

# SUSTAINABILITY REPORT

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The Board of Directors of Sdiptech prepares a statutory sustainability report in accordance with the Annual Accounts Act (1995:1554), Chapter 6, Sections 10 – 14, which shall accordingly be reviewed by the company's auditor. Sdiptech has established a Code of Conduct detailing the basic principles for the company's values and actions. All employees are expected to adhere to the Code of Conduct in their contacts with colleagues, customers, suppliers and shareholders.

## BUSINESS MODEL

Sdiptech is a technology group with a main focus on infrastructure. Sdiptech's business concept is to offer niche technical solutions to the infrastructure sector, currently spread over more than 30 operations. A growing population and higher utilization, as well as demands for more advanced infrastructure ensure long-term market growth. Profitable positions in niche markets drive organic growth and Sdiptech adds new revenue through acquisitions. The business model is based on decentralization to subsidiaries, so that development and important decisions are made closest to customers. The Group's niches are usually defined by a technology or knowledge area, but a niche can also be a customer segment or a geographically defined area.

Sdiptech relies on entrepreneurial spirit and innovative solutions, and integrates these into a model that promotes the creation of quality companies with long life and good margins.

## PURPOSE AND OBJECTIVES OF THE REPORT

The purpose of this sustainability report is to describe transparently Sdiptech's targets, strategies and governance, as well as its responsibilities, risks and opportunities from the perspective of sustainability. Both Sdiptech and the rest of the world must be able to monitor how the Group's sustainability initiatives develop. The report should provide customers, employees and shareholders with an understanding and knowledge of our sustainability work.

## FRAMEWORK AND METHODOLOGY OF THE REPORT

In connection with the end of the financial year, all Sdiptech companies submit sustainability data as part of their non-financial reporting. The participation of all of the companies is a prerequisite for being able to monitor developments in sustainability at both the company and Group level. Unless otherwise stated, the Sustainability Report covers all of the companies and the operations of the entire Group.

## DIALOGUE WITH STAKEHOLDERS GIVES THE RIGHT FOCUS IN SUSTAINABILITY WORK

The sustainability work is affected by a number of stakeholders who set requirements and have expectations of Sdiptech. A fundamental part of the Group's strategy is to set clear requirements and to be ahead of curve in sustainable business development. Sdiptech strives to maintain an open dialogue with its stakeholders to focus its sustainability work on the issues that stakeholders consider most important. Five key stakeholder groups have been identified: customers, suppliers, society/ public authorities, employees and shareholders.

## SUSTAINABLE GOVERNANCE WITH DECENTRALISED LIABILITY

Sdiptech's sustainability work is primarily governed by the Group's Code of Conduct. Through the Group management team, it is Sdiptech's Board of Directors that is ultimately responsible for the Group's sustainability work. The Group management team determines long-term overall targets in important areas. The objective is for these to be supplemented by each business area developing goals and plans of action for its companies. The Code of Conduct is a fundamental pillar in our sustainability work and an integral part of the operations. Our Code of Conduct forms the basis for how we do business, behave and act in our daily work and in our external relationships. The Code includes all essential points in human rights, working conditions, corruption, equality and diversity. The Code is based on the OECD's guidelines for multinational companies and encompasses all companies and employees. The Codes of Conduct have been adopted by the Board of Directors and are available on our website [www.sdiptech.com](http://www.sdiptech.com).

## STRATEGY AND GOVERNANCE

Sustainability is an important part of our strategy and the objective is for sustainability to be taken into consideration in all strategic decisions made within the organisation. Sustainability is therefore an integral part of our acquisition process, where all of the companies acquired should contribute to more sustainable, efficient or secure infrastructure solutions. In addition to that has Sdiptech begun Nasdaq's ESG reporting.

Our sustainability work is divided into three categories: economic, social and environmental value creation. Within each area we have a number of strategies, policies and goals.

## THREE FOCUS AREAS OF OUR SUSTAINABILITY WORK

Our stakeholder analysis shows that the areas of highest priority in sustainability are to generate and deliver profitable growth, be a healthy workplace with a high level of business ethics and to mitigate negative environmental impacts.

## GENERATING FINANCIAL VALUE

Financial stability and strength represent a basic condition for being able to invest in sustainable business development. The accumulated expertise and experience in acquisitions, international expansion and management of creative teams has laid the foundation for the Group's decentralised management philosophy, which aims to inspire creativity and stimulate growth.

Growth – at Sdipotech, we focus on growth in earnings rather than sales. Sdipotech's growth target is to achieve an average annual organic EBITA growth of 5-10 percent. Continuous improvement in earnings at this level requires us to work continuously with investments, improvements and efficiency enhancements.

We need to sell more to existing customers, launch new products, find new customers and segments and establish ourselves in new markets. Other ways of generating growth, beyond organic growth, include making company acquisitions or establishing partnerships with different players.

Profitability – measured as the return on capital employed, should exceed 15 percent. This demonstrates how effective we are in using the working capital invested over the year and our other assets. We want each business concept and business unit to have the potential to achieve this target to be part of the Group in the long term. A high level of profitability enables us to self-finance our growth.

Development – each business unit is expected to be at the cutting edge, developing operations in its sub-sector. Development issues may involve new technologies, new products, improved processes, new IT systems or other aspects helping the company advance. We know that companies successful in identifying and managing such issues ahead of their competitors build long-term competitiveness.

### Targets in generating financial value

To realise Sdipotech's business concept and vision, in most of the companies, these are translated into targets and sub-targets. Within Sdipotech, we have transformed our vision into financial targets for the entire Group, which are then broken down at the business unit level. The Group's three most important financial targets are:

- Organic earnings growth: Sdipotech's target is to achieve an average annual organic EBITA growth of 5-10 percent.
- Earnings growth through acquisitions: Sdipotech's target is to maintain an annual average rate of acquisition in line with 2016.
- Return on capital employed: Sdipotech's long-term target is for return on capital employed to exceed 15 percent.

## GENERATING SOCIAL VALUE

Sdipotech's business is based on long-term relationships with customers and suppliers, as well as good ethics and great respect for all individuals, both within the company and in external contacts. Like other parts of the Group's operations,

concrete efforts in social responsibility are largely decentralised within the framework of the guidelines adopted by Sdipotech. The Group's Code of Conduct provides guidelines for how employees, suppliers, customers and other stakeholders should be treated in a lawful, fair and ethical manner.

### Our employees are our most important asset

All employees' efforts are important. At Sdipotech, each employee is a prerequisite for our success. Their combined efforts make a huge difference.

### Employees

Most of our workforce is employed on a permanent basis. Contracted personnel are used primarily to substitute for ordinary employees who are ill or otherwise absent. Our employees having secure employment is not only a work environment issue, but also an important factor in achieving continuity in the operations and being able to build long-term relationships. At the end of the year, the average number of employees was 1,263, of whom 87.6 percent were men:

	<b>Total</b>
Managing Directors (including subsidiaries) and Boards of Directors	45
Production	864
Sales	45
Administration	193
Other	116
<b>Total personnel</b>	<b>1,263</b>
Of whom, women	157
<b>% women</b>	<b>12.4 %</b>
<b>Total leading positions</b>	<b>98</b>
Of whom, women	31
<b>% women</b>	<b>31.6 %</b>

## WORKING ENVIRONMENT

We provide good workplaces and foster employees' health, well-being and development. This means that with regard to workplace design, equipment, our behaviour towards one another, job descriptions, skills development and in all other work environment-related issues, we work to ensure that our employees have a working environment and a work situation that prevents physical and mental ill-health and that promotes well-being and development.

### Health and safety

In our industry, health and safety is a priority area. We apply a zero vision with regard to work-related accidents, illness and incidents and have the ambition to work continuously to improve health and well-being among our employees. The objective is for no one to suffer from physical or mental ill health due to their work situation. Absence due to illness as a percentage of working time in days was 2.7 percent for the 2019 full-year, a decrease from last year when it was 4 percent.

### Employee turnover

We strive to be a respected employer. The companies within the Group shall strive to be attractive employers with regard to their employees' personal development. Relations to and between

the employees shall be based on mutual respect and permit reasonable influence in areas affecting the individual's work situation. In 2019, total employee turnover was 10.2 percent excluding employees joining the Group through acquisitions during the year.

#### **Skills development**

Sdipotech's companies strive to develop their operations and to be attractive employers. To support development efforts, Business Area Managers and other centrally stationed employees are involved in various matters among the business units, including leadership, marketing and sales, financial review and reporting and project review.

#### **Equality and diversity**

Sdipotech does not permit discrimination or harassment in any form. Sdipotech strives for employees within the Group to be afforded equal opportunities for career development, training, remuneration, work content and employment conditions, regardless of gender. In cases where compensation gaps do exist between men and women, we work actively to ensure that these are evened out. We also work for a more even gender distribution in recruitment. We offer equal opportunities for employment regardless of race, religion, gender, age, disability, family circumstances or sexual orientation. We work to counteract any form of discrimination in the workplace or in the treatment of employees when it comes to wage setting and career development. We strive to introduce appropriate processes to detect and address any cases of discrimination.

While we strive for a more equal gender distribution in a generally male-dominated industry, the proportion of women in the group has increased by 1.4 percent. In addition, 19.7 percent of all women in the Group are in leading positions. In addition, we have joined as a support company in the organisation Global Challenge, which among other things works with the #Urbangirlsmovement initiative - which aims to prioritize young women in urban development to make cities inclusive and sustainable.

#### **Other working conditions**

Employees shall be at liberty to exercise their legal right to be a member of, organise or work for organisations representing their interests as employees.

### **WE IMPOSE STRINGENT DEMANDS ON SUPPLIERS**

Because we impose strict demands on integrity and ethics in our own operations, it is natural that we do the same also with regard to suppliers. We work closely with our suppliers and review them regularly to ensure that the entire value chain works towards the same objective. No incidents involving human rights violations were reported in 2019.

#### **Anti-corruption**

Business ethics is high on our agenda and is an issue that is continuously addressed. We apply a pronounced zero tolerance on corruption and do not tolerate bribery or unfair competition- limiting practices. No cases of corruption were identified during the year.

#### **Labour law**

With regard to labour law, we adhere to all laws and regulations as a minimum, and we expect customers and suppliers to comply with current legislation. We work actively to ensure that there are no regulatory breaches within our operations or our value chain.

### **OUR ROLE IN SOCIETY**

Sdipotech also generates value in society. We generate jobs, further develop the competitiveness of value-generating trade in technology and contribute tax payments. Each company within the Group works to exert a positive influence in the communities in which the Group operates. Business decisions that can be assumed to have an impact on society as a whole should, as far as possible, always be preceded by, or promptly followed by, discussions with community representatives to identify any needs for joint action. We contribute to public welfare through employer's contributions and taxes. Profit before tax amounted to SEK 209 million and taxes amounted to SEK 44 million. Adjusted for revaluation of liabilities for contingent considerations and revaluations of goodwill assets (which are not taxable income items), profit before tax was SEK 210 million, and taxes corresponded to approximately 21 percent.

#### **Targets in generating social value**

Sdipotech strives to be a respected employer with whom employees thrive and develop. To achieve this, we strive to:

- Have satisfied employees.
- Be a workplace that promotes diversity and equality.
- Have no employees suffer from physical or mental illness due to their work.
- Ensure that all employees, operations and suppliers adhere to our Code of Conduct.

### **GENERATING ENVIRONMENTAL VALUE**

Responsibility for improving the environment and participating in lasting sustainable development is an important cornerstone of the Group's operations. The Group's impact on the environment is limited and occurs mainly in connection with transportation of input goods and finished products, business travel and waste management. The Group's companies work continuously to reduce the environmental impact of the operations. The environmental work is conducted locally based on each company's specific conditions. Group companies strive for superior efficiency in their use of energy and natural resources, favour

systems that re-use and recycle materials and energy, and that prevent and limit environmental pollution. The ambition is to be highly sensitive to customers and suppliers' wishes and to thus be able to meet the market's demands for proactive environmental efforts. Many of the companies within the Group apply quantitative targets in their environmental work. Fully 53 percent of our business units are ISO certified. In four of its business units, the Group conducts operations requiring permits under the Environmental Code, with regard to waste water management. There are no known threats that could endanger the operations from an environmental perspective.

**Carbon dioxide emissions**

Sdipotech's climate impact consists mainly of carbon dioxide emissions, which we consider the foremost negative environmental impact of our operations. In addition to emissions related to the internal use of fossil fuels and electricity, emissions of carbon dioxide are also generated by various modes of transport, such as transport of materials and products and passenger transport.

**Targets in generating environmental value**

Sdipotech shall work actively to continuously reduce the direct and indirect environmental impact of its operations, products and processes. To achieve this, we strive to:

- Continue the work with providing products and solutions that contribute to driving a sustainable development and reducing environmental impact. In the Group's sustainability work, nine of the UN's 17 Global Goals have been identified as part of its operations.

- Continue the work of setting energy and climate goals.
- Establish energy mapping in accordance with the EU's Energy Efficiency Directive.
- Ensure that our business units continue updating to ISO 14001:2015.
- Complete and maintain Nasdaq's ESG reporting.

In the Group's work on sustainability, nine of the UN's 17 Global Goals have been identified as part of the business, see more under Trends pages. 8-9.

