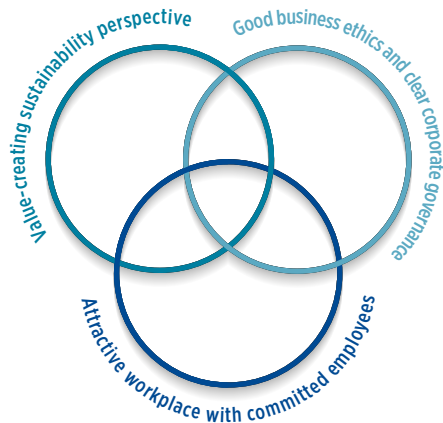


# SUSTAINABILITY REPORT

## INDUSTRIVÄRDEN'S VIEW OF SUSTAINABILITY

Industrivärden's view of sustainability is grounded in the Company's business mission to conduct long-term value-creating asset management through active ownership. From an overarching perspective, Industrivärden has the greatest sustainability influence through its role as an active owner in its portfolio companies. In addition, Industrivärden conducts sustainability work in its own operations, where focus is on being a responsible employer.

The active ownership role entails a long-term investment perspective and involves a natural involvement in the portfolio companies' strategic development. By helping to develop long-term competitive companies, Industrivärden enables growth in value over time and sustainable development, which benefits the communities in which the portfolio companies are active.



Industrivärden's operations are conducted in accordance with 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. Industrivärden's 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 in society,
- the workplace shall be distinguished by openness, receptiveness and mutual respect, and
- the Company repudiates all forms of discrimination and believes that diversity in all its forms enhances knowledge, dynamism and the quality of operations.



## Sustainability focus

Industrivärden's sustainability work is conducted through two focus areas: drive sustainable company development through active ownership, and be a responsible employer. These areas have been identified and concretized with a foundation in the materiality analysis. This analysis is based on Industrivärden's opportunities to influence through its ownership role, a materiality perspective, and an ongoing stakeholder dialog.

## Global initiatives and guidelines

As guidance in its sustainability work, Industrivärden adheres to global initiatives such as Agenda 2030, the OECD Guidelines for Multinational Enterprises, the ILO's eight fundamental conventions and the UN Global Compact. In addition, since 2015 annual progress reports are submitted to Global Compact in the areas of human rights, working conditions, the environment and anti-corruption.



## Agenda 2030 and the Sustainable Development Goals

As part of Agenda 2030, the world's leaders have adopted 17 global Sustainable Development Goals (SDGs) for a better world. In 15 years' time the goals will contribute to social, environmental and economically sustainable development in all countries, and the business sector plays a decisive role in achieving these goals. With a base in Industrivärden's business, its influence opportunities in the portfolio companies and a previously performed materiality analysis, the following goals are in focus. From an influence perspective, SDGs 8, 9, and 12 apply for Industrivärden's portfolio companies within the framework of active ownership. SDGs 5 and 13 pertain mainly to Industrivärden's own operations.

Active ownership

Own operations



## A. ACTIVE OWNERSHIP

The capital market has undergone major changes during the past two decades. Diversity has increased with respect to investment strategies and investment horizons. At the same time, polarization has also increased, where active owners have intensified their activity level at the same time that the share of passive investing, such as through algorithm and index trading, has increased significantly. This development has further highlighted the need for responsible and long-term owners.

Another trend is that many companies today are facing rapid changes in their external business environments along with revolutionary megatrends such as urbanization, digitalization and sustainability challenges. This has put higher demands on speed and flexibility among companies, but also a need for knowledgeable and engaged owners that can contribute and set clear demands. For investors that have the ability to successfully exercise responsibility and value creation in their ownership role, these development trends present potential business opportunities with distinct societal benefits.

As an active owner Industrivärden therefore contributes to the development of responsible companies that capitalize on sustainability-related opportunities. This creates competitive companies, enables growth in value and benefits sustainable societal development.

Against this background Industrivärden puts strong emphasis on ensuring that its portfolio companies have a sustainable approach to all aspects of their operations. Particular emphasis is put on material risks and opportunities – from influence and risk perspectives – since the companies are active in widely diverse industries and therefore face different challenges and opportunities. From an overall perspective it is Industrivärden's expectation that they:

- view sustainability as a key strategic issue;
- integrate sustainability aspects in their business models, business cultures, strategies, processes and product offerings;
- comply with applicable laws, rules and generally accepted principles for sustainable business;
- continuously improve their sustainability work with support of relevant guidelines and measurable goals; and
- communicate their sustainability work and the way in which they contribute to long-term sustainable development in the communities in which they work.

Active ownership is exercised primarily through representation on companies' nominating committees and boards, and by engaging in an ongoing dialog with the portfolio companies. Through extensive knowledge about the portfolio companies, their industries and important factors in their operating environments, Industrivärden has a good understanding of the portfolio companies' sustainability work, to the benefit of its active ownership. The analysis process is conducted from an overarching

ownership perspective and is built upon Industrivärden's sustainability analysis framework, which encompasses the portfolio companies' organizations, structures, risk management, utilization of value-creating opportunities and communication. Industrivärden's portfolio companies shall have the boards, management, organizations and resources needed to integrate sustainable business and thereby long-term value creation in their business models, processes and product offerings. Industrivärden shall be a well-informed and demanding owner with a clear sustainability perspective that contributes to sustainable development of its portfolio companies.

### Strong starting point for sustainable value creation

Industrivärden's portfolio companies have generally made great progress in capitalizing on the value created by long-term sustainable business and measure up well in various comparisons with their industry peers. Following are a few examples of sustainability work currently being conducted by the portfolio companies.

#### Sandvik

In conjunction with the World Economic Forum 2018, for the first time Sandvik was included on the list of the 100 most sustainable companies and was ranked 65th overall. Among other initiatives, Sandvik is working together with Goldcorp to convert the Borden Lake project in Ontario, Canada, to the world's first fully electric mine by developing battery operated vehicles. Production is planned to start in 2019.

#### Handelsbanken

Handelsbanken is included in the analysis company RobecoSAM's "Sustainability Yearbook 2018" as a "Sustainability Yearbook Member". As such, Handelsbanken is among the top 15% of the world's banks in sustainability. During 2018 a framework was launched for projects that meet special sustainability criteria, and in June Handelsbanken issued its first green bond according to the set criteria.

#### Volvo

In 2018 Volvo Trucks unveiled several electric transport solutions. In May the FL Electric truck was launched, which can be driven in indoor terminals and in the most demanding environmental zones. The truck is virtually noise-free, which makes it suitable to drive in cities even at night. In September Vera was presented, a future transport system with self-driving electric vehicles that are monitored via a control center.

### Essity

In May 2018, Essity, together with WSSCC, published a report with the goal to further promote the global dialog on hygiene and health issues, increase cooperation between organizations, industries and countries, and promote solutions for some of the challenges we face. In January 2018, Essity was named as one of the world's most sustainable companies by Corporate Knights.

### Ericsson

Ericsson has halved its carbon emissions and during 2018 continued its ambitious work on reducing its carbon footprint. In September 2018 the "Exponential Climate Action Roadmap" report was presented at the Global Climate Action Summit in California by, among others, Ericsson, Professor Johan Rockström, Stockholm Resilience Center, Future Earth and WWF. The report lays out 33 solutions for reducing carbon emissions by 50% in a number of industries through strong industry collaboration and partnership.

### SCA

For 2017 SCA's Ortviken paper mill reported the lowest fossil fuel emissions ever. This was made possible by a new combustion plant that has allowed the mill to replace oil and gasol with wood fiber. SCA's goal is to be entirely fossil-free over time.

### ICA Gruppen

In April 2018 ICA launched "My climate target," a tool that enables customers to see the carbon footprint of their purchases with the help of modern technology and scientific calculations. In September ICA was the first grocery retailer in Sweden to have its climate targets approved by the Science Based Targets Initiative, based on a scientific method that ensures that ICA's targets are in line with the Paris agreement.

### Skanska

It is Skanska's ambition to be an industry leader in sustainability; as an example, the company has made green building an integral and commercially successful part of operations. During 2018 the company's new, so-called circular asphalt was sold in the first projects.

### SSAB

In February 2018 the HYBRIT pilot project received the green light to proceed. HYBRIT is a company jointly owned by SSAB, LKAB and Vattenfall with the goal to develop the world's first fossil-free steelmaking process with zero carbon emissions. Construction has begun of a pilot plant in Luleå and the ore fields in northern Sweden.

## SUSTAINABILITY GOALS AND ACTIVITIES: ACTIVE OWNERSHIP

Goal	<ul style="list-style-type: none"><li>• Be an active, responsible owner that contributes to long-term successful portfolio companies for the benefit of sustainable development in society</li><li>• Be a long-term and sustainable investment that offers a competitive total return which over time is higher than the average for the Stockholm Stock Exchange (Nasdaq Stockholm)</li></ul>
Activities	<ul style="list-style-type: none"><li>• Analyze and continuously monitor all portfolio companies in accordance with Industrivärden's integrated sustainability analysis</li><li>• Formulate action plans for the respective portfolio companies and exercise influence in accordance with Industrivärden's business model</li><li>• Engage in dialogs with prioritized stakeholders in order to solicit views for further development of Industrivärden's sustainability work</li></ul>
Agenda 2030	<ul style="list-style-type: none"><li>• <i>SDG 8:</i> Sustainable economic growth is a central pillar in the work on contributing to the development of responsible and successful companies that can create competitive value over time</li><li>• <i>SDG 9:</i> Promotion of sustainable industrialization and innovation is a clear focus of the portfolio companies and is encouraged within the framework of active ownership. By taking advantage of sustainability-related development opportunities the companies can stay at the forefront in their respective business areas</li><li>• <i>SDG 12:</i> Sustainable consumption and production is a strategic perspective that is integrated in the portfolio companies' business models. The companies offer long-term sustainable and efficiently manufactured products and services that contribute to sustainable production and consumption. As a long-term owner Industrivärden views this as a prerequisite for being able to compete over time</li></ul>

## B. OWN OPERATIONS

Industrivärden shall serve as a model and work with a clear sustainability focus both in its own operations and in the portfolio companies.

Proactive sustainability work shall be an integral part of the daily activities that are conducted by slightly less than 20 employees at the head offices 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 analyses in the respective portfolio companies.

### 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 for all employees. In addition, a continuous dialog is conducted on matters related to the workplace, ways of working and personal development. Industrivärden believes that better results are achieved at a workplace characterized by gender equality and diversity.

### Environmental and carbon footprinting work

Even though Industrivärden's organization is small, the Company shall serve as a good example by minimizing its own environmental impact and carbon footprint. This is being achieved, for example, by prioritizing environment-friendly travel alternatives, using renewable energy in offices, and by continuously evaluating purchases from a sustainability perspective. Industrivärden has an ambition to reduce its own footprint over time and compensates for 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 framework. Current greenhouse gas emissions for 2018 have been calculated using the market-based method of the GHG Protocol (Greenhouse Gas Protocol), and are shown in the GRI Index on page 68.



## FINANCIAL RESULTS

Favorable financial performance and financial strength are necessary prerequisites for Industrivärden to be able to create long-term value for its shareholders and pursue its strategy of supporting the portfolio companies over time. During the last three-, five- and ten-year periods, Industrivärden's stock has generated a higher total return than the Stockholm Stock Exchange. During 2018 Industrivärden's net asset value decreased from

SEK 96.3 billion to SEK 85.2 billion at year-end. Industrivärden's Class A and C shares generated total returns including reinvested dividend of -11% and -9%, respectively. A dividend of SEK 5.50 per share was paid to the shareholders, for SEK 2.4 billion in total. Industrivärden has a stable financial position with good credit ratings, and at year-end the debt-equities ratio was 7%.

## DEVELOPMENT OF SUSTAINABILITY WORK 2018

### Integration of strengthened sustainability analysis

In 2016 a development work was initiated to build up knowledge and strengthen analysis and the Company's ability to influence sustainability-related matters. This resulted in a new sustainability analysis framework, which was further developed in 2017 and fully integrated in Industrivärden's operational activities in 2018. Today Industrivärden has a solid foundation for value-creating sustainability analysis. The framework and work processes are being continuously developed as an integral part of Industrivärden's business model. See pages 12–16 for further information.

### Clearer coupling to Agenda 2030

In 2018 work was conducted to more clearly explain how Industrivärden's prioritized sustainability issues are coupled to the global Sustainable Development Goals (SDGs) set out by the Agenda 2030 framework. This clarifies how Industrivärden is contributing to achievement of the global SDGs.

### More in-depth stakeholder dialogs

Industrivärden is interested in and receptive to expectations on its operations by actors in its operating environment. Against this background a continuous dialog is conducted with the Company's stakeholders to learn about their perspectives and share knowledge.

*"We receive many valuable views on our sustainability work, and the intensified stakeholder dialog has strengthened our understanding and ability"*

Sverker Sivall, Head of Corporate Communication and Sustainability

The stakeholder dialog provides important support in the development of sustainability work, and in 2018 it was broadened with respect to target groups and levels. Further, Industrivärden participates in various public forums and presentations conducted under the sustainability theme – in part to emphasize the importance of active owners for sustainable societal development and in part to further conduct a dialog, gather views and learn from others.

## SUSTAINABILITY GOALS AND ACTIVITIES: OWN OPERATIONS

Goal	<ul style="list-style-type: none"> <li>• Measure and follow up Industrivärden's environmental impacts and carbon footprint</li> <li>• Be an attractive employer with competence development, openness and diversity in focus, and attract, recruit and retain competent employees</li> </ul>
Activities	<ul style="list-style-type: none"> <li>• Report Industrivärden's carbon footprint to CDP and compensate for the Company's footprint through offsets</li> <li>• Implement processes for broadened competence and diversity</li> <li>• Further train all employees on the sustainability strategy, Code of Conduct and policy documents</li> <li>• Conduct employee performance reviews with special attention paid to the work environment and competence development</li> </ul>
Agenda 2030	<ul style="list-style-type: none"> <li>• <i>SDG 5</i>: Diversity and gender equality is an important issue both in Industrivärden's own operations and in the portfolio companies since it strengthens the organizations' capabilities</li> <li>• <i>SDG 13</i>: Having a high ambition with respect to climate issues is an important issue both in Industrivärden's own operations and in the portfolio companies since it is a prerequisite for sustainable value creation</li> </ul>

### Practical implementation of values

With a foundation in Industrivärden's refined sustainability work, all employees have received training in the Company's view of value creation and how the set goals are to be implemented. This includes adopted policies for the environment and carbon footprinting, diversity and gender equality, anti-corruption and the Code of Conduct. Industrivärden makes a concerted effort to ensure that all employees feel involved in its operations.

### AUDITOR'S STATEMENT ON THE STATUTORY SUSTAINABILITY REPORT

It is the board of directors who are responsible for the statutory sustainability report on pages 17–21 and for ensuring that it has been prepared in accordance with the Annual Accounts Act. Our examination has been conducted in accordance with FAR's auditing standard RevR 12 – 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 and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion. A statutory sustainability report has been prepared.

Stockholm, February 15, 2019  
PricewaterhouseCoopers AB

*Magnus Svensson Henryson*  
Authorized Public Accountant

# GRI INDEX

Industrivärden's sustainability report follows the most recent version of the Global Reporting Initiative Standard (GRI), core level, with Financial Services sector supplement. This is Industrivärden's second 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 2018 (January 1–December 31, 2018). The Group's ambition is to report yearly.

Industrivärden's operations are conducted by slightly less than 20 employees at the Company's head offices in Stockholm. During 2017 stakeholder dialogs were conducted with a subsequent materiality analysis to identify the highest priority issues in the area of sustainability.

These dialogs were continued in 2018 on a regular basis, and the updated analysis forms the basis of our disclosures and is reported in this sustainability report. Industrivärden adheres to sustainable business practices by adopting a clear sustainability perspective in its asset management decisions and exercise of active ownership. The portfolio companies' sustainability reports are available from the respective companies' websites.

The GRI report and 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 2018 Annual and Sustainability Report, on Industrivärden's website, and on cdp.net according to the respective GRI Index.

## 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, 12–16	
102-3	Location of headquarters		12, Back cover	
102-4	Location of operations		12, Back cover	
102-5	Ownership and legal form		2, 39–40	
102-6	Markets served		22–31, 39	
102-7	Scale of the organization		12–16, 52	
102-8	Information on employees and other workers		12–13, 52	All employees are active at the head offices in Stockholm. Data does not include any consultants and advisors. Industrivärden is a small company with slightly less than 20 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 primarily active in the Nordic countries.
102-10	Significant changes to the organization and its supply chain			No major changes during the year.
102-11	Precautionary principle or approach			The precautionary principle is adhered to with respect to assessments and management of sustainability risks in the portfolio companies and new investments. Industrivärden has signed the UN Global Compact, whose environmental risks cover the precautionary principle.
102-12	External initiatives	17, 20–21		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.
102-13	Membership of associations	19		Confederation of Swedish Enterprise, Centre for Business and Policy Studies (SNS), Royal Swedish Academy of Engineering Sciences (IVA), Swedish Investors for Sustainable Development (SISD).



## 2. Strategy

102-14	Statement from senior decision-maker		8-11	
--------	--------------------------------------	--	------	--

## 3. Ethics and integrity

102-16	Values, principles, standards, and norms of behavior	17-21		
--------	--	-------	--	--

## 4. Governance

102-18	Governance and Board of Directors	21	33-35, 63-64	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			A compilation of our most important stakeholder categories is presented on <a href="http://www.industrivarden.se">www.industrivarden.se</a>
102-41	Collective bargaining agreements			All employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders			The process for identifying and defining the most important stakeholder categories is presented on <a href="http://www.industrivarden.se">www.industrivarden.se</a>
102-43	Approach to stakeholder engagement	19-21		
102-44	Key topics and concerns raised			A materiality analysis and compilation of priority issues is presented on <a href="http://www.industrivarden.se">www.industrivarden.se</a>

## 6. Reporting practice

102-45	Entities included in the consolidated financial statements		55	The report covers the Parent Company and all subsidiaries.
102-46	Defining report content and topic Boundaries		50-51	
102-47	List of material topics	19-21	46-47	
102-48	Restatements of information			This is Industrivärden's second 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		32	
102-51	Date of most recent report			This is Industrivärden's second sustainability report in accordance with GRI. The most recent annual report with sustainability information was published on February 22, 2018.
102-52	Reporting cycle		66	
102-53	Contact point for questions regarding the report		3	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		66	
102-55	GRI content index		66-68	
102-56	External assurance	21		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.

<b>Material issues</b>			
<b>GRI 200: Economic</b>			
<b>GRI 201: Economic performance</b>			
103-1 - 103-3 Sustainability governance	17-21		
201-1 Direct economic value generated and distributed	21		
<b>GRI 205: Anti-corruption</b>			
103-1 - 103-3 Sustainability governance	17-21		
205-1 Operations assessed for risks related to corruption	17-21		The Company's own operations including all portfolio companies have been analyzed with respect to the risk for corruption.
<b>GRI 300: Environment</b>			
<b>GRI 305: Emissions</b>			
103-1 - 103-3 Sustainability governance	17-21		
305-1 Direct GHG emissions (Scope 1)	20		No Scope 1 emissions. www.cdp.net: Industrivärden, CC 6.1
305-2 Energy indirect GHG emissions (Scope 2)	20		Carbon footprint in 2018 was 17.8 tonnes CO <sub>2</sub> e (17.5) in Scope 2 (energy consumption and district heating) www.cdp.net: Industrivärden, CC 6.3
305-3 Other indirect GHG emissions (Scope 3)	20		Carbon footprint in 2018 was 30.2 tonnes CO <sub>2</sub> e (49.6) in Scope 3 (business travel, publications and office material) www.cdp.net: Industrivärden, CC 6.5
<b>GRI 400: Social</b>			
<b>GRI 401: Employment</b>			
103-1 - 103-3 Sustainability governance	17-21		
401-1 New employee hires and employee turnover			The Company has 15 employees. Employee turnover for new hires is 13% (12%), and 33% departures (0%). One man and one woman in age group up to 30 years were newly hired.
401-3 Parental leave			During the period one man and one woman were on parental leave. One man returned to work after parental leave during the reporting period. One woman was on parental leave at the end of the reporting period.
<b>Health and safety</b>			
103-1 - 103-3 Sustainability governance	17-21		
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 1%.
<b>GRI 400: Training and education</b>			
103-1 - 103-3 Sustainability governance	17-21		
404-1 Average hours of training per year per employee			The average number of hours per employee was 14.
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	17-21		
405-1 Diversity of governance bodies and employees		34, 52, 63-64	
<b>GRI 419: Socioeconomic compliance</b>			
103-1 - 103-3 Sustainability governance	17-21		
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	17-21		
FS 6 Percentage of the portfolio for business lines by region, size and industry.		22	
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.