

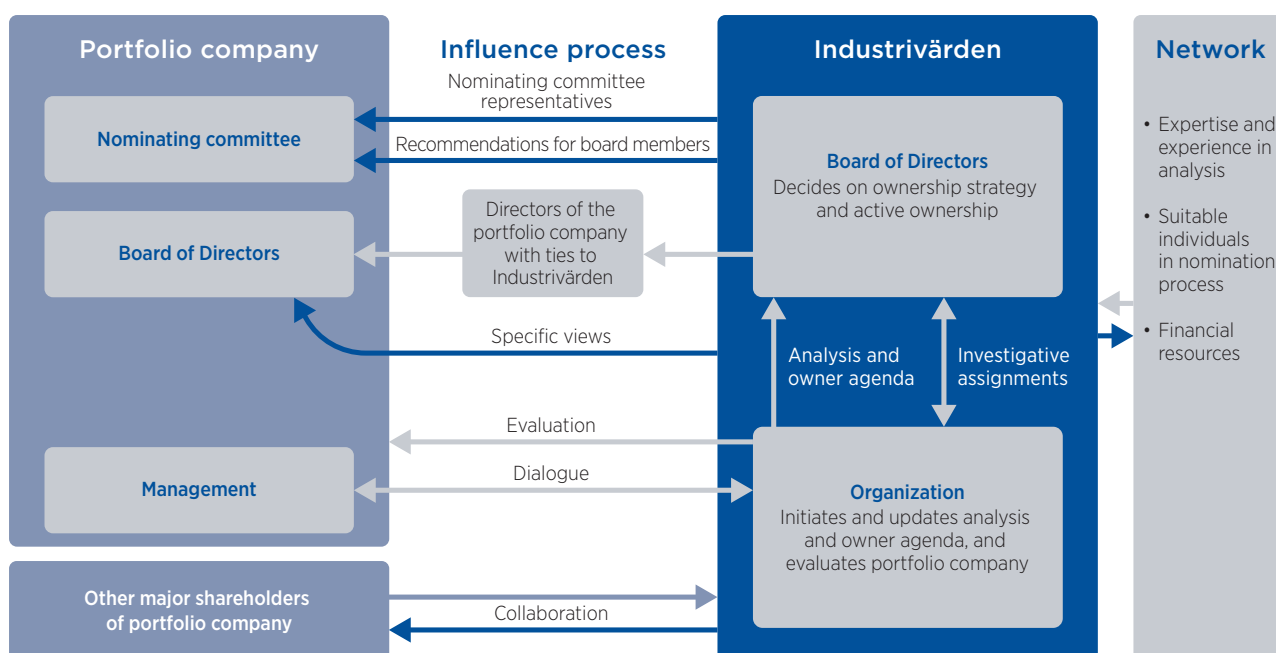
## Board representation

Industrivärden exercises influence through representation on its portfolio companies' boards. Industrivärden's board members and members of the Executive Management who serve as AGM-elected directors for Industrivärden's portfolio companies are considered to have ties to Industrivärden. They are to have a relevant and clear picture of the value-creating measures that have been identified in the respective portfolio companies. Against this background,



Industrivärden's owner agendas for the portfolio companies are discussed on a regular basis within Industrivärden's board. Where needed, the analysis organization also conducts investigative assignments on specific matters.

## Active ownership in brief



## Active ownership in practice – strategic development in recent years

In its capacity as a long-term active owner, Industrivärden engages itself in the portfolio companies' strategic development. Against the backdrop of the Company's business model, this concerns mainly matters pertaining to the portfolio companies' boards and management teams, financial development and matters such as strategy, market position, sustainability, efficiency and capital structure.

Following are examples of important corporate governance matters and major strategic activities for long-term value creation that the respective portfolio companies have taken in recent years, where Industrivärden has played an active role through its work on the board and nominating committee. For a more detailed description of the respective portfolio companies' businesses and development, see pages 34–40.

### Sandvik

#### Value-creating measures

- Developed strategy and refinement of operations, adoption of new financial targets
- Increased decentralization and formation of new business areas and segments to accelerate profitable growth in selected core businesses
- Accelerated pace of acquisitions with completion of several add-on acquisitions in manufacturing, tools and mining areas
- Internal separation of Sandvik Materials Technology for a separate stock market listing in 2022, subject to shareholder approval and provided that the conditions are considered to be right at the time
- Implementation of new sustainability goals with focus on circularity, climate, safety and fair play
- Numerous new directors elected to board and installation of Stefan Widing as CEO in 2020

28% of portfolio value



#### Results

- Higher profitability and stronger financial position
- Significantly strengthened capacity to meet market fluctuations
- Focused business
- Accelerated pace of growth and strengthened exposure to faster-growing parts of the market

### Volvo

#### Value-creating measures

- Developed strategy and new financial targets along with organizational changes and business focus, decentralization and faster decision-making processes
- Clear focus on transformation toward future transport needs, e.g., electromobility, automation and connectivity with focus on efficiency and sustainability
- Strategic partnerships to accelerate key development steps, e.g., with Daimler Truck in fuel cells (cellcentric), Daimler Truck and the Traton Group in charging networks, Samsung SDI in batteries, Isuzu Motors in commercial vehicles, and NVIDIA in autonomous vehicles
- Focus on organic growth opportunities, such as through local manufacturing and sales of Volvo's heavy-duty trucks in China following the strategic acquisition of a Chinese truck maker (subject to customary closing conditions), and through development of the global service business
- Numerous new directors elected to board

25% of portfolio value



#### Results

- Higher profitability and stronger financial position
- Significantly strengthened ability to meet market fluctuations
- Leading position in electromobility and future, sustainable transport solutions

## Handelsbanken

### Value-creating measures

- Group-wide adaptation to changed customer behaviors through accelerated pace of digital development and consolidation to fewer number of branches
- Exit from business in Denmark and Finland to focus on geographic markets in which the bank has a strong market position and favorable prospects for profitable growth
- Strengthened cost focus and strategic initiatives for business development and efficiency improvement
- Higher growth ambitions in core home mortgage business
- Successful development of savings business and application of expanded sustainability requirements covering approximately 90% of fund volume
- Distribution of specific equity exposure in pensions management for stronger and more stable capitalization
- Numerous new directors elected to board and installation of Carina Åkerström as CEO in 2019

14% of portfolio value



### Results

- More focused banking business in segments with good profitability potential
- Greater focus on cost efficiency and opportunities provided by digitalization
- Improved earnings and strengthened platform for value-creating growth
- Stronger and more stable capitalization

## Essity

### Value-creating measures

- Formation of company in 2017 through split of former SCA into two listed companies, for stronger focus on core business
- Structural measures for higher cost- and capital efficiency
- Strengthened innovation and sustainability focus with distinct emphasis on highly integrated sustainability work with lifecycle effects as key part of innovation process. Ambitious targets set to reduce carbon footprint and develop new solutions for a circular society
- Establishment of new business area through acquisition of BSN medical, active in wound care and compression therapy
- Stronger ownership positions in several partly owned businesses in important core areas such as hygiene and health, for increased growth and profitability
- Adoption of new financial and sustainability targets
- New business areas starting in 2022: Health & Medical, Consumer Goods, and Professional Hygiene, for expansion of the customer offering
- Numerous new directors elected to board

14% of portfolio value



### Results

- Improved earnings and greater ability to manage cost fluctuations
- Strengthened platform for value-creating growth

## SCA

### Value-creating measures

- Refinement of company in 2017 through split of former SCA into two listed companies, for stronger focus on core business
- Major investments in pulp mill in Östrand, in mills in Obbola and Munksund, in forestlands in the Baltics, and discontinuation of publication papers business
- Strengthened innovation focus with base of forest raw material
- Distinct focus on the forest's climate benefits with positive substitution effects from the company's renewable products; raised targets for reduced carbon footprint and preservation of biodiversity in own operations
- Revaluation of the company's forest assets
- Numerous new directors elected to board and installation of Ulf Larsson as CEO in 2017

8% of portfolio value



### Results

- Emphasis on value of forest assets
- Greater exposure to attractive market segments and strengthened competitiveness
- Stronger financial position

## Ericsson

### Value-creating measures

- Focused strategy and extensive measures to focus the business, increase profitability and strengthen the financial position
- Implementation of new organization and company structure, adoption of new financial targets
- Investments in R&D for regained technological leadership, with leading position in the next generation of mobile networks (5G) and strengthened market positions
- Strategic acquisitions to create a platform in the global enterprise market for cloud-based communication
- Integration of sustainability strategy with focus on responsible business, environmental sustainability and digital inclusion
- Numerous new directors elected to board, election of Ronnie Leten as Chairman of the Board in 2018 and installation of Börje Ekholm as CEO in 2017

6% of portfolio value



### Results

- Well-executed turnaround with significantly improved profitability and strengthened financial position
- Leading position to capitalize on growth opportunities in 5G and the enterprise segment



### Value-creating measures

- Extensive organizational and structural changes aimed at focusing the business, improving profitability and reducing project risks
- Decentralization measures and refinement aimed at increasing operational efficiency
- Successful growth in commercial property development and residential development
- Strong sustainability focus exemplified by, e.g., sustainability certified properties and successful measures to reduce carbon emissions
- Numerous new directors elected to board and installation of Anders Danielsson as CEO in 2018

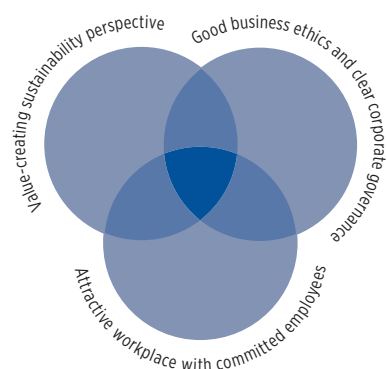
5% of portfolio value



### Results

- Strengthened profitability and reduced risk in construction business
- Improved earnings in project development
- Strengthened financial position

# Sustainability Report



## Industrivärden's view of sustainability

Industrivärden's mission is to contribute to good growth in net asset value of the Company's assets through active ownership. The active ownership role entails a long-term investment perspective and a natural involvement in the portfolio companies' strategic development. By contributing to the development of long-term competitive companies, Industrivärden enables growth in value over time and sustainable development. Industrivärden is therefore an owner that makes demands and has high ambitions to contribute to sustainable businesses that benefit the communities in which they are conducted. This involves minimizing sustainability-related risks as well as capitalizing on sustainability-related opportunities. From an overarching perspective, Industrivärden has the greatest sustainability influence through its role as an active owner of its portfolio companies.

In addition, Industrivärden conducts sustainability work in its own operations, where focus is on being a responsible employer.

### Central frameworks

Industrivärden's operations are conducted with a foundation in the Company's Code of Conduct and policies. Through active ownership Industrivärden works to ensure that its values and ethical guidelines will also permeate the companies in which it is an active owner. The Code of Conduct has been adopted by the Board of Directors and is revised yearly. In short, it stipulates that:

- good business ethics and clear corporate governance with a genuine sustainability perspective contribute to long-term value creation and sustainable development of society,
- the workplace shall be distinguished by openness, responsiveness and mutual respect,
- the Company repudiates all forms of discrimination and believes that diversity in all forms enhances knowledge, dynamism and the quality of operations, and
- the Company shall apply and integrate the UN Global Compact and its ten principles in the areas of human rights, labor, anti-corruption and the environment.

It its sustainability work Industrivärden also adheres to global initiatives such as the OECD's Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Guiding Principles on Business and Human Rights.

From an influence perspective, the business sector has a central role in creating a sustainable world. Industrivärden is therefore a signatory of the UN Global Compact and has worked since 2015 to promote its ten principles. Yearly development steps are outlined in this sustainability report, which also makes up our Communication on Progress (CoP) to the Global Compact for the full year 2021. Industrivärden's commitments for 2022/2023 are stated in the CEO's message on pages 10–11.



### Stakeholders, materiality analysis and focus areas

Industrivärden's sustainability-related focus areas have been identified and concretized with a foundation in a materiality analysis. This analysis draws from Industrivärden's abilities to influence through its ownership role, a materiality perspective, and a stakeholder analysis based on continuous stakeholder dialogues. Within the framework of the stakeholder analysis, Industrivärden engages shareholders and potential investors, other large owners of the portfolio companies, representatives from the portfolio companies, Industrivärden's employees, and authorities, legislative bodies and non-governmental organizations. The stakeholder dialogues are an integral part of operations and are conducted within the framework of numerous external meetings as well as through structured dialogues at investor meetings, for example. Knowledge is also obtained through various partnerships, such as our involvement in Swedish Investors for Sustainable Development (SISD).

The materiality analysis shows that certain approaches and activities are considered to have a considerably high level of materiality. Industrivärden aspires to be an engaged and responsible owner that contributes to well-run companies for sustainable societal development. It can thereby offer a long-term, sustainable investment with a competitive return at balanced risk. Industrivärden aims to develop strategic sustainability work and puts particular emphasis on structural sustainability aspects such as the climate, diversity and anti-corruption etc. Sustainability issues of a more operational character in the portfolio companies are considered to have medium-high materiality. These include taxes, business ethics and health, among other areas.

With a base in the sustainability analysis, four sustainability focus areas have been identified, which Industrivärden actively drives through its ownership role.

These are:

- Long-term sustainable production and innovation that support development of sustainable products and services
- Responsible businesses and organizations that create sustainable economic growth through diversity, good business ethics, good working conditions and respect for human rights
- Minimized negative climate and environmental impacts
- A long-term sustainable role in society that contributes to positive development in the communities in which the companies work

Based on these focus areas, relevant goals have been set with support of the UN's Agenda 2030 framework for the Sustainable Development Goals (SDG). From an influence perspective, SDGs 5, 8, 9, 12, 13 and 16 relate to Industrivärden's portfolio companies within the framework of Industrivärden's active ownership.

SDGs 5 and 13 also pertain to the Company's own operations. During the year, the UN's Intergovernmental Panel on Climate Change (IPCC) published its sixth major climate report, which highlights the need to dramatically reduce carbon emissions and limit global warming to 1.5 degrees Celsius. Against this background, significant action is required of companies in all sectors to be able to achieve the goals of the Paris Agreement and Agenda 2030. Most of Industrivärden's carbon emissions are associated with its ownership in the portfolio companies. Industrivärden has therefore concretized its goals pertaining to the climate – both for the portfolio and for its own operations. In addition to this, Industrivärden has also set a diversity goal.

Goal formulations along with follow-up indicators and examples of goal achievement are provided in the tables on pages 24–26.

### Active ownership

Industrivärden expects the portfolio companies to have a sustainable approach in all aspects of their operations. This results in competitive companies, enables growth in value and promotes sustainable development of society. Particular impetus is put on material sustainability risks and sustainability-related opportunities from risk mitigation and value-creation perspectives. Industrivärden's overarching ambition is to:

- be a well-informed owner that sets requirements with a clear sustainability perspective and that contributes to sustainable development of society, and
- be a long-term and sustainable investment that offers a competitive total return at balanced risk.

To materialize these ambitions, Industrivärden conducts the following:

- Continuous analysis and follow-up of the respective portfolio companies in accordance with Industrivärden's integrated sustainability analysis
- Formulation of owner agendas for the respective portfolio companies and measures to influence them in accordance with Industrivärden's business model. Industrivärden's owner agendas and influencing measures are described in more detail on pages 16–21

- Dialogues with prioritized stakeholders aimed at soliciting views in support of further development of Industrivärden's sustainability work

### *Industrivärden's sustainability analysis*

Being able to conduct a qualitative analysis of the portfolio companies' sustainability work – and exercising influence when needed – requires that Industrivärden has deep knowledge about the respective companies' operations and sustainability-related matters. The sustainability analysis is therefore an integral part of the fundamental analysis that is conducted of the respective portfolio companies. In this way, all sustainability aspects are evaluated from a holistic ownership perspective when assessing the portfolio companies' boards and management teams, strategic issues and financial performance. The sustainability analysis constitutes a more in-depth evaluation of sustainability issues and encompasses the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication.

The analysis is materiality-oriented and ranks the issues that Industrivärden intends to study further as well as matters over which it wants to exercise influence. Important areas of assessment include climate and environmental impacts, social conditions, anti-corruption, and prevention of human rights violations. The portfolio companies are to have the boards, leadership, organizations and resources needed to integrate sustainable business practices and thereby long-term value creation in their business models, processes and offerings.

The main focus of the analysis is on sustainability risks and opportunities to create value. In cases where Industrivärden identifies strategic conditions, risks or value creation opportunities in which it wants to exercise influence, these are defined in Industrivärden's respective owner agendas, which form the foundation for influencing work. The owner agendas are revised at regular intervals and are set by Industrivärden's executive management.

Industrivärden exercises influence through representation on the portfolio companies' nominating committees and boards. Members of these bodies with ties to Industrivärden are to have a current and pertinent understanding of the value creation measures identified for the respective portfolio companies. Against this background, Industrivärden's owner agendas for the portfolio companies are discussed on a continuous basis by Industrivärden's board. This allows Industrivärden to have an influence on strategic sustainability issues over time. The forms of active ownership are described in more detail on pages 13 and 16–21.

### *Analysis of material sustainability risks*

Industrivärden's material sustainability risks and value creation opportunities exist in the portfolio companies, which are to manage these within the framework of their respective operations. Industrivärden's risk analysis aims to identify conditions that deviate from Industrivärden's understanding of an optimal approach in the respective portfolio companies. The analysis covers all material sustainability

risks in the respective companies with a base in the prioritized focus areas described above. Climate-related financial risks are one example, where the analysis covers both transition risks and physical risks (effects of a changed climate) from various scenarios and time perspectives. The portfolio companies' combined sustainability risks make up part of Industrivärden's equities risk, which is described on page 63.

The overall outcome of Industrivärden's risk analysis for the prioritized areas is shown in the tables on pages 24–26. In cases where Industrivärden's company-specific risk analysis (sustainability risks and value creation opportunities) indicates a need to exercise influence, such recommendations for action are defined in Industrivärden's owner agendas. Industrivärden's active ownership thus contributes to long-term reduction of risk levels and to increasing value creation.

#### Sustainability work in the portfolio companies




The portfolio companies are active in a wide range of industries and are in various stages of development. They therefore face different material challenges and opportunities. From an overall perspective it is Industrivärden's expectation that:

- they view sustainability as a key strategic issue and conduct first-rate sustainability work within their respective sectors, where sustainability aspects are integrated in their business models, business cultures, strategies, processes and product offerings;
- they develop and strengthen their sustainability work in a structured manner with support from relevant guidelines and measurable goals; and that
- they monitor, evaluate and communicate the progress of their sustainability work, and convey the manner in which they are contributing to long-term sustainable development in the communities in which they operate.

The portfolio companies all face general as well as company-specific sustainability challenges. This pertains to everything from reducing their carbon footprints and changing over to more resource-efficient production – with sustainable products – to ensuring healthy, inclusive and equal opportunity workplaces both in their own operations and upstream in the supply chain, and countering corruption. On the whole they have made great progress in capitalizing on the values created by conducting sustainable business and measure up well in comparison with their industry peers. Further information is available in the respective portfolio companies' sustainability reporting.


### Responsible business and a sustainable societal role

Long-term value creation is grounded in good corporate governance, a positive work environment, good business ethics and social responsibility.

| Industrivärden's goals   | Outcome   | Overarching risk analysis   |
|--|---|---|
|  <p>All of the portfolio companies shall, based on specific competency needs, conduct active and targeted work to promote diversity and equal opportunity in all parts of the company.</p> <p>The goal is that the underrepresented gender will make up at least <b>40%</b> of the portfolio companies' board members by 2030 from a portfolio perspective.</p> | <ul style="list-style-type: none"> <li>• On the portfolio companies' boards, the underrepresented gender makes up <b>39%</b> of directors</li> <li>• <b>100%</b> of the portfolio companies have anti-discrimination principles in their codes of conduct or policies</li> </ul>  | <p>All of the portfolio companies put strong emphasis on diversity and equality, since this strengthens their operations, and they work continuously on being an inclusive employer that offers equal opportunities to all employees. Among other things, the portfolio companies have adopted anti-discrimination principles in internal guidelines.</p>   |
|  <p>Sustainable economic growth is a precondition for development of responsible companies that can create value over time. Against this background, the portfolio companies shall conduct their operations with focus on long-term value creation and good business ethics, and guarantee a safe workplace for all employees.</p>                              | <ul style="list-style-type: none"> <li>• <b>100%</b> of the portfolio companies have signed the UN Global Compact</li> <li>• <b>86%</b> of the portfolio companies report accident frequency rate. <b>100%</b> of the companies that have reported this during the last three years (Dec. 2018–Dec. 2021) have decreased their accident frequency rate</li> </ul> | <p>All of the portfolio companies generate sustainable value creation and have contributed to economic growth over time. The companies adhere to international conventions on human rights and working conditions, and conduct ambitious preventive work to ensure a safe work environment. All manufacturing companies in the portfolio report and work to minimize the number of accidents.</p> |
|  <p>The portfolio companies shall contribute to inclusive and sustainable societies by working within the framework of their own operations to promote human rights, ethical practices and sustainable societal development. Against this background they shall conduct ambitious anti-corruption work, among other things.</p>                                 | <ul style="list-style-type: none"> <li>• <b>100%</b> of the portfolio companies have an anti-corruption policy</li> <li>• <b>100%</b> of the portfolio companies have a code of conduct and whistleblower function</li> <li>• <b>100%</b> of the portfolio companies provide training to their employees in the company's code of conduct</li> </ul>              | <p>The portfolio companies contribute to inclusive and peaceful societies by promoting long-term sustainable development of society. All of the companies have codes of conduct for their employees and suppliers that enable reporting and follow-up of improprieties aimed at upholding good business ethics and combating corruption.</p>  |



## Minimized negative climate and environmental impacts

Long-term value creation is based on minimizing negative climate and environmental impacts, and capitalizing on related business opportunities.

| Industrivärden's goals  | Outcome  | Overarching risk analysis  |
|---|--|--|
|  <p>Achieving a reduced carbon footprint is a precondition for sustainable value creation and a healthy planet. The portfolio companies shall therefore be at forefront of minimizing carbon emissions in their own production and value chains.</p> <p>The goal is that the portfolio companies will have adopted <b>science-based targets*</b> for reducing their carbon emissions (Scope 1-2). They will also have <b>clear targets for reducing emissions in their value chains</b> (Scope 3).</p> <p>* By science-based climate targets is meant targets based on scientific grounds, with recognized methods such as the Science Based Targets initiative, Carbon Law (Exponential Roadmap) or similar, with the aim of contributing to achievement of the goals of the Paris Agreement.</p> | <ul style="list-style-type: none"> <li>• <b>86%</b> of the portfolio companies have joined the Science Based Targets initiative, and 57% have had their targets approved. These targets contribute to the reduction goals within the framework of the Paris Agreement</li> <li>• <b>71%</b> of the portfolio companies have concrete goals for reducing indirect carbon emissions in their value chains (Scope 3)</li> </ul> | <p>Several of the portfolio companies work in emissions-intensive industries or have major environmental impacts through their products and services. The companies therefore need to reduce their climate impact and employ climate-related opportunities for long-term value creation. The portfolio companies have expressed ambitions to reduce their carbon footprints and have set concrete goals for reducing their climate-affecting emissions. Science-based reduction targets are helping the companies choose the right level of ambition. See pages 77-78 for further information on the climate impact of the equities portfolio.</p> |

## Sustainable production and innovation

Long-term value creation is built upon development and innovation of sustainable products and services, and sustainable production.

| Industrivärden's goals  | Outcome and illustrative examples  | Overarching risk analysis   |
|---|--|---|
|  <p>Industrivärden's portfolio companies shall have high aspirations to conduct sustainable production and increase their competitiveness by developing sustainable innovations that are at the forefront of their industries.</p>   | <ul style="list-style-type: none"> <li>• In 2021 Essity achieved a breakthrough in sustainable tissue production at its plant in Mannheim, Germany, when it began producing tissue based on pulp from wheat straw. The manufacturing process uses less energy and water at the same time that the wheat straw fiber is comparable to wood fiber in terms of softness, strength and color. The products contain about 30% straw-based pulp and maintain the same quality as conventional wood-based pulp</li> <li>• Together with a fuel company, SCA entered into a joint venture to produce and sell liquid biofuels. SCA will deliver tall oil to the joint venture company</li> </ul>   | <p>To manage future sustainability risks and opportunities, companies need to continually strengthen their sustainability work. The portfolio companies have a long tradition of actively promoting sustainable industrialization and innovation, and are well-equipped to deal with the transition to a more sustainable approach. They contribute in various ways with innovations for sustainable industry, and several are leading the transition in their respective industries.</p> |
|  <p>The portfolio companies shall offer long-term sustainable products and services that contribute to sustainable production and consumption. They shall have ambitious goals in this area and be at the forefront of resource-efficiency and circular business models.</p> | <ul style="list-style-type: none"> <li>• <b>83%</b> of the portfolio's manufacturing companies have measurable goals for reducing waste</li> <li>• <b>67%</b> of the portfolio's manufacturing companies have measurable goals for reducing energy consumption in production or in products and services</li> <li>• Skanska has started a pilot project to produce bio-coal from construction waste. Biocoal has beneficial use in agriculture by helping to retain water and nutrients in fields to purify polluted land and water</li> <li>• Handelsbanken Fonder was the first Swedish fund company to switch indexes for five of its global and regional index funds to Paris Aligned Benchmarks</li> <li>• Volvo Group began series production of electric trucks in 2019 and today offers six electric truck models. The goal is that half of the company's trucks globally will be electric by 2030. The electrification trend is growing in Europe, and in 2021 40% of all newly registered electric trucks over 16 tons were made by Volvo</li> </ul> | <p>The portfolio companies are actively striving to offer sustainable products and contribute to the development of circular solutions. They are working actively to increase resource efficiency in production and operation, such as with respect to waste and energy consumption. The portfolio companies have high ambitions to be leaders in sustainability as a competitive advantage.</p>  |





## Own operations

Industrivärden shall serve as a model and maintain a clear sustainability focus in its own operations. Proactive sustainability work shall be an integral part of the daily activities that are conducted by the approximately 15 employees at the office in Stockholm. The CEO has overarching responsibility for Industrivärden's sustainability work, and the Head of Sustainability has functional responsibility for internal collaboration and external communication on sustainability issues. Team managers are responsible for the integrated sustainability analysis in the respective portfolio companies.

## Financial results

Favorable earnings performance and financial strength are necessary prerequisites for Industrivärden to be able to create long-term value for its shareholders and support the portfolio companies over time. Industrivärden's financial performance is described on pages 51–54, and the performance of Industrivärden's stock is shown on pages 30–31.

| Industrivärden's goals  | Outcome   | Overarching risk analysis  |
|---|---|--|
|  <p>Industrivärden shall be an attractive employer with focus on competence development, openness and diversity, and attract, recruit and retain competent employees.</p> <p>The goal is to maintain proportional representation of the underrepresented gender of at least <b>40%</b> on Industrivärden's board and management team.</p>  | <ul style="list-style-type: none"> <li>On Industrivärden's board, the underrepresented gender accounts for <b>37%</b> of directors, and in the Executive Management it accounts for <b>40%</b> of members</li> <li>Continuously developed processes for broadened competence and diversity</li> <li>Further training of all employees in the Company's sustainability strategy, Code of Conduct, anti-corruption, and policy documents on the environment, climate and diversity</li> <li>Regularly recurring performance reviews with particular focus on the work environment and competence development</li> <li>Continuous evaluation of development opportunities for all employees</li> </ul> | <p>Industrivärden offers a workplace where the employees enjoy their work, feel good and can develop. To continuously improve operations, an ongoing dialogue is conducted with the employees on matters pertaining to the workplace, forms of cooperation and personal development.</p> |
|  <p>Even though Industrivärden's organization is small, the Company shall set a good example by minimizing its own carbon footprint and environmental impact.</p> <p>The goal is to reduce Industrivärden's Scope 1, 2 and 3 carbon emissions (excluding emissions from portfolio companies) by <b>50%</b> by 2030 compared with 2017. This goal is aligned with the Paris Agreement's goal to limit global warming to well below 2 degrees Celsius.</p> | <ul style="list-style-type: none"> <li>Industrivärden's carbon emissions have decreased by <b>49%</b> since 2017</li> <li>Measurement and follow-up of Industrivärden's Scope 1–3 environmental impacts and carbon footprint</li> <li>Report Industrivärden's carbon footprint to the CDP and compensate for the Company's footprint through offsets</li> </ul>   | <p>Industrivärden works actively to minimize its own negative carbon footprint and environmental impacts, and compensates for all actual greenhouse gas emissions through offsets.</p>   |

## Industrivärden's employees

Industrivärden shall be a workplace in which the employees enjoy their work, feel good and can develop. Toward this end, evaluations are continuously conducted of performance and development opportunities, and a continuous dialogue is conducted on matters related to the workplace, forms of cooperation and personal development. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.

## Environmental and climate work

Even though Industrivärden's organization is small, the Company shall set a good example by minimizing its own environmental impact and carbon footprint. Industrivärden has an ambition to reduce its own carbon footprint over time and compensates for all of its actual greenhouse gas emissions through offsets. To be able to monitor and compare the Company's carbon footprint, Industrivärden has been conducting carbon footprint reporting since 2010 within the CDP (Carbon Disclosure Project) framework. Greenhouse gas emissions for 2021 have been calculated using the market-based method of the GHG Protocol and are shown in the GRI Index on pages 73–76. Further information on the Company's indirect carbon footprint is provided on pages 77–78.

## Development of sustainability work 2021

### Further development of Industrivärden's sustainability analysis

With a base in Industrivärden's integrated framework for its sustainability analysis, during the period 2020–2021 a more in-depth review of the portfolio companies' sustainability work was conducted. Influencing activities are conducted within the framework of active ownership.

### Establishment of goals for monitoring the portfolio companies' and Industrivärden's sustainability performance

During 2021 goals were established for sustainability performance with respect to climate action and diversity. Since previously, indicators and examples for monitoring sustainability work have also been used. During the year the description of Industrivärden's management of sustainability risks was also developed.



## Value creation

# Net asset value

Industrivärden's long-term goal is to increase net asset value and thereby generate a return for Industrivärden's shareholders that exceeds the market's required rate of return.

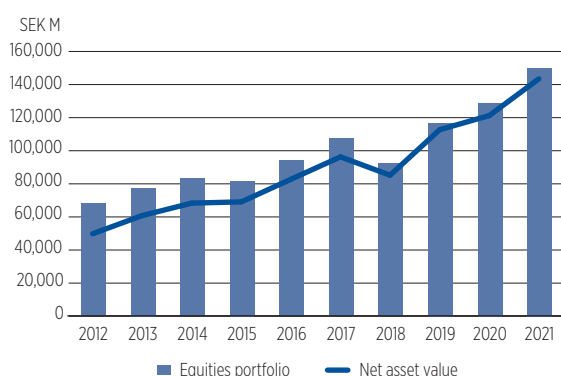
Net asset value is a measure of the shareholders' total net worth in the Company, defined as the market value of the equities portfolio less net debt. Net asset value at year-end 2021 was SEK 143.5 billion (121.2), or

SEK 332 per share (279). During 2021 net asset value grew by 22% including reinvested dividend, compared with 39% for the Stockholm Stock Exchange's total return index (SIXRX). During the last five- and ten-year periods, net asset value including reinvested dividends grew by an average of 14% and 15% per year, respectively, compared with 18% and 17%, respectively, for the total return index (SIXRX).

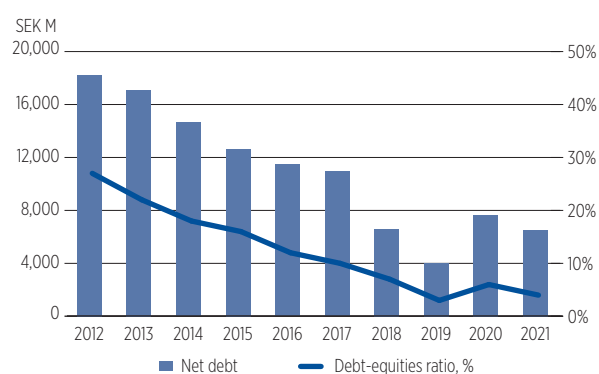
## Composition of equities portfolio and net asset value

| Holdings                   | No. shares  | 12/31/2021   |       | Market value   |            | Share of value, % | 2021   |               | Total return, holdings |  |
|----------------------------|-------------|--------------|-------|----------------|------------|-------------------|--|---------------|------------------------|--|
|                            |             | Ownership, % |       | SEK M          | SEK/share  |                   | Net purchases (+)/<br>net sales (-)<br>SEK M | SEK M         | %                      |  |
|                            |             | Capital      | Votes |                |            |                   |  |               |                        |  |
| Sandvik                    | 168,700,000 | 13.4         | 13.4  | 42,614         | 99         | 28                | 2,484  | 9,639         | 30                     |  |
| Volvo A                    | 166,600,000 | 8.6          | 27.7  | 35,419         | 86         | 25                | -  | 7,180         | 22                     |  |
| Volvo B                    | 7,600,000   |              |       | 1,593          |            |                   | 808  |               |                        |  |
| Handelsbanken A            | 217,200,000 | 11.0         | 11.1  | 21,255         | 49         | 14                | 489  | 5,032         | 29                     |  |
| Essity A                   | 33,257,000  | 10.1         | 29.5  | 9,844          | 49         | 14                | -  | 2,485         | 13                     |  |
| Essity B                   | 37,600,000  |              |       | 11,107         |            |                   | 482  |               |                        |  |
| SCA A                      | 33,785,290  | 10.3         | 29.3  | 5,453          | 27         | 8                 | -  | 1,276         | 12                     |  |
| SCA B                      | 38,300,000  |              |       | 6,157          |            |                   | -  |               |                        |  |
| Ericsson A                 | 86,052,615  | 2.6          | 15.1  | 8,622          | 20         | 6                 | -  | -283          | -3                     |  |
| Ericsson B                 | 1,000,000   |              |       | 100            |            |                   | -  |               |                        |  |
| Skanska A                  | 12,667,500  | 7.4          | 24.3  | 2,967          | 17         | 5                 | -  | 1,077         | 16                     |  |
| Skanska B                  | 18,500,000  |              |       | 4,333          |            |                   | -  |               |                        |  |
| Other                      |             |              |       | 491            | 1          | 0                 | -2,004                                       | 743           |                        |  |
| <b>Equities portfolio</b>  |             |              |       | <b>149,955</b> | <b>347</b> | <b>100</b>        | <b>2,258</b>                                 | <b>27,419</b> | <b>21</b>              |  |
| <b>Net debt</b>            |             |              |       | <b>-6,500</b>  | <b>-15</b> |                   |  |               |                        |  |
| <b>Net asset value</b>     |             |              |       | <b>143,455</b> | <b>332</b> |                   |  |               |                        |  |
| <b>Debt-equities ratio</b> |             |              |       |                | <b>4%</b>  |                   |  |               |                        |  |

## Growth in net asset value



## Development of net debt



## Equities portfolio

The equities portfolio is made up of large shareholdings in portfolio companies in which Industrivärden exercises long-term active ownership. On December 31, 2021, the equities portfolio had a market value of SEK 149,955 M (128,893), corresponding to SEK 347 (296) per Industrivärden share.

The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 18.8 billion to SEK 150.0 billion. The total return was 21%. Changes in the share of ownership in the portfolio companies over time are shown in a table on page 15.

## Cash flow

### Investment activities

During the year, shares were purchased in Sandvik for SEK 2.5 billion, in Volvo B for SEK 0.8 billion, in Handelsbanken A for SEK 0.5 billion, and in Essity B for SEK 0.5 billion. The remaining shareholding in SSAB A was sold for SEK 2.0 billion.

### Dividends paid and received

The 2021 Annual General Meeting resolved in accordance with the Board's recommendation for an ordinary dividend of SEK 6.25 (0.00) per share, plus an extra dividend of SEK 2.00 per share. The total dividend amounted to SEK 3,590 M (0). During 2021 dividends received totaled SEK 8,081 M (657), of which SEK 922 M pertains to the distribution in kind from Handelsbanken, which had no cash flow effect for the Group. Dividends received from the respective portfolio companies are shown on page 33.

## Management cost

Industrivärden's management cost in 2021 amounted to SEK 127 M (130). The management cost corresponded to 0.08% (0.10%) of the equities portfolio's value on December 31, 2021.

## Financing

A strong financial position provides financial flexibility to take advantage of investment opportunities and support the portfolio companies over time.

### Gearing policy

Industrivärden's gearing policy is that the debt-equities ratio shall be in the range of 0%–10%, but may periodically exceed or fall below this range.

### Net debt

Net debt amounted to SEK 6.5 billion at year-end 2021 (7.7), corresponding to SEK 15 per Industrivärden share. The debt-equities ratio at year-end 2021 was 4% (6%).

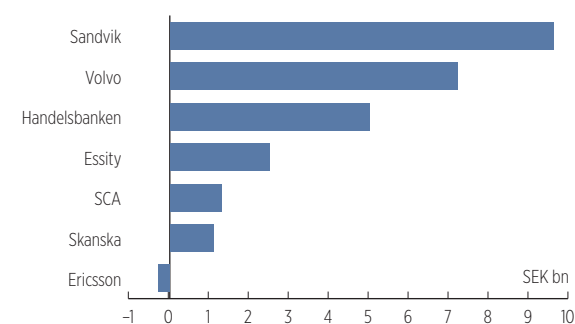
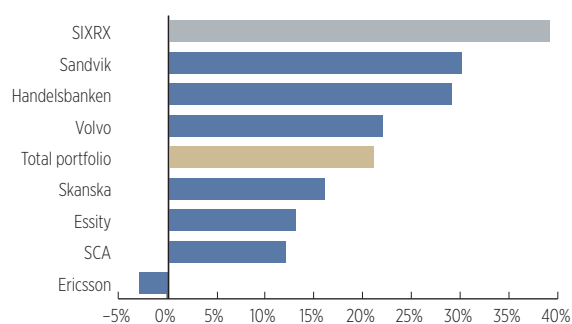
The debt portfolio consists primarily of an MTN program and commercial paper. Within the framework of the existing MTN program, during the first quarter of 2021 a new bond of SEK 1.5 billion was issued with a tenor of five years. In addition, during the third quarter a bond of SEK 1.0 billion was issued with a tenor of 30 months. The loans pertain mainly to refinancing of matured MTN bonds and commercial paper. The terms of the bonds are available on the Company's website.

No part of Industrivärden's financing is conditional upon any covenants.

### Credit rating

S&P Global Ratings has assigned Industrivärden a credit rating of A+/Stable/A-1.

Contribution analysis of shareholdings, total return (%), SEK bn





# Industrivärden's stock

## Industrivärden's stock

Industrivärden's Class A and C shares are listed on the Stockholm Stock Exchange (Nasdaq Stockholm), Large Cap segment. At year-end 2021 Industrivärden's market capitalization was SEK 123.8 billion. Trading volume in Industrivärden shares on the Stockholm Stock Exchange in 2021 totaled SEK 57 billion (55), corresponding to a turnover rate of 43% (31%) for the Class A shares and 61% (93%) for the Class C shares. Average daily trading volume was approximately 407,000 Class A shares and approximately 362,000 Class C shares.

Industrivärden's Class A and C shares had standard deviations of 19.7% and 20.3%, respectively, and beta values of 0.95% and 0.95%, respectively, for the full year 2021.

## Shareholders and share structure

Through Handelsbanken's distribution in kind of Industrivärden shares in October 2021, Industrivärden gained approximately 90,000 new shareholders. Industrivärden had approximately 204,000 shareholders (104,000) at year-end.

A significant majority of the number of shareholders are private persons, while a significant share of the capital is owned by institutional owners such as pension and asset management companies, and foundations. Foreign shareholders own 27% (24%) of the capital.

At year-end 2021 the share capital totaled SEK 1,088 M, distributed among 431,899,108 registered shares with a share quota value of SEK 2.52. Each Class A share carries entitlement to one vote, and each Class C share carries entitlement to 1/10 of a vote. All shares carry equal entitlement to the Company's assets, earnings and dividends.

## Share structure as per December 31, 2021

| Share class   | No. shares         | No. votes          | Capital, %   | Votes, %     |
|---------------|--------------------|--------------------|--------------|--------------|
| A (1 vote)    | 260,795,864        | 260,795,864        | 60.4         | 93.8         |
| C (1/10 vote) | 171,103,244        | 17,110,324         | 39.6         | 6.2          |
| <b>Total</b>  | <b>431,899,108</b> | <b>277,906,188</b> | <b>100.0</b> | <b>100.0</b> |

## Reduction of share capital through cancelation of Industrivärden shares received

On October 21, 2021, an Extraordinary General Meeting of Handelsbanken resolved to pay an extra dividend to its shareholders in the form of Industrivärden Class A shares, through which Industrivärden received 3,310,769 own Class A shares.

To ensure that Industrivärden's shareholders would draw the best benefit from the received value, Industrivärden's board of directors proposed a decrease in the share capital by canceling the Industrivärden shares received and a corresponding increase in the share capital

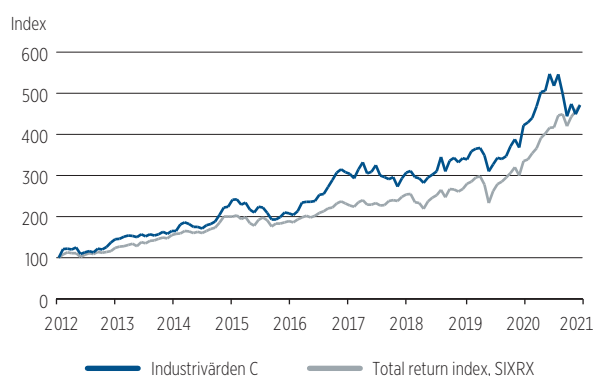
through a bonus issue. An Extraordinary General Meeting of Industrivärden on November 23, 2021, resolved in accordance with the Board's proposal. Together these measures entailed that the Company's share capital is unchanged.

## Return

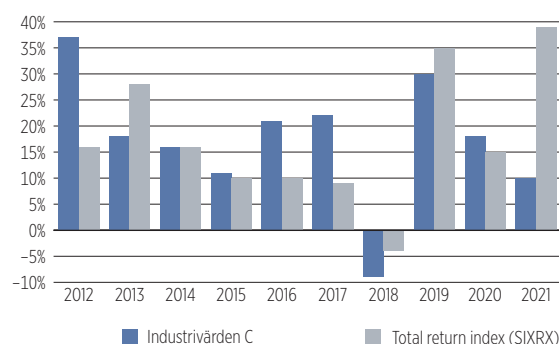
In 2021 the price of Industrivärden's Class A shares increased by 5.2%, from SEK 274.20 to SEK 288.40, and the price of the Class C shares increased by 7.0%, from SEK 265.50 to SEK 284.10. The highest price paid for the Class A and C shares was SEK 354.60 and SEK 339.30, respectively, and the lowest price paid was SEK 268.20 and SEK 262.50, respectively. The total return for the Class A and C shares was 8% and 10%, respectively, compared with 39% for the total return index (SIXRX).

During the last ten-year period the average annual total return for Industrivärden's Class A and C shares was 16% and 17%, respectively, compared with 17% for the total return index (SIXRX).

## Total return over time, Industrivärden



## Total return as per Dec. 31 in respective years





## Dividend policy

Industrivärden's dividend policy is that the Company shall generate a positive cash flow before portfolio changes and after dividends paid, in order to build investment capacity over time and be able to support portfolio companies when needed. The dividend shall be well-balanced with respect to the goals, scope and risk of operations.

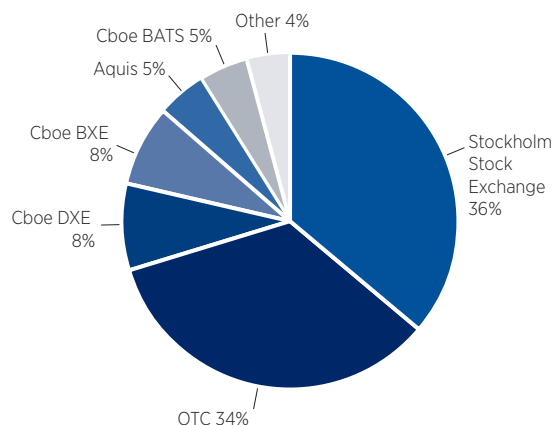
## Proposed dividend

The Board of Directors has proposed that the 2022 Annual General Meeting declare an ordinary dividend of SEK 6.75 per share (6.25). The total proposed dividend amounts to SEK 2,915 M. The dividend yield on December 31, 2021, was 2.3% for Industrivärden's Class A shares and 2.4% for the Class C shares.

## Employee ownership

Industrivärden encourages its employees to make personal investments in Industrivärden shares, as this aligns the interests of the Company's employees with other shareholders. The long-term incentive programs adopted by the Annual General Meeting make up part of the employees' total compensation and also aim to increase employees' ownership of stock in the Company. Information on the incentive programs and on shareholdings of board members and members of the Executive Management is provided on pages 48–49 and in Note 7 on pages 57–58.

## Trading per marketplace



Pertains to Class C shares. Source: Bloomberg.

## Key ratios, dividend and return

|   | 2021          | 2020               | 2019   | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   |
|---|---------------|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Dividend/share, SEK                         | <b>6.75</b>   | 8.25 <sup>1)</sup> | 0.00   | 5.75   | 5.50   | 5.25   | 5.00   | 6.25   | 5.50   | 5.00   |
| Dividend growth ordinary, %                 | <b>8</b>      | n/a                | neg    | 5      | 5      | 5      | neg    | 14     | 10     | 11     |
| Dividend growth total, %                    | <b>neg</b>    | n/a                | neg    | 5      | 5      | 5      | neg    | 14     | 10     | 11     |
| Dividend yield Class C shares, %            | <b>2.4</b>    | 3.1                | -      | 3.2    | 2.7    | 3.1    | 3.4    | 4.6    | 4.5    | 4.6    |
| Total return Class C shares, %              | <b>10</b>     | 18                 | 30     | -9     | 22     | 21     | 11     | 16     | 18     | 37     |
| Share price at Dec. 31, Class C shares, SEK | <b>284.10</b> | 265.50             | 225.90 | 179.20 | 202.50 | 169.80 | 145.10 | 136.10 | 122.30 | 107.70 |

1) Of which, extra dividend of SEK 2.00 per share.

## Conversion of Class A shares to Class C shares

At the 2011 Annual General Meeting a share conversion clause was added to Industrivärden's Articles of Association in the aim of giving shareholders greater flexibility. Shareholders have the right at any time to request conversion of Class A shares to Class C shares. During 2021, 3,005,151 Class A shares were converted to Class C shares.

## Investor relations

Industrivärden's investor contacts and analysts who monitor the Company are presented on page 70.

## Shareholder structure

| No. shares    | No. shareholders | Capital, % |
|---------------|------------------|------------|
| 1-500         | 181,722          | 3          |
| 501-1,000     | 9,379            | 2          |
| 1,001-5,000   | 10,303           | 5          |
| 5,001-10,000  | 1,364            | 2          |
| 10,001-15,000 | 431              | 1          |
| 15,001-20,000 | 202              | 1          |
| 20,001-       | 650              | 86         |

Source: Euroclear.

## Largest shareholders

| 12/31/2021  | Capital, % | Votes, % |
|---|------------|----------|
| L E Lundbergföretagen                               | 18.8       | 24.9     |
| Jan Wallander and Tom Hedelius Foundation           | 6.4        | 10.0     |
| Spiltan Funds                                       | 4.9        | 1.2      |
| Vanguard  | 2.8        | 2.7      |
| Fredrik Lundberg incl. companies                    | 2.7        | 2.3      |
| BlackRock   | 2.2        | 1.7      |
| SCA Pension Foundation                              | 2.1        | 3.3      |
| Essity Vorsorge-Treuhand                            | 2.1        | 3.2      |
| Norges Bank Investment Management                   | 2.0        | 2.1      |
| Essity Pension Foundation                           | 2.0        | 3.0      |
| Handelsbanken Pension Fund                          | 1.0        | 1.6      |
| Handelsbanken Funds                                 | 1.0        | 1.2      |
| Louise Lindh  | 0.9        | 1.3      |
| Katarina Martinson                                  | 0.9        | 1.3      |
| Essity Pension Foundation for officials and foremen | 0.9        | 1.3      |

Source: Industrivärden and Holdings.

# Key ratios – ten-year overview

|   | 2021           | 2020    | 2019    | 2018    | 2017    | 2016    | 2015    | 2014    | 2013    | 2012    |
|---|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Net asset value</b>                      |                |         |         |         |         |         |         |         |         |         |
| Equities portfolio                          |                |         |         |         |         |         |         |         |         |         |
| market value (SEK M)                        | <b>149,955</b> | 128,893 | 116,750 | 92,170  | 107,289 | 94,250  | 81,835  | 83,062  | 77,992  | 68,077  |
| total return (%)                            | <b>21</b>      | 7       | 33      | -8      | 17      | 20      | 4       | 8       | 20      | 22      |
| net purchases/sales (SEK M)                 | <b>2,258</b>   | 4,106   | -1,163  | -3,252  | 103     | -834    | -1,894  | 1,561   | -1,389  | 1,114   |
| Net debt                                    |                |         |         |         |         |         |         |         |         |         |
| value (SEK M)                               | <b>-6,500</b>  | -7,654  | -4,032  | -6,601  | -10,930 | -11,481 | -12,648 | -14,632 | -17,094 | -18,248 |
| debt-equities ratio (%)                     | <b>4</b>       | 6       | 3       | 7       | 10      | 12      | 15      | 18      | 22      | 27      |
| Net asset value                             |                |         |         |         |         |         |         |         |         |         |
| value (SEK M)                               | <b>143,455</b> | 121,239 | 112,718 | 85,201  | 96,299  | 82,769  | 69,056  | 68,345  | 60,898  | 49,829  |
| value per share (SEK)                       | <b>332</b>     | 279     | 259     | 196     | 221     | 191     | 160     | 158     | 155     | 129     |
| growth incl. reinvested dividends (%)       | <b>22</b>      | 8       | 35      | -9      | 18      | 23      | 5       | 9       | 24      | 29      |
| <b>Industrivärden's stock</b>               |                |         |         |         |         |         |         |         |         |         |
| Number of shareholders                      | <b>204,000</b> | 104,000 | 88,000  | 80,000  | 75,000  | 69,000  | 63,000  | 60,000  | 54,000  | 48,000  |
| Industrivärden's market capitalization      |                |         |         |         |         |         |         |         |         |         |
| value (SEK M)                               | <b>123,824</b> | 117,872 | 99,950  | 79,062  | 90,570  | 76,201  | 66,434  | 60,638  | 50,357  | 42,461  |
| value per share (SEK)                       | <b>287</b>     | 271     | 230     | 182     | 208     | 176     | 154     | 140     | 129     | 110     |
| Number of shares outstanding                |                |         |         |         |         |         |         |         |         |         |
| total (thousands)                           | <b>431,899</b> | 435,210 | 435,210 | 435,210 | 435,210 | 432,341 | 432,341 | 432,341 | 391,769 | 386,271 |
| of which, Class A shares (thousands)        | <b>260,796</b> | 267,112 | 268,183 | 268,183 | 268,184 | 268,185 | 268,185 | 268,186 | 268,530 | 268,530 |
| of which, Class C shares (thousands)        | <b>171,103</b> | 168,098 | 167,026 | 167,026 | 167,025 | 164,155 | 164,155 | 164,155 | 123,239 | 117,740 |
| Dividends paid                              |                |         |         |         |         |         |         |         |         |         |
| value (SEK M)                               | <b>2,915</b>   | 3,590   | 0       | 2,502   | 2,394   | 2,285   | 2,162   | 2,702   | 2,282   | 1,950   |
| value per share (SEK)                       | <b>6.75</b>    | 8.25    | 0.00    | 5.75    | 5.50    | 5.25    | 5.00    | 6.25    | 5.50    | 5.00    |
| dividend growth ordinary (%)                | <b>8</b>       | n/a     | neg     | 5       | 5       | 5       | neg     | 14      | 10      | 11      |
| dividend growth total (%)                   | <b>neg</b>     | n/a     | neg     | 5       | 5       | 5       | neg     | 14      | 10      | 11      |
| dividend yield, Class C shares (%)          | <b>2.4</b>     | 3.1     | -       | 3.2     | 2.7     | 3.1     | 3.4     | 4.6     | 4.5     | 4.6     |
| <b>Total return, Industrivärden's stock</b> |                |         |         |         |         |         |         |         |         |         |
| Class A shares (%)                          | <b>8</b>       | 18      | 30      | -11     | 20      | 17      | 15      | 13      | 23      | 33      |
| Class C shares (%)                          | <b>10</b>      | 18      | 30      | -9      | 22      | 21      | 11      | 16      | 18      | 37      |
| Total return index, SIXRX (%)               | <b>39</b>      | 15      | 35      | -4      | 9       | 10      | 10      | 16      | 28      | 16      |
| MSCI World (%)                              | <b>22</b>      | 17      | 28      | -8      | 23      | 8       | 0       | 6       | 27      | 17      |
| <b>Other key ratios</b>                     |                |         |         |         |         |         |         |         |         |         |
| Earnings per share (SEK)                    | <b>61.57</b>   | 19.54   | 68.56   | -19.14  | 35.76   | 38.05   | 7.18    | 12.62   | 31.16   | 28.50   |
| Management cost (% of portfolio value)      | <b>0.08</b>    | 0.10    | 0.10    | 0.13    | 0.10    | 0.12    | 0.17    | 0.18    | 0.17    | 0.18    |
| Dividends received (SEK M)                  | <b>8,081</b>   | 657     | 4,093   | 3,764   | 2,786   | 3,078   | 3,184   | 2,984   | 2,504   | 2,391   |
| Shareholders' equity (SEK M)                | <b>143,079</b> | 120,976 | 112,528 | 85,142  | 95,880  | 82,129  | 67,850  | 67,406  | 59,280  | 48,378  |
| Equity ratio (%)                            | <b>95</b>      | 94      | 96      | 91      | 88      | 86      | 82      | 80      | 75      | 71      |

Values and calculations pertain to the respective year-end.

Dividend for 2021 according to the Board of Directors' proposal. See page 64.

The dividend for 2020 includes an extra dividend of SEK 2.00 per share.

Values for 2012 have not been recalculated according to the principle for investment entities.

Earnings per share for 2020 has been retroactively recalculated due to the change in share base that occurred in 2021. Other periods have not been recalculated.

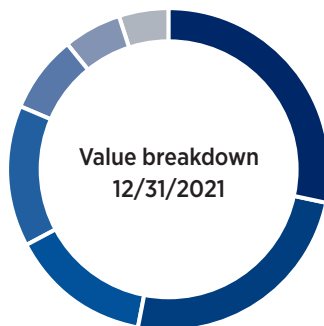
## Holdings

# Portfolio structure

The equities portfolio is made up of large shareholdings in seven portfolio companies with strong market positions and in which Industrivärden exercises long-term active ownership. At year-end 2021 the portfolio companies had combined sales of approximately SEK 1,000 billion and operations in more than 190 countries. A significant share of the equities portfolio is exposed to the industrial equipment, commercial vehicles, banking and consumer products sectors.

At December 31, 2021, the equities portfolio had a market value of SEK 149,955 M (128,893), or SEK 347 (296) per Industrivärden share. The value of the equities portfolio, adjusted for purchases and sales, increased by 15% during the year. Dividends received from portfolio companies during the year amounted to a combined total of SEK 8,081 M (657).

Further information about the equities portfolio is presented on pages 14–15.



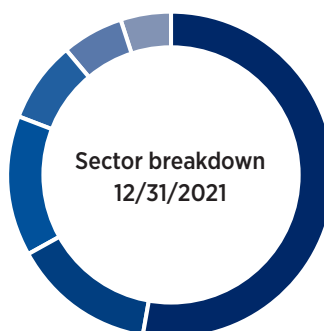
|                 |             |       |
|-----------------|-------------|-------|
| ● Sandvik       | SEK 42.6 bn | (28%) |
| ● Volvo         | SEK 37.0 bn | (25%) |
| ● Handelsbanken | SEK 21.3 bn | (14%) |
| ● Essity        | SEK 21.0 bn | (14%) |
| ● SCA           | SEK 11.6 bn | (8%)  |
| ● Ericsson      | SEK 8.7 bn  | (6%)  |
| ● Skanska       | SEK 7.3 bn  | (5%)  |



|                 |             |       |
|-----------------|-------------|-------|
| ● Volvo         | SEK 4,170 M | (52%) |
| ● Handelsbanken | SEK 1,792 M | (22%) |
| ● Sandvik       | SEK 1,038 M | (13%) |
| ● Essity        | SEK 467 M   | (6%)  |
| ● Skanska       | SEK 296 M   | (4%)  |
| ● Ericsson      | SEK 174 M   | (2%)  |
| ● SCA           | SEK 144 M   | (2%)  |



|                 |             |
|-----------------|-------------|
| ● Sandvik       | SEK 9,639 M |
| ● Volvo         | SEK 7,180 M |
| ● Handelsbanken | SEK 5,032 M |
| ● Essity        | SEK 2,485 M |
| ● SCA           | SEK 1,276 M |
| ● Skanska       | SEK 1,077 M |
| ● Ericsson      | SEK -283 M  |



|                               |     |
|-------------------------------|-----|
| ● Machinery                   | 53% |
| ● Banking                     | 14% |
| ● Consumer products           | 14% |
| ● Paper and forest products   | 8%  |
| ● Communication systems       | 6%  |
| ● Construction and technology | 5%  |

Sector breakdown according to GICS level 2.



**Sandvik is a global high-tech engineering group that offers innovative products and services that enhance customer productivity, profitability and sustainability.**

Operations are global, with sales in 160 countries. Sandvik's business model aims to create value for customers with focus on their processes and efficiency improvement opportunities. The company's strengths consist of technological leadership, unique expertise in materials technology and industrial processes, close cooperation with customers and a keen innovative ability. The company delivers solutions for operations particularly in the

mining, engineering, automotive, energy, construction and aerospace industries. Important products include tools and tooling systems, equipment for the mining and construction industries, stainless steels and special alloys.

Sandvik has increased its focus on expanding its operations and strengthening its customer offering through a value-creating growth strategy. This strategy encompasses organic as well as acquisition-driven growth in, among other things, digital solutions that optimize customers' productivity and enable greater sustainability, such as through electrification and automation.

#### Industrivärden's shareholding



**28% of portfolio value**

|                           | 2021               | 2020        |
|---------------------------|--------------------|-------------|
| Shareholding, no. shares: | <b>168,700,000</b> | 157,400,000 |
| Market value, SEK M       | <b>42,614</b>      | 31,685      |
| Share of votes, %         | <b>13.4</b>        | 12.5        |
| Share of capital, %       | <b>13.4</b>        | 12.5        |
| Total return, SEK M       | <b>9,639</b>       | 2,994       |

| Key data  | 2021          | 2020              |
|---|---------------|-------------------|
| Net sales, SEK M  | <b>99,105</b> | 86,404            |
| Earnings after financial items (adjusted), SEK M                              | <b>17,923</b> | 14,029            |
| Earnings per share (adjusted), SEK  | <b>11.23</b>  | 8.63              |
| Cash flow from operating activities (adjusted for purchases and sales), SEK M | <b>10,180</b> | 13,133            |
| Debt-equity ratio, net, %   | <b>35</b>     | 4                 |
| Dividend per share, SEK   | <b>4.75</b>   | 6.50 <sup>1</sup> |
| Share price on December 31, SEK   | <b>252.60</b> | 201.30            |

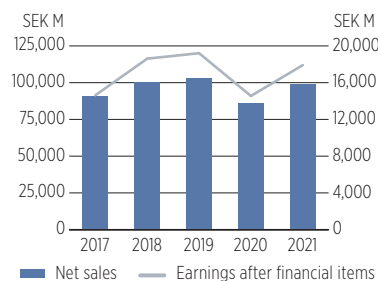
1) Of which, ordinary dividend of SEK 4.50 per share.

| Largest shareholders December 31, 2021 | Votes, % | Capital, % |
|--|----------|------------|
| Industrivärden                         | 13.4     | 13.4       |
| Alecta Pension Insurance               | 4.5      | 4.5        |
| BlackRock                              | 3.4      | 3.4        |
| Swedbank Robur Funds                   | 3.2      | 3.2        |
| Vanguard                               | 2.8      | 2.8        |
| L E Lundbergföretagen                  | 2.7      | 2.7        |
| SEB Funds                              | 1.9      | 1.9        |
| Fidelity International                 | 1.6      | 1.6        |
| Norges Bank Investment Management      | 1.5      | 1.5        |
| Handelsbanken Funds                    | 1.4      | 1.4        |

Source: Holdings.

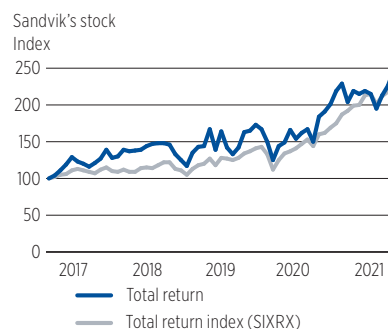
CEO: Stefan Widing  
Chairman: Johan Molin

#### Net sales and earnings



Strong growth with increased profitability despite supply chain imbalances. Performance in 2021 is described further on page 7. Adjusted earnings 2020-2021 as per the company's reporting.

#### Growth in value



**Volvo Group has a leading position in transport and infrastructure solutions with trucks, construction equipment, buses, marine and industrial engines, financing and service that increases customers' operational time and productivity.**

Operations are global, with sales in 190 countries. The vision is to be the world's most desired and successful provider of sustainable transport and infrastructure solutions. The business model builds upon the company's competitive products, strong brands, leading service and financing solutions, and successful development partnerships aimed at providing reliable,

safe, effective and sustainable solutions that create value for customers.

The company conducts concerted innovation work in the areas of electrification, automation and connectivity, and is currently driving development of sustainable transport and infrastructure solutions of the future. To stay at the forefront and develop new, leading solutions, Volvo partners with other companies, such as with Samsung SDI in batteries, Daimler Trucks in fuel cells, a couple of industry peers in charging networks, and NVIDIA and Aurora in autonomous vehicles.

### Industrivärden's shareholding



25% of portfolio value

|                           | 2021        | 2020        |
|---------------------------|-------------|-------------|
| Shareholding, no. shares: |             |             |
| Class A shares            | 166,600,000 | 166,600,000 |
| Class B shares            | 7,600,000   | 3,600,000   |
| Market value, SEK M       | 37,013      | 33,251      |
| Share of votes, %         | 27.7        | 27.5        |
| Share of capital, %       | 8.6         | 8.4         |
| Total return, SEK M       | 7,180       | 6,102       |

| Key data   | 2021    | 2020    |
|--|---------|---------|
| Net sales, SEK M                                 | 372,216 | 338,446 |
| Earnings after financial items (adjusted), SEK M | 43,190  | 25,917  |
| Earnings per share after dilution, SEK           | 16.12   | 9.50    |
| Cash flow from operating activities, SEK M       | 17,645  | 19,636  |
| Debt-equity ratio, net, %                        | -39     | -38     |
| Dividend per share, SEK <sup>1</sup>             | 13.00   | 15.00   |
| Share price on December 31, SEK:                 |         |         |
| Class A shares                                   | 212.60  | 195.40  |
| Class B shares                                   | 209.65  | 193.80  |

1) Of which, ordinary dividend of SEK 6.50 per share in 2021 and SEK 6.00 per share in 2020. In addition, a dividend was paid in 2021 as a distribution of the proceeds from the sale of UD Trucks, corresponding to SEK 9.50 per share.

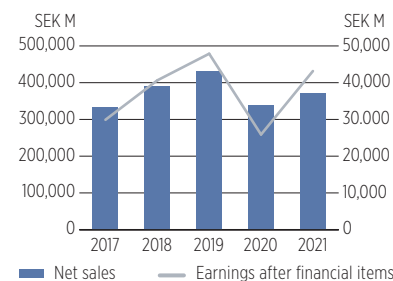
| Largest shareholders December 31, 2021     | Votes, % | Capital, % |
|--|----------|------------|
| Industrivärden                             | 27.7     | 8.6        |
| Geely Holding                              | 16.0     | 8.2        |
| AMF Pension & Funds                        | 5.4      | 3.4        |
| Alecta Pension Insurance                   | 4.2      | 3.3        |
| AFA Insurance                              | 2.3      | 0.7        |
| BlackRock                                  | 2.2      | 3.6        |
| Fourth Swedish National Pension Fund (AP4) | 1.7      | 0.8        |
| Norges Bank Investment Management          | 1.6      | 2.3        |
| Vanguard                                   | 1.5      | 2.5        |
| Swedbank Robur Funds                       | 1.4      | 3.3        |

Source: Holdings.

CEO: Martin Lundstedt

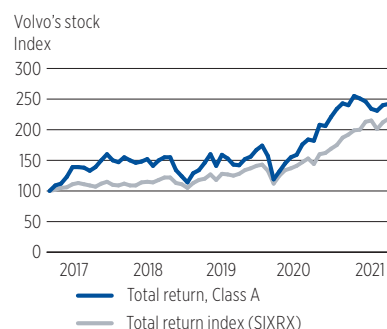
Chairman: Carl-Henric Svanberg

### Net sales and earnings



Sales growth with good profitability and strong cash flow, despite supply chain challenges. Performance in 2021 is described in more detail on page 7. Adjusted earnings 2020-2021 as per the company's reporting.

### Growth in value





**Through a decentralized work approach, stable finances, sustainable responsibility and low risk tolerance, Handelsbanken builds long-term customer relationships with private and business customers in Sweden, Norway and the UK – countries that the bank regards as its main markets. The bank strives to offer customers personal advice along with relevant products and services.**

In recent years Handelsbanken has chosen a strategy to consolidate its business on the products, services and markets in which the bank has a high level of competence, good earnings and strong development potential. These areas are in financing and savings. The bank's core customers include private individuals, property companies and owner-led companies. Customers are

offered personalized advice, both through in-person meetings and in digital channels.

The bank is run with long-term stable finances, low risk tolerance, low costs and focus on achieving the highest level of capital efficiency possible. A sustainable, keen ability to create value for customers, shareholders, employees and other stakeholders is a central component in Handelsbanken's work on running a modern and sustainable bank. For many years Handelsbanken has had an industry-leading position with respect to customer satisfaction, credit losses, cost effectiveness and profitability. The bank has communicated that it intends to leave the Danish and Finnish markets, where it has had small market positions, in order to focus on markets with profitable growth.

### Industrivärden's shareholding

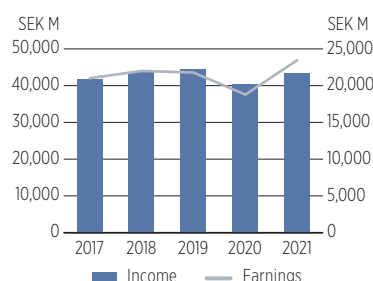


14% of portfolio value

|                           | 2021        | 2020        |
|---------------------------|-------------|-------------|
| Shareholding, no. shares: |             |             |
| Class A shares            | 217,200,000 | 212,200,000 |
| Market value, SEK M       | 21,255      | 17,528      |
| Share of votes, %         | 11.1        | 10.9        |
| Share of capital, %       | 11.0        | 10.7        |
| Total return, SEK M       | 5,032       | -3,733      |

| Key data                              | 2021   | 2020   |
|---------------------------------------|--------|--------|
| Income, SEK M                         | 43,347 | 40,368 |
| Earnings, SEK M                       | 23,475 | 18,797 |
| Earnings per share, SEK               | 9.86   | 7.87   |
| Common equity tier 1 capital ratio, % | 19.4   | 20.3   |
| Dividend per share, SEK               | 5.00   | 4.10   |
| Share price on December 31, SEK:      |        |        |
| Class A shares                        | 97.86  | 82.60  |
| Class B shares                        | 107.80 | 92.20  |

### Income and earnings



Increased income and strengthened earnings. The cost-reduction measures proceeded according to plan, but with increased development costs. Performance in 2021 is described in more detail on page 7. Adjusted income and earnings 2020-2021 as per the company's reporting.

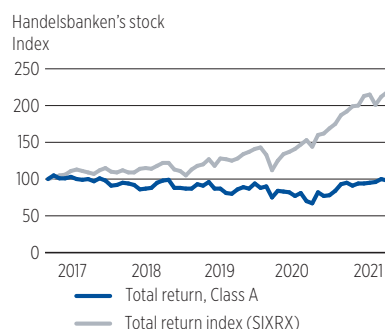
| Largest shareholders December 31, 2021 | Votes, % | Capital, % |
|--|----------|------------|
| Industrivärden                         | 11.1     | 11.0       |
| Oktogonen Foundation                   | 10.2     | 10.0       |
| L E Lundbergsföretagen                 | 2.9      | 2.8        |
| BlackRock                              | 2.7      | 2.6        |
| Vanguard                               | 2.4      | 2.4        |
| Handelsbanken Funds                    | 2.1      | 2.1        |
| Mawer Investment Management            | 1.8      | 1.7        |
| Swedbank Robur Funds                   | 1.4      | 1.4        |
| First Eagle Investment Management      | 1.3      | 1.3        |
| Fidelity Investments                   | 1.3      | 1.3        |

Source: Holdings.

CEO: Carina Åkerström

Chairman: Pär Boman

### Growth in value





**Essity is a leading global hygiene and health company that develops, produces, markets and sells products and services in the areas of Health & Medical, Consumer Goods and Professional Hygiene.**

Operations are global, with sales in some 150 countries. The product offering covers a wide range of areas including incontinence products, feminine care products, baby diapers, wound care, compression therapy and orthopedics, professional hygiene, toilet paper and paper towels. Sales are made under own brands, of which several are global leaders, as well as under retailers' private labels. Essity has a strong brand portfolio with globally leading brands, such as TENA and Tork, and other

brands such as JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. The company has a strong position in many emerging markets, including China, Latin America and Russia.

Value is created by developing leading hygiene and health products that improve people's well-being and quality of life. The innovation process plays a central role in Essity's strategy. It is based on current trends, customer and consumer insights, new technology, digitalization, new business models and the company's ambition to contribute to a sustainable and circular society.

#### Industrivärden's shareholding



14% of portfolio value

|                           | 2021       | 2020       |
|---------------------------|------------|------------|
| Shareholding, no. shares: |            |            |
| Class A shares            | 33,257,000 | 33,257,000 |
| Class B shares            | 37,600,000 | 35,900,000 |
| Market value, SEK M       | 20,951     | 18,492     |
| Share of votes, %         | 29.5       | 29.3       |
| Share of capital, %       | 10.1       | 9.8        |
| Total return, SEK M       | 2,485      | -1,896     |

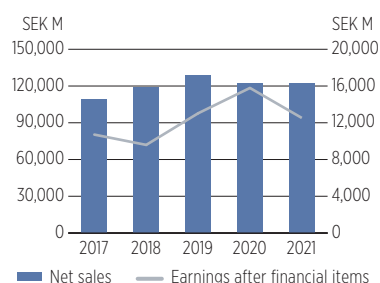
| Key data  | 2021    | 2020    |
|---|---------|---------|
| Net sales, SEK M  | 121,867 | 121,752 |
| Earnings after financial items, SEK M   | 12,537  | 15,800  |
| Earnings per share, SEK   | 12.27   | 14.56   |
| Cash flow from operating activities (adjusted for purchases and sales), SEK M | 6,945   | 11,327  |
| Debt-equity ratio, net, %   | 81      | 67      |
| Dividend per share, SEK   | 7.00    | 6.75    |
| Share price on December 31, SEK:  |         |         |
| Class A shares  | 296.00  | 270.50  |
| Class B shares  | 295.40  | 264.50  |

| Largest shareholders December 31, 2021 | Votes, % | Capital, % |
|--|----------|------------|
| Industrivärden                         | 29.5     | 10.1       |
| AMF Pension & Funds                    | 8.1      | 5.2        |
| Norges Bank Investment Management      | 6.4      | 3.7        |
| MFS Investment Management              | 2.8      | 5.0        |
| Swedbank Robur Funds                   | 2.0      | 3.5        |
| Skandia Mutual Life Insurance Company  | 1.9      | 0.8        |
| BlackRock                              | 1.8      | 3.3        |
| Vanguard                               | 1.5      | 2.6        |
| Handelsbanken Funds                    | 1.4      | 2.4        |
| SEB Funds                              | 1.4      | 2.4        |

Source: Holdings.

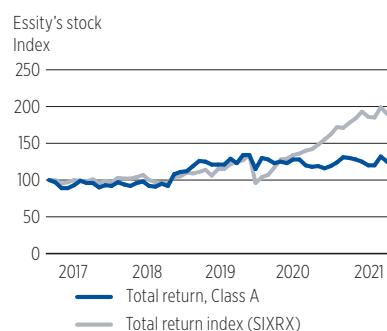
CEO: Magnus Groth  
Chairman: Pär Boman

#### Net sales and earnings



Sales growth and higher market shares, but lower earnings owing to significant cost inflation. Performance in 2021 is described in more detail on page 7.

#### Growth in value



**SCA is a leading forest and forest products company that, with a base in Europe's largest private forest holdings, conducts a resource-efficient industry to generate the highest possible value from the forest.**

SCA provides its customers with renewable products based on raw materials from responsibly managed forests and a resource-efficient value chain. With growing forests and renewable products, SCA also contributes to a circular society and the sequestering of carbon dioxide. The strategy is to focus on selected markets and product categories, to develop new business opportunities through innovation, and to continuously improve efficiency.

SCA manages 2.6 million hectares of environmentally certified forestland in northern Sweden and the Baltic countries, of which 2 million hectares are used for production and supply SCA's forest industries with raw material. Roughly an equal amount of timber that is harvested from its own forests is purchased from other forest owners. The company operates five sawmills in Sweden along with wood processing, distribution and wholesale operations. Sulfate pulp and chemi-thermomechanical pulp are produced at the Östrand pulp mill. In addition, containerboard is produced at mills in in Obbola and Munksund. SCA also conducts expanding business in bioenergy, and a large share of Sweden's wind power is generated on the company's land.

#### Industrivärden's shareholding



**8% of portfolio value**

|                           | 2021              | 2020       |
|---------------------------|-------------------|------------|
| Shareholding, no. shares: |                   |            |
| Class A shares            | <b>33,785,290</b> | 33,785,290 |
| Class B shares            | <b>38,300,000</b> | 38,300,000 |
| Market value, SEK M       | <b>11,610</b>     | 10,482     |
| Share of votes, %         | <b>29.3</b>       | 29.3       |
| Share of capital, %       | <b>10.3</b>       | 10.3       |
| Total return, SEK M       | <b>1,276</b>      | 3,467      |

| Key data  | 2021                     | 2020   |
|---|--------------------------|--------|
| Net sales, SEK M  | <b>18,822</b>            | 18,410 |
| Earnings after financial items, SEK M   | <b>7,527</b>             | 2,722  |
| Earnings per share, SEK   | <b>8.69</b>              | 3.19   |
| Cash flow from operating activities (adjusted for purchases and sales), SEK M | <b>1,041</b>             | 1,139  |
| Debt-equity ratio, net, %   | <b>9</b>                 | 11     |
| Dividend per share, SEK   | <b>3.25<sup>1)</sup></b> | 2.00   |
| Share price on December 31, SEK:  |                          |        |
| Class A shares  | <b>161.40</b>            | 147.80 |
| Class B shares  | <b>160.75</b>            | 143.30 |

1) Of which, ordinary dividend of SEK 2.25 per share.

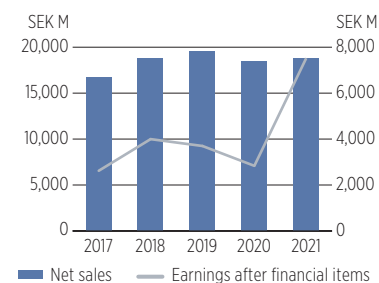
| Largest shareholders December 31, 2021 | Votes, % | Capital, % |
|--|----------|------------|
| Industrivärden                         | 29.3     | 10.3       |
| Norges Bank Investment Management      | 9.6      | 7.2        |
| AMF Pension & Funds                    | 6.0      | 8.3        |
| Handelsbanken Pension Foundation       | 3.4      | 1.4        |
| Alecta Pension Insurance               | 2.1      | 3.9        |
| T. Rowe Price                          | 2.1      | 3.7        |
| BlackRock                              | 2.0      | 3.7        |
| Swedbank Robur Funds                   | 1.7      | 3.2        |
| Vanguard                               | 1.7      | 2.7        |
| Skandia Mutual Life Insurance Company  | 1.4      | 0.6        |

Source: Holdings.

CEO: Ulf Larsson

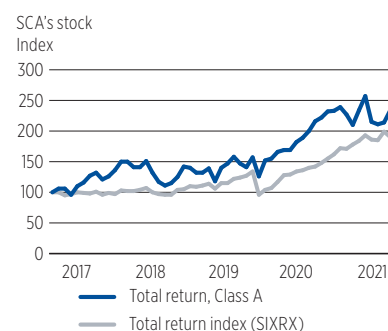
Chairman: Pär Boman

#### Net sales and earnings



Sales on par with the preceding year owing to portfolio adjustments, with the company's highest earnings ever. Performance in 2021 is described in more detail on page 7.

#### Growth in value



**Ericsson is a global telecommunications company that provides communication infrastructure and related services and software to the telecom industry and other sectors. The company is a technological leader in 5G, the fifth generation of mobile networks.**

Operations are conducted in more than 180 countries. The business concept is to deliver value-added to customers by continuously developing its offering with focus on customers' priorities in the key areas of new revenue streams, the end-customer experience and efficiency improvement. This work is based on Ericsson's strengths: technology leadership, cost efficiency, data-driven operations, global scale and global expertise. These factors have given Ericsson a strong position in technology and services, which is

illustrated by substantial investments in research and development and the market's strongest patent portfolio.

Ericsson's core business encompasses hardware and software for operators of radio and transport networks as well as solutions for 5G, the fifth generation of mobile networks. Customers' needs to be able to handle a growing volume of data with maintained quality and unchanged costs are creating momentum for 5G, where Ericsson has a leading position. In addition to this, Ericsson delivers IT systems, communication systems, core networks and infrastructure that help telecom operators and other companies and sectors meet the challenges they are facing in the ongoing digital transformation, including cloud-based virtual networks and operational and optimization services for operators.

*Industrivärden's shareholding*



**6% of portfolio value**

|                           | 2021              | 2020       |
|---------------------------|-------------------|------------|
| Shareholding, no. shares: |                   |            |
| Class A shares            | <b>86,052,615</b> | 86,052,615 |
| Class B shares            | <b>1,000,000</b>  | 1,000,000  |
| Market value, SEK M       | <b>8,722</b>      | 9,168      |
| Share of votes, %         | <b>15.1</b>       | 15.1       |
| Share of capital, %       | <b>2.6</b>        | 2.6        |
| Total return, SEK M       | <b>-283</b>       | 1,888      |

| <i>Key data</i>   | 2021           | 2020    |
|---|----------------|---------|
| Net sales, SEK M  | <b>232,314</b> | 232,390 |
| Earnings after financial items, SEK M   | <b>29,250</b>  | 27,212  |
| Earnings per share, SEK   | <b>6.82</b>    | 5.26    |
| Cash flow from operating activities (adjusted for purchases and sales), SEK billion | <b>32.1</b>    | 22.3    |
| Debt-equity ratio, net, % <sup>1</sup>  | <b>-61</b>     | -48     |
| Dividend per share, SEK   | <b>2.50</b>    | 2.00    |
| Share price on December 31, SEK:  |                |         |
| Class A shares  | <b>100.20</b>  | 105.40  |
| Class B shares  | <b>99.79</b>   | 97.64   |

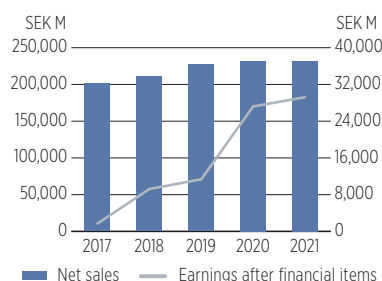
1) Excl. pensions and leasing.

| <i>Largest shareholders December 31, 2021</i> | Votes, % | Capital, % |
|---|----------|------------|
| Investor                                      | 23.8     | 8.0        |
| Industrivärden                                | 15.1     | 2.6        |
| AMF Pension & Funds                           | 4.4      | 1.9        |
| Cevian Capital                                | 2.7      | 4.6        |
| Swedbank Robur Funds                          | 2.2      | 3.7        |
| AFA Insurance                                 | 2.2      | 0.4        |
| Vanguard                                      | 2.0      | 3.2        |
| BlackRock                                     | 2.0      | 3.3        |
| PRIMECAP                                      | 1.9      | 3.2        |
| Skandia Mutual Life Insurance Company         | 1.1      | 0.7        |

Source: Holdings.

CEO: Börje Ekholm  
Chairman: Ronnie Leten

*Net sales and earnings*



Strong earnings performance and higher cash flow generation. Performance in 2021 is described in more detail on page 7.

*Growth in value*



**Skanska is one of the world's leading construction and project development companies, focused on selected home markets of the Nordic countries, Europe and the U.S.**

Through a leading position in innovation and sustainability, Skanska offers competitive solutions for both simple and the most complex assignments. The company is active in construction, residential development, commercial property development and investment properties. Construction is Skanska's largest business stream and involves construction of buildings, industrial facilities, infrastructure and housing. With this as a base, the company generates cash flow that can be invested in value-creating project

development. In residential development, housing is developed for sale primarily to private home buyers, and the commercial property development business initiates, invests in, develops, leases out and sells commercial property projects.

Skanska's operations are based on the premise that value is created in the thousands of projects carried out every year. The company's overarching aspiration is to create industry-leading shareholder value by being the customers' preferred partner and the industry's most attractive employer, by taking a value-driven approach to sustainable solutions, establishing successful partnerships and by continuing to improve operational efficiency.

### Industrivärden's shareholding



**5% of portfolio value**

|                           | 2021              | 2020       |
|---------------------------|-------------------|------------|
| Shareholding, no. shares: |                   |            |
| Class A shares            | <b>12,667,500</b> | 12,667,500 |
| Class B shares            | <b>18,500,000</b> | 18,500,000 |
| Market value, SEK M       | <b>7,299</b>      | 6,536      |
| Share of votes, %         | <b>24.3</b>       | 24.3       |
| Share of capital, %       | <b>7.4</b>        | 7.4        |
| Total return, SEK M       | <b>1,077</b>      | 55         |

| Key data  | 2021           | 2020    |
|---|----------------|---------|
| Net sales, SEK M  | <b>147,576</b> | 158,606 |
| Earnings after financial items, SEK M   | <b>9,660</b>   | 11,624  |
| Earnings per share, SEK   | <b>19.80</b>   | 22.46   |
| Cash flow from operating activities (adjusted for purchases and sales), SEK M | <b>4,185</b>   | 14,450  |
| Debt-equity ratio, net, %   | <b>-28</b>     | -19     |
| Dividend per share, SEK <sup>1</sup>  | <b>10.00</b>   | 9.50    |
| Share price, Class B shares, on December 31, SEK                              | <b>234.20</b>  | 209.70  |

1) Of which, ordinary dividend of SEK 7.00 per share in 2021 and SEK 6.50 per share in 2020.

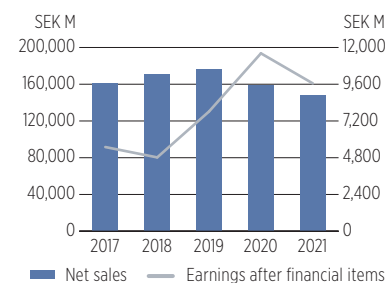
| Largest shareholders December 31, 2021 | Votes, % | Capital, % |
|--|----------|------------|
| Industrivärden                         | 24.3     | 7.4        |
| L E Lundbergsföretagen                 | 12.8     | 5.3        |
| AMF Pension & Funds                    | 4.0      | 5.7        |
| BlackRock                              | 2.0      | 2.8        |
| Handelsbanken Funds                    | 1.9      | 2.7        |
| Vanguard                               | 1.8      | 2.6        |
| Swedbank Robur Funds                   | 1.6      | 2.2        |
| Norges Bank Investment Management      | 1.3      | 1.9        |
| Skanska AB                             | 1.3      | 1.8        |
| Carnegie Funds                         | 1.2      | 1.8        |

Source: Holdings.

CEO: Anders Danielsson

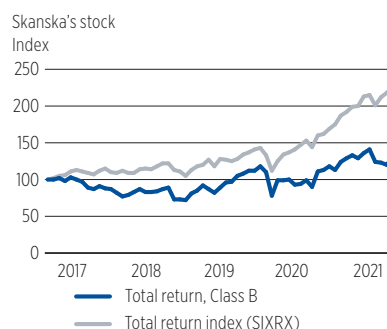
Chairman: Hans Biörck

### Net sales and earnings



Strong profitability in Construction and continued good performance for Residential Development and Commercial Property Development. Performance in 2021 is described in more detail on page 7.

### Growth in value





# Annual Report 2021

The Board of Directors and CEO of AB Industrivärden (publ), corporate identity number 556043-4200, herewith submit the annual report for the 2021 financial year for the Group and Parent Company.

The Company's Sustainability Report is presented on pages 22–26 and 73–78 in Industrivärden's business review and Annual Report for 2021.

The Board of Directors' registered office is in Stockholm, Sweden.

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# Administration of the Company

### Operations

Industrivärden is a listed holding company that contributes to the portfolio companies' long-term development and value creation through active ownership. Operations are based on a concentrated portfolio of listed Swedish companies with good value potential. By contributing to the portfolio companies' operational and strategic development, Industrivärden enables long-term shareholding at balanced risk. Operations are conducted by the Parent Company AB Industrivärden (publ), where the wholly owned subsidiaries have a supporting function.

### Important events

During 2021 shares were purchased in Sandvik for SEK 2.5 billion, in Volvo B for SEK 0.8 billion, in Handelsbanken A for SEK 0.5 billion, and in Essity B for SEK 0.5 billion. In addition, shares were sold in SSAB A for SEK 2.0 billion.

During the year a distribution in kind was received from Handelsbanken in the form of Industrivärden Class A shares, which were subsequently canceled pursuant to a resolution by an Extraordinary General Meeting. At year-end the Group held no own shares.

Industrivärden has managed to conduct its operations without major disruptions during the coronavirus pandemic. The Company has a good financial position with considerable scope to maneuver. The portfolio companies have been affected in various ways and have continuously taken measures to deal with the situation.

### Financial development

#### *Net asset value*

Net asset value on December 31, 2021, was SEK 332 per share, an increase of 22% during the year including reinvested dividend.

#### *Equities portfolio*

The value of the equities portfolio, adjusted for purchases and sales, increased by SEK 18.8 billion to SEK 150.0 billion. The total return was 21%. The composition and performance of the equities portfolio are presented on page 15 and in Note 11 on page 59.

#### *Net debt*

Net debt on December 31, 2021, was SEK 6.5 billion (7.7). The debt-equities ratio was 4% (6%).

#### *Parent Company*

The Parent Company's income after financial items as per December 31, 2021, was SEK 17,495 M (10,409). Shareholders' equity was SEK 87,970 M (74,044).

### Risks and uncertainties

Industrivärden's most significant risks consist of equities risk and to a smaller extent a few financial and operational risks. See Note 23 on page 63.

### Expected future performance

Industrivärden has a strong financial position with good flexibility, a proven business model for long-term value creation through active ownership and sizable shareholdings in large, well-managed companies with good future opportunities.

### Sustainability Report

Operations are based on a sustainable approach. The Sustainability Report is presented on pages 22–26 and 73–78 and is separate from the 2021 Annual Report.

### Industrivärden's stock

The number of shares outstanding in Industrivärden on December 31, 2021, was 431,899,108, of which 260,795,864 were Class A shares and 171,103,244 were Class C shares. Each Class A share carries entitlement to one vote and each Class C share carries entitlement to 1/10 vote. During 2021, 3,005,151 Class A shares were converted to Class C shares.

#### *Return*

The total return was 8% for the Class A shares and 10% for the Class C shares, compared with 39% for the total return index (SIXRX).

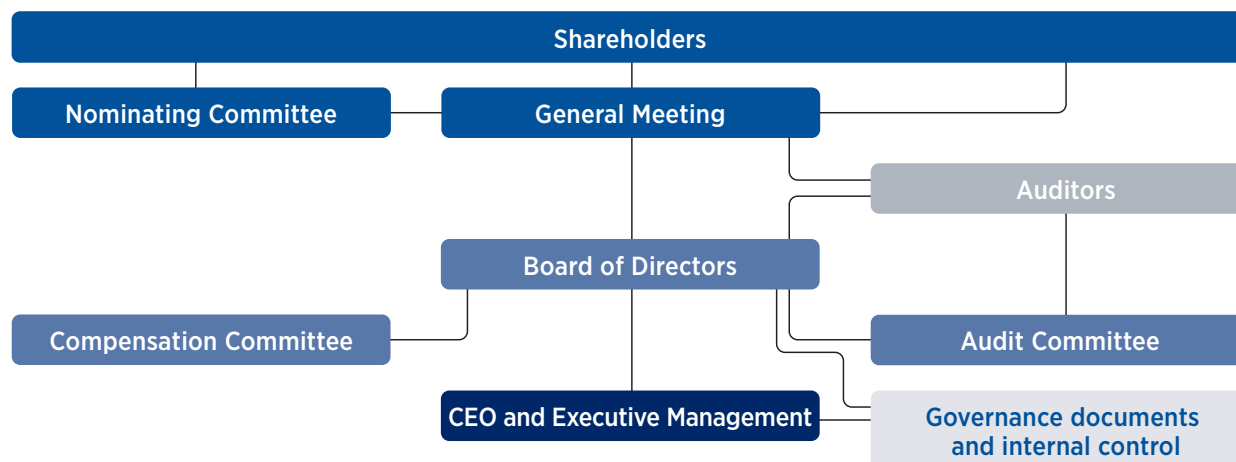
### Guidelines for compensation of senior executives

For information on compensation of senior executives and ongoing long-term incentive programs, see Note 7 on pages 57–58. The guidelines for compensation of senior executives adopted by the 2020 Annual General Meeting, which continue to apply, are outlined in the same note.

### Proposed distribution of earnings

According to the Parent Company balance sheet, retained earnings totaling SEK 85,819 M are at the disposal of the Annual General Meeting. The Board of Directors proposes that these earnings be distributed as follows: Payment of a dividend to the shareholders of SEK 6.75 per share, or a total SEK 2,915 M. The balance to be carried forward next year is SEK 82,904 M. The Board's proposal for distribution of earnings is presented in its entirety on page 64.

# Corporate Governance Report



## Corporate governance structure

Good corporate governance is of major importance for maintaining correct, transparent and trust-instilling management and control. Industrivärden's corporate governance is conducted on the basis of laws, the Stockholm Stock Exchange's Rule Book for Issuers ([www.nasdaq.com](http://www.nasdaq.com)), the Swedish Corporate Governance Code ("the Code"), the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes ([www.bolagsstyrning.se](http://www.bolagsstyrning.se)), and other applicable external rules and regulations. Among the internal governance documents that Industrivärden's corporate governance is based on are Industrivärden's Articles of Association, the instructions and Rules of Procedure for the Board of Directors, the Board's committees and the Chief Executive Officer (CEO), and various policies and guidelines for the Company's operations and organization.

The foundation of Industrivärden's corporate governance is made up of the central company bodies: the general meeting of shareholders, the Nominating Committee, the Board of Directors and its committees, the CEO and the auditor. At the Annual General Meeting (AGM), which is held within six months after the end of the financial year, the shareholders elect the Board of Directors and auditor. The Board of Directors appoints the CEO. The auditor audits the annual report and the Board's and CEO's administration. The Nominating Committee is tasked with, among other things, recommending board members, the Chairman of the Board and the auditor for election at the AGM.

Through the Articles of Association the shareholders have, among others, stipulated the object of the Company's business, the minimum and maximum number of board members, and the forms of conducting general meetings of shareholders. Industrivärden's Articles of Association and further information about the Company's corporate governance model are provided on Industrivärden's website under the menu Corporate Governance.

This Corporate Governance Report for the 2021 financial year has been prepared in accordance with the Annual Accounts Act and the Code, and has been reviewed by the Company's auditor. During 2021 Industrivärden did not depart from the Code.

## Shareholders

Industrivärden had approximately 204,000 shareholders on December 31, 2021. One shareholder (L E Lundberg-företagen) owns 10% or more of the number of votes. For further information on the ownership structure, see pages 30–31.

## General meetings

The shareholders' influence over Industrivärden's affairs is exercised at general meetings of shareholders, which are the Company's highest governing body. Class A shares carry entitlement to one vote, and Class C shares carry entitlement to one-tenth of a vote. Apart from what is prescribed by law regarding the shareholders' right to participate at general meetings, the Articles of Association prescribe that advance notification shall be made within a period of time stated in the notice of a general meeting.

At the AGM, resolutions are made concerning recommendations and proposals set forth by the Nominating Committee, the Board and the shareholders, and other legally ordained matters are addressed. Among other things, the income statement and balance sheet are adopted, a decision is made regarding the dividend, the Board of Directors and auditor are elected and their fees are set, and a decision is made on whether to discharge the directors and the CEO from liability. Guidelines for compensation of senior executives are adopted at least every four years, while a remuneration report is submitted to the AGM yearly for approval.

The 2021 AGM was held on April 21. On account of the coronavirus pandemic and to reduce the risk for transmission, the AGM was held – with support of temporary changes to law – through an advance voting procedure (so called postal voting). At the AGM, the following resolutions were made, among others:

- Ordinary dividend of SEK 6.25 per share (0.00) and an extra dividend of SEK 2.00 per share
- Re-election of all board members and of Fredrik Lundberg as Chairman of the Board
- Directors' fees in accordance with the Nominating Committee's recommendation
- Re-election of Deloitte AB as auditor
- Approval of the Board's remuneration report pursuant to Ch. 8 § 53 a of the Swedish Companies Act
- A long-term share savings program for Industrivärden employees
- Amendment of the Articles of Association in accordance with the Board's proposal

Further information on Industrivärden's 2021 AGM is available on Industrivärden's website under the menu Corporate Governance.

Industrivärden's 2022 Annual General Meeting will be held on April 21, 2022. For more information, see page 71 and Industrivärden's website under the menu Corporate Governance.

### Extraordinary General Meeting

In October 2021 an Extraordinary General Meeting of Handelsbanken resolved in favor of an extra dividend for the bank's shareholders, including Industrivärden, in the form of Industrivärden Class A shares. On November 23, 2021, an Extraordinary General Meeting of Industrivärden resolved in favor of (i) a reduction of Industrivärden's share capital by SEK 8,276,922.50 through cancellation of the 3,310,769 Class A shares in Industrivärden received by Industrivärden through the distribution in kind by Handelsbanken, and (ii) an increase of Industrivärden's

share capital by SEK 8,276,922.50 through a transfer from unrestricted equity, without the issuance of new shares.

### Nominating Committee

The Nominating Committee is responsible for performing the duties prescribed to it by the Code, and as a drafting body shall draw up recommendations for, among other things, election of the members of the Board of Directors, the Chairman of the Board and auditor, and for directors' and the auditor's fees, for decision by the Annual General Meeting.

In accordance with the resolution for the Nominating Committee made by the 2011 AGM, which applies until further notice, the Chairman of the Board is assigned the task of contacting four shareholders from among the largest registered shareholders in terms of votes in Euroclear Sweden AB's printout of the shareholder register as per the last business day in August, who each appoint one representative who is not a director on the Company's board, to form together with the Chairman of the Board a Nominating Committee for the time until a new Nominating Committee has been appointed. The Nominating Committee appoints a committee chair from among its members. The composition of the Nominating Committee shall be made public not later than six months before the next AGM. No fee is payable for work on the Nominating Committee. If a member leaves the Nominating Committee before its work has been completed, and if the Nominating Committee is of the opinion that there is a need to replace the departing member, the Nominating Committee shall appoint a new member. Any changes in the Nominating Committee's composition shall be made public immediately.

The Nominating Committee's composition ahead of the 2021 AGM and the Nominating Committee's report and reasoned statement are available on Industrivärden's website under the menu Corporate Governance.

## Attendance, fees and independence conditions

Board members re-elected at the 2021 Annual General Meeting

| Name               | Role          |                 |                        | Independent in relation to           |                    | Attendance at meetings |                 |                        | Decided fee 2021, SEK 000s |
|--------------------|---------------|-----------------|------------------------|--------------------------------------|--------------------|------------------------|-----------------|------------------------|----------------------------|
|                    | Role on Board | Audit Committee | Compensation Committee | The Company and Executive Management | Major shareholders | Board                  | Audit Committee | Compensation Committee |                            |
| Fredrik Lundberg   | Chairman      | Member          | Chair                  | x                                    | -                  | 11                     | 3               | 3                      | 2,120                      |
| Pär Boman          | Vice Chairman | Chair           | -                      | x                                    | -                  | 11                     | 3               | -                      | 1,280                      |
| Christian Caspar   | Director      | Member          | -                      | x                                    | x                  | 11                     | 3               | -                      | 640                        |
| Marika Fredriksson | Director      | -               | -                      | x                                    | x                  | 10                     | -               | -                      | 640                        |
| Bengt Kjell        | Director      | -               | -                      | x                                    | x                  | 9                      | -               | -                      | 640                        |
| Annika Lundius     | Director      | -               | Member                 | x                                    | x                  | 11                     | -               | 3                      | 640                        |
| Lars Pettersson    | Director      | -               | Member                 | x                                    | -                  | 11                     | -               | 3                      | 640                        |
| Helena Stjernholm  | Director      | -               | -                      | -                                    | x                  | 11                     | -               | -                      | -                          |
| <b>Total</b>       |               |                 |                        |                                      |                    |                        |                 |                        | <b>6,600</b>               |

The Nominating Committee ahead of the 2022 AGM has the following composition: Mats Guldbrand (L E Lundbergföretagen), Stefan Nilsson (Handelsbanken Pension Fund and others), Mikael Schmidt (SCA and Essity Pension Foundations and others), Bo Damberg (the Jan Wallander and Tom Hedelius Foundation and others), and Fredrik Lundberg (Chairman of the Board of Industrivärden). Mats Guldbrand has been appointed as committee chair.

## Board of Directors

### *The Board's role, composition and fees*

The Board of Directors has ultimate responsibility for Industrivärden's organization and administration, and plays a central role in Industrivärden's business model for exercising long-term active ownership. It is responsible for, among other things, the Company's strategy, matters involving major purchases and sales of securities, formulation and application of the methods for active ownership, and overarching ownership matters concerning the portfolio companies. The Articles of Association stipulate that the Board shall consist of a minimum of three and a maximum of nine directors. The Board's composition, the directors' attendance at board and committee meetings, and directors' fees are shown in the table on the preceding page. For a more detailed presentation of the board members, see page 48 and Industrivärden's website, under the menu Corporate Governance.

The Nominating Committee's reasoned statement ahead of the 2021 AGM certifies that in formulating its recommendations for members of the Board of Directors, the Nominating Committee relied on Rule 4.1 of the Code as its diversity policy. The aim of the policy is that the Board shall have a suitable composition in respect of the Company's operations, phase of development and conditions in general, distinguished by a diversity and breadth of expertise, experience and backgrounds, whereby an even gender balance shall be strived for. The 2021 AGM resolved to elect board members in accordance with the Nominating Committee's recommendation, entailing that eight directors were elected, of whom three are women and five are men.

The composition of Industrivärden's board meets the Code's requirement for independent directors. The Nominating Committee's assessment regarding the directors' independence conditions ahead of the 2021 AGM is outlined in the table on the preceding page.

The Board has appointed an audit committee and a compensation committee tasked with conducting preparatory work for audit and compensation matters, respectively, for decision by the Board. The aim of the committees is to take a more in-depth look at, streamline and quality-assure the Board's work on these matters. The committees are described in more detail below.

### *The Board's work*

The Board's duties are laid out in the Rules of Procedure (incl. the CEO's instruction), which are adopted yearly at the statutory board meeting. The Rules of Procedure and the CEO's instruction regulate and structure the Board's duties during the year, clarify internal decision-making processes and prescribe the division of responsibility vis-à-vis the CEO.

In addition to the Rules of Procedure, the Board adopts a number of governance documents for the Company's operations. For further information, see the section "Internal control over financial reporting" on page 47. Every board meeting follows an agenda that has been distributed to the directors along with relevant documentation. All board decisions are based on extensive documentation and are made following a discussion that is led by the Chairman of the Board.

In addition to the statutory board meeting, which is held in conjunction with the AGM, the Board normally meets eight times per year (regular meetings, including meetings in connection with the publication of interim and year-end reports). Extra board meetings are convened when necessary. In 2021 the Board held a total of eleven meetings.

The regular board meetings cover a number of set agenda points. These include, among other things, a report on the financial result of operations, the development of net asset value and performance of the equities portfolio, and on equity transactions that have been carried out. Reporting also includes a description of the portfolio companies' performance and macroeconomic conditions. In addition, a special review is normally conducted of one or more of the portfolio companies. Industrivärden's owner agendas for the portfolio companies are also updated on a continuous basis and are reported to the Board. Through representation on the portfolio companies' boards and nominating committees, Industrivärden's board members and executive management play a central role in exercising active ownership. Senior executives of Industrivärden participate at board meetings to give presentations on specific matters. During 2021, within the framework of active ownership and as in earlier years, a significant part of the Board's work consisted of hearing reports from members of the Executive Management covering Industrivärden's more in-depth view and owner agenda for a couple of the portfolio companies, and discussing and evaluating these owner agendas. In addition, the CEOs of a couple of the portfolio companies gave presentations on their respective companies' operations and development.

Each year the Board evaluates Industrivärden's financial reporting and makes demands on its content and structure to ensure it maintains a high level of quality. In connection with the board meeting that deals with the annual financial statements, the Board of Directors' Report, the proposed distribution of earnings and the year-end report, the Company's auditor submits a report on its observations and assessments from the performed audit.



### *Evaluation of the Board's work*

The Board's work is evaluated yearly in a structured process conducted under the direction of the Chairman of the Board. The 2021 evaluation was conducted by means of a questionnaire that each board member was requested to complete, in the aim of gaining an idea about the directors' views on, among other things, how the board work has been conducted and which measures can be taken to improve the board work as well as which matters the directors feel should be given more attention and in which areas it could possibly be suitable to have additional expertise on the Board. The results of this evaluation were reported to and discussed by the Board. In addition, the Chairman's work on the Board was evaluated with him not being present. The conclusions of these evaluations and discussions were that the board work was considered to work very well, which was reported on in the Nominating Committee.

### *Audit Committee*

The Audit Committee serves in a preparatory and oversight role with respect to the Company's risk management, governance and control over financial reporting. The committee maintains regular contact with the auditor to ensure that the Company's internal and external reporting meet the requirements placed on a listed company, monitor the effectiveness of the Company's internal control over financial reporting, stay informed about the audit of the annual report and consolidated financial statements, and to discuss the scope and focus of the audit work with the auditor. In addition, the Audit Committee reviews and oversees the auditor's impartiality and independence, and issues guidelines for which other services than auditing may be procured from the Company's auditor. The Audit Committee also makes recommendations for election of the auditor and, where applicable, handles procurement of services from the auditor. The auditor reports on its observations to the Audit Committee on a regular basis.

The Audit Committee held three meetings in 2021. The Company's auditors participated at all three meetings. The members of the Audit Committee are listed in the table on page 44. No fees have been paid to the board members for their work on the committee.

### *Compensation Committee*

The Compensation Committee has a preparatory role ahead of the Board's decisions on matters concerning principles for compensation and other terms of employment for the CEO and senior executives, and evaluates variable compensation programs for members of the Executive Management, application of the compensation guidelines for senior executives that the AGM decides on, and applicable compensation structures and compensation levels in the Company.

The Compensation Committee held three meetings in 2021. The members of the Compensation Committee are listed in the table on page 44. No fees have been paid to the board members for their work on the committee.

## **CEO and Executive Management**

The CEO is responsible for Industrivärden's operating activities in accordance with the objectives and strategies set by the Board of Directors as well as in accordance with the division of responsibilities laid out in the CEO's instruction. The CEO's duties include, among other things, leading and structuring the investment and analysis operations, deciding on equity transactions, preparing owner agendas, and responsibility for personnel, finance and business administration matters.

The CEO organizes the operations and appoints the senior executives who make up Industrivärden's Executive Management. Other members of the Executive Management support the CEO in her assignment. The CEO reports to the Board of Directors on a regular basis on the performance of operations in order to facilitate well-informed board decisions. The Board continuously evaluates the CEO's work by monitoring performance of the operations based on set goals, and a comprehensive evaluation is performed yearly. For a more detailed presentation of Industrivärden's CEO and Executive Management, see page 49 and Industrivärden's website under the menu Corporate Governance.

## **Compensation**

### *Directors' fees 2021*

The 2021 AGM resolved on directors' fees in accordance with the table on page 44.

### *Guidelines for compensation of senior executives 2021*

The guidelines for compensation of senior executives are to be adopted at least every four years. The compensation guidelines that were adopted by the 2020 AGM were updated to meet the requirements of the EU Shareholder Rights Directive. Ahead of the 2021 AGM, the Board did not find any reason to recommend changes to the guidelines that were adopted by the 2020 AGM, which therefore applied unchanged in 2021. Information about these compensation guidelines is provided in Note 7 on pages 57–58.

### *Guidelines for compensation of senior executives 2022*

Ahead of the 2022 AGM, the Board has not found reason to recommend changes to the guidelines adopted by the 2020 AGM, which therefore apply without change in 2022.

### *Remuneration report 2021*

A remuneration report will be published on Industrivärden's website under the menu Corporate Governance.

## Auditor

The Annual General Meeting appoints the Company's auditor yearly. The auditor audits the annual report, the bookkeeping and the Board's and CEO's administration of the Company. The auditor reports to the Annual General Meeting.

At the 2021 AGM, Deloitte AB was re-elected as auditor for a term lasting through the 2022 AGM. The chief auditor is Hans Warén (born 1964), Authorized Public Accountant, who has been active as an auditor since 1987. In addition to his assignment for Industrivärden, in 2021 Hans Warén was chief auditor for the listed companies Axfood, SKF and Trelleborg, among others.

In 2021 the Company's auditor reviewed the half-year report and the year-end report and audited the annual report, the consolidated financial statements and ESEF report. The auditor has submitted written as well as oral reports to the Audit Committee and the Board. The auditor's report for 2021 is provided on pages 65–68, and the auditor's fee is shown in Note 4 on page 56.

## Internal control over financial reporting

### *Control environment*

Internal control at Industrivärden aims primarily to ensure a correct valuation of outstanding equity positions as well as effective and reliable controls in the reporting of purchases and sales of shares and other securities.

Industrivärden's control environment is built upon a clear division of duties and responsibilities between the Company's various bodies and functions, a sound corporate culture and transparent operations. Relevant policies and guidelines are decided on and evaluated on a continuing basis by the Company's board and management. These frameworks, together with internal, formal process descriptions, are well-established and known by the pertinent employees.

Relevant governance documents adopted by the Board of Directors include, among others, the CEO's instructions, which stipulate the division of responsibility between the Board and the CEO, and the Investment and Finance Policy, which lays out the frameworks for investments in financial instruments, financing and management of financial risks. Decision-making channels, authority and responsibility at the operational level are defined in more detail by the CEO in Investment Rules, the Risk Policy and Authorization Instructions.

### *Risk assessment*

Industrivärden continuously identifies, assesses and manages risks for material errors in the financial reporting. This process is fundamental for ensuring that the financial reporting is reliable. The Company's assessments and measures are reported on a regular basis to the Audit Committee. Risk management is described in more detail in Note 23 on page 63.



### *Control activities*

Industrivärden has established a number of different control activities aimed at ensuring the effectiveness of the measures taken to prevent material errors in the financial reporting. Relevant control and monitoring activities make up an integral part of Industrivärden's business, decision-making and accounting processes.

The Board of Directors continuously evaluates the financial reporting that is received in connection with board meetings and which covers the equities portfolio, gearing and other important conditions. The Audit Committee carries on a continuous dialogue with the Company's auditor on the scope and quality of the Company's financial reporting.

Against the background of Industrivärden's operations, organizational structure and how the financial reporting in other respects is organized, in 2021 the Board did not find a need for a dedicated audit function in the form of internal audit.

### *Information and communication*

Industrivärden's communication of external information is regulated by an Information Policy that is adopted by the Company's board. In addition, internal guidelines are in place to ensure information security, and correct and reliable communication of information.

### *Monitoring*

Industrivärden's board and management continuously evaluate the effectiveness and quality of internal control over financial reporting. Management reports on the Company's operational and financial development to the Board on a regular basis in connection with forthcoming interim reporting, and board and Audit Committee meetings. Between such occasions, reporting is conducted as needed. The Company's auditor reports its observations to the Audit Committee on a continuing basis.

# Board of Directors



## **FREDRIK LUNDBERG** (1951)

Chairman of the Board since 2015  
Director since 2004  
B.Sc. Eng., B.Sc. Econ., Honorary Ph.D. in Economics, Honorary Ph.D. in Technology. President and CEO of L E Lundbergföretagen. Chairman of Holmen and Hufvudstaden. Vice Chairman of Handelsbanken. Director of L E Lundbergföretagen and Skanska. Active in L E Lundbergföretagen since 1977.  
Shareholding: Own 9,462,306, closely related natural person 21,153 and closely related legal entities 83,397,903\*



## **PÄR BOMAN** (1961)

Vice Chairman since 2015  
Director since 2013  
Engineering and Business/Economics degree. Honorary Ph.D. in Economics  
Chairman of Handelsbanken, Essity and SCA. Director of Skanska. Former President and CEO of Handelsbanken.  
Shareholding: Own 230, closely related legal entities 11,538



## **CHRISTIAN CASPAR** (1951)

Director since 2011  
B.Sc. Econ.  
Director of Stena and Goodgrower SA. More than 30 years of experience from leading positions at McKinsey & Company.  
Shareholding: Own 1,000



## **MARIKA FREDRIKSSON** (1963)

Director since 2020  
B.Sc. Econ.  
CFO of Vestas Wind Systems A/S (through March, 1, 2022). Former CFO of Gambro, Autoliv and Volvo Construction Equipment. Director of Sandvik.  
Shareholding: -



## **BENGT KJELL** (1954)

Director since 2015  
B.Sc. Econ.  
Vice Chairman of Indutrade, Pandox and Logistea. Former acting President and former Executive Vice President of Industrivärden. President of AB Handel och Industri, partner of Navet.  
Shareholding: Own 25,107 and closely related natural person 7



## **ANNIKA LUNDIUS** (1951)

Director since 2014  
LL.M.  
Vice Chairman of the Swedish Tax Agency. Former Deputy Director General of the Confederation of Swedish Enterprise, Legal Director and Financial Counselor in the Swedish Ministry of Finance, and CEO of Insurance Sweden.  
Shareholding: Own 3,991 and closely related legal entities 1,500



## **LARS PETTERSSON** (1954)

Director since 2015  
M.Sc. Eng., Honorary Ph.D.  
Chairman of KP Komponenter A/S. Director of L E Lundbergföretagen, Indutrade and Husqvarna. Former President and CEO of Sandvik, and previously held executive positions in the Sandvik Group.  
Shareholding: Own 5,000



## **HELENA STJERNHOLM** (1970)

Director since 2016, President and CEO since 2015  
M.Sc. Eng., Honorary Ph.D.  
M.Sc. Business Administration  
Vice Chairman of Ericsson. Director of Sandvik and Volvo. Professional experience: Partner and Chief Investment Officer at IK Investment Partners, strategic consultant at Bain & Company.  
Shareholding: Own 80,000 and 75,000 call options. Closely related natural person: 1,400 shares

Holdings as per February 10, 2022. The information is published annually in conjunction with the publication of the Company's Corporate Governance Report/Annual Report and notice of Annual General Meeting, and at other times in connection with major changes.

\*Pertains to holdings in L E Lundbergföretagen (81,000,000) and Förvaltnings AB Lunden (2,397,903).

# Executive Management



**HELENA STJERNHOLM** (1970)

*President and CEO  
M.Sc. Business Administration  
Industrivärden employee since 2015  
Director since 2016*  
Vice Chairman of Ericsson. Director of Sandvik and Volvo. Professional experience: Partner and Chief Investment Officer at IK Investment Partners, strategic consultant at Bain & Company.  
*Shareholding: Own 80,000 and 75,000 call options. Closely related natural person: 1,400 shares*



**KARL ÅBERG** (1979)

*Head of Investment and Analysis Organization  
M.Sc. Business Administration  
Industrivärden employee since 2017*  
Professional experience: Partner and company head at Zeres Capital, partner at CapMan, various roles at Handelsbanken Capital Markets.  
*Shareholding: Own 9,870*



**JAN ÖHMAN** (1960)

*Chief Financial Officer  
Economics degree  
Industrivärden employee since 2019*  
Professional experience: CFO at IPCO and Indutrade, several leading positions at Sandvik and Boliden.  
*Shareholding: Own 14,000*



**SVERKER SIVALL** (1970)

*Head of Corporate Communications and Sustainability  
M.Sc. Business Administration  
Industrivärden employee since 1997*  
Professional experience: Head of Investor Relations for Industrivärden, Investment Controller at AstraZeneca.  
*Shareholding: Own 16,800*



**JENNIE KNUTSSON** (1976)

*General Counsel  
LL.M.  
Industrivärden employee since 2015*  
Professional experience: Legal Counsel at Industrivärden, Legal Associate at Mannheimer Swartling Advokatbyrå.  
*Shareholding: Own 5,500*



# Financial statements

## INDUSTRI VÄRDEN

### Year-End Report 2021

January 1 - December 31, 2021

- Net asset value on September 30, 2021, amounted to SEK 120.6 billion, or SEK 240 per share, an increase during the first nine months of the year of SEK 10 per share, including reinvested dividend, net asset value increased by 4%.
- The total return for the first nine months 2021 was 4% for the Class A and Class C1 shares, compared with 24% for the Stockholm Stock Exchange's total return index (SIXRXN).
- Earnings per share for the period were SEK 24.00.
- During the first nine months 2021, shares were purchased in Sweden for SEK 1.0 billion, in Value for SEK 0.8 billion, in Equity for SEK 0.8 billion and in Handelsbanken for SEK 0.2 billion.
- The shareholding in IAVB was divested in May for SEK 2.0 billion.
- The debt-equity ratio as per September 30, 2021, was 4%.

#### Value performance

Average annual change as per September 30, 2021



# Income statement

| SEK M  | Note | Group         |              | Parent Company |               |
|--|------|---------------|--------------|----------------|---------------|
|  |      | 2021          | 2020         | 2021           | 2020          |
| Dividend income  | 2    | 8,081         | 657          | 5,522          | 232           |
| Change in value of shares, etc.                              | 3    | 18,774        | 8,008        | 12,152         | 10,355        |
| Management cost  | 4, 7 | -127          | -130         | -127           | -130          |
| <b>Operating income</b>                                      |      | <b>26,728</b> | <b>8,535</b> | <b>17,547</b>  | <b>10,457</b> |
| Financial income   | 6    | 0             | 1            | 0              | 1             |
| Financial expenses   | 6    | -53           | -49          | -52            | -49           |
| <b>Income after financial items</b>                          |      | <b>26,675</b> | <b>8,487</b> | <b>17,495</b>  | <b>10,409</b> |
| Tax  | 8    | -81           | -47          | -              | -             |
| <b>Net income for the year</b>                               |      | <b>26,594</b> | <b>8,440</b> | <b>17,495</b>  | <b>10,409</b> |
| <b>Earnings per share (there is no dilution effect), SEK</b> | 9    | <b>61.57</b>  | <b>19.54</b> |                |               |

## Statement of comprehensive income

|   |               |              |               |               |
|---|---------------|--------------|---------------|---------------|
| Net income for the year   | 26,594        | 8,440        | 17,495        | 10,409        |
| <b><i>Items that are not to be reclassified in the income statement</i></b> |               |              |               |               |
| Actuarial gains and losses pertaining to pensions                           | 18            | 0            | 18            | 0             |
| <b>Comprehensive income for the year</b>                                    | <b>26,612</b> | <b>8,440</b> | <b>17,513</b> | <b>10,409</b> |

# Balance sheet

| SEK M   | Note       | Group           |                 | Parent Company  |                 |
|---|------------|-----------------|-----------------|-----------------|-----------------|
|   |            | Dec. 31<br>2021 | Dec. 31<br>2020 | Dec. 31<br>2021 | Dec. 31<br>2020 |
| <b>ASSETS</b>                                     |            |                 |                 |                 |                 |
| Property, plant and equipment                     | 10         | 18              | 21              | 18              | 21              |
| Equities  | 11, 14     | 149,955         | 128,893         | 51,061          | 41,786          |
| Shares in associated companies                    | 11, 12, 14 | -               | -               | 43,017          | 38,597          |
| Shares in subsidiaries                            | 13, 14, 25 | -               | -               | 1,735           | 1,735           |
| <b>Total non-current assets</b>                   |            | <b>149,973</b>  | <b>128,914</b>  | <b>95,831</b>   | <b>82,138</b>   |
| Current financial receivables                     |            | 41              | 164             | -               | 125             |
| Other current receivables                         | 15         | 41              | 32              | 41              | 31              |
| Cash and cash equivalents                         |            | 697             | 0               | -               | -               |
| <b>Total current assets</b>                       |            | <b>779</b>      | <b>196</b>      | <b>41</b>       | <b>156</b>      |
| <b>TOTAL ASSETS</b>                               |            | <b>150,752</b>  | <b>129,110</b>  | <b>95,872</b>   | <b>82,294</b>   |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |            |                 |                 |                 |                 |
| Share capital                                     | 16         | 1,088           | 1,088           | 1,088           | 1,088           |
| Other capital contributions/Statutory reserve     | 16         | 1,063           | 1,063           | 1,063           | 1,063           |
| Retained earnings                                 | 16         | 114,334         | 110,385         | 68,324          | 61,484          |
| Net income for the year                           |            | 26,594          | 8,440           | 17,495          | 10,409          |
| <b>Total shareholders' equity</b>                 |            | <b>143,079</b>  | <b>120,976</b>  | <b>87,970</b>   | <b>74,044</b>   |
| Non-current financial liabilities                 | 17         | 5,504           | 4,507           | 5,504           | 4,507           |
| Provision for pensions                            | 18         | 14              | 42              | 14              | 42              |
| Deferred tax liability                            | 8          | 164             | 140             | -               | -               |
| Other non-current liabilities                     |            | 103             | 73              | 103             | 73              |
| <b>Total non-current liabilities</b>              |            | <b>5,785</b>    | <b>4,762</b>    | <b>5,621</b>    | <b>4,622</b>    |
| Current financial liabilities                     | 17         | 1,720           | 3,269           | 2,182           | 3,539           |
| Other current liabilities                         | 19         | 168             | 103             | 99              | 89              |
| <b>Total current liabilities</b>                  |            | <b>1,888</b>    | <b>3,372</b>    | <b>2,281</b>    | <b>3,628</b>    |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |            | <b>150,752</b>  | <b>129,110</b>  | <b>95,872</b>   | <b>82,294</b>   |

Information about the Group's pledged assets and contingent liabilities is provided in Note 20.

# Shareholders' equity

## Group

| SEK M  | Share capital <sup>1</sup> | Other capital contributions | Retained earnings | Net income for the year | Total shareholders' equity |
|--|----------------------------|-----------------------------|-------------------|-------------------------|----------------------------|
| Shareholders' equity as per adopted balance sheet at December 31, 2019 | 1,088                      | 1,063                       | 80,540            | 29,837                  | 112,528                    |
| Net income for the year  | -                          | -                           | -                 | 8,440                   | 8,440                      |
| Actuarial gains and losses pertaining to pensions                      | -                          | -                           | 0                 | -                       | 0                          |
| <b>Total comprehensive income</b>                                      | <b>-</b>                   | <b>-</b>                    | <b>0</b>          | <b>8,440</b>            | <b>8,440</b>               |
| Transfer of previous year's net income                                 | -                          | -                           | 29,837            | -29,837                 | -                          |
| Dividend to shareholders   | -                          | -                           | -                 | -                       | -                          |
| Share savings program  | -                          | -                           | 8                 | -                       | 8                          |
| <b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2020</b>                   | <b>1,088</b>               | <b>1,063</b>                | <b>110,385</b>    | <b>8,440</b>            | <b>120,976</b>             |
| Net income for the year  | -                          | -                           | -                 | 26,594                  | 26,594                     |
| Actuarial gains and losses pertaining to pensions                      | -                          | -                           | 18                | -                       | 18                         |
| <b>Total comprehensive income</b>                                      | <b>-</b>                   | <b>-</b>                    | <b>18</b>         | <b>26,594</b>           | <b>26,612</b>              |
| Transfer of previous year's net income                                 | -                          | -                           | 8,440             | -8,440                  | -                          |
| Transaction in own shares <sup>2</sup>                                 | -                          | -                           | -922              | -                       | -922                       |
| Cancellation of shares   | -8                         | -                           | 8                 | -                       | -                          |
| Bonus issue  | 8                          | -                           | -8                | -                       | -                          |
| Dividend to shareholders <sup>3</sup>                                  | -                          | -                           | -3,590            | -                       | -3,590                     |
| Share savings program  | -                          | -                           | 3                 | -                       | 3                          |
| <b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2021</b>                   | <b>1,088</b>               | <b>1,063</b>                | <b>114,334</b>    | <b>26,594</b>           | <b>143,079</b>             |

## Parent Company

| SEK M  | Share capital <sup>1</sup> | Statutory reserve | Retained earnings | Net income for the year | Total shareholders' equity |
|--|----------------------------|-------------------|-------------------|-------------------------|----------------------------|
| Shareholders' equity as per adopted balance sheet at December 31, 2019 | 1,088                      | 1,063             | 41,630            | 19,846                  | 63,627                     |
| Net income for the year  | -                          | -                 | -                 | 10,409                  | 10,409                     |
| Actuarial gains and losses pertaining to pensions                      | -                          | -                 | 0                 | -                       | 0                          |
| <b>Total comprehensive income</b>                                      | <b>-</b>                   | <b>-</b>          | <b>0</b>          | <b>10,409</b>           | <b>10,409</b>              |
| Transfer of previous year's net income                                 | -                          | -                 | 19,846            | -19,846                 | -                          |
| Dividend to shareholders   | -                          | -                 | -                 | -                       | -                          |
| Share savings program  | -                          | -                 | 8                 | -                       | 8                          |
| <b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2020</b>                   | <b>1,088</b>               | <b>1,063</b>      | <b>61,484</b>     | <b>10,409</b>           | <b>74,044</b>              |
| Net income for the year  | -                          | -                 | -                 | 17,495                  | 17,495                     |
| Actuarial gains and losses pertaining to pensions                      | -                          | -                 | 18                | -                       | 18                         |
| <b>Total comprehensive income</b>                                      | <b>-</b>                   | <b>-</b>          | <b>18</b>         | <b>17,495</b>           | <b>17,513</b>              |
| Transfer of previous year's net income                                 | -                          | -                 | 10,409            | -10,409                 | -                          |
| Cancellation of shares   | -8                         | -                 | 8                 | -                       | -                          |
| Bonus issue  | 8                          | -                 | -8                | -                       | -                          |
| Dividend to shareholders <sup>3</sup>                                  | -                          | -                 | -3,590            | -                       | -3,590                     |
| Share savings program  | -                          | -                 | 3                 | -                       | 3                          |
| <b>SHAREHOLDERS' EQUITY AS PER DECEMBER 31, 2021</b>                   | <b>1,088</b>               | <b>1,063</b>      | <b>68,324</b>     | <b>17,495</b>           | <b>87,970</b>              |

1) As per December 31, 2021, there were 431,899,108 shares outstanding, of which 260,795,864 were Class A shares and 171,103,244 were Class C shares. The share capital amounted to SEK 657 M for the Class A shares and SEK 431 M for the Class C shares. The share quota value is SEK 2.52.

2) Pertains to a distribution in kind from Handelsbanken in the form of own shares. Further information is provided in Notes 1, 2 and 16.

3) The dividend in 2021 was SEK 8.25 per share, of which SEK 2.00 per share was an extra dividend.

# Statement of cash flows

| SEK M  | Note  | Group         |               | Parent Company |               |
|--|-------|---------------|---------------|----------------|---------------|
|  |       | 2021          | 2020          | 2021           | 2020          |
| <b>Operating activities</b>                                |       |               |               |                |               |
| Dividends received   | 2     | 7,159         | 657           | 5,522          | 232           |
| Management cost paid                                       |       | -137          | -133          | -137           | -133          |
| Cash flow from operating activities before financial items |       | 7,022         | 524           | 5,385          | 99            |
| Interest received  |       | 0             | 1             | 0              | 1             |
| Interest paid  |       | -25           | -27           | -25            | -27           |
| Other financial items                                      |       | -9            | -7            | -8             | -7            |
| <b>Cash flow from operating activities</b>                 |       | <b>6,988</b>  | <b>491</b>    | <b>5,352</b>   | <b>66</b>     |
| <b>Investing activities</b>                                |       |               |               |                |               |
| Purchases of shares  | 5, 14 | -4,263        | -4,311        | -3,292         | -2,434        |
| Sales of shares  | 5, 14 | 2,004         | 205           | 1,778          | -             |
| <b>Cash flow from investing activities</b>                 |       | <b>-2,258</b> | <b>-4,106</b> | <b>-1,513</b>  | <b>-2,434</b> |
| <b>Financing activities</b>                                |       |               |               |                |               |
| Loans raised   |       | 2,489         | 4,375         | 2,489          | 4,375         |
| Amortization of debt                                       |       | -3,056        | -816          | -3,054         | -804          |
| Change in financial investments                            |       | 125           | -             | 125            | -             |
| Change in financing of subsidiaries                        |       | -             | -             | 192            | -1,203        |
| Dividend paid  |       | -3,590        | -             | -3,590         | -             |
| <b>Cash flow from financing activities</b>                 |       | <b>-4,033</b> | <b>3,559</b>  | <b>-3,838</b>  | <b>2,368</b>  |
| <b>NET CASH FLOW FOR THE YEAR</b>                          |       | <b>697</b>    | <b>-56</b>    | <b>0</b>       | <b>0</b>      |
| Cash and cash equivalents at start of year                 |       | 0             | 56            | -              | -             |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>            |       | <b>697</b>    | <b>0</b>      | <b>-</b>       | <b>-</b>      |

Information on the Group's net debt is provided in Note 22.

# Notes to the financial statements

Amounts in millions of Swedish kronor (SEK M) unless stated otherwise.

## Note 1. Accounting policies

### Conformity with norms and laws

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the EU. In addition, Swedish Financial Reporting Board recommendation RFR 1, Supplementary Reporting Rules for Groups, has been applied. The annual report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and with application of RFR 2 – Accounting for Legal Entities.

New or revised IFRSs and interpretations from the IFRS Interpretations Committee (IFRIC) have not had any effect on the Group's or Parent Company's result of operations or position.

### Principles of consolidation

According to IFRS 10, Industrivärden is classified as an Investment Entity and as such does not consolidate certain subsidiaries.

Subsidiaries that serve in a supporting function for the Parent Company are consolidated in accordance with the acquisition method. Subsidiaries and associated companies that are investments are not consolidated, but are measured at fair value through profit and loss and are presented under the item Equities. For further information, see Notes 11 and 25.

### Parent Company reporting

The Parent Company reports shares in subsidiaries at cost, while associated companies and other holdings are carried at fair value. The capital gain or loss generated upon the sale of shares is calculated accordingly.

### Functional currency and presentation currency

The financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional currency and also the presentation currency for the Parent Company and Group.

### Foreign currency

Transactions in foreign currency are translated to the functional currency using the exchange rate in effect on the transaction date. Assets and liabilities in foreign currency are translated to the functional currency using the exchange rate in effect on the balance sheet date.

### Dividends

Dividend income is recognized when the right to receive the dividend has been determined.

The distribution in kind received from Handelsbanken in the form of Industrivärden Class A shares has been determined to constitute a dividend from the holding in Handelsbanken. The distribution in kind, which is equated with dividends from other holdings, is recognized in the Group as dividend income in the income statement. This thus affects key ratios based on the income statement. Since the Group cannot report any value of own shares, a corresponding reduction has been made of shareholders' equity. Further information is provided in Note 16.

### Tax

According to the Income Tax Act, the Parent Company is classified as an investment company. The main principles concerning taxation of investment companies are that dividends received and interest income are taxable, while dividends paid, interest expenses and management costs are tax deductible. In addition, capital gains on sales of shares are tax exempt, but in return, a standardized level of income, which amounts to 1.5% of the market value of the equities portfolio at the start of the financial year, is taxed. The basis for calculating the standardized level of income does not include business-related shares, by which is meant unlisted shares as well as listed shares in which the holding corresponds to at least 10% of the number of votes. In order for listed shares to be excluded from the standardized income calculation, they must have been

held for at least one year. The tax rules for investment companies entail that the Parent Company, as an intermediary, has the option to avoid a taxable surplus by paying a dividend. As a result of applicable rules, the Parent Company normally does not pay any income tax. In addition, the tax rules for investment companies also entail that the Parent Company can neither pay nor receive Group contributions. Any tax-loss carryforwards are deductible and may be accumulated in order to be deducted from future taxable surpluses. The Parent Company does not report deferred tax assets for tax-loss carryforwards, since the purpose of taxation of investment companies is that the intermediary will not be taxed. For further information, see Note 8.

### Financial instruments

Financial assets and liabilities are classified in the following categories: financial assets and liabilities measured at amortized cost, and financial assets and liabilities measured at fair value through profit and loss. The classification is based on the Group's business model and the assets' and liabilities' contractual terms.

Industrivärden recognizes continuing changes in value of all listed shareholdings and equity derivatives through profit and loss. Purchases and sales of financial instruments are recognized as per the transaction date. For further information, see Notes 3 and 5.

### Issued stock options

Option premiums received are booked as a liability and are deducted from premiums paid upon repurchase. If an issued option expires without being exercised, the premium is recognized as income. Upon exercise of an issued option, the premium increases the exercise price upon the sale of shares or reduces the exercise price upon the purchase of shares.

On the balance sheet date, the fair value of issued options is determined, and the difference between the fair value and provisioned premiums is recognized in income. The outstanding options are carried on the balance sheet as other non-current liabilities.

### Cash and cash equivalents

Cash and cash equivalents include – in addition to cash and bank balances – short-term financial investments with remaining terms of less than three months.

### Property, plant and equipment

Equipment is carried at cost after deducting accumulated depreciation and any impairment losses. Depreciation is recognized on a straight-line basis over the asset's estimated useful life, which is estimated to be between three and five years. Estimation of an asset's residual value and useful life is done yearly.

Leases are recognized as a right of use measured at cost less depreciation. In addition, a lease liability is recognized, measured as the present value of lease payments that have not been paid at that point in time. Rights of use coupled to leased assets are included on the balance sheet among property, plant and equipment. The lease liability is included in Non-current financial liabilities and in Current financial liabilities.

### Employee compensation

#### Pensions

The Group has both defined contribution and defined benefit pension plans. Costs for defined contribution pension plans are expensed in pace with payment of premiums. Defined benefit pension plans with Alecta are reported as defined contribution plans, since insufficient information is available to report these as defined benefit plans. No current employees have defined benefit plans. The pension liability refers to defined benefit pension obligations, calculated annually for the Group in accordance with IAS 19 with the assistance of an independent actuary. All changes in the pension liability are recognized immediately when they arise. Service and interest costs are recognized in the income statement, while remeasurements such as of actuarial gains and losses are recognized in other comprehensive income.



### Long-term incentive programs

Industrivärden's current long-term incentive programs are in the form of a share savings program in which the employees can invest a certain portion of their fixed annual salary in Industrivärden shares, and after three years receive performance and matching shares, conditional upon continued employment and outcome based on performance targets. For more information about the programs, see Note 7. The share savings programs are classified as equity-settled programs in accordance with IFRS 2 Share-based Payment. Reporting of such share-based compensation programs entails that the instrument's fair value on the grant date is allocated over the term of the program and is reported under the line Management cost in the income statement, with a corresponding adjustment of shareholders' equity. On every book-closing date during the vesting period, the expected number of granted shares and the effect of any change of previous assessment of the number of granted shares is reported in the income statement under the line Management cost with a corresponding adjustment of shareholders' equity. Social security costs attributable to a share savings program are expensed over the term of the program. Industrivärden has entered into a share

swap agreement to limit the cost of the aforementioned programs. The share swap is remeasured on a continuing basis at fair value in accordance with IFRS 9, and the change in value is reported in the income statement under the line Management cost in the income statement.

### Significant assessments and estimations

In preparation of the financial statements, the Executive Management has determined that there are no significant areas that rely on large assessments and estimations that affect reported amounts.

### Other

Unless specified otherwise, all amounts stated are rounded off to the nearest million Swedish kronor (SEK M), which means that tables and calculations do not always sum up. In text and tables, figures between 0 and 0.5 are reported as 0.

## Note 2. Dividend income

|               | Group              |            | Parent Company |            |
|---------------|--------------------|------------|----------------|------------|
|               | 2021               | 2020       | 2021           | 2020       |
| Sandvik       | 1,038              | -          | 1,031          | -          |
| Volvo         | 4,170              | -          | 4,021          | -          |
| Handelsbanken | 1,792 <sup>1</sup> | -          | -              | -          |
| Essity        | 467                | 425        | -              | -          |
| SCA           | 144                | -          | -              | -          |
| Ericsson      | 174                | 131        | 174            | 131        |
| Skanska       | 296                | 101        | 296            | 101        |
| <b>Total</b>  | <b>8,081</b>       | <b>657</b> | <b>5,522</b>   | <b>232</b> |

1) Of which, SEK 922 M pertains to the distribution in kind in the form of Industrivärden Class A shares, with no cash flow effect for the Group.

## Note 3. Change in value of shares, etc.

|               | Group         |              | Parent Company |               |
|---------------|---------------|--------------|----------------|---------------|
|               | 2021          | 2020         | 2021           | 2020          |
| Sandvik       | 8,445         | 2,994        | 8,389          | 2,973         |
| Volvo         | 2,953         | 6,102        | 2,849          | 5,875         |
| Handelsbanken | 3,239         | -3,733       | -              | -             |
| Essity        | 1,977         | -2,317       | -              | -             |
| SCA           | 1,128         | 3,467        | -              | -             |
| Ericsson      | -445          | 1,737        | -445           | 1,737         |
| Skanska       | 764           | -62          | 764            | -62           |
| SSAB          | 705           | -157         | 626            | -140          |
| Other         | 38            | 6            | -              | -             |
| <b>Shares</b> | <b>18,804</b> | <b>8,037</b> | <b>12,182</b>  | <b>10,384</b> |
| Other, net    | -30           | -29          | -30            | -29           |
| <b>Total</b>  | <b>18,774</b> | <b>8,008</b> | <b>12,152</b>  | <b>10,355</b> |

## Note 4. Auditors' fees

|   | Group      |            | Parent Company |            |
|---|------------|------------|----------------|------------|
|   | 2021       | 2020       | 2021           | 2020       |
| Audit assignment                                  | 0.8        | 0.8        | 0.8            | 0.8        |
| Auditing services in addition to audit assignment | 0.2        | 0.1        | 0.2            | 0.1        |
| <b>Total</b>                                      | <b>1.0</b> | <b>0.9</b> | <b>1.0</b>     | <b>0.9</b> |

## Note 5. Purchases (+) and sales (-)

|                        | Group         |              | Parent Company |              |
|------------------------|---------------|--------------|----------------|--------------|
|                        | 2021          | 2020         | 2021           | 2020         |
| Sandvik                | 2,484         | 307          | 2,484          | 307          |
| Volvo                  | 808           | 2,127        | 808            | 2,127        |
| Handelsbanken          | 489           | 587          | -              | -            |
| Essity                 | 482           | 863          | -              | -            |
| SCA                    | -             | 355          | -              | -            |
| Other                  | 0             | 73           | -              | -            |
| <b>Total purchases</b> | <b>4,263</b>  | <b>4,311</b> | <b>3,292</b>   | <b>2,434</b> |
| Essity                 | -             | -205         | -              | -            |
| SSAB                   | -2,004        | -            | -1,778         | -            |
| <b>Total sales</b>     | <b>-2,004</b> | <b>-205</b>  | <b>-1,778</b>  | <b>-</b>     |
| <b>Total</b>           | <b>2,258</b>  | <b>4,106</b> | <b>1,513</b>   | <b>2,434</b> |

## Note 6. Financial income and expenses

|                  | Group    |          | Parent Company |          |
|------------------|----------|----------|----------------|----------|
|                  | 2021     | 2020     | 2021           | 2020     |
| Financial income | 0        | 1        | 0              | 1        |
| Interest income  | 0        | 1        | 0              | 1        |
| <b>Total</b>     | <b>0</b> | <b>1</b> | <b>0</b>       | <b>1</b> |

|                          | Group      |            | Parent Company   |            |
|--------------------------|------------|------------|------------------|------------|
|                          | 2021       | 2020       | 2021             | 2020       |
| Financial expenses       | -41        | -40        | -40 <sup>1</sup> | -40        |
| Interest expenses        | -12        | -9         | -12              | -9         |
| Other financial expenses | -53        | -49        | -52              | -49        |
| <b>Total</b>             | <b>-53</b> | <b>-49</b> | <b>-52</b>       | <b>-49</b> |

1) Of which, intra-Group interest expenses SEK 0 M (-1).

## Note 7. Employees and personnel costs

### Average number of employees

|                             | 2021                    |                       |    |                     |    | 2020                    |                       |    |                     |    |
|-----------------------------|-------------------------|-----------------------|----|---------------------|----|-------------------------|-----------------------|----|---------------------|----|
|                             | Total employees, number | Of whom, women number | %  | Of whom, men number | %  | Total employees, number | Of whom, women number | %  | Of whom, men number | %  |
| Parent Company <sup>1</sup> | 14                      | 6                     | 43 | 8                   | 57 | 15                      | 7                     | 47 | 8                   | 53 |

1) All employees in the Group are employed by the Parent Company.

### Salaries, other compensation and social security costs

|                | 2021            |                                 |                       |                         | 2020            |                                 |                       |                         |
|----------------|-----------------|---------------------------------|-----------------------|-------------------------|-----------------|---------------------------------|-----------------------|-------------------------|
|                | Directors' fees | Salaries and other compensation | Social security costs | Of which, pension costs | Directors' fees | Salaries and other compensation | Social security costs | Of which, pension costs |
| Parent Company | 6               | 43                              | 33                    | 10                      | 6               | 50                              | 32                    | 10                      |

### Executive Management's compensation and pension costs for 2021

|   | Base salary       | Variable salary | Incentive programs | Other benefits | Pension costs |
|---|-------------------|-----------------|--------------------|----------------|---------------|
| CEO Helena Stjernholm                                 | 11.6 <sup>1</sup> | 3.5             | 2.1                | 0.1            | 4.7           |
| Other members of the Executive Management (4 persons) | 10.8              | 3.7             | 1.6                | 0.3            | 3.6           |
| <b>Total</b>  | <b>22.4</b>       | <b>7.2</b>      | <b>3.6</b>         | <b>0.4</b>     | <b>8.2</b>    |

1) The Company's cost amounts to SEK 7.9 M after deducting SEK 3.7 M for directors' fees paid by the portfolio companies etc.

### Fees and compensation

#### Board

The Nominating Committee, which has been appointed in the manner decided by the Annual General Meeting (AGM), submits recommendations for directors' fees to the AGM. Fees have been issued to the Chairman of the Board and other directors in accordance with an AGM resolution. A fee of SEK 2.1 M (2.1) was issued to the Chairman of the Board, and a fee of SEK 1.3 M (1.2) was issued to the Vice Chairman. A fee of SEK 0.6 M (0.6) was issued to each of the other directors. Total fees issued to the members of the Board of Directors in 2021 amounted to SEK 6.0 M (5.8). No fees are issued for committee work.

Compensation of the CEO and other members of the Executive Management is based on the guidelines adopted by the AGM. The Compensation Committee submits a recommendation to the Board on the CEO's compensation and draws up, in consultation with the CEO, criteria for compensation for the other members of the Executive Management. A remuneration report for 2021 will be published on Industrivärden's website under the menu Corporate Governance.

#### CEO and other members of the Executive Management

The CEO was paid a base salary of SEK 11.6 M (11.3). The Company's cost is reduced by SEK 3.7 M for directors' fees paid by portfolio companies etc. for 2021. The CEO's variable salary for 2021, which is based on the Board's annual evaluation, amounted to SEK 3.5 M (4.3) and will be paid out in 2022. The cost for the vested portion of ongoing incentive programs amounted to SEK 2.1 M (2.4). The incentive program that expired in 2021 resulted in a grant of 2,805 (2,682) Industrivärden Class C shares to the CEO, for a value of SEK 0.8 M (0.6). The cost of defined contribution pension premiums was SEK 4.7 M (4.5). Other benefits pertain to a company car, etc. In the event the Company serves notice of termination of the employment contract, a two-year notice period applies. For notice given by the CEO, a six-month notice period applies.

The other four (four) members of the Executive Management together received base salaries of SEK 10.8 M (10.5). Short-term variable salaries for 2021 amounted to SEK 3.7 M (3.9), which will be paid out in 2022. The outcome is based on the achievement of individually set goals. The cost for the vested portion of ongoing incentive programs amounted to SEK 1.6 M (2.0). The incentive program that expired in 2021 resulted in grants of 1,897 (1,598) Industrivärden Class C shares to the other members of the Executive Management, for a value of SEK 0.5 M (0.4). The combined

cost of defined contribution pension premiums was SEK 3.6 M (3.5). Other benefits pertain to company cars, etc. In the event of the Company serves notice of termination of an executive's employment contract, a one or two-year notice period applies. For notice given by the executive, a six-month notice period applies.

#### Long-term incentive programs

The incentive programs are part of a competitive total compensation package where the employee has the opportunity to receive matching shares and performance shares after three years, subject to investment of part of the employee's base salary in Industrivärden shares. The programs aim to encourage Industrivärden's employees to increase their ownership of shares in the Company and thereby further emphasize long-term shareholder value. The incentive programs are judged to increase Industrivärden's opportunities to recruit and retain competent employees as well as the participants' interest in and commitment to Industrivärden's business and development. Against this background, the programs are judged to have a positive impact on Industrivärden's continued development and thereby be beneficial for both the shareholders and Industrivärden's employees. In the outstanding programs, a maximum of 6,091 matching shares and 91,281 performance shares may be granted. Grants of matching shares and performance shares require continued employment at the time of the grant. For the 2018 and 2019 incentive programs, grants of performance shares require an average annual total return for Industrivärden's Class C shares during the period that is equal to or higher than the SIXRX index. Full grants of performance shares require an average annual total return for Industrivärden's Class C shares during the three-year lock-in period that exceeds the SIXRX index by 2 percentage points per year. For the 2020 and 2021 incentive programs, no matching shares may be granted. Grants of performance shares require that the total return for Industrivärden's Class C shares during the period is equal to or higher than 10%. Further, additional performance shares may be granted under the condition that the total return for Industrivärden's Class C shares during the period is equal to or exceeds the SIXRX index. A full grant to the CEO and other senior executives requires that the average annual total return for Industrivärden's Class C shares during the lock-in period exceeds the SIXRX index by three and two percentage points, respectively. For 2021, costs of SEK 3.7 M (5.2) are reported under the line Management cost in the income statement.

#### **Long-term incentive program 2021**

The 2021 AGM resolved to offer a long-term incentive program to a maximum of 20 employees in the Industrivärden Group. During 2021, 10,179 shares were bought within the program, which can qualify for a maximum grant of 31,125 performance shares.

#### **Long-term incentive programs 2019 and 2020**

The 2019 and 2020 incentive programs include a total of 24,365 purchased shares, which can qualify for grants of a maximum of 6,091 matching shares and 60,156 performance shares.

#### **Long-term incentive program 2018**

The 2018 incentive program expired in October 2021. In connection with this, a total of 5,664 Industrivärden Class C shares were granted for a value of SEK 1.5 M. The value was calculated based on the price of Industrivärden Class C shares on the grant date.

#### **Guidelines for compensation of senior executives**

The 2020 AGM adopted updated guidelines for compensation of senior executives to meet the requirements stipulated by the EU Shareholder Rights Directive. The guidelines for compensation of senior executives are to be adopted at least every four years.

#### **Guidelines for compensation of senior executives decided by the 2020 AGM**

The guidelines pertain to Industrivärden's Chief Executive Officer (CEO) and other members of the Executive Management. The guidelines are to be applied for compensation that is agreed upon and changes made to already agreed-upon compensation after the guidelines were adopted by the 2020 AGM. Compensation decided by the AGM is not covered by the guidelines.

Compared with the guidelines decided by the 2019 AGM, the guidelines below have been updated to meet the requirements stipulated by the EU Shareholder Rights Directive.

#### **The guidelines' promotion of the Company's mission, long-term interests and sustainability**

The Company's mission is to be a long-term asset manager and active owner of listed Nordic companies. The mission, objective and strategy are presented in more detail on Industrivärden's website: [www.industrivarden.net](http://www.industrivarden.net).

Successful and sustainable execution of the Company's mission, objective and strategy for capitalizing on the Company's long-term interests requires that the Company can recruit and retain qualified employees. The guidelines contribute to this by ensuring that senior executives can be offered a going-rate, competitive total compensation package that is commensurate with their responsibilities and authority.

#### **Types of compensation, etc.**

Compensation shall be in line with the going rate in the market and competitive, and be related to individual performance as well as the Company's development. Compensation may consist of the following components: fixed cash salary, short-term variable cash compensation, pension benefits and other benefits.

Short-term variable cash compensation may amount to a maximum of 50% of the executive's fixed annual cash salary. The compensation shall be coupled to fulfillment of individual criteria that are set yearly and that are evaluated according to the executive's work contribution and performance. The criteria may be financial or nonfinancial, or they may consist of individually adapted quantitative or qualitative goals. The criteria shall be formulated so that they have a clear coupling to value creation for the Company and promote the Company's mission and sustainable execution of the Company's long-term interests.

Fulfillment of criteria for payment of short-term variable cash compensation shall be measured over a period of one year. The Compensation Committee is responsible for assessing the extent to which the criteria for payment of short-term variable cash compensation to the CEO is fulfilled. The Board thereafter sets the CEO's compensation. The CEO is responsible for assessing the fulfillment of criteria for payment of short-term variable cash compensation for other senior executives. Short-term variable cash compensation shall not be pensionable.

The Board shall have the opportunity pursuant to law or agreement, with the restrictions that may arise out of such, to fully or partly rescind variable cash compensation paid out on incorrect grounds.

Pension benefits, including disability insurance, (*Sw. sjukförsäkring*) shall be defined contribution solutions to the extent that the executive is not covered by a defined benefit pension under stipulations of a compulsory collective bargaining agreement, and shall entitle the executive to

receive a pension from 60 or 65 years of age, depending on the position. For the CEO and other senior executives, premiums and other costs related to defined contribution pensions may amount to a combined maximum of 40% of the fixed annual cash salary, depending on the position.

Other benefits may include, among other things, life insurance, health insurance (*Sw. sjukvårdsförsäkring*), a car benefit and a wellness benefit. For the CEO, such benefits may amount to a maximum of one percent (1%) of fixed annual cash salary, and for other senior executives they may amount to four percent (4%) of fixed annual cash salary, depending on the position.

In addition to the above, a general meeting of shareholders may – independently from these guidelines – decide on e.g., share-based and share price-related compensation. Since 2012 the Company has established share-based incentive programs approved by general meetings, of which the 2017–2019 programs are currently in effect. The programs cover all employees and require a personal shareholding and holding period of three (3) years. The outcome is based on performance targets that are related to the long-term growth of Industrivärden's share price. Approved share-based incentive programs are presented in more detail on Industrivärden's website [www.industrivarden.net](http://www.industrivarden.net).

For notice of termination served by the Company, the notice period may be a maximum of two (2) years. Fixed cash salary paid during the notice period and severance pay may together not exceed an amount corresponding to two (2) years' fixed cash salary. For notice given by the executive, the notice period may be a maximum of six (6) months, without any right to severance pay.

Additionally, compensation may be payable for any noncompete obligation. Such payment shall compensate for possible loss of income and shall only be paid to the extent the former executive lacks entitlement to severance pay. Compensation shall amount to a maximum of 60% of fixed cash salary at the time notice was served, unless other terms apply under stipulations of a compulsory collective bargaining agreement. It shall be paid during the time the noncompete obligation applies, which shall be a maximum of 12 months after the end of employment.

#### **Decision-making process for setting, revising and implementing the guidelines**

The Compensation Committee's duties include conducting preparatory work for board decisions on proposed guidelines for compensation of senior executives. The Board shall draw up a recommendation for new guidelines at least every fourth year and present the recommendation for decision by the Annual General Meeting. The guidelines apply until new guidelines have been adopted by a general meeting. The Compensation Committee shall also monitor and evaluate variable compensation programs for members of the Executive Management, application of guidelines for compensation of senior executives and applicable compensation structures and compensation levels in the Company.

In the preparatory work for the Board's recommendation on these compensation guidelines, salary and terms of employment for the Company's other employees have been taken into account, whereby information on the employees' total compensation, the components of their compensation and the increase in their compensation and rate of growth over time have made up part of the Compensation Committee's and Board's decision-making documentation in evaluating the fairness of the guidelines and the limitations that arise out of these.

The Compensation Committee's members are independent in relation to the Company and Executive Management. In the Board's handling of and decisions on compensation-related matters, the CEO and other members of the Executive Management are not present to the extent they are the subject of the matters at hand.

#### **Departures from the guidelines**

The Board may decide to temporarily depart from the guidelines entirely or partly if in an individual case there are special reasons for doing so and a departure is necessary for safeguarding the Company's long-term interests or to ensure the Company's financial soundness. The Compensation Committee's duties include conducting preparatory work for the Board's decisions on compensation matters, which includes decisions to depart from the guidelines.

#### **CEO's holding of call options (related-party transaction)**

In 2021 the CEO purchased 75,000 call options for the same number of Industrivärden Class C shares from L E Lundbergföretagen at a premium of SEK 26.70 per share. The options expire on February 18, 2026, with an exercise price of SEK 333 per share. The transaction was carried out at market terms based on the Black & Scholes option pricing model.

## Note 8. Taxes

### Reported in net income for the year

|                           | Group      |            | Parent Company |          |
|---------------------------|------------|------------|----------------|----------|
|                           | 2021       | 2020       | 2021           | 2020     |
| Current tax <sup>1</sup>  | -57        | -          | -              | -        |
| Deferred tax <sup>2</sup> | -24        | -47        | -              | -        |
| <b>Total</b>              | <b>-81</b> | <b>-47</b> | <b>-</b>       | <b>-</b> |

1) Pertains to tax in subsidiaries attributable to dividends and capital gains from nonbusiness-related shares.

2) Pertains to deferred tax on temporary differences. The total deferred tax liability amounts to SEK 164 M (140).

### Tax calculation

|   | Parent Company      |                |
|---|---------------------|----------------|
|   | 2021                | 2020           |
| Market value of equities portfolio on January 1 | 80,382              | 67,565         |
| Less: business-related shares                   | -77,635             | -64,643        |
| <b>Basis for standardized income</b>            | <b>2,747</b>        | <b>2,921</b>   |
| Standardized income 1.5%                        | 41                  | 44             |
| Dividends received                              | 5,522               | 232            |
| Management cost, net financial items, etc.      | -189                | -188           |
| Dividend paid out <sup>1</sup>                  | -2,915 <sup>2</sup> | -3,590         |
| <b>Taxable income</b>                           | <b>2,459</b>        | <b>-3,502</b>  |
| Tax-loss carryforwards from previous years      | -11,240             | -7,737         |
| <b>Accumulated tax-loss carryforward</b>        | <b>-8,781</b>       | <b>-11,240</b> |

1) Payment is made during the following year, in accordance with an AGM decision.

2) Proposed by the Board of Directors.

## Note 11. Equities

| Holdings  | 2021             |                     |                   |                            | 2020                      |  |
|---|------------------|---------------------|-------------------|----------------------------|---------------------------|--|
|   | Number of shares | Share of capital, % | Share of votes, % | Market value <sup>1</sup>  | Market value <sup>1</sup> |  |
| Sandvik   | 168,700,000      | 13.4                | 13.4              | 42,614                     | 31,685                    |  |
| Volvo A   | 166,600,000      | 8.6                 | 27.7              | 35,419                     | 32,554                    |  |
| Volvo B   | 7,600,000        |                     |                   | 1,593                      | 698                       |  |
| Handelsbanken A   | 217,200,000      | 11.0                | 11.1              | 21,255                     | 17,528                    |  |
| Essity A  | 33,257,000       | 10.1                | 29.5              | 9,844                      | 8,996                     |  |
| Essity B  | 37,600,000       |                     |                   | 11,107                     | 9,496                     |  |
| SCA A   | 33,785,290       | 10.3                | 29.3              | 5,453                      | 4,993                     |  |
| SCA B   | 38,300,000       |                     |                   | 6,157                      | 5,488                     |  |
| Ericsson A  | 86,052,615       | 2.6                 | 15.1              | 8,622                      | 9,070                     |  |
| Ericsson B  | 1,000,000        |                     |                   | 100                        | 98                        |  |
| Skanska A   | 12,667,500       | 7.4                 | 24.3              | 2,967                      | 2,656                     |  |
| Skanska B   | 18,500,000       |                     |                   | 4,333                      | 3,879                     |  |
| SSAB A  |                  |                     |                   | -                          | 1,299                     |  |
| <b>Total, portfolio companies</b>   |                  |                     |                   | <b>149,464</b>             | <b>128,440</b>            |  |
| Other   |                  |                     |                   | 491                        | 453                       |  |
| <b>Group's holdings of equities</b>   |                  |                     |                   | <b>149,955<sup>2</sup></b> | <b>128,893</b>            |  |
| Less: associated companies (see Note 12)  |                  |                     |                   | -43,017                    | -38,597                   |  |
| Less: non-consolidated companies  |                  |                     |                   | -491                       | -453                      |  |
| Less: holdings owned via subsidiaries   |                  |                     |                   | -55,386                    | -48,057                   |  |
| <b>Parent Company's holdings of equities, excluding shares in associated companies and subsidiaries</b> |                  |                     |                   | <b>51,061</b>              | <b>41,786</b>             |  |

1) The market value corresponds to the book value.

2) The Group's total cost as per December 31, 2021, was SEK 52,171 M.

## Note 9. Earnings per share

The comparison period in 2020 has been retroactively calculated in view of the change of the share base that took place in 2021 in connection with cancellation of the 3,310,769 Industrivärden Class A shares that were received as a distribution in kind from Handelsbanken. Shares outstanding as per December 31, 2020, numbering 435,209,877, have been reduced by the number of shares canceled, which has resulted in a recalculation effect on the key ratio earnings per share by SEK 0.15. This results in an increase in earnings per share from SEK 19.39 to SEK 19.54 for the 2020 financial year.

|  | Group        |              |
|--|--------------|--------------|
|  | 2021         | 2020         |
| Net income for the year, SEK M                               | 26,594       | 8,440        |
| Number of shares outstanding, Dec. 31, 2021                  | 431,899,108  | 431,899,108  |
| <b>Earnings per share (there is no dilution effect), SEK</b> | <b>61.57</b> | <b>19.54</b> |

## Note 10. Property, plant and equipment

|                                 | Group      |           | Parent Company |           |
|---------------------------------|------------|-----------|----------------|-----------|
|                                 | 2021       | 2020      | 2021           | 2020      |
| <b>Accumulated cost</b>         |            |           |                |           |
| Opening value                   | 26         | 23        | 26             | 23        |
| Investments                     | 2          | 12        | 2              | 12        |
| Disposals and sales             | -0         | -9        | -0             | -9        |
| <b>Closing cost</b>             | <b>28</b>  | <b>26</b> | <b>28</b>      | <b>26</b> |
| <b>Accumulated depreciation</b> |            |           |                |           |
| Opening depreciation            | -5         | -9        | -5             | -9        |
| Depreciation for the year       | -5         | -5        | -5             | -5        |
| Disposals and sales             | 0          | 9         | 0              | 9         |
| <b>Closing depreciation</b>     | <b>-10</b> | <b>-5</b> | <b>-10</b>     | <b>-5</b> |
| <b>Book value</b>               | <b>18</b>  | <b>21</b> | <b>18</b>      | <b>21</b> |

## Note 12. Shares in associated companies

|              | Reg. no.    | Domicile   | Shareholders' equity | Income after tax | Parent Company      |                   |                     | Market value  |
|--------------|-------------|------------|----------------------|------------------|---------------------|-------------------|---------------------|---------------|
|              |             |            |                      |                  | Share of capital, % | Share of votes, % | No. shares, million |               |
| Volvo        | 556012-5790 | Gothenburg | 144,118              | 33,243           | 8.3                 | 26.7              | 168                 | 35,717        |
| Skanska      | 556000-4615 | Stockholm  | 45,797               | 6,887            | 7.4                 | 24.3              | 31                  | 7,299         |
| <b>Total</b> |             |            |                      |                  |                     |                   |                     | <b>43,017</b> |

## Note 13. Shares in subsidiaries

|                                 | Reg. no.    | Domicile  | Shareholders' equity | Parent Company      |            |              | Book value |
|---------------------------------|-------------|-----------|----------------------|---------------------|------------|--------------|------------|
|                                 |             |           |                      | Share of capital, % | No. shares |              |            |
| Industrivärden Invest AB (publ) | 556775-6126 | Stockholm | 21,641               | 100                 | 1,000      | 330          |            |
| Industrivärden Förvaltning AB   | 556777-8260 | Stockholm | 33,408               | 100                 | 1,000      | 1,010        |            |
| Investment AB Promotion         | 556833-0525 | Stockholm | 1,481                | 100                 | 100,000    | 395          |            |
| Floras Kulle AB                 | 556364-8137 | Stockholm | 16                   | 100                 | 10,000     | 0            |            |
| <b>Total</b>                    |             |           |                      |                     |            | <b>1,735</b> |            |

## Note 14. Change in equities

|                          | Group          |                |
|--------------------------|----------------|----------------|
|                          | Equities       |                |
|                          | 2021           | 2020           |
| Opening value            | 128,893        | 116,750        |
| Purchases                | 4,263          | 4,311          |
| Disposals at sales value | -2,004         | -205           |
| Change in value          | 18,804         | 8,037          |
| <b>Closing value</b>     | <b>149,955</b> | <b>128,893</b> |

|                          | Parent Company |               |                                |               |                        |              |               |               |
|--------------------------|----------------|---------------|--------------------------------|---------------|------------------------|--------------|---------------|---------------|
|                          | Equities       |               | Shares in associated companies |               | Shares in subsidiaries |              | Total         |               |
|                          | 2021           | 2020          | 2021                           | 2020          | 2021                   | 2020         | 2021          | 2020          |
| Opening value            | 41,786         | 36,908        | 38,597                         | 30,657        | 1,735                  | 1,735        | 82,117        | 69,300        |
| Purchases                | 2,484          | 307           | 808                            | 2,127         | -                      | -            | 3,292         | 2,434         |
| Disposals at sales value | -1,778         | -             | -                              | -             | -                      | -            | -1,778        | -             |
| Change in value          | 8,570          | 4,571         | 3,612                          | 5,813         | -                      | -            | 12,182        | 10,384        |
| <b>Closing value</b>     | <b>51,061</b>  | <b>41,786</b> | <b>43,017</b>                  | <b>38,597</b> | <b>1,735</b>           | <b>1,735</b> | <b>95,813</b> | <b>82,117</b> |

## Note 15. Other current receivables

|                                     | Group     |           | Parent Company |           |
|-------------------------------------|-----------|-----------|----------------|-----------|
|                                     | 2021      | 2020      | 2021           | 2020      |
| Prepaid expenses and accrued income | 27        | 28        | 27             | 28        |
| Other current receivables           | 14        | 4         | 14             | 3         |
| <b>Total</b>                        | <b>41</b> | <b>32</b> | <b>41</b>      | <b>31</b> |



## Note 16. Shareholders' equity

The Company's share capital consists of shares issued in two classes, Class A with 1 vote per share, and Class C with 1/10 vote per share. Shareholders have the right to request conversion of Class A shares to Class C shares. In 2021, 3,005,151 Class A shares were converted to Class C shares.

### Distribution in kind received and Extraordinary General Meeting

During the year, the subsidiary Industrivärden Invest AB (publ) received 3,310,769 Industrivärden Class A shares through a distribution in kind from Handelsbanken. The distribution in kind, which is equated with dividends from other holdings, is recognized in the Group as dividend income in the income statement. In addition, the distribution in kind does not affect the Group's shareholders' equity and thus not its dividend capacity, and thus a reduction of the Group's shareholders' equity has been made in the corresponding amount, which is recognized in the income statement.

On November 23, 2021, an Extraordinary General Meeting of AB Industrivärden resolved in favor of a reduction of the share capital through cancellation of the 3,310,769 Industrivärden Class A shares received through Handelsbanken's distribution in kind. In connection with the cancellation, a bonus issue was carried out without the issuance of new shares to restore the share capital, which increased the share quota value from SEK 2.50 to SEK 2.52. At year-end the Group held no own shares.

### Distribution of earnings

According to the balance sheet, earnings of the Parent Company totaling SEK 85,819,427,569 are at the disposal of the Annual General Meeting. The Board of Directors proposes that the Annual General Meeting on April 21, 2022, resolve to pay a dividend of SEK 6.75 per share. The proposed dividend amounts to a total of SEK 2,915 M. In addition, the Board proposes that the remaining amount, SEK 82,904,108,590, be carried forward. In the preceding year a dividend of SEK 8.25 per share was paid, of which SEK 6.25 as an ordinary dividend, for a total amount of SEK 3,590 M.

### Share capital

|                | December 31, 2021  |             |              |
|----------------|--------------------|-------------|--------------|
|                | Number             | Quota value | SEK M        |
| Class A shares | 260,795,864        | SEK 2.52    | 657          |
| Class C shares | 171,103,244        | SEK 2.52    | 431          |
| <b>Total</b>   | <b>431,899,108</b> |             | <b>1,088</b> |

|                | December 31, 2020  |             |              |
|----------------|--------------------|-------------|--------------|
|                | Number             | Quota value | SEK M        |
| Class A shares | 267,111,784        | SEK 2.50    | 668          |
| Class C shares | 168,098,093        | SEK 2.50    | 420          |
| <b>Total</b>   | <b>435,209,877</b> |             | <b>1,088</b> |

## Note 17. Financial liabilities

### Non-current financial liabilities

|              | Group        |              | Parent Company |              |
|--------------|--------------|--------------|----------------|--------------|
|              | 2021         | 2020         | 2021           | 2020         |
| Bond issues  | 5,500        | 4,500        | 5,500          | 4,500        |
| Other        | 4            | 7            | 4              | 7            |
| <b>Total</b> | <b>5,504</b> | <b>4,507</b> | <b>5,504</b>   | <b>4,507</b> |

### Current financial liabilities

|                  | Group        |              | Parent Company    |              |
|------------------|--------------|--------------|-------------------|--------------|
|                  | 2021         | 2020         | 2021              | 2020         |
| Bond issues      | 1,500        | 1,251        | 1,500             | 1,251        |
| Commercial paper | -            | 1,800        | -                 | 1,800        |
| Other            | 220          | 218          | 682 <sup>1)</sup> | 488          |
| <b>Total</b>     | <b>1,720</b> | <b>3,269</b> | <b>2,182</b>      | <b>3,539</b> |

1) Of which, SEK 677 M (484) pertains to liabilities to Group companies.

Measurement of financial liabilities at fair value as per December 31, 2021 would result in a change in non-current financial liabilities by SEK -28 M (23) and in current financial liabilities by SEK 1 M (2).

## Note 18. Provision for pensions

For a description of pension obligations in the Group, see Note 1, Accounting policies.

### Defined benefit plans

The pension plans include retirement pensions, disability pensions and family pensions, and ordinarily entail an obligation to pay lifetime benefits. No current employees have defined benefit plans. As per December 31, 2021, the item provision for pensions amounted to SEK 14 M (42), which consists of pension obligations of SEK 75 M (101) less the value of plan assets, totaling SEK 61 M (59).

### Applied actuarial assumptions

|                          | Group |      |
|--------------------------|-------|------|
|                          | 2021  | 2020 |
| Discount rate, %         | 0.2   | 0.1  |
| Anticipated inflation, % | 1.9   | 1.9  |

### Obligations for former CEOs

The item provision for pensions includes obligations for pensions for former CEOs totaling SEK 14 M (41).

## Note 19. Other current liabilities

|                           | Group      |            | Parent Company |           |
|---------------------------|------------|------------|----------------|-----------|
|                           | 2021       | 2020       | 2021           | 2020      |
| Accounts payable, trade   | 4          | 3          | 4              | 3         |
| Other current liabilities | 60         | 5          | 3              | 3         |
| Other accrued expenses    | 104        | 95         | 92             | 83        |
| <b>Total</b>              | <b>168</b> | <b>103</b> | <b>99</b>      | <b>89</b> |

## Note 20. Pledged assets and contingent liabilities

There are no pledged assets or contingent liabilities in the Parent Company or Group.

## Note 21. Related-party transactions

No significant transactions with related parties were made during the period.

## Note 22. Financial instruments

### Financial assets and liabilities per category

|                                   | December 31, 2021                  |                |                | December 31, 2020                  |                |                |
|-----------------------------------|------------------------------------|----------------|----------------|------------------------------------|----------------|----------------|
|                                   | Fair value through profit and loss | Amortized cost | Total          | Fair value through profit and loss | Amortized cost | Total          |
| <b>Assets</b>                     |                                    |                |                |                                    |                |                |
| Equities                          | 149,955                            | -              | 149,955        | 128,893                            | -              | 128,893        |
| Current financial receivables     | -                                  | 41             | 41             | -                                  | 164            | 164            |
| Other current receivables         | -                                  | -              | -              | -                                  | 1              | 1              |
| Cash and cash equivalents         | -                                  | 697            | 697            | -                                  | 0              | 0              |
| <b>Total assets</b>               | <b>149,955</b>                     | <b>738</b>     | <b>150,693</b> | <b>128,893</b>                     | <b>165</b>     | <b>129,058</b> |
| <b>Liabilities</b>                |                                    |                |                |                                    |                |                |
| Non-current financial liabilities | -                                  | 5,504          | 5,504          | -                                  | 4,507          | 4,507          |
| Other non-current liabilities     | 103                                | -              | 103            | 73                                 | -              | 73             |
| Current financial liabilities     | -                                  | 1,720          | 1,720          | -                                  | 3,269          | 3,269          |
| <b>Total liabilities</b>          | <b>103</b>                         | <b>7,224</b>   | <b>7,327</b>   | <b>73</b>                          | <b>7,776</b>   | <b>7,849</b>   |

In accordance with IFRS 13, financial instruments are carried at fair value based on a 3-level hierarchy. The classification is based on the input data used in the valuation of the instruments. Instruments in Level 1 are valued at quoted prices for identical instruments in an active market. Instruments in Level 2 are valued in a valuation model which uses input data that are directly or indirectly observable in the

market. Input data used in the valuation models include interest rates, volatility and dividend estimates. Instruments in Level 3 are valued using a valuation technique based on input data which are not observable in a market. The valuation technique that is used for the financial instruments in Level 3 is based on net assets in the respective subsidiaries measured at fair value.

### Financial instruments measured at fair value

|                                      | December 31, 2021 |            |            |                | December 31, 2020 |           |            |                |
|--------------------------------------|-------------------|------------|------------|----------------|-------------------|-----------|------------|----------------|
|                                      | Level 1           | Level 2    | Level 3    | Total          | Level 1           | Level 2   | Level 3    | Total          |
| <b>Assets</b>                        |                   |            |            |                |                   |           |            |                |
| Equities                             | 149,464           | -          | 491        | 149,955        | 128,440           | -         | 453        | 128,893        |
| Derivatives, etc.                    | -                 | -          | -          | -              | -                 | 1         | -          | 1              |
| <b>Total assets</b>                  | <b>149,464</b>    | <b>-</b>   | <b>491</b> | <b>149,955</b> | <b>128,440</b>    | <b>1</b>  | <b>453</b> | <b>128,894</b> |
| <b>Liabilities</b>                   |                   |            |            |                |                   |           |            |                |
| <i>Other non-current liabilities</i> |                   |            |            |                |                   |           |            |                |
| Derivatives, etc.                    | -                 | 103        | -          | 103            | -                 | 73        | -          | 73             |
| <b>Total liabilities</b>             | <b>-</b>          | <b>103</b> | <b>-</b>   | <b>103</b>     | <b>-</b>          | <b>73</b> | <b>-</b>   | <b>73</b>      |

### Net debt

|                                   | Group             |                   |
|-----------------------------------|-------------------|-------------------|
|                                   | December 31, 2021 | December 31, 2020 |
| Non-current financial liabilities | 5,504             | 4,507             |
| Provision for pensions            | 14                | 42                |
| Current financial liabilities     | 1,720             | 3,269             |
| Current financial receivables     | -41               | -164              |
| Cash and cash equivalents         | -697              | 0                 |
| <b>Total</b>                      | <b>6,500</b>      | <b>7,654</b>      |

## Note 23. Risk management

The types of financial risks that the Industrivärden Group encounters in its operations consist primarily of equities risk and – to a limited extent – other financial risks, such as interest rate risk and financing risk.

Industrivärden's financing and management of financial risks are conducted in accordance with guidelines set by the Board of Directors.

### Equities risk

Equities risk pertains mainly to share price risk, which is the dominant risk in Industrivärden's operations. By share price risk is meant the risk of a decline in value caused by changes in prices in the stock market. Industrivärden's role as a long-term and active owner is presumed to reduce the relative equities risk in the portfolio companies and thus also in Industrivärden's equities portfolio. A change in the price of all listed shareholdings in Industrivärden's equities portfolio by one percentage point would have affected the market value of the equities portfolio on December 31, 2021, by +/- SEK 1.5 billion.

### Interest rate risk

Interest rate risk is the risk that the financing cost will vary due to changes in market interest rates. The financial instruments that are exposed to interest rate risk consist of loans with variable interest rates. Swap agreements may be used to adjust the length of fixed interest periods and maturities. At year-end 2021, no interest rate swap agreements were in effect, and most of the Group's loans carried variable interest rates.

The average fixed interest period as per December 31, 2021, was 20 months (12).

Based on net debt and the fixed interest periods at year-end, a change in the market interest rate by 1 percentage point would have affected income after financial items in 2021 by approximately +/- SEK 33 M.

With low gearing, Industrivärden also has limited interest rate risk.

### Financing risk

Financing risk is the risk that financing of the operations' capital need at any given time will be impeded or more costly.

Industrivärden's net debt amounted to SEK 6,500 M (7,654) on December 31, 2021. Under a Medium-Term Note (MTN) program Industrivärden has the opportunity to issue bonds in SEK or EUR up to a framework amount of SEK 10.0 billion, of which SEK 7.0 billion was utilized as per December 31, 2021.

In addition, within a commercial paper framework of SEK 4.0 billion, Industrivärden has utilized SEK 0.0 billion as per December 31, 2021.

The average maturity, excluding pension provisions, was 26 months (19). In addition to raised loans, the Group has contracted long-term loan promises of SEK 4.0 billion and short-term loan promises in the form of an overdraft facility of SEK 500 M.

Industrivärden has a strong financial position, and its financing risk is considered to be very low. The credit rating agency Standard & Poor's has assigned the Group a long-term rating of A+/Stable outlook and short-term ratings of A-1 and K-1. With these high ratings combined with an equity ratio of 95% (94%), Industrivärden has great financial flexibility.

The maturity structure of undiscounted financial liabilities and derivative instruments with negative market values as per December 31, 2021, is presented below:

### Maturity structure<sup>1</sup>

| Maturity year | Financial liabilities | Derivatives, etc. | Total        | Share, %     |
|---------------|-----------------------|-------------------|--------------|--------------|
| 2022          | 1,522                 | 0                 | 1,522        | 21.3         |
| 2023          | 1,504                 | -                 | 1,504        | 21.1         |
| 2024          | 1,000                 | 103               | 1,103        | 15.5         |
| 2025          | 1,500                 | -                 | 1,500        | 21.0         |
| 2026-         | 1,500                 | -                 | 1,500        | 21.0         |
| <b>Total</b>  | <b>7,026</b>          | <b>103</b>        | <b>7,129</b> | <b>100.0</b> |

1) Excluding pension provisions of SEK 14 M.

### Counterparty risk

Counterparty risk is the risk of a party in a transaction with a financial instrument not being able to meet its obligations and thereby causing loss to the other party.

Industrivärden's internal rules and guidelines prescribe that approved counterparties have high credit ratings, which is why counterparty risk is considered to be low.

### Internal control

Against the background of the share price risk described above, the most important control process in Industrivärden's business consists of the continuous monitoring of value exposure in the equities portfolio. Industrivärden's internal control is therefore primarily focused on ensuring the reliability of valuations of outstanding equity and derivative positions and of the reporting of purchases and sales of shares and other securities.

## Note 24. Events after the balance sheet date

No events of significant importance have taken place after the balance sheet date.

## Note 25. Group companies

| Holdings in subsidiaries                     | Domicile  | Country | No. shares | Share of capital, % |       |
|--|-----------|---------|------------|---------------------|-------|
|  |           |         | 12/31/2021 | 2021                | 2020  |
| Industrivärden Invest AB (publ) <sup>1</sup> | Stockholm | Sweden  | 1,000      | 100                 | 100   |
| Nordinvest AB                                | Stockholm | Sweden  | 42         | 100                 | 100   |
| Fastighets AB Östermalm                      | Stockholm | Sweden  | 1,000      | 100                 | 100   |
| Cultus KB                                    | Stockholm | Sweden  | -          | 0.01                | 0.01  |
| Industrivärden Förvaltning AB <sup>1</sup>   | Stockholm | Sweden  | 1,000      | 100                 | 100   |
| Investment AB Promotion <sup>1</sup>         | Stockholm | Sweden  | 100,000    | 100                 | 100   |
| Floras Kulle AB                              | Stockholm | Sweden  | 10,000     | 100                 | 100   |
| Cultus KB                                    | Stockholm | Sweden  | -          | 99.99               | 99.99 |

1) The subsidiaries serve in a supporting function for the Parent Company and are consolidated in the Group in accordance with the acquisition method. Other companies are not consolidated in the Group, but are measured at fair value.

## Proposed distribution of earnings

The Board of Directors proposes an ordinary dividend of SEK 6.75 per share (6.25). The proposed dividend corresponds to 3.3% of the Parent Company's equity and 2.0% of the Group's equity. Of shareholders' equity, 65%, or SEK 57.4 billion in the Parent Company, and 68%, or SEK 97.7 billion in the Group, is attributable to market valuation of assets and liabilities. The Board is of the opinion that the proposed dividend is well balanced in view of the objectives, scope and risks of the business as well as with respect to the ability to meet the Company's future obligations. The total amount to be paid out according to the proposed dividend, based on the number of shares outstanding, is SEK 2,915 M (3,590).

According to the Parent Company balance sheet, earnings totaling SEK 85,819 M are at the disposal of the Annual General Meeting.

The Board of Directors and CEO propose that the earnings be disposed of as follows:

|  |              |
|--|--------------|
| To the shareholders, a dividend of SEK 6.75 per share totaling | SEK 2,915 M  |
| Balance carried forward  | SEK 82,904 M |
|  | <hr/>        |
|  | SEK 85,819 M |

The Board of Directors and CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting principles, that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of July 19, 2002, on application of International Financial Reporting Standards, that disclosures herein give a true and fair view of the Parent Company's and Group's financial position and results of operations, and that the statutory Administration Report provides a fair review of the Parent Company's and Group's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Group's and Parent Company's earnings and position in general are shown in the income statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows and notes to the financial statements. Adoption of the Consolidated and Parent Company Income Statements and Balance Sheets will take place at the Annual General Meeting on April 21, 2022.

Stockholm, February 10, 2022

**Fredrik Lundberg**

Chairman

**Pär Boman**

Vice Chairman

**Christian Caspar**

Director

**Marika Fredriksson**

Director

**Bengt Kjell**

Director

**Annika Lundius**

Director

**Lars Pettersson**

Director

**Helena Stjernholm**

CEO

Director

Our Audit Report was submitted on February 23, 2022

Deloitte AB

**Hans Warén**

Authorized Public Accountant

# Auditor's report

To the general meeting of the shareholders of AB Industrivärden (publ) Corporate Identification Number: 556043-4200

## Report on the Annual Accounts and Consolidated Accounts

### Opinions

We have audited the annual accounts and consolidated accounts of AB Industrivärden (publ) for the financial year ending 31 December 2021, aside from the corporate governance report on pages 43-49. The annual accounts and consolidated accounts of the company are included on pages 41-64 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act.

The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Accounting for Quoted Investments

#### Description of Risk

A substantial portion of Industrivärden's total assets consist of holdings in quoted investments. The total carrying value of quoted investments amounted to SEK 149,464 million as of 31 December 2021.

In a portfolio of quoted investments such as the one held by Industrivärden, there are several considerations regarding accounting and valuation that need to be determined for a fair valuation in accordance with IFRS.

Industrivärden's principles for accounting for quoted investments are described in Note 1 and detailed disclosures regarding quoted investments are included in Note 11 and in Note 22 in the section associated with measurement of financial instruments.

#### Our Audit Procedures

Our audit procedures included, but were not limited to:

- We have obtained an understanding of the accounting and valuation process and tested key controls.
- We have evaluated Industrivärden's controls for obtaining prices and volumes from external sources and we have verified prices and volumes against external sources.
- We have reviewed disclosures relating to valuation of quoted investments for compliance with IFRS.

## Other Information than the Annual Accounts and Consolidated Accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-21, 28-40 and 69-72. Other information also includes the remuneration report. The Board of Directors and the Managing Director are responsible for this other information.

We expect to obtain the remuneration report after the date of this audit report.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the



audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so. The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

#### *Auditor's Responsibility*

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors (SIA) website: [revisorsinspektionen.se/revisornsansvar](https://revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## **Report on Other Legal and Regulatory Requirements**

#### *Opinions*

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB Industrivärden (publ) for the financial year ending 31 December 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### *Basis for Opinions*

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### *Auditor's Responsibility*

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors (SIA) website: [revisorsinspektionen.se/revisornsansvar](https://revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

### **The Auditor's Examination of the ESEF Report**

#### *Opinion*

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for AB Industrivärden (publ) for the financial year ending 31 December 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### *Basis for Opinion*

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section.

We are independent of AB Industrivärden (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to obtain reasonable assurance whether the ESEF report is, in all material respects, prepared in a format that meets the requirements of Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the ESEF report, i.e., if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a

reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also includes an assessment of whether the ESEF report has been marked with iXBRL which enables a fair and complete machine readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

### **The Auditor's Examination of the Corporate Governance Report**

The Board of Directors is responsible for that the corporate governance report on pages 43–49 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden.

We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph in the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, 556271-5309, was appointed auditor of AB Industrivärden (publ) by the general meeting of the shareholders on 21 April 2021 and has been the company's auditor since 17 April 2019.

Stockholm, February 23, 2022  
Deloitte AB

*Hans Warén*  
Authorized Public Accountant

## Auditor's opinion regarding the statutory sustainability report

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*To the general meeting of the shareholders  
in AB Industrivärden (publ) Corporate  
Identification Number: 556043-4200*

### **Engagement and Responsibility**

The Board of Directors is responsible for the statutory sustainability report for the financial year ending 31 December 2021 on pages 22-26 and 73-78 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

### **Scope of Audit**

Our examination has been conducted in accordance with FAR's standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### **Opinion**

A statutory sustainability report has been prepared.

Stockholm, February 23, 2022  
Deloitte AB

*Hans Warén*  
Authorized Public Accountant



# Other information and appendices



# Shareholder information and investor relations

## Reporting

All interim reports, annual reports, press releases and more are available on Industrivärden's website: [www.industrivarden.net](http://www.industrivarden.net). Printed copies of interim reports and annual reports are distributed to shareholders and other interested parties upon request.

## Annual Report 2021

This publication constitutes the Annual Report for AB Industrivärden (publ). Printed copies of the Annual Report are distributed to shareholders and others upon request. The Annual Report is also available in digital form on the Company's website.

## Financial calendar 2022

|                                   |           |
|-----------------------------------|-----------|
| Interim report January–March      | April 7   |
| Annual General Meeting, Stockholm | April 21  |
| Interim report January–June       | July 7    |
| Interim report January–September  | October 6 |

## Orders and subscriptions

Financial reports and press releases can be ordered individually or by subscription by registering at [www.industrivarden.net](http://www.industrivarden.net), by email at [info@industrivarden.se](mailto:info@industrivarden.se), or by phone at +46-8-666 64 00.

## Contact persons

Queries from shareholders, investors and others can be directed to:

- Sverker Sivall, Head of Corporate Communications and Sustainability  
email: [ssl@industrivarden.se](mailto:ssl@industrivarden.se) or phone +46-8-666 64 19
- Jan Öhman, CFO  
email: [jon@industrivarden.se](mailto:jon@industrivarden.se) or phone +46-8-666 64 45

## Equity analysts who monitor Industrivärden

The following equity analysts monitored Industrivärden as per February 10, 2022:

- ABG Sundal Collier, Derek Laliberté, +46-8-566 286 78, [derek.laliberte@abgsc.se](mailto:derek.laliberte@abgsc.se)
- AlphaValue, Jorge Velandia, + 33 1 70 61 10 56, [j.velandia@alphavalue.eu](mailto:j.velandia@alphavalue.eu)
- Bank of America Merrill Lynch, Philip Middleton, +44 20 7996 1493, [philip.middleton@bofa.com](mailto:philip.middleton@bofa.com)
- Danske Bank, Oskar Lindström, [oskar.lindstrom@danskebank.se](mailto:oskar.lindstrom@danskebank.se)
- DNB, Joachim Gunell, +46-8-597 912 01, [joachim.gunell@dnb.se](mailto:joachim.gunell@dnb.se)
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- Kepler Cheuvreux, Johan Sjöberg, +46-8-723 51 63, [jsjoberg@keplercheuvreux.com](mailto:jsjoberg@keplercheuvreux.com)
- Nordea, Hugo Libal, +46-10-156 96 08, [hugo.libal@nordea.com](mailto:hugo.libal@nordea.com)
- Pareto Securities, Herman Wartoft, +46-8-402 52 79, [herman.wartoft@paretosec.com](mailto:herman.wartoft@paretosec.com)
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Switchboard: +46-8-666 64 00



# Annual General Meeting 2022

The Annual General Meeting will be held on Thursday, April 21, 2022.

## Right to participate and notification

Shareholders who wish to participate in the Annual General Meeting must be registered as a shareholder in the shareholder register maintained by Euroclear Sweden AB, based on the conditions as per April 11, 2022, and must have notified the Company of their intention to participate in the AGM in accordance with the instructions in the AGM Notice.

To have the right to participate in the AGM, a shareholder whose shares are registered in a nominee's name must request that the nominee registers the shares in the shareholder's own name so that the shareholder is listed in the shareholder register as per April 11, 2022. Such registration may be temporary (so-called voting rights registration) and is requested from the nominee in accordance with the nominee's routines in such advance time as determined by the nominee. Voting rights registrations made by nominees by not later than, April 13, 2022, will be taken into account in the current shareholder register.

Further instructions will be provided in the AGM notice, which will be issued in March.

## Dividend

The Board of Directors proposes an ordinary dividend of SEK 6.75 per share (6.25). The last day to buy shares that carry entitlement to the dividend is April 21, 2022, entailing that Industrivärden shares will be traded ex-rights on April 22, 2022.

Provided that the AGM resolves in favor of the proposal, it is expected that dividends will be sent out by Euroclear Sweden AB on April 28, 2022.

## Board composition

The Nominating Committee proposes re-election of board members Pär Boman, Christian Caspar, Marika Fredriksson, Bengt Kjell, Fredrik Lundberg, Lars Pettersson and Helena Stjernholm, and new election of Katarina Martinson. Annika Lundius has declined re-election. In addition, Fredrik Lundberg is proposed for re-election as Chairman of the Board.

Katarina Martinson was born in 1981 and has an M.Sc. from the Stockholm School of Economics. With a background as an analyst, she now works with asset management for the Lundberg family. Katarina Martinson is Chair of the Board of Indutrade and a Board member of L E Lundbergföretagen, L E Lundberg Kapitalförvaltning, Fastighets AB L E Lundberg, Förvaltnings AB Lunden, Fidelio Capital and Husqvarna.

# Alternative performance measures and definitions

The Annual Report includes financial key ratios that are based on IFRS (earnings per share). In addition, other key ratios (Alternative Performance Measures – APMs) are used by the Company and other interests to describe the Group's operations and which cannot be discerned or derived from the financial statements. These APMs are to be regarded as a complement to the financial reporting presented in accordance with IFRS. It should be noted that the APMs defined below may differ somewhat from other companies' definitions of the same terms.

## **Market value of equities portfolio**

The value of the equities portfolio based on market prices on the balance sheet date. For calculation, see pages 15 and 28 and Note 11 on page 59.

## **Dividend yield**

Dividend per share in relation to the share price on the balance sheet date.

## **Market's required rate of return**

Risk-free interest (return on a government bond) plus a risk premium (excess return to compensate for the higher risk in an equity investment).

## **Net debt**

Financial liabilities and provision for pensions less cash and cash equivalents and financial receivables. For calculation, see Note 22 on page 62.

## **Earnings per share**

Net income for the year divided by the total number of shares outstanding.

## **Debt-equities ratio**

Net debt in relation to the market value of the equities portfolio.

## **Equity ratio**

Shareholders' equity as a share of total assets.

## **Net asset value**

The market value of the equities portfolio less net debt. For calculation, see page 28.

## **Net asset value including reinvested dividend**

To calculate the development of net asset value before dividends paid out, the dividends paid out by the Company are recalculated to take into account the performance of the equities portfolio. This gives a measure of how net asset value would have developed if Industrivärden had not paid any dividend.

## **Total return, shares**

Change in the share price taking into account reinvested dividends. The total return is compared against the return index (SIXRX), which indicates the price development including reinvested dividends for stocks listed on the Stockholm Stock Exchange.

## **Total return, shareholding**

Change in value of a shareholding included calculated reinvested dividend. Reported only for the current reporting period.

## **Change in value of shares**

For shares held at both the start and end of the year, the change in market value consists of the difference in value between these two points in time. For shares sold during the year, the change in market value consists of the difference between the sales price of the shares and their value at the start of the year. For shares acquired during the year, the change in market value consists of the difference between the cost of the shares and their value at the end of the year.

# GRI Index and TCFD Reference

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative (GRI 2016) Standard, Core level, with the Financial Services sector supplement. This is Industrivärden's fifth sustainability report produced in accordance with the GRI framework and draws from the GRI principles regarding content and quality. The report pertains to Industrivärden's own operations in 2021 (January 1–December 31, 2021). The ambition is to report yearly.

Industrivärden's operations are conducted by approximately 15 employees at the Company's head offices in Stockholm. Since 2017 stakeholder dialogues and subsequent materiality analyses have been conducted to identify the highest priority issues in the area of sustainability. These analyses form the basis for determining which disclosures are reported in Industrivärden's sustainability report and GRI Index. Industrivärden adheres to

sustainable business practices by adopting a clear sustainability perspective in its investment decisions and exercise of active ownership. The portfolio companies' sustainability reports are available on the respective companies' websites.

The GRI Index describes Industrivärden's sustainability work based on the GRI Standards. The report consists of the information below including the references provided as well as the information reported in the 2021 Annual and Sustainability Report, on Industrivärden's website, and on [cdp.net](https://www.cdp.net) according to the respective GRI Index.

In 2020 Industrivärden began implementing the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) for reporting climate-related risks, but at present does not report in accordance with the entire framework.

## GRI Standards Index, Core level, financial services sector supplement

| General disclosures              |  | In Industrivärden's Sustainability Report (page) | In Industrivärden's Annual Report (page) | Comments  |
|----------------------------------|--|--|--|---|
| <b>1. Organizational Profile</b> |  |  |  |   |
| 102-1                            | Name of the organization                                     |  | Back cover                               |   |
| 102-2                            | Activities, brands, products and services                    |  | 4-5, 12-21                               |   |
| 102-3                            | Location of headquarters                                     |  | Back cover                               |   |
| 102-4                            | Location of operations                                       |  | Back cover                               |   |
| 102-5                            | Ownership and legal form                                     |  | 30-31, 43-47                             |   |
| 102-6                            | Markets served   |  | 33-40                                    |   |
| 102-7                            | Scale of the organization                                    |  | 13-17, 57                                |   |
| 102-8                            | Information on employees and other workers                   | 26   | 13, 57                                   | All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden is a small company with approximately 15 employees. Apart from regulatory requirements, we therefore do not disclose information that can be coupled to individual persons.   |
| 102-9                            | Supply chain   |  |  | Purchases of goods and services are made for the office activities in Stockholm. Suppliers are expected to comply with well-respected principles for business ethics.   |
| 102-10                           | Significant changes to the organization and its supply chain |  |  | No major changes during the year.   |
| 102-11                           | Precautionary principle or approach                          | 22   |  | The precautionary principle is adhered to with respect to assessments and management of sustainability risks in the portfolio companies and new investments. Industrivärden is a signatory of the UN Global Compact, whose environmental risks cover the precautionary principle.   |
| 102-12                           | External initiatives   | 22-26  | 10-11                                    | The UN Global Compact, CDP and Global Reporting Initiative. The Company's Code of Conduct is based on the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Fundamental Conventions. This year's Annual and Sustainability Report also constitutes Industrivärden's Communication on Progress (CoP) for the UN Global Compact. |
| 102-13                           | Membership of associations                                   | 22   |  | Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).   |

| General disclosures | In Industrivärden's Sustainability Report (page) | In Industrivärden's Annual Report (page) | Comments |
|---------------------|--|--|----------|
|---------------------|--|--|----------|

## 2. Strategy

|        |                                      |  |      |  |
|--------|--------------------------------------|--|------|--|
| 102-14 | Statement from senior decision-maker |  | 9-11 |  |
|--------|--------------------------------------|--|------|--|

## 3. Ethics and integrity

|        |  |       |    |  |
|--------|--|-------|----|--|
| 102-16 | Values, principles, standards, and norms of behavior | 22-26 | 12 |  |
|--------|--|-------|----|--|

## 4. Governance

|        |                                   |  |       |  |
|--------|-----------------------------------|--|-------|--|
| 102-18 | Governance and Board of Directors |  | 43-49 | The CEO has overarching responsibility for sustainability work, which is an integral part of the Company's operations. Team managers are responsible for sustainability analyses of the respective portfolio companies. The Head of Sustainability has functional responsibility for sustainability-related issues and processes. The Board of Directors is responsible for the Company's sustainability report. |
|--------|-----------------------------------|--|-------|--|

## 5. Stakeholder engagement

|        |  |       |  |   |
|--------|--|-------|--|---|
| 102-40 | List of stakeholder groups             | 22-23 |  | A compilation of our most important stakeholder categories is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> .                         |
| 102-41 | Collective bargaining agreements       |       |  | All employees are covered by collective bargaining agreements.  |
| 102-42 | Identifying and selecting stakeholders | 22-23 |  | The process for identifying and defining the most important stakeholder categories is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> . |
| 102-43 | Approach to stakeholder engagement     | 22-23 |  | Further information on the stakeholder dialogue is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> .                                    |
| 102-44 | Key topics and concerns raised         | 22-23 |  | A materiality analysis and compilation of priority issues is presented on <a href="http://www.industrivarden.net">www.industrivarden.net</a> .                          |

## 6. Reporting scope and boundaries

|        |  |       |        |  |
|--------|--|-------|--------|--|
| 102-45 | Entities included in the consolidated financial statements |       | 41, 60 | The report covers the Parent Company and all subsidiaries.   |
| 102-46 | Defining report content and topic Boundaries               |       | 55     |  |
| 102-47 | List of material topics/sustainability issues              | 22-26 |        |  |
| 102-48 | Restatements of information                                |       |        | This is Industrivärden's fifth sustainability report in accordance with GRI.   |
| 102-49 | Changes in reporting                                       |       |        | No significant changes have taken place since the preceding report.  |
| 102-50 | Reporting period   |       | 41     |  |
| 102-51 | Date of most recent report                                 |       |        | This is Industrivärden's fifth sustainability report in accordance with GRI. The most recent annual report with sustainability information was published on February 25, 2021.                                 |
| 102-52 | Reporting cycle  |       | 73     |  |
| 102-53 | Contact point for questions regarding the report           |       | 70     | Head of Corporate Communication and Sustainability, Sverker Sivall, <a href="mailto:ssl@industrivarden.se">ssl@industrivarden.se</a>   |
| 102-54 | Claims of reporting in accordance with the GRI Standards   |       | 73     |  |
| 102-55 | GRI content index  |       | 73-76  |  |
| 102-56 | External assurance   |       | 65-68  | The auditor has given a statement on the statutory sustainability report. Significant information is also included in the Company's Board of Directors' Report, which is reviewed by Industrivärden's auditor. |

| Topic specific disclosures   | In Industrivärden's Sustainability Report (page) | In Industrivärden's Annual Report (page) | Comments   |
|--|--|--|--|
| <b>GRI 200: Economic</b>   |  |  |  |
| <b>GRI 201: Economic performance</b>   |  |  |  |
| 103-1 - 103-3 Sustainability governance  | 22-26  | 12-13, 16-17                             |  |
| 201-1 Direct economic value generated and distributed                                      | 26   | 28-31                                    |  |
| <b>GRI 205: Anti-corruption</b>  |  |  |  |
| 103-1 - 103-3 Sustainability governance  | 22-26  | 12-13, 16-17                             |  |
| 205-1 Operations assessed for risks related to corruption                                  | 22-26  |  | No material risks have been identified in the Company's own operations. Questions related to the Company's sustainability analysis are addressed on a continuing basis within the framework of active ownership.   |
| 205-2 Training in anti-corruption policies and procedures                                  | 22-26  |  | All employees receive training in the annually revised Code of Conduct, which covers all aspects of corporate social responsibility in accordance with the Global Compact's 10 principles, including anti-corruption. Through Swedish Investors for Sustainable Development (SISD), Industrivärden participates in a work group that develops analysis models for anti-corruption. |
| <b>GRI 300: Environment</b>  |  |  |  |
| <b>GRI 305: Emissions</b>  |  |  |  |
| 103-1 - 103-3 Sustainability governance  | 22-26  | 12-13, 16-17                             |  |
| 305-1 Energy indirect GHG emissions (Scope 2)  | 25   |  | Scope 1 emissions in 2021 amounted to 14 tonnes CO2e (20)<br>www.cdp.net: Industrivärden, CC 6.1.  |
| 305-2 Energy indirect GHG emissions (Scope 2)  | 25-26  |  | Scope 2 emissions in 2021 amounted to 10 tonnes CO2e (16) (according to market-based method)<br>www.cdp.net: Industrivärden, CC 6.3  |
| 305-3 Other indirect GHG emissions (Scope 3)   | 25-26  | 77-78                                    | Scope 3 emissions in 2021 amounted to 10 tonnes CO2e (11) (business travel, publications, etc.)<br>www.cdp.net: Industrivärden, CC 6.5.<br>This GRI Index pertains to own operations, which is why portfolio emissions (which are normally included in Scope 3) are not included above. See page 77.   |
| <b>GRI 400: Social</b>   |  |  |  |
| <b>GRI 401: Employment</b>   |  |  |  |
| 103-1 - 103-3 Sustainability governance  | 22-26  |  | See also the Company's Code of Conduct.  |
| 401-1 New employee hires and employee turnover   |  |  | The Company has 15 employees. Employee turnover for new hires was 7% (13%), and 0% departures (13%). One man in age group -30 was newly hired.   |
| 401-3 Parental leave   |  |  | During the period 2 men and 1 woman were on parental leave. Two men and 1 woman returned to work after parental leave during the reporting period.   |
| <b>GRI 403: Health and safety</b>  |  |  |  |
| 103-1 - 103-3 Sustainability governance  | 22-26  |  |  |
| 403-2 Types of injury and rates of injury, and absenteeism                                 |  |  | No occupational injuries during the period. Average absenteeism relative to total working time was 0%.   |
| <b>GRI 404: Training and education</b>   |  |  |  |
| 103-1 - 103-3 Sustainability governance  | 22-26  |  |  |
| 404-1 Average hours of training per year per employee                                      |  |  | The average number of hours per employee was 11  |
| 404-3 Percentage of employees receiving regular performance and career development reviews |  |  | All employees receive regular evaluations about their performance and career development.  |
| <b>GRI 405: Diversity and equal opportunity</b>  |  |  |  |
| 103-1 - 103-3 Sustainability governance  | 22-26  | 12-13, 16-17                             |  |
| 405-1 Diversity of governance bodies and employees   |  | 48-49, 57                                |  |



| Topic specific disclosures  | In Industrivärden's Sustainability Report (page) | In Industrivärden's Annual Report (page) | Comments   |
|---|--|--|--|
| <b>GRI 419: Socioeconomic compliance</b>  |  |  |  |
| 103-1 – 103-3 Sustainability governance   | 22–26  | 12–13, 16–17                             |  |
| 419-1 Non-compliance with laws and regulations in the social and economic area  |  |  | Industrivärden has not been assessed any fines or other sanctions.   |
| <b>Sector-specific standards, Financial Services</b>  |  |  |  |
| 103-1 – 103-3 Sustainability governance   | 22–26  |  |  |
| FS 6 Percentage of the portfolio for business lines by specific region  |  | 33                                       | All of the portfolio companies are listed on Nasdaq Stockholm.   |
| FS 10 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues |  |  | Sustainability issues are addressed in all portfolio companies within the framework of Industrivärden's analysis and influence activities. |

### Page references for disclosures in accordance with the TCFD's recommendations

Industrivärden has begun implementation of the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) for reporting of climate-related risks, but currently is not reporting entirely in accordance with the framework. The reporting is presented on pages 77–78.

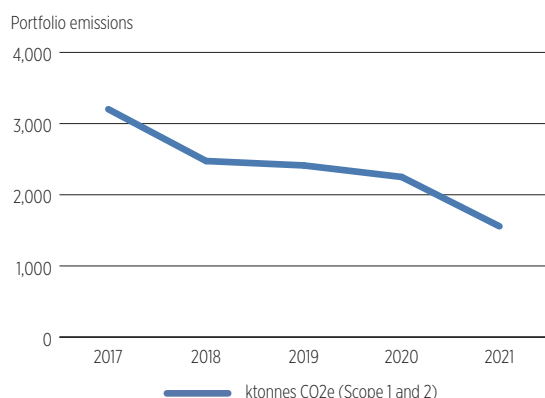
| Category  |                |           |                  |                     |
|-----------|----------------|-----------|------------------|---------------------|
| Reference | Governance     | Strategy  | Risk management  | Metrics and targets |
| a)        | 43–47          | 22–25     | 13, 16–17, 22–23 | 25–26               |
| b)        | 43–47          | 12, 22–24 | 13, 16–21, 22–23 | 75, 77              |
| c)        | not applicable | –         | 63, 78           | 25–26               |

# Climate impact

As an engaged long-term owner, Industrivärden's largest carbon footprint is derived from its ownership of the portfolio companies. Greenhouse gas emissions (CO<sub>2</sub>e) from its own operations and from the equities portfolio have been measured since 2010, when Industrivärden also began reporting its carbon footprint to the CDP (formerly Carbon Disclosure Project).

## Emissions from equities portfolio

The largest share of Industrivärden's emissions are indirect CO<sub>2</sub>e emissions within framework of the Company's ownership in the portfolio companies (Industrivärden's Scope 3 emissions). The chart below shows the equities portfolio's yearly emissions over a five-year period. Data has been obtained from the portfolio companies' own disclosures of greenhouse gas emissions (GHG Protocol, market-based method), in proportion to Industrivärden's share of ownership (equity share approach). This development illustrates the portfolio companies' concerted efforts to steadily reduce their carbon emissions as well as Industrivärden's divestment of its holding in the steel company SSAB in 2020/2021. The portfolio's emissions are reported in Industrivärden's Scope 3 emissions (the GRI Index on page 75 pertains only to Industrivärden's own operations) and reflect the portfolio companies' Scope 1 and 2 emissions, based on Industrivärden's share of ownership (share of votes, which in Industrivärden's case corresponds to higher emissions owing to larger shares of votes than equity in several portfolio companies). Further information about the equities portfolio's composition and Industrivärden share of ownership is provided on pages 15 and 33–40.



## Industrivärden's own emissions

Industrivärden has calculated the carbon footprint from its own operations during the last ten years. Emissions come mainly from electricity and district heating consumption in the Company's office building and from business travel. During 2021 travel-related emissions remained low due to the Covid-19 pandemic. To reduce greenhouse

gas emissions, environmentally certified electricity from wind and hydro power is purchased, and the remainder is compensated through offsets. Carbon offsetting is done through the Gold Standard-certified project SKG Sangha Biodigester PoA in the State of Karnataka in India, where biogas digesters are being installed to produce clean and sustainable energy. For more specific emissions data, see the GRI Index on page 75.

## TCFD – Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) was launched in 2017, which provides guidance to companies on how to better identify and report climate-related financial risks and opportunities. Industrivärden has reported climate-related information to the CDP since 2010. Today the TCFD's recommendations are integrated in the CDP's questionnaire on climate change. Industrivärden began implementing the TCFD's recommendations on reporting climate-related risks and opportunities in 2020.

## Governance

The Board's decisions on major investments continually take into consideration developments in the portfolio companies, and the Board decides on matters related to the exercise of active ownership in the portfolio companies. Individual directors on Industrivärden's board are represented on the portfolio companies' boards and also actively participate in the portfolio companies' nomination processes.

The Executive Management is responsible for the Company's day-to-day administration, which includes strategic, organizational and finance matters, control and follow-up as well as equity transactions, among other things. Members of the Executive Management participate actively in evaluations of the Company's assets as well as in active ownership measures and have depth of knowledge about the portfolio companies' challenges, opportunities and current owner agendas.

Industrivärden's company teams are responsible for the continuous monitoring of their respective portfolio companies, which among other things includes material sustainability issues, such as climate risks. The teams also update Industrivärden's owner agendas for the exercise of active ownership.

Directors on Industrivärden's board and members of the Executive Management, who also serve as AGM-elected directors on portfolio company boards, are to have a current and accurate understanding of value-creating measures that have been identified in the respective portfolio companies. Against this background, Industrivärden's owner agendas for the portfolio companies are continuously discussed by Industrivärden's board.

## Strategy

Industrivärden's business mission is to contribute to the portfolio companies' long-term development and value creation through active ownership. Operations are grounded in Industrivärden's relative strengths, including a long-term investment perspective, strong positions of influence, a well-developed ownership model, depth of industrial knowledge and experience, financial strength and an extensive network.

The long-term investment horizon entails that adherence to sustainability principles in the portfolio companies is crucial for Industrivärden's opportunities to benefit from enduring growth in value. Industrivärden is therefore an owner that sets requirements and has high ambitions to contribute to sustainable businesses that generate long-term value and benefit the communities in which they operate.

With a foundation in Industrivärden's fundamental analyses of the respective portfolio companies, continuous updates are made of the owner agendas for value creation, which summarize the strategic value drivers that Industrivärden believes are most important for value creation during the coming three to five years.

Several of the portfolio companies conduct climate scenario analyses to identify their climate-related risks and opportunities. Industrivärden's sustainability analysis encompasses these descriptions as well as the measures being taken by the companies. Climate risks identified in the equities portfolio are reported in the sustainability report's overarching risk analysis.

## Risk management

Industrivärden's largest climate risk stems from the aggregate climate risk in the equities portfolio, based on Industrivärden's share of ownership in the respective companies. Through its active ownership Industrivärden monitors the respective companies' identification, analysis and measures pertaining to climate risks. Where needed, influence is exercised in accordance with Industrivärden's ownership model. Ensuring that each portfolio company minimizes climate-related risks and takes advantage of the related opportunities is entirely central to the work on safeguarding and, over time, growing Industrivärden's net asset value.

Identifying and assessing climate-related risks and opportunities in the individual portfolio companies are done in Industrivärden's sustainability analysis, which is part of the respective portfolio companies' fundamental analyses. The risk analysis includes both transition risks and physical risks (effects of climate change) based on various scenarios and time perspectives. In the event Industrivärden determines that there is a need to influence matters regarding a climate risk of a strategic nature, this is defined in the owner agenda for the portfolio company. Further information on risk management is provided on pages 22-26.

## Objective

Achieving a reduced climate impact mitigates transition risks and promotes long-term value development. It is therefore essential for achieving good growth in net asset value in accordance with Industrivärden's strategy. Moreover, from a broader perspective it is a precondition for a healthy planet. The portfolio companies are therefore to have prominent positions with respect to minimizing carbon emissions in their own production and value chains.

The goal is that the portfolio companies will have science-based targets for reducing their carbon emissions (Scope 1 and 2). They are also to have clear targets for reducing emissions along their value chains (Scope 3). This goal is followed up yearly and is reported in the sustainability report.

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