

ESG Q&A

February 2022

To facilitate investors with their analysis of our sustainability opportunities and risks, we have listed the most common ESG questions we receive, based on Carnegie's and Spiltan's questionnaire for issuers.

GENERAL INDUSTRY

The industry's three biggest sustainability-related challenges according to Sdiptech and briefly describe the process for identifying these challenges:

In accordance with the results of our stakeholder dialogues, which resulted in a materiality analysis, the most important sustainability issue for us is to reduce our carbon footprint. Sdiptech's main stakeholder groups have been identified on the basis that they are significantly impacted by or impact Sdiptech's operations: employees, shareholders, Board of Directors, suppliers and customers. Sdiptech also conducts continuous dialogue with other stakeholder groups, for example trade associations, sustainability analysts, customers, the press and the media. Sdiptech has continuous contact with its stakeholders on issues related to sustainability.

- 1) Sdiptech's largest share of emissions stems from our vehicle fleet, which stood for 68 percent of total emission during 2021, and is therefore our most material sustainability-related area. Sdiptech increased the share of hybrids and electric vehicles (EVs) from eight to nine percent during 2021. In the short term, we see difficulties in obtaining new EVs, including leasing of cars, due to lack of supply, especially in the UK where a big share of our companies are operating. On a 1–2-year perspective, we see additional challenges for the conversion of our vehicle fleet for some of our business units to EVs. This includes the lack of fast charging stations in rural areas, as well as the lack of supply of low-carbon alternatives for larger vans that are commonly used by our service workforce.
- 2) Sdiptech's second largest carbon impact is derived from energy usage, of 5,086,114 kWh, in our business units. 38 percent (35 percent 2020) stems from renewable energy, and 62 percent from non-renewable energy. In 2021, 15 of Sdiptech's business units had fully or partially incorporated renewable energy in their electricity agreement, compared to 5 in 2020.
- 3) Another challenge for Sdiptech is to increase the number of women in the otherwise male-dominated entrepreneurial technology industry. We offer equal opportunities for employment for all, and 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. However, attracting women and a more balanced gender composition is a challenge for the technology industry at large, especially in the entrepreneur-led technology companies we acquire. We want everyone to feel welcome and we want to spur women's interest in technology and community building at an early age. One way for us to do that is by supporting the organization [Global utmaning](#). Among other things, they work with the initiative #Urbangirlsmovement, which aims to prioritize young women's views on urban development so that cities become inclusive and sustainable. In order for us to be able to find new target groups and diversify our candidates for recruitment, we also work for more diversity and a more even gender distribution by:
 - Mapping the current situation and setting ambitious diversity and gender equality goals.

- Reviewing and analyzing our external communication, including our recruitment material, to create a more inclusive visual and written tonality.
- Broadening our networks and opening recruitment processes through new channels and ways to screen candidates.
- Ongoing review our forms of employment from a perspective that can attract more women, such as parental pay, flexible working hours, work remote and no qualifying period.
- Inclusion of both women and men in the recruitment group.
- Working with succession planning.
- Working with education.

Does Sdiptech have Science Based Targets, reports to the CDP or engages in any other relevant sustainability initiatives?

Sdiptech has signed and follow the ten principles of the UN Global Compact. We are also reporting ESG data to Nasdaq and are a ESG transparency Partner to Nasdaq. In addition, Sdiptech has followed a six-month programme with the Global Compact, called **Climate Ambition Accelerator 2021**, to evaluate the possibilities to set Science Based Targets (SBT). We hope to be able to commit to the SBTi in the future. As of now, it is very difficult for companies such as ours, to commit to absolute emission targets as our business model relies to a large extent on growth through acquisitions. However, we believe that our target can be compared to the Paris Agreement given that it stipulates that companies needs to halve their emissions every decade. We are halving our emissions between 2021 and 2026.

Have you conducted any preliminary assessments of your company in relation to the EU Taxonomy? If so, what was the outcome?

Yes, this will be reported in Sdiptech Annual Report 2021, which will be published on 20th of April 2022.

ENVIRONMENTAL

List Sdiptech's three primary risks related to climate change and list, if any, Sdiptech's climate-related opportunities:

Our diversified structure with over 30 companies in different industries and geographic markets gives us a very good spread of risks, creating conditions for stability. Sdiptech has no operations that could entail any significant physical or transition related climate risks for the whole Group.

We rather see opportunities, as the companies we own often are at the forefront in sustainability. In addition, we believe that the transition towards more sustainable societies will result in new companies with novel technologies, increasing our investment opportunities. However, some of Sdiptech's approximately 30 business units are exposed to both physical and transition risks.

- 1) With regard to physical risks, some of Sdiptech's companies are exposed to winter-related road conditions, such as Hilltip and Thors Trading. They may be affected if the average temperature should increase significantly. On the other hand, there are other companies within the Group that benefit from milder temperatures.
- 2) When it comes to transition risks, such as laws, policies, increased reporting requirements and changed customer behavior, we see some risks to review and monitor. This can include legislation, policies and in particular increased price of fuel. Some of our business units have a large fleet of service cars, which could lead to increased operating costs. We are working actively with setting targets to increase the share of EVs within our fleet.
- 3) A third climate related transition risk is regulation of existing products or materials, for example plastic. Increased costs and/or less demand for products and services due to restrictions in the use of specific materials and substances could also be a risk for some of Sdiptech's business units, and is therefore closely reviewed and monitored.

Read more about Sdiptech's climate related risks and opportunities in the company's TCFD analysis on page. 47-49 in the [sustainability report](#). An updated TCFD analysis will be available in Sdiptech Annual Report 2021, which will be published on 20th of April 2022.

Does Sdiptech have climate-related investments?

Our business model is based on acquiring companies that contribute to more sustainable, efficient and safe societies. Our responsibility as owners is to develop these companies so that their products

and services can reach more customers and markets. Climate-related investments, both acquisitions and business development, are thus the core of our business. Sdiptech has for many years worked with sustainable acquisition.

Going forward, we continue to work just as much with internal issues by developing and helping our existing companies to make even more long-term sustainable decisions. As Sdiptech consists of roughly 30 business units with different operations, challenges and opportunities, there are not one solution that fits all, it will be different > 30 strategies based on each of the business unit's biggest impact and opportunities to lower their emission. Some examples of activities are:

- Shift to renewable energy
- Conversion to an electric vehicle fleet
- Review of traceability of materials (the proportion of recycled materials and the possibility of tracing purchases from raw material) with existing suppliers
- Choice the material with the least climate impact
- Mapping the proportion of waste that arises in the business and measure per waste category, for example in kg of material that becomes waste and carbon footprint for each category
- Objectives for minimizing waste and consider an action plan for goal fulfillment
- Choice of fossil-free transport
- Mapping how the premises are equipped to enable efficient waste management
- Purchase of recycled material

Circular economy: How are purchases and waste managed?

Sdiptech AB, as well as all our business units, are recycling products to a different extent. This is being measured through the Sdiptech ESG reporting, with incentivizes to increase the amount of circularity and waste recycling. Sdiptech is encouraging all our business units to follow the waste hierarchy developed by the EU:

1. **Waste prevention:** Lowering the amount of waste produced, e.g. by consuming as little as possible and produce goods in the most resource efficient way. Ask yourself if a purchase is really needed? Can you rent instead of buying something new? Are there alternatives that are more environmentally friendly than others?
2. **Reuse:** Use materials repeatedly as much as possible. Sell or give away things that you do not need anymore but can be used again.
3. **Recycle:** If you cannot reuse the product, then recycle the material.
4. **Energy from waste:** If you cannot reuse or recycle the material, recover energy from the waste created.
5. **Disposal:** The material simply becomes trash. This is the last and least desired alternative. Avoid this as much as possible.

Does Sdiptech rely on any scarce resources for its operations? What efforts are made to mitigate the risk of those resources becoming even more scarce in the future?

On the contrary, several of Sdiptech's operations work with offers that can help more people manage important assets and resources, such as water and energy, through various water treatment products and energy optimization solutions.

Transition-related risks: Does Sdiptech anticipate any risks or opportunities due to the transition to a carbon-neutral society? Is there any risk of the firm's offer being negatively effected? If yes, is Sdiptech well positioned to handle that risk?

See answer above under "List Sdiptech's three primary risks related to climate change and list, if any, Sdiptech's climate-related opportunities".

Disclose Scope 1, 2 & 3 GHG emissions. If not available, do you have a time plan for when to start reporting?

Sdiptech's ton CO2e	2021	2020	2019
Total tCO2e Scope 1	3 598	2084	1131
Total tCO2e Scope 2	820	2224	2578
Total tCO2e Scope 3	393	93	280
Total Scope 1-3 tCO2e	4 807	4 401	3 989

Have you set a target to become climate neutral? If so, how have you defined carbon neutrality?

No, however we have a short term CO₂e reduction target, where Sdiptech shall reduce its carbon dioxide intensity (CO₂e/turnover) from its own operations by 50% within five years (between 2021 and 2026).

List Sdiptech's primary means of making a positive environmental impact or minimizing negative environmental impact. List the corresponding UN SDGs. What proportion of sales can be directly linked to selected UN SDGs?

67 percent of Sdiptech's sales contribute to the UN's SDGs. Read more about this in Sdiptech's [sustainability report](#) on page 36-43. An updated summary for 2021 will be available in Sdiptech Annual Report 2021, which will be published on 20th of April 2022.

SOCIAL

Does Sdiptech have a history of accidents? If so, how have these been managed? Are there any preventive measures, such as policies?

All of Sdiptech's business units have their own safety & security policy which has been developed for the company's own specific needs.

In addition, safety is deeply integrated into Sdiptech's core business, as several of our companies contribute to protecting employees and promoting a safe and secure work environment. Some examples of Sdiptech's business units that in various ways contribute to creating safer work environments are:

- Alerter Group works with fire alarms for the hearing impaired and deaf.
- Optyma Security Solutions sells security systems to, among others, hospitals and railway stations.
- Multitech Site Services sets up security stations at construction sites.
- Medicvent's technology improves the working environment in hospitals by maximizing the uptake of unhealthy leaking gases.

If applicable, state Sdiptech's targets for gender and cultural equality and indicate the relevant split of men/women at every level of the firm, particularly the Board of Directors and management team.

Sdiptech's target for gender equality is for men and women represented in the range of 40–60% in leading positions by 2030.

Status:

- 32% (10 of 31 business units) have a 40-60 women/men range on leading positions
- 40/60% women/men in Sdiptech's board
- 17/83% women/men in Sdiptech's Management
- 17% individuals with international background in Sdiptech's Management

Does Sdiptech conduct any community engagement activities aside from those directly connected to the business?

During 2020, Sdiptech and our business units invested approximately EUR 80,000 in local social engagement and sponsorship of various sustainability initiatives. For example, we have been sponsoring the think tank [Global Utmaning](#), an independent organization that works for socially, economically and climatically sustainable development, for the last two years.

We are primarily involved in the organization's Sustainable Cities program, which focuses on cities' increasingly important role as a driving force towards a globally sustainable development.

#Urbangirlsmovement is one of several important initiatives within the program, with the aim of prioritizing young women's needs in urban development and thereby be able to create more inclusive and sustainable cities. An updated summary for 2021 will be available in Sdiptech Annual Report 2021, which will be published on 20th of April 2022.

How often does Sdiptech conduct audits of its suppliers? How often do you discover incidents not compliant with your code of conduct?

Sdiptech conduct an overall review and supplier mapping once a year. In addition to this, Sdiptech's business units are auditing their suppliers frequently.

GOVERNANCE

Do all staff members receive continuing education on anti-corruption? Is there an external whistle-blower function?

Yes, please find [here](#).

Are there any ongoing or historical incidents involving corruption, cartels or any other unethical business conduct? Have any preventive measures been taken?

No, there have been no such incidents. We have an Anti-Corruption Policy, see [here](#).

Please state the firm's business tax residence (i.e. where the firm pays tax) and explain why that specific tax residence was chosen:

SdipTech pay tax in the countries where our business units operate, i.e. Sweden, Norway, Finland, the United Kingdom, Netherlands, Italy and Croatia.

How many independent members sits on the Board of Directors?

Six out of six.

Please state if and to what extent, the company has transactions with related parties:

None

Which KPIs dictate the remuneration to management (are sustainability and diversity goals included)?

Remuneration to management is based on SdipTech's yearly, financial and sustainability related goals. These are:

- An average annual organic growth rate for EBITA of 5-10 percent.
- On an annual average basis, acquire companies with a total EBITA of SEK 120–150 million.
- All companies acquired by SdipTech must contribute to one or more of the UN's global goals for sustainable development.
- SdipTech shall reduce its carbon dioxide intensity (CO₂e/turnover) from its own operations by 50% within five years (between 2021 and 2026).
- By 2030, SdipTech shall be gender equal (men and women represented in the range of 40–60%) in leading positions.
- All companies within the SdipTech Group must have incentives that are linked to sustainability-related goals.

Describe the company's process for monitoring and reporting ESG issues and performance to senior management/the Board. In your response, please confirm what KPIs are monitored (if any) and how frequently reporting is undertaken:

All our business units are, on an annual basis at a minimum, reporting ESG data to an external reporting system called Worldfavor. This is later presented to SdipTech's Board of Directors and subsequently reported in SdipTech's Annual Report.

Have you signed a Union agreement?

Most of SdipTech's business units have a Union agreement. In addition, SdipTech supports and respects freedom of assembly and association, which means people's right to belong to and form organizations. Freedom of association is a fundamental right that is found in our constitution and the UN Convention on Civil and Political Rights. The freedom of assembly gives the right to organize and attend meetings that have the purpose of informing and informing, expressing one's opinion, performing an artistic work and the like.

OTHER

Is compensation to the CEO and the management team in line with the rest of the industry?

Yes, benchmarking has been carried out.

Is the sustainability manager in the management team? If not, who is reporting to?

Yes. SdipTech's Sustainability Manager is part of the Management Team and reports to the company's CFO.

What policies and codes does Sdiptech have?

Among others:

- Code of Conduct (including Gender Equality Policy, Whistleblowing & Anti-Corruption Policy): See [here](#).
- Sustainability policy
- Investment policy for sustainable companies
- Corporate Governance policy
- Risk Management policy
- HR policy
- Information security policy
- Insider policy
- Communication policy

What are Sdiptech's main contributions to the UN Sustainability Goals (SDGs)?

Infrastructure has an evident role in several of the UN's sustainability goals and is a unifying issue across political boundaries. Sdiptech contributes to 13 of the 17 goals, as well as 38 of 169 targets. Please find a detailed summary of Sdiptech's contribution to the SDGs on page. 36-43 in our [Sustainability Report](#).

Is Sdiptech involved in the production of controversial goods or services, such as coal, weapons, alcohol, tobacco or pornography?

No, Sdiptech only invests in companies that contribute to creating more sustainable, efficient and safe societies. We have a clear acquisition strategy with sustainability criteria that every company we invest in goes through. See more information in [Sdiptech's handbook for responsible investments](#).

Where is your company in relation to industry colleagues when it comes to sustainability work?

We have a firm belief that sustainable innovation drives long-term profitability and growth, which is exactly what we are looking for in the companies we acquire. We have a clear investment focus on products and services that contribute to more sustainable, efficient and safe societies, as we believe that it minimizes risk and creates opportunities to long-term growth. From that perspective, we consider ourselves to be at the forefront of the area.