

Sdiptech's handbook for responsible investments



We contribute to more sustainable, efficient and safe societies

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Introduction

Well-functioning societies are evolving towards increased sustainability, efficiency and safety. As consumer behaviours change, laws and regulations are adapted, which in turn means that more people change their habits and behaviours. In addition, the technological development that is being implemented in our societies and infrastructures is driving the transition forward. The financial and business sector therefore has an important role in acting sustainably, from an economic, ecological and social perspective. We have identified three distinct and timeless drivers for change that for generations has affected societal development:

- **Sustainability** - the strive to improve the global climate as well as local environments around us
- **Efficiency** - the strive of increased comfort and efficiency in the everyday life
- **Safety** - the strive of increased personal security and safety

In other words, we believe in a future built on more sustainable, efficient and safe societies. To achieve this, it is essential to expand and improve the infrastructures surrounding us. We intend to take an active role in this change by acquiring and developing leading niche companies that offer solutions to critical needs of the infrastructure sector.

Our investment philosophy is that companies with a sustainable business model and few sustainability risks are better equipped to perform long-term profitability and growth. The purpose of this handbook is to ensure responsible investments by including sustainability criteria in the selection process for acquisitions.

Our investment philosophy

The companies in which Sdipitech decides to invest in have strong offerings that solve critical needs within infrastructure, while at the same time its products and services contribute to more sustainable, efficient and/or safe societies. This combination of driving forces in our business units' core operations ensures long-term demand. For Sdipitech, economic sustainability is synonymous with social and ecological sustainability. Conversely, companies whose offerings or operations conflict with these driving forces will eventually encounter reluctance from both authorities and the public, and thus possess more risks.

Our investment philosophy is in line with the six principles for responsible investment from PRI (Principles for Responsible Investment).

Selection criteria

We seek long-term returns by actively including the sustainability criterion in our selection process and thus finding companies with lower risks and with long-term profitability and competitiveness. However, we do not just want to follow established laws, rules and guidelines, we want to be a driving force in the transition towards more sustainable, efficient and safe societies. In our work to establish our selection criteria, we have been in dialogue with different interest groups and non-governmental organisations working within environmental, social and peace issues. Based on these dialogues, we have identified a number of sectors, where we do not see any long-term sustainability or societal benefit, in which we actively refrain from investing in.

To ensure our role as responsible owners and that the investments we make are sustainable, we use three approaches: integration, impact and exclusion.

INTEGRATION - select

We are looking for entrepreneur-led European companies that deliver solutions to critical needs in the infrastructure sector with a unique value proposition, robust business models, strong historical profit development and stable cash flows. The companies we acquire often have a differentiated market position, with limited competition and a low risk of disruption, whose products and services are driven by trends with low economic dependence that drive the market.

The areas that we have identified as particularly important for the development of society and thus show good demand are; water and sanitation, power and energy, air and climate control, communication, transport safety and security. In addition to this, the companies we acquire must have solutions that contribute to creating more sustainable, efficient or safe societies, without having a significant negative impact on any other sustainability challenge. To ensure this, a sustainability analysis is performed, including a mapping of any sustainability risks, prior to each acquisition.

IMPACT – develop existing business units

As a long-term owner, we have an opportunity to influence companies to act responsibly. All of Sdipitech's business units follow our policies, such as our code of conduct, sustainability policy, diversity and equality policy and anti-corruption policy. In addition, an annual ESG survey is conducted at each company with goals and proposals for improvement work.

EXCLUSION - opt out

We do not invest in sectors and companies that oppose our philosophy, ie companies with operations that are harmful to societies and thus possesses sustainability risks. In line with our sustainability philosophy, we exclude companies whose products are associated with harmful health or environmental effects. We do not invest in companies that are involved in the production or distribution of any controversial products or services, such as weapons, fossil fuels, tobacco, alcohol, games, pornography or coal. Below are our definitions and approaches in the areas we actively opt out.

1. Sectors with strict exclusion

In line with our sustainability philosophy, we do not invest in companies involved in the production, distribution, maintenance or extraction of:

- 1.1 Fossil fuels, for example coal, oil and natural gas incl. traditional nuclear power.
 - The exclusion does not apply to companies that are involved in fourth-generation nuclear power.
 - The exclusion does not apply to products/services that contribute to a significant improvement on the environment.
- 1.2 Weapons and ammunition, including components that are critical to warfare.
 - The exclusion does not apply to components with dual (military/civilian) uses, given that we can decline the military revenue stream in a responsible manner.
- 1.3 Military service contracts that are critical for active warfare:
 - 1.3.1 with countries in armed conflict with an offensive military strategy,
 - 1.3.2 with countries that seriously neglect fundamental social and political rights or that are subject to sanctions,
 - 1.3.3 which are used for incorrect purposes or are commercially questionable.
- 1.4 Concrete and cement:
 - The exclusion does not apply to products/services that contribute to a significant improvement in the environment.
- 1.5 Tobacco, cannabis or pornography.
- 1.6 Gambling or betting.

For all the exclusions, the Liquidation Test applies, which means that if we can responsibly liquidate the excluded revenue stream (by refraining customers that goes against our investment philosophy and thus reduce the company's sustainability risks), we can move forward with the acquisition.

2. Sustainability issues to consider

In addition to specific industries, the following aspects, so-called sustainability themes, should be taken into account. This is especially important when investing in regions, or companies with customers in regions, with a lack of vision and compliance with the following below. Furthermore, all of Sdiptech's companies must comply with Sdiptech's code of conduct.

- 2.1 Human rights: We do not invest in companies that in any way contribute to human rights violations.
- 2.2 Working conditions: We do not invest in companies that violate the [European Parliament's](#) minimum requirements for working conditions.
- 2.3 Climate change: Our investments must follow our investment philosophy, which aims to be a driving force in the transition towards more environmentally friendly infrastructures and societies.
- 2.4 Biodiversity: We do not invest in companies whose activities involve the loss of great natural values and which violate the [FSC's National Forest Stewardship Standard of Sweden](#), the principles of the [UN Convention on Biological Diversity](#) and the [IUCN Red List of Endangered Species](#).
- 2.5 Gender equality: We do not invest in companies that conflict with or do not have the opportunity to follow our gender equality policy.
- 2.6 Animal welfare: We do not invest in companies with poor animal husbandry.
- 2.7 Transparency & responsibility: We do not invest in companies that do not comply with openness and responsibility or where there are the slightest signs of corruption.

Guidance

The following points guide us in our work to be a responsible investor and owner:

- ***This ensures that the investment prospect's offer is in line with our sustainability profile:***
All companies we invest in must in some way contribute to creating more sustainable, efficient or safe societies. We do not invest in sectors and companies that oppose our philosophy. All investment prospects undergo an evaluation based on the Integration and Exclusion approaches according to the selection criteria above.
- ***This ensures that our operations are and develops in line with our sustainability profile:***
All our existing companies integrate our policies and undergo an annual ESG survey that enables us to identify risks, set goals and develop sustainability-related opportunities.
- ***This enables further improvement:***
By advocating transparency around sustainability in the companies we invest in, we can encourage collaborations with other organisations to get more people to prioritise sustainability, in the industry as a whole but above all, within smaller entrepreneur-led technology companies.

Contact

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