

Indutrade's business model

VISION

An entrepreneurial world where people make a difference

Indutrade has a long-term commitment to ensuring that people and companies can grow. We contribute to our own development and that of society at large by giving more people and companies the chance to become part of a business world driven by entrepreneurial spirit.



TRUSTED BY ENTREPRENEURS

VALUE CREATED

Customers

- Sustainable solutions
- More efficient use of resources
- Attractive offerings
- Long-term relationships

Suppliers and business partners

- Ethical business methods
- Long-term business relationships

Employees

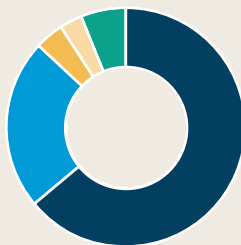
- Competence development
- Knowledge exchange
- Career development
- Stable employer

Society

- Customer offering that contributes to sustainable development
- Job creation
- Presence in the local society
- Investments in product development that lower environmental impact

Shareholders

- Profitable growth
- Dividend



Distribution of economic value

- Suppliers and business partners **64%**
- Employees (including social security contributions) **23%**
- Shareholders and other financiers **4%**
- Society (corporate tax) **3%**
- Remaining in the company **6%**

Indutrade's brand promise, "Trusted by entrepreneurs" is based on the trust we have gained from this target group since inception in 1978 and that they are also necessary for our continued growth. Now, more than 40 years later and having made more than 200 acquisitions of successful companies, we have established a unique position with vast knowledge of both acquisitions and company development.

Our business is built on developing and acquiring well-managed, profitable technology and industrial companies with a focus on continued, profitable organic growth. Through our proven, decentralised business model, driven entrepreneurs are given the opportunity to maintain independence with full operational responsibility and mandate. The best decisions are made locally, close to customers and the market.

We balance our business risk by acquiring successful companies with stable customer & supplier relationships and good profitability. We perform thorough due diligence on each company prior to acquisition and we have clear expectations on sustainability and profitable growth. Afterwards, we support them on their continued growth journeys.

In addition to meeting requirements for financial performance, the acquired companies must have a highly driven management team, be characterised by a genuine entrepreneurial spirit and possess deep business expertise. However, the most important factors for a successful acquisition are a sound company culture, sound values and ensuring that everyone shares the same values and ethical principles.

Goals and strategies

Overall goals

The Indutrade Group strives for continuous growth in selected geographic markets, product areas and niches with well-balanced business risk. Growth is to be achieved organically as well as through acquisitions.

THE GROUP'S OVERALL GOAL IS TO GENERATE SUSTAINABLE PROFIT-ABLE GROWTH.

FINANCIAL TARGETS	TARGET ACHIEVEMENT	HISTORICAL ACHIEVEMENT	AVERAGE 2017-2021	OUTCOME 2021												
Sales growth Average sales growth shall amount to a minimum of 10% per year over a business cycle. Growth is to be achieved organically as well as through acquisitions.	During the last five-year period, average annual sales growth was 11%. Net sales rose 13% in 2021. Comparable units increased by 8%, acquired growth was 7% and divestments had a marginal impact. The currency effect was -2%.	<table><caption>Sales Growth (%)</caption><thead><tr><th>Year</th><th>Growth (%)</th></tr></thead><tbody><tr><td>2017</td><td>15</td></tr><tr><td>2018</td><td>14</td></tr><tr><td>2019</td><td>9</td></tr><tr><td>2020</td><td>4</td></tr><tr><td>2021</td><td>13</td></tr></tbody></table> <p>Target at least 10%</p>	Year	Growth (%)	2017	15	2018	14	2019	9	2020	4	2021	13	11%	13%
Year	Growth (%)															
2017	15															
2018	14															
2019	9															
2020	4															
2021	13															
EBITA margin The EBITA margin shall amount to a minimum of 12% per year over a business cycle.	The EBITA margin has averaged 12.9% over the last five years. The EBITA margin in 2021 was 14.7%.	<table><caption>EBITA Margin (%)</caption><thead><tr><th>Year</th><th>Margin (%)</th></tr></thead><tbody><tr><td>2018</td><td>11</td></tr><tr><td>2019</td><td>13</td></tr><tr><td>2020</td><td>14</td></tr><tr><td>2021</td><td>15</td></tr></tbody></table> <p>Target at least 12%</p>	Year	Margin (%)	2018	11	2019	13	2020	14	2021	15	12.9%	14.7%		
Year	Margin (%)															
2018	11															
2019	13															
2020	14															
2021	15															
Return on capital employed The return on capital employed shall be a minimum of 20% per year on average over a business cycle.	During the last five years the average return on operating capital was 20%. In 2021 it was 22%.	<table><caption>Return on Capital Employed (%)</caption><thead><tr><th>Year</th><th>Return (%)</th></tr></thead><tbody><tr><td>2017</td><td>19</td></tr><tr><td>2018</td><td>21</td></tr><tr><td>2019</td><td>19</td></tr><tr><td>2020</td><td>19</td></tr><tr><td>2021</td><td>22</td></tr></tbody></table> <p>Target at least 20%</p>	Year	Return (%)	2017	19	2018	21	2019	19	2020	19	2021	22	20%	22%
Year	Return (%)															
2017	19															
2018	21															
2019	19															
2020	19															
2021	22															
Net debt/equity ratio The net debt/equity ratio should normally not exceed 100%.	During the last five years, the net debt/equity ratio at the end of each year ranged from 53% to 85%. The net debt/equity ratio at year-end 2021 was 53%.	<table><caption>Net Debt/Equity Ratio (%)</caption><thead><tr><th>Year</th><th>Ratio (%)</th></tr></thead><tbody><tr><td>2017</td><td>75</td></tr><tr><td>2018</td><td>65</td></tr><tr><td>2019</td><td>85</td></tr><tr><td>2020</td><td>55</td></tr><tr><td>2021</td><td>53</td></tr></tbody></table> <p>Not to exceed 100%</p>	Year	Ratio (%)	2017	75	2018	65	2019	85	2020	55	2021	53	varied between 53% and 85%	53%
Year	Ratio (%)															
2017	75															
2018	65															
2019	85															
2020	55															
2021	53															
Dividend payout ratio The dividend payout ratio shall range from 30% to 50% of net profit.	During the last five years, the dividend payout ratio has been an average of 40%, including the proposed dividend and not including 2019 when no dividends were distributed. For 2021, a dividend of SEK 2.30 has been proposed, corresponding to 40%.	<table><caption>Dividend Payout Ratio (%)</caption><thead><tr><th>Year</th><th>Payout (%)</th></tr></thead><tbody><tr><td>2017</td><td>45</td></tr><tr><td>2018</td><td>40</td></tr><tr><td>2019</td><td>0</td></tr><tr><td>2020</td><td>40</td></tr><tr><td>2021</td><td>40</td></tr></tbody></table> <p>Target between 30-50%</p>	Year	Payout (%)	2017	45	2018	40	2019	0	2020	40	2021	40	40%	40%
Year	Payout (%)															
2017	45															
2018	40															
2019	0															
2020	40															
2021	40															

Indutrade's sustainability strategy is based on three focus areas: people, environment and profitable growth – with goals for 2030 set for each area. To achieve the overall goals, we have identified material topics with associated targets for 2025 and KPIs that we evaluate and follow up annually. A description and outcome for these can be found in the sustainability report on pages 19-24.

FOCUS AREAS FOR SUSTAINABILITY

Employees

Engaged and competent employees are the key to building long-term, sustainable companies. We facilitate long-term growth in our companies by focusing on continuous leadership and competence development, inclusive and productive work groups and workplaces where employees thrive, and always prioritising health and safety.

Environment

Reducing carbon dioxide emissions is crucial to contributing to environmental sustainability. The transition to a low-carbon economy involves many different initiatives. From 2020, Indutrade measures the carbon footprint at Group level for Scopes 1 and 2 and the goal is for us to become climate neutral for these parts. We intend to also start including Scope 3 (emissions upstream and downstream in our value chain) in our data collection from subsidiaries so that we understand their scope and can include this in goals and strategies in the future.

Profitable growth

We secure our companies' strong market positions through continuous product and process innovation. Sustainability is becoming increasingly important to both customers and society at large, and the Group's focus is on stimulating the development and sales of products with sustainable added value. We select our acquisitions very carefully, focusing on stable and profitable companies. We limit the business risk by growing in selected segments with long-term drivers for growth and a positive impact on society. Growth is to be achieved organically as well as through acquisitions and Indutrade strives for sustainable value-creation over time for all of our stakeholders.

MATERIAL TOPICS WITH TARGETS AND KPIs

- Employee engagement
 - Leadership and competence development
 - Diversity and inclusion
 - Employee well-being
 - Employee safety
-
- Improved energy efficiency
 - Share of renewable energy
 - Reduce CO₂ emissions
 - Resource efficiency
 - Efficient business travel
-
- Customer satisfaction
 - Solutions improving customers' operations and reducing environmental impact
 - New products should use less energy and/or decrease the carbon footprint
 - Assessment of acquired companies

OVERALL GOALS 2030

100%
engaged people

**CO₂
neutral**
Scope 1 and 2 (GHG)

100%
of Indutrade's companies
contributing to sustainable development

Strategies

To achieve the overall goals, Indutrade pursues the following strategies:

STRATEGY	EFFECT	DEVELOPMENT 2021
Growth with balanced risk Indutrade's subsidiaries have responsibility for, and a mandate to, develop their companies with the aim of achieving long-term, profitable growth: <ul style="list-style-type: none"> • Through a broadened customer offering based on relevant knowledge, such as extended support, training and other aftermarket services • Via innovation and development of both products and offerings • Geographically in selected markets • Indutrade supports the companies through active board work, structured knowledge-sharing between companies and by developing/training employees in important business issues. 	→ Business development and organic growth are strategically important for steadily increased value creation over time.	→ All business areas and the majority of the companies grew organically during the year thanks to strong offerings and good market positions, despite the COVID-19 pandemic.
Acquisition Indutrade acquires well-managed, successful and typically owner-led industrial companies whose management teams are eager to continue running and growing the business. The companies manufacture or sell products in well-defined markets. Special emphasis is placed on continued opportunities for organic growth. We sometimes also make smaller, add-on acquisitions through our existing companies to strengthen market positions. A central feature of the acquisition process is to ensure that there is a shared foundation of values and ethical principles. All subsidiaries are expected to follow our Code of Conduct.	→ The acquisitions expand Indutrade's portfolio of well-managed and successful companies. The portfolio is further diversified and the economic risk is reduced while the opportunity for organic growth is improved.	→ All business areas completed acquisitions during the year and a total of 17 well-managed and successful companies with strong managements were acquired. Annual sales for the acquired companies amounted to approximately SEK 1.6 billion. To strengthen its market position in attractive segments, a number of companies also made add-on acquisitions during 2021.
Strong market positions Most of Indutrade's companies have a leading position in the market niche in which they operate.	→ Strong market positions are often a prerequisite for good profitability and being able to attract the best suppliers, all of which further solidifies Indutrade's position.	→ In 2021, we were able to maintain, and sometimes strengthen the market positions, which we attribute to flexibility and quick decision-making at the local level, which proved to be an asset when supply chain disruptions escalated.
Long-term partnerships with leading suppliers Indutrade's companies prioritise suppliers who, through own product development, provide market-leading, high-quality products with a high-tech content. A partnership with an Indutrade company should be the most profitable way for suppliers to sell their products.	→ A range of market-leading products from the best suppliers, coupled with Indutrade's technical and market know-how, makes us an attractive business partner for existing and potential customers.	→ Long-term relationships with existing suppliers of high-quality products were also prioritised in 2021. These good relationships helped many of Indutrade's companies meet their delivery commitments during the year in a relatively successful manner. Simultaneously, many companies established collaboration with a number of new suppliers during the year.

STRATEGY		EFFECT		DEVELOPMENT 2021
Companies with proprietary products and brands Indutrade has many companies with proprietary products and brands. The products should have a high technical content and the companies should have a strong market position with a good growth potential.	→	Companies with proprietary products and own brands tend to have good opportunities for developing their offering and expanding geographically, which increases their growth potential. Together with the stable, cost-effective technology sales companies, it gives Indutrade a balanced portfolio of companies. Since 2004 the share of companies with proprietary products has grown by 34 percentage points, and in 2021 they accounted for 43% of consolidated net sales.	→	In line with the long-term goal of increasing the share of companies with proprietary products, many of the companies acquired in 2021 have their own brands and manufacturing. One example is the Finnish company, Dewaco, which develops and manufactures equipment and solutions for sludge thickening, sludge removal, and dewatering to wastewater treatment applications.
High share of repetitive sales and focus on selected customer segments Many of Indutrade's companies prioritise customers in sectors with recurring needs and where the prospects are favourable for maintaining competitive production in their home markets. Many of these industries are characterised by a high degree of automation, high distribution costs and/or large start-up investments.	→	This contributes to business stability and predictability of revenue flows.	→	During the year, we continued acquiring companies with repetitive sales. One example is the German company, Tecno Plast, which offers single-use tubing sets, PTFE and silicone hoses to customers in Germany, Austria, and Switzerland. Customers are found in industries such as bio-pharma, pharma, MedTech, and chemical.
Sales organisation with high level of technical expertise Our companies' product and service offering, which is aimed at both end users and OEM customers (i.e. customers that integrate our products in their own products), should have a high-tech content and incorporate a high level of service and qualified technical consulting. The companies' own sales representatives must have a high level of technical expertise in their respective niches and a depth of knowledge about the customers' production processes.	→	This makes Indutrade's companies an attractive business partner that creates added-value for customers and suppliers alike.	→	The companies have strengthened their offerings through in-depth customer relationships and constant competence development in their respective technology areas. During the year, a number of internal network meetings and seminars were held, mainly digitally, for the exchange of experiences and knowledge in various areas.
Decentralised organisation with strong local ties Indutrade's governance model is based on decentralised responsibility and decision-making because the best business decisions are made close to customers by people who have the best understanding of the customers' needs and processes.	→	We raise customer value via subsidiaries that have the autonomy to run their own operations with a high level of flexibility, along with entrepreneurial employees who work close to the customer.	→	Our decentralised organization with entrepreneurial MDs who make independent and quick business decisions, adapted to current challenges and opportunities in each market, has once again proven to be a strength.

Active ownership

Indutrade is a long-term, stable owner that is involved in, and takes responsibility for, the development of its subsidiaries. A decentralised leadership based on clear values promotes entrepreneurial spirit in the companies, which get to retain their original identity with their own name, culture and management team. Responsible leaders with strong business acumen are developed and given opportunities to continuously drive their companies forward.

INDUTRADE AS OWNER

Our ownership perspective is very long term. When we acquire a company, it is never with the intention to withdraw or divest. We exercise active ownership primarily by participating on the Boards of Directors of our subsidiaries with the aim of developing them, generating sustainable value growth and contributing to society. As an active owner, we contribute by, for example, developing our leaders and injecting both knowledge and capital so that companies have everything they need for being able to choose the right strategic direction, invest in product development and improve their customer offerings. It is of utmost importance that our companies continuously strive to improve their social and environmental impact. We are firmly convinced that responsibility and sustainable ownership create long-term value and enhance competitiveness.

Value-based leadership

Indutrade's values guides us in how we act both externally and internally. They are values that have evolved over the years through interaction with our companies and employees, based on our conviction that it is people who make the difference. Value-based leadership with a great deal of freedom and decision autonomy is the starting point for our efforts, right from the acquisition phase to how we run, build and

develop businesses in a responsible manner. This mindset serves as the foundation for our vision: an entrepreneurial world where people make the difference.

Our Code of Conduct is an important tool to describe our common principles and promoting our shared values. Our decentralised governance model puts demands on all companies to have well-functioning operations and management. Already during the acquisition process, we therefore put strong emphasis on getting to know the company and its management, employees and owners in order to gain an understanding of whether they share our values and views on sustainable entrepreneurship.

Decentralised organisation

Our highly decentralised organisation enables companies to make own decisions, thereby giving them freedom and flexibility. The best business decisions are made when there is close contact with customers based on their specific needs and processes. Many of our subsidiaries work in smaller cities or towns where the employees become important local ambassadors. They play an important role in our companies being perceived as reliable and responsible, such as by ensuring that the local environment is not negatively impacted by the companies' operations. By making local investments and job creation, our companies contribute to growth and development in society.

WHAT WE OFFER

Business as usual

Our highly decentralised organisation enables companies to make own decisions, thereby giving them freedom and flexibility. The best business decisions are made when there is close contact with customers based on their specific needs and processes.

Professional board

We appoint an active, involved board of directors that supports the executive management team and serves as a sounding board. Our cumulative expertise, experience and structure creates the prerequisites for continued growth in the companies.

Expertise

Indutrade supports its subsidiaries by providing industrial and technical expertise and assisting with business development, financing and management by objectives. We also offer support with such things as competence development, digitalisation and sustainability.

Financial strength

The Group's financial strength creates stability and facilitates further expansion of our subsidiaries. As a stable owner, we take responsibility for the longevity of our subsidiaries.

Knowledge-sharing and networks

We share experiences, knowledge and best practice through network meetings, trainings and our digital communications platform, Indutrade Portal. Many challenges and solutions are relevant to most companies. We therefore promote knowledge-sharing and informal networking so that they can exchange ideas and experiences.

Developing competence and leadership

In a decentralised organisation, people are everything. We are very careful to ensure that we have the right MD, executive management team and board of directors at each company. We offer tailored training via Indutrade Academy in order to continuously develop our key talents.

DEVELOP

Companies that belong to the Indutrade Group are able to maintain their original identity, while gaining access to the collective knowledge and experience of all of the Group's employees. Companies belonging to the Group enrich each other and are given opportunities for exchanging valuable knowledge via networking opportunities and internal benchmarking. All of Indutrade's companies have a clear mandate and responsibility for their own operations. Indutrade supports its companies with industrial know-how, financing, business development and management by objective.

ACQUIRE

We put high requirements on the companies we acquire. They are successful and well-managed, with a defined market and distinct customer offering. They are run by entrepreneurs who are passionate about their business concept, who want to further develop their company and who share our values on sustainable entrepreneurship. We acquire companies where the owners want to continue leading and developing the company without being its owner. Reasons for wanting to sell can vary. For example, a company may need a new owner because it is in an expansion or investment phase. Or, perhaps new ownership is needed to ensure the company's longevity. Indutrade has no exit strategy, and by selling to Indutrade, the company's future is secured.



ACQUISITION PROCESS

Acquisition is a natural component of Indutrade's operations and it is fundamental to our strategy for growth. Our acquisition strategy has developed over time. It is solid and historically successful. We acquire profitable, well-managed companies with a well-defined market and distinct offering. We maintain a high rate of acquisition, typically acquiring several companies each year.

We put high requirements on the companies we acquire. They are run by entrepreneurs who are passionate about their business concept, who want to further develop their company and who share our values on sustainable entrepreneurship. They also have technical niche expertise. They have well-functioning and motivated management teams that are characterised by entrepreneurship and which are eager to continue their involvement also after the acquisition.

The pre-acquisition process might last for several years, during this time we meet managers and employees frequently to ensure that they are an "Indutrade company". We strive to, as early as possible during the acquisition process, discuss our decentralised governance model and fundamental values.

All acquired companies are reviewed to ensure that they have a long-term sustainable business strategy that generates long-term value. Running operations in a responsible way is of utmost importance and the key to long-term sustainable growth, development and profitability. In 2021, Indutrade acquired 17 new companies. All of them were subject to a sustainability review.

Identification

Indutrade strives to, already at an early stage, engage with owners of potential acquisition candidates. Prior to a potential sale, owners are already acquainted with Indutrade and find it natural to involve us in discussions about an acquisition. Indutrade has a continuous inflow of new, interesting companies to potentially acquire, both from its own, internal network and from external brokers and business advisers. The ambition is to, as early in the process as possible, engage in a close, exclusive dialogue with the owners. This is the best way for us to communicate Indutrade's long-term model and values.

Acquisition process

Several parameters are used to evaluate a potential acquisition including market position, customers, competitors, main supplier's strategic and technical focus, environmental impact, ISO certifications, financial position, historical data and future involvement of key employees. Running the business in a responsible way is critical to creating long-term sustainable growth, development and profitability, and is therefore central to the evaluation process.

Thorough and tailored due diligence minimises the operational and financial risks associated with acquisitions. During the evaluation, we utilise the cumulative knowledge that exists within Indutrade and among our companies to ensure that we clearly understand all of the opportunities and risks. One of the keys to success is careful preparations and for both parties to get to know each other well. Therefore, we never hurry through the acquisition process, allowing it the time needed. If a potential acquisition does not comply with relevant standards, does not pass the review process regarding such items as human rights or corruption risks, or is not deemed to be amenable to necessary improvements, Indutrade rejects the acquisition.

Negotiations

The negotiation stage is primarily about ensuring the following:

- that it will be possible to carry out the acquisition at a price that makes the deal worthwhile for both parties.
- that key individuals will stay involved after the acquisition. These are typically joint owners of the company that is being acquired, which is why additional consideration is often part of the acquisition structure. It will be paid if the company achieves a certain level of profitability after the acquisition.
- It is also important that partners are in favour of the acquisition so that we can retain important customers and suppliers.

GOVERNANCE PROCESS

Implementation

An acquisition is always given a clear home in one of Indutrade's business areas, which is either decided based on its geographic location or the types of products offered. Doing so increases the opportunities for value-creating collaboration and networking. A new board of directors is appointed, with expertise tailored to the company's current needs.

A structured review of the acquired company is also done when carrying out an acquisition. The main areas that we focus on are the acquired company's:

- Customers and suppliers – will it be possible to expand the scope of clientele and product line?
- Sustainability - have sustainability aspects been integrated into the business model, business culture, strategies, processes and product offering?
- Organisation – could it be made more efficient, with more focus on customers and sales?
- Costs, margins and inventory turnover – is it possible to raise profitability and returns?

New financial targets are established that are specific to the company and its conditions.

Monitoring

There is continuous dialogue between the acquired company's management team, its board of directors and Indutrade's business area manager. Each month, the company reports its sales, earnings and other key performance indicators to Indutrade. Ongoing governance is goal-oriented with a focus on growth, margins and tied-up assets. During the year, we also ensure that competence development, succession planning and the sustainability agendas of subsidiaries are being monitored and evaluated, which is an important aspect of Indutrade's role as an active owner.

INVESTMENT CRITERIA

The companies we acquire must:

- Be run by entrepreneurs who are passionate about their business concept and want to continue running the company after the acquisition
- Be stable and profitable
- Have a leading position in a market niche
- Have a long-term sustainable business model
- Share our values and culture

Sustainability report

Focus areas and goals

Strategic framework for sustainable development

Indutrade has a strategic framework that summarizes our focus areas for sustainable development. The framework is based on a materiality analysis in which we have identified the most important sustainability topics for the Group and our companies, based on impact and stakeholder expectations. We work towards overall goals in the areas of People, Environment and Profitable Growth and have defined associated

targets and KPIs that we follow up at least annually. The aim is to promote business opportunities, drive sustainable profitable growth and support the UN Sustainable Development Goals. Indutrade is a signatory of the UN Global Compact and supports the ILO Conventions, the UN Guiding Principles on Business and Human Rights and the OECD guidelines for Multinational Enterprises.

Sustainability governance	Training and knowledge sharing, networking, Code of Conduct, policies and guidelines, Board meetings, Group and company goals, data reporting and follow-up.		
Focus areas and overall goals	PEOPLE 100% engaged people	ENVIRONMENT CO ₂ neutral scope 1 & 2 (GHG)	PROFITABLE GROWTH 100% of Indutrade's companies contributing to sustainable development
Material topics, with related targets and follow-up ¹⁾	<ul style="list-style-type: none"> Employee engagement Leadership and competence development Diversity and inclusion Employee well-being Employee safety 	<ul style="list-style-type: none"> Improved energy efficiency Share of renewable energy Reduced CO₂ emissions Resource efficiency Efficient business travel 	<ul style="list-style-type: none"> Customer satisfaction Solutions improving customers' operations and reducing environmental impact New product offerings should use less energy and / or decrease the carbon footprint Assessment of acquired companies
Approach	Values and business ethics		

¹⁾ The outcomes of our targets and KPIs linked to these topics are set out in each section.

Follow-up of targets and KPIs

All subsidiaries report sustainability data linked to Group-common goals, KPIs and other important issues in a digital platform. We follow up the outcome at Group level as well as at business area and company level in order to be able to identify areas for improvement and implement relevant measures. In 2021, we further developed information collection by adding more issues to the scope of it. We also improved data quality by giving more support and guidance to the companies during the reporting process as well as more concise and prompt follow-up and feedback.

Right focus in each company

Indutrade comprises more than 200 companies in a wide variety of industries and markets. Accordingly, each of them faces different types of challenges and opportunities. Therefore, it is important that each company, in addition to working towards the common Group-wide goals, also identifies its own material sustainability topics and associated targets and KPIs. In 2021, we began to measure the proportion of companies that have carried out their own materiality analysis. The outcome was 73% and the target is 100% by 2025.

EXAMPLES OF ACTIVITIES IN 2021

- Follow-up on sustainability goals and KPIs with business areas and companies
- Clearly defined sustainability items on the agenda at subsidiaries' board meetings
- Improved process for data collection
- Continuous stakeholder dialogue and further development of the sustainability strategy and priorities
- Active knowledge-sharing in the sustainability network
- Analysis on how the Taxonomy Regulation applies to Indutrade
- Training activities on important themes linked to sustainable development

Sustainability governance

Overall sustainability governance

Indutrade's sustainability governance is adapted to our decentralized organization and takes place mainly via the subsidiaries' boards, a shared Code of Conduct, policies and guidelines, as well as networks, training and follow-up of data. The MD and management team of each subsidiary have operational responsibility for their sustainability work and each board is ultimately responsible for ensuring that the company follows its own and Indutrade's guidelines and policies.

Sustainability at Board meetings

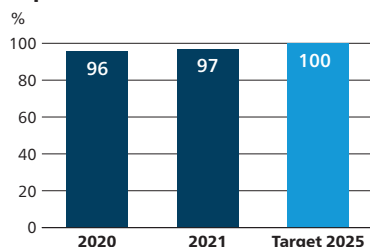
Sustainability is included as a mandatory agenda item at the subsidiaries' board meetings. Outcomes on reported data as well as the company's own materiality analysis and associated targets, KPIs and activities are discussed.

At Group level, the Board is involved in sustainability issues by approving strategies, policies, goals, as well as acquisitions and possible divestments. The Board also approves the annual Group-wide risk analysis, which includes important areas regarding sustainable development. More information on how we work with risks on an ongoing basis is detailed in the sustainability report and in the section on risk analysis on pages 32-34.

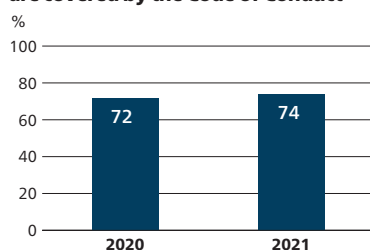
The Code of Conduct is an important starting point

Indutrade's Code of Conduct is our policy for sustainable business. It provides guidance for who we aspire to be and how we would like to be perceived, and applies for all employees in the Indutrade Group, in all countries. The Code of Conduct contains guidelines for environmental considerations, health and safety, business ethics including anti-corruption, employee relations, human rights and community impact. It has been translated into eight different languages and is also available on our website. The Code of Conduct has been adopted by Indutrade's Board of Directors and it is available to all of our employees via Indutrade Portal (our communications portal). There is also digital training available there to support implementation. Additionally, in-depth material on the various areas included in the Code of Conduct can be found on the Portal. This year's follow-up shows that 97% (96%) of Indutrade's companies have implemented the Code of Conduct in their operations. Our target is for all companies to have implemented the Code by 2025.

Share of companies that have implemented the Code of Conduct



Share of companies where third parties are covered by the Code of Conduct



Use of the whistleblower function

Employees who notice any deviations from the Code of Conduct or suspect wrongdoing can report such via an external whistleblower function (anonymously, if they so prefer). The whistleblower function is also open to subsidiaries' suppliers, partners and subcontractors. In 2021, Indutrade received eight cases, all related to events in our subsidiaries. Indutrade follows a process with clear steps to investigate the cases that come in. All cases in 2021 have been followed up and handled in accordance with this process and relevant action has been taken. The majority of the cases concerned local employment and work environment issues, in a couple of cases related to leadership. We feel it is important that employees throughout the organization are aware of the whistleblower function and that they use it whenever there is a suspicion of irregularities.

Anti-corruption and business ethics

With operations in more than 30 countries, business ethics is of great importance to Indutrade and a prerequisite for sustainable profitable growth. Deficiencies in business ethics would entail risks for erroneous busi-

ness decisions as well as damage to our reputation and brand. Business ethics is included in the Code of Conduct in which employees are trained. Group management has also received in-depth training in the area. Besides the Code of Conduct, Indutrade has several Group-wide internal guidelines and policies which include such things as trade compliance, tax, insurance, information and investment policies. In 2021, no incidents of corruption were reported.

Code of Conduct for Suppliers and Partners

Our products, and the constituent materials and components, are manufactured in countries where working conditions, environmental regulations and business ethics, including anti-corruption, can vary. It is therefore crucial that we work with our suppliers and partners as a way of lowering the risks and ensuring sustainable working methods. Ongoing social and environmental evaluation of customers and suppliers takes place at the subsidiaries, which through close and long-term collaborations have good insight and knowledge of the supply chain. Indutrade has a Code of Conduct for Suppliers and Partners. Results from follow-up in 2021 showed that 74% (72%) of Indutrade's companies had fully or partially included third parties to be covered by the Code of Conduct. Sustainable supply chains are a large, complex and important area that we will continue to develop. In 2022, we will look more closely at risk exposure in the supply chain and define possible measures, based on, among other things, the human rights perspective.

Sustainability network for knowledge-sharing

Representatives from the subsidiaries participate in Indutrade's sustainability network, which gives them inspiration and guidance in important areas for sustainable development. One valuable element is to share experiences and working methods between companies. During the year, meetings were held on climate, supplier follow-up, sustainability communication, diversity and inclusion. The network meetings are recorded and posted on Indutrade Portal so that they can be viewed afterwards.

Continuous stakeholder dialogue

Indutrade's most important stakeholders are employees, owners, investors and others in the capital market. Some particularly important issues and expectations that stakeholders raised in 2021 are:

- Improved efforts to lower climate impact and identify climate risks
- Efforts that ensure respect for human rights
- Diversity and inclusion

Indutrade will actively be working with these areas in 2022.

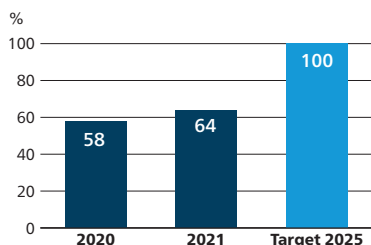
Towards 100% engaged employees

Indutrade's vision is an entrepreneurial world where people make a difference. It involves long-term efforts for ensuring that people, and thereby companies can grow. We believe in giving people freedom and trust which builds engagement, commitment and pride. Our overall goal is to have 100% engaged employees by 2030.

Ensuring employee well-being and people development in the organization are priority areas for Indutrade and crucial for the Group's success. This year's follow-up showed that the percentage of our companies that measure employee satisfaction is 64%, which is an increase of six percentage points from 2020. The target by 2025 is for all companies to measure employee satisfaction and use the results for dialogue and organisational development.

Employee turnover within the Group amounted to 10.5% in 2021, which is on par with 2020. It means that we are within our target range, where 85%-90% of employees remain with the Group.

The percentage of companies that measure employee satisfaction.



Focus on leadership and competence development

One of the most important prerequisites for maintaining a long-term approach in our operations is to ensure we have the right competence within the Group. For our subsidiaries this is largely a matter of making full use of the competence that already exists

internally. We do this both through continuing training for key individuals and by actively sharing knowledge and experiences within the Group. We follow up on the percentage of internally recruited MDs. For the second year in a row the share was 50%. The target by 2025 is 60%. Through Indutrade Academy, we offer an in-house leadership programme that provides training in areas such as leadership and sales. Many challenges and solutions are common or relevant to most companies and we share experiences, knowledge and best practice through networks, training and Indutrade Portal.

In 2021, a number of Group-wide activities were carried out to promote competence development and knowledge-transfer, such as our Group-wide leadership development programs, workshops and digital training on various themes. We also designed a program for leadership training in sustainability to be launched in 2022.

Diversity – an opportunity and challenge

One important prerequisite for Indutrade's continued growth is the ability to attract, retain and develop the right talent. Employees are recruited and promoted exclusively based on their work qualifications and without consideration of their gender, transgender identity or expression, ethnic origin, religion or other faith, functional variation, sexual preference, age or other categories protected by law. Diversity in the workforce is an important asset and prerequisite for both growth and innovation. For one of the year's network meetings, the theme was diversity and inclusion.

The percentage of subsidiaries with women on the board in 2021 was 21% (17%¹). The target by 2025 is 60%. The corresponding figure for the subsidiaries' management teams in 2021 was 80%. We actively pursue succession planning and efforts to identify and develop women for leading positions.

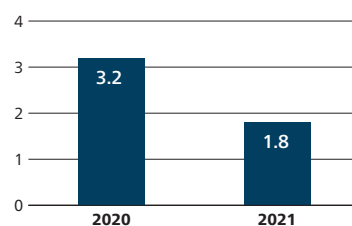
¹) Prior year information has been adjusted.

When it comes to achieving a more even gender distribution in our companies, there is a general challenge both in the wider society and in the industry because a much higher percentage of men are business owners in technology and industry. They are overrepresented in engineering educations and professions as well. We hope to influence that through various activities that inspire more women to pursue a career in technology and as entrepreneurs.

Zero vision for workplace injuries

Health and safety in the workplace is fundamental to Indutrade and a prerequisite for productivity and growth in the subsidiaries. Investing in a better work and production environment, with fewer risk factors, is something we prioritise and encourage. A total of 136 workplace injuries were reported that led to absenteeism in 2021, which corresponds to an injury frequency of 1.8 (3.2), which is a clear improvement over the previous year. Our overall aim is to have zero injuries in the workplace.

Injury frequency rate¹⁾



¹) Injury frequency rate is measured as the number of injuries per 200,000 worked hours

Sick leave during the pandemic

Since the start of the pandemic, Indutrade has carefully been monitoring the effects of COVID-19, with the main priority of protecting the health and safety of our employees, customers and suppliers.

The data on sick leave for 2020 and 2021 is difficult to interpret since it includes employees who were absent from work and isolated in their homes due to pandemic restrictions. In 2021, we separated the data on sick leave into two categories, short-term and long-term, so that we are able to draw better conclusions. Short-term sick leave (less than 14 days) in 2021 was an average of 4.8 days per full-time employee and the corresponding figure for long-term sick leave (more than 14 days) was 3.3 days. The total number was thus 8.1 (6.1) days per full-time employee. The target is 4.3 days by 2025. We follow up the companies with high absenteeism in order to understand the underlying causes and be able to analyse and take action, where necessary.

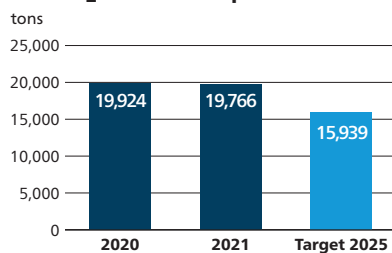


Environment

Our goal is climate neutrality

Our overall climate goal of achieving climate neutrality by 2030 includes direct emissions (Scope 1) and emissions from our energy use (Scope 2). We calculate our emissions in accordance with the GHG (Greenhouse Gas Protocol). Emissions from our Scopes 1 and 2 in 2021 amounted to 19,766 (19,924) tonnes of CO₂e. Our 2025 target is a reduction of emissions in absolute terms by 20% compared to 2020. The emission intensity in 2021 was 0.91 (1.04) tCO₂e/SEK million net sales, which is an improvement of 13% compared with 2020. We work with analysis at Group, business area and company level to identify important measures and priorities going forward in our pursuit of climate neutrality. In 2022, we will intensify these efforts by, for example, providing more concrete guidance to the companies and targeted action in companies with the highest emissions.

Total CO₂ emissions Scope 1 & 2



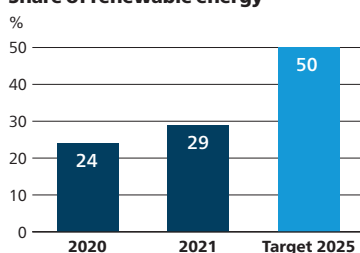
Renewable energy and energy efficiency

In terms of the share of energy from renewable energy sources used in the operations, this has increased from 24% in 2020 to 29% in 2021¹⁾. The target is 50% by 2025. However, our energy intensity has gone in the wrong direction and amounted to 4.97 (4.79) MWh/SEK million net sales. Our target is 3.35 by 2025.

Resource efficiency

The percentage of our subsidiaries that have KPIs for measuring various aspects of resource efficiency, such as water, energy and waste, amounted to 57% in 2021. The target is for all companies to have KPIs in the environmental area by 2025 and we work with communication and support for the companies to achieve this.

Share of renewable energy



¹⁾ The energy includes electricity, heating, cooling and fuels for production and operational processes as well as fuels for own and leased vehicles.

Scope 3 and higher awareness about business travel

Climate is high on Indutrade's agenda and in 2022 we plan to start including Scope 3, (i.e. emissions upstream and downstream of our value chain), in our data collection from the subsidiaries to understand their scope and be able to include this in goals and strategies in the future. In connection with this, we will also evaluate the possibility of joining SBTi - Science Based Targets initiative.

The pandemic has accelerated the transition to digitalisation and sustainable development. These are areas that we believe both strengthen competitiveness and lead to new business opportunities. During the year, we focused on the importance of finding a "new normal" situation for each individual company, which means working methods and travel that are a hybrid of what they used to be. We feel it is important to adapt the business to new needs and wishes of different stakeholders and for working cost-effectively and sustainably from a resource and emissions perspective.


Analysis of climate risks

Climate change is having an increasingly serious impact on society and the economy worldwide. In 2022, we will carry out an over-

all analysis of how our companies are affected by the change that is taking place in many markets in the form of changed technology and demand. We will also evaluate the risks of physical impact on our value chains as a result of different types of extreme weather. Based on the results, our operations can be adapted and the risk exposure reduced.

Systematic environmental work at companies

All our companies must have a structured process for environmental work, which means that they are required to have identified their material environmental topics, with associated goals, KPIs and follow-up. Some of the companies, especially the slightly larger ones, have been working according to established environmental management standards for many years. At the end of 2021, 71% of the manufacturing companies were working with environmental management systems and more than 22% of all the companies belonging to the Group were certified according to ISO 14001. Seven of our Swedish subsidiaries conduct operations that require permits or reporting in accordance with the Swedish Environmental Code. Six foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation.



All our companies must have a structured process for environmental work, which means that they are required to have identified their material environmental topics, with associated goals, KPIs and follow-up.

Profitable growth

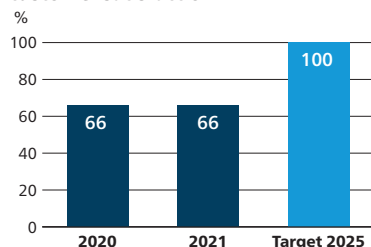
More products and solutions with sustainable added value

Our overall goal by 2030 is for all the Group's companies to contribute to sustainable development via their products and offerings. Our companies offer high quality products with a long service life. Through good knowledge of customers' systems and processes in combination with high technical expertise, we are able to, in many cases, streamline customers' operations and offer solutions that reduce environmental impact, or contribute with other benefits, such as improved working environment. Sustainability is becoming increasingly important to both customers and society at large, and it is crucial for continued growth and success. Stimulating the development and sale of products with sustainable added value is therefore an important focus area for the Group. We put particular emphasis on ensuring that new products launched on the market consume less energy and/or lower the carbon footprint. With the aim of driving innovation in a sustainable direction, we will start measuring the percentage of net sales that come from product offerings launched over the past three years. How the companies work to include sustainable values in their offerings is followed up via our annual sustainability reporting and at the companies' board meetings.

Quality and customer satisfaction

Our target is for all our companies to measure customer satisfaction and use the results for business development. This year, for the second year in a row, it was 66%. We are striving to share experiences and good working methods for this between the companies. In addition, 49% of our companies are certified according to ISO 9001.

The percentage of companies that measure customer satisfaction



Thorough acquisition process

Indutrade's subsidiaries shall sell products and services of good quality, providing added value to customers. We acquire reputable and successful companies, often being leaders in their niche. All 17 companies that were acquired during the year were thoroughly evaluated from a sustainability perspective, as an integral part of our due diligence process. Culture and values are especially impor-

tant to us when we acquire new companies. It is crucial that the acquired companies share our view of responsibility and what is important for the long-term development of a sustainable and successful business.

Taxonomy Regulation

We are in favour of clearer definitions on what is considered to be sustainable and we have during 2021 analysed how Indutrade's companies are eligible to the EU Taxonomy (new classification system for sustainable economic activities). The analysis was done by reviewing all activities in the Indutrade companies' based on the detailed annual Group reporting. The activities were then compared to the taxonomy definitions and the results were thereafter discussed with, and verified by, each business area management.

The overall conclusion is that Indutrade's companies only to a very small extent are eligible to the Taxonomy Regulation, as of what the regulation currently cover. Our companies are not involved in the types of activities that have been specifically defined in the Taxonomy Regulation. Furthermore, a large percentage of the companies do not have own manufacturing and thus lie outside the scope. At present, components are not covered by the Regulation either. Three economic activities in the Taxonomy Regulation are relevant for Indutrade, which are: Manufacture of Energy Efficiency Equipment for Buildings (3.5), Manufacture of Other Low Carbon Technologies (3.7) and Installation, Maintenance and Repair of Energy Efficiency Equipment (7.3). These, however, represent a small portion of total turnover, approximately 1%. The assessments were based on information that was available as of 31 January 2022.

Indutrade continuously monitors the updates that take place in the drafting of the Taxonomy Regulation and it is likely that we will be covered to a greater extent in the future, when more of the EU's environmental targets (and thus more kinds of activities and products) are included.

Accounting principles

EU Regulation (EU) 2020/852 Article 10 states that non-financial corporations are required to disclose the extent to which the company's economic activities are sustainable through three KPIs: share of turnover, cap-

ital expenditure and operating expenditure that are compatible with activities that, according to the Taxonomy Regulation, are environmentally sustainable. For the 2021 financial year, an easing of the requirements was implemented, which means that only the portion of Indutrade's turnover, capital expenditure and operating expenses associated with economic activities that are eligible to the Taxonomy Regulation are reported.

Indutrade has done an allocation based on cost structure and ensured that the cost elements are kept separate for each activity.

Turnover

Total turnover, the denominator, includes the Group's total external net sales, which is defined in accordance with IFRS 15. No other revenue has been identified that meets the definition in the Taxonomy Regulation. See Note 4 for accounting principles for the Group's revenue. Turnover from Indutrade's economic activities eligible to the Taxonomy Regulation pertain to doors, products for building automation, products for automation of commercial greenhouses, battery-powered electrofusion welding machines and insulation.

Capital expenditure

Capital expenditure refers to investments for the acquisition of fixed assets during the current year. The denominator is the Group's total investments for 2021, which are presented in Note 16 Intangible assets, excluding goodwill, Note 17 Property, plant and equipment and Note 18 Leases. Capital expenditure in the numerator consists of the portion of the year's investments (capital expenditure) in fixed assets used for economic activities eligible to the Taxonomy Regulation.

Operating expenditure

Total operating expenses (denominator) includes costs for research and development, renovation of buildings, short-term lease agreements (according to IFRS 16), maintenance/repair and service required for efficient daily operation of property, plant and equipment. Operating expenses that are included in the numerator consist of the portion of the total operating expenses that are attributable to fixed assets used for economic activities eligible to the Taxonomy Regulation.

	Total, SEK m	Eligible to the Taxonomy Regulation		Not eligible to the Taxonomy Regulation	
		%	SEK million	%	SEK million
Turnover	21,715	1	227	99	21,488
Capital expenditure	1,805	0	3	100	1,802
Operating expenditure	394	2	9	98	385

UN SUSTAINABLE DEVELOPMENT GOALS



Indutrade contributes both directly and indirectly to a large number of areas for sustainable development. The SDGs where Indutrade has the greatest responsibility and opportunity to make a difference are SDG 4, 8, 9 and 13. Indutrade also has a basic responsibility to work towards the achievement of the other goals as well. The company's Code of

Conduct includes many important issues that help us work responsibly from a broad perspective. We also contribute to the goals through our companies' wide range of products that are used in many contexts and for many purposes in society.



Goal 4 – Quality Education

(Particularly targets 4.3 and 4.7)

For Indutrade, it is very important that people are able to grow and realize their full potential. Our philosophy is that when people grow, so do companies. That is why we invest so much in competence and leadership development. We also hold trainings in many other areas and share knowledge on what is required for sustainable development and entrepreneurship.



Goal 8 – Decent Work and Economic Growth

(Particularly targets 8.4, 8.5 and 8.8)

Resource efficiency and good working conditions with a safe and secure working environment are important areas for Indutrade. Furthermore, several of our companies work with solutions and products that contribute to a safer work environment and better health. Our companies are often located in smaller cities and communities, which contributes to local growth and jobs.



Goal 9 – Industry, Innovation and Infrastructure

(Particularly targets 9.1 and 9.4)
Effective use of resources is an important focus area for us. We address this by focusing on companies' internal processes and what they offer customers in the form of sustainable solutions that can help save energy, water, materials and reduce emissions and costs. Industry and infrastructure are two large and important segments for the products sold by companies in the Indutrade Group.



Goal 13 – Climate action

(Particularly target 13.3)
Climate is high on the agenda for Indutrade. We have goals and activities to reduce the Group's carbon dioxide emissions and follow up on various aspects of this. Many of Indutrade's companies deliver solutions and products that help customers improve their resource efficiency and thereby reduce carbon dioxide emissions. This is a strategic focus area that we want to ramp up even more, since we anticipate a rising demand for these types of solutions in the future.

Risks and risk management

Indutrade is exposed to numerous risks that could impact the Group to a greater or lesser extent. Risks are defined mainly as factors that affect Indutrade's ability to achieve set goals.

Indutrade works continuously with assessment and evaluation of the risks to which the Group is exposed or could be exposed. A structured review of the Group's exposure to various operational, financial and strategic risks is also conducted annually with representatives from the business areas and various functions. All identified risks are quantified and ranked based on their probability and potential effect. For all risks with either a high probability or a large potential effect, appropriate proactive measures are specified. The conclusions from the review are presented to, and then discussed among, Group management and the Board.

Many of the risks described here could affect the Company both positively and negatively. This means that in the event of a favourable risk development or if the Company is successful in mitigating the risk through its risk management activities, its goal achievement may be better than anticipated. In such way, risks also entail opportunities for Indutrade. Examples of this are the business climate, customer behaviours and variations in market prices.

At year-end 2021 Indutrade conducted business through more than 200 companies in 30 countries on six continents. This diversification of risk along with a large number of customers in a wide range of industries and a large number of suppliers in various technology areas limits the business risks.

RISK

CHANGES IN THE ECONOMY

Indutrade's operations are dependent on customers' purchases and investments. Those operations are affected by cyclical changes in many different markets and by conditions in the global market, including geopolitical uncertainties.

Rapid changes in the economy and general demand can create disruptions in the global supply chains when the supply of components and products differs sharply from demand.

CHANGES AT THE SUPPLIER LEVEL

There is always a risk of suppliers leaving a partnership with one of Indutrade's technology sales companies to set up their own sales operations or collaborate with a different distributor.

DIGITALISATION

Digitalisation, involving higher access to easily-available information and rapid connections/interaction, creates many opportunities, such as producers more easily being able to reach their end customers. That, in turn, could result in more competition and downward pressure on prices for Indutrade's technology sales companies.

Other consequences of digitalisation include more efficient production, shorter lead-times and higher quality.

FUNDING RISK

Funding risk is the risk that funding of the Group's capital requirement will become more difficult, impossible or significantly more expensive.

RISK MANAGEMENT

The direct and indirect effects of economic fluctuations in specific sectors and geographic markets is mitigated by the Group's involvement in many different sectors, segments and geographic markets.

Thanks to its decentralized business model, the companies belonging to the Group are easily able to adapt by making quick decisions at the local level.

By continuously acquiring companies in new customer segments and in new markets, the Group is better able to reduce market risks and counteract cyclical fluctuations.

Indutrade's companies mitigate this risk by choosing suppliers who view a partnership with them as the best sales method. Stable supplier relationships are one of the parameters that are assessed prior to Indutrade's acquisition of a company. Because of the large overall number of suppliers, no individual supplier accounts for a predominant economic risk from a Group's perspective.

Companies in the Indutrade Group possess high technical expertise and good knowledge of their customers' systems and processes, thereby adding value in the supply chain. The aim is also to continue developing this expertise and offerings so that it is possible to retain competitive advantages.

To facilitate knowledge-sharing and competence development in digitalisation, subsidiaries have access to Indutrade's knowledge bank in digitalisation, which is available via Indutrade Portal. Conferences and seminars are also regularly organised to stimulate knowledge-sharing in the area.

Indutrade manages the Group's funding needs centrally. Essentially all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries in local currency. To mitigate funding risk, the Group strives to maintain a balanced maturity structure for its external debt, a good liquidity reserve, and diversified borrowing. This creates a preparedness to take necessary alternative actions to raise capital, should this be necessary.

RISK

INTEREST RATE RISK

Interest rate risk is the risk that unfavourable changes in interest rates will have a significant impact on the Group's net financial items and earnings.

CHANGES IN GLOBAL TRADE REGULATIONS

Group companies do business in many countries and in many different markets. Changes in domestic or international import/export regulations on various types of products could result in higher costs or other difficulties for Indutrade's companies.

COMPLIANCE WITH RULES ON EXPORT CONTROLS AND SANCTIONS

The UN, EU and USA frequently employ various trade rules to protect security and foreign policy interests. These rules could, in some cases, complicate international trade for Indutrade's companies.

Intentional or unintentional violations of trade regulations or international sanctions could result in Indutrade companies incurring fines or becoming subject to various types of sanctions. Indutrade's reputation and attractiveness could thus suffer as a result.

CURRENCY RISK

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated profit and equity measured in SEK:

- Transaction exposure arises as a result of the Group having incoming and outgoing payments in foreign currencies.
- Translation exposure arises as a result of the Group, via its foreign subsidiaries, having net investments in foreign currencies.

ACQUISITION PROCESS

Indutrade acquires companies on an ongoing basis and in 2021, 17 companies were acquired. Due diligence prior to every acquisition is both thorough and efficient, covering all aspects, including legal, financial and sustainability. If companies with significant problems are acquired, for example regarding financial earnings capacity or important sustainability aspects, Indutrade's reputation or financial development may be compromised.

IT INCIDENTS

An IT incident is the risk of critical data, or one or more of the IT systems in place, being breached such that they become unusable, locked, impaired or destroyed. Indutrade's operations are dependent on the functioning of the IT systems and especially in the event of long-term or extensive interruptions or other IT incidents, there is a risk that certain operations will not be able to be conducted for a time - or in the worst case at all - or can only be conducted with difficulty or at increased costs.

BUSINESS ETHICS

With operations in more than 200 companies and 30 countries around the world, there are risks associated with unethical or illegal conduct, both within Indutrade's companies and with our companies' customers and suppliers. It could create not only direct financial damage, but also damage to Indutrade's brand and reputation among both entrepreneurs and others in the market.

Through good business ethics and clear internal control routines, Indutrade can positively influence the value chain and minimize the risk of unethical or illegal behaviour.

RISK MANAGEMENT

Indutrade continuously and frequently monitors the interest rate situation and assesses the need to increase the percentage of loans at a fixed interest rate or secure the interest rate with interest rate swaps.

Indutrade's companies are active in a wide variety of market segments and geographic locations. As such, the Group's exposure to any one particular area is relatively low. The companies with operations at more high-risk geographic locations work proactively with many activities to minimize the impact of regulation changes.

Trainings are held for the relevant target groups in order to increase awareness and knowledge of export controls, sanctions and internal policies. Risk analyses are also carried out regularly to identify business flows associated with risk. The companies that do business in regions where there are risks have implemented special routines to ensure compliance with regulations.

The Indutrade Group's transaction exposure arises, for example, when subsidiaries import products for sale in the domestic market. Exchange rate effects are eliminated as far as possible through currency clauses in customer contracts and by buying and selling in the same currency. In certain cases, forward contracts are used.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged at present.

Indutrade has a well-established acquisition process that is carried out by employees who have a great deal of experience. Specialists are also brought in when special legal and financial expertise is required. Thorough due diligence on the acquisition candidate is always a central component of the process, thereby minimizing the risks associated with acquisitions. Potential acquisitions are evaluated on many aspects, both quantitative and qualitative. Newly acquired companies are integrated into Indutrade's financial and sustainability-related processes and routines.

Indutrade's decentralized business model with independent subsidiaries means that only a few companies share their IT platform and infrastructure. Accordingly, the risk of a significant financial impact in the event of a major IT incident for the Group is relatively limited.

To further reduce the risk, there is a mandatory self-evaluation of IT security that all companies carry out and report to their respective boards.

A Code of Conduct was established in 2015 to ensure that Indutrade's organization lives up to the Group's values and neither participates in, nor can be linked to, unethical business practices.

The Code of Conduct for suppliers and partners specifies certain requirements, for example, that they work to counteract corruption and respect for human rights throughout the supply chain. The Code of Conduct will be further developed, among other things with regard to the proposed EU legislation that obliges companies to conduct a Human Rights Due Diligence (HRDD), which is a process for documenting, managing and reporting their risks related to human rights.

An external whistleblower system has been set up and suspected violations are handled by Group management and, if necessary, with the support of an external party.

RISK

PANDEMICS

Pandemics, such as the COVID-19 pandemic, can significantly affect the Group's companies in the form of changes in demand, risk to the health of employees, customers and suppliers, and disruptions in operations; for example, if many people become ill at the same time or are quarantined or if, as a result of actual or feared spread of infection, import or export regulations are introduced that lead to delays, cost hikes or other obstacles. This could affect the Group's sales and costs and thus also profit.

EFFECTS OF CLIMATE CHANGE

Climate change in the form of global warming could lead to economic risks, such as sharply increased energy costs. Extreme weather events and natural disasters are other examples of risks that could affect our companies and their value chains. Changes in environmental legislation, taxes and demand could affect companies' sales of products and solutions, as well as the transport of goods.

DIVERSITY AND INCLUSION

Striving to increase diversity and inclusion is a strategically important area for Indutrade, as research shows that diverse groups perform better than homogeneous groups. Building diverse teams fosters innovation and development and also helps attract talent to the organisation. Lack of diversity risks leading to less innovation and creativity as well as limited perspective in decision-making and a less attractive workplace.

SUSTAINABILITY GOVERNANCE AND COMMUNICATION

In order to, over the long term, run the business with good financial profitability, attract the best talent and attract investors, customers and suppliers, it is of the utmost importance that Indutrade runs the business in a long-term sustainable manner. If companies in the Group do not identify significant sustainability risks and sustainable business opportunities, Indutrade risks losing confidence among various stakeholders, which in turn may adversely affect the Group's earnings and financial position.

If Indutrade, as a Group, is unable to adequately communicate sustainability data and clear principles for how we work, we risk losing confidence among investors and other stakeholders.

RISK MANAGEMENT

The Group's structure, with its diversified, wide-ranging operations, limits the aggregated business and financial risks also when risks such as a pandemic arise.

Furthermore, with its decentralised governance model comprised of more than 200 independent companies, it is possible to quickly make decisions adapted to the local conditions, which is important as regards being able to limit the effects of a pandemic outbreak. In the event of a major crisis, Indutrade engages in more dialogue with its subsidiaries to ensure that there is a correct and rapid dissemination of information and the proper support for making good decisions.

Indutrade has a negative effect on the climate through CO₂ emissions from the Group's companies. Since 2020, the Group measures emissions from Scope 1 & 2 and has targets and key figures that are followed up (see page 22). The awareness and ambition level of customers, suppliers and employees is increasing and Indutrade subsidiaries are actively working to meet growing demands and expectations for responsible and sustainable solutions. Stimulating and supporting the development and sale of products with sustainable added value is a focus area for the Group.


Climate-related risks are minimized through preventive work in the form of overall risk analyses and risk analyses that are performed in connection with acquisitions. In 2022, the plan is to take on more of Scope 3 and also perform an overall analysis of climate-related risks stemming from changes in markets and extreme weather.

To address gender equality in our companies, we face challenges at the societal level, given that there is a significantly higher proportion of men pursuing engineering degrees and professions.

Indutrade has policies and training covering diversity and inclusion, along with goals and follow-up on gender equality in the boards and management teams at our companies. There are also established succession planning processes for leading positions, which includes identifying potential female candidates and initiatives to support their development.

A shared framework for sustainability work is available to all companies as a tool for increasing their competences and ability to work with sustainability in a structured way. We monitor data and companies' performance in sustainability via a digital platform. Training, workshops and network meetings with a focus on sustainability are arranged on a regular basis. There is also information available on Indutrade Portal that offers guidance in many different areas.

The companies' sustainability work and risks are monitored and discussed each year by their boards of directors. However, Indutrade's decentralized model with many independent companies in different industries entails certain challenges when it comes to communicating a relevant Group overview.



Companies that belong to the Indutrade Group are able to maintain their original identity, while gaining access to the collective knowledge and experience of all of the Group's employees.