

# ALTOR



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## Responsible investment and ownership policy

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### 1. Introduction

#### 1.1 Background

Altor's overall mission is to act as a world-class investor, generating superior returns for our investors by building world-class companies. Building world-class companies and being a world class investor includes ensuring high environmental, social and governance (ESG) standards. Sustainability goes hand-in-hand with our longer-term ownership horizon. Our commitment goes beyond compliance with rules and regulations as it is our firm belief that best-in-class ESG practices not only benefit the environment and society but also drive value creation for the Altor Funds. As a commitment to the investors and the communities in which Altor and our portfolio companies operate, we have adopted this Responsible Investment and Ownership (RIO) policy.

#### 1.2 ESG vision

We commit to creating a positive delta with regards to the triple-bottom-line, i.e. creating social, environmental, and economic capital. We place emphasis on the following four ESG topics and related Sustainable Development Goals (SDGs):

- Climate action SDG #13
- Environmental performance & Circular resource management SDG #12
- Working conditions & Living wage SDG #8
- Diversity & Inclusion SDG #5

#### 1.3 Purpose

The purpose of this policy is to outline how we manage ESG risks and opportunities in our screening, sourcing, and active ownership.

#### 1.4 Scope

The policy shall be implemented and executed throughout the Altor structure, including portfolio companies (in accordance with applicable governance rules), and applies across the entire ownership cycle. Over time, our investors, co-investors, potential buyers, and other business partners shall also be reviewed based on Altor's ESG vision and the investment principles outlined below. The policy shall be managed by Altor Fund Manager AB and Altor Equity Partners AB and subsidiaries shall adopt the principles set out herein as applicable.

## 2. Execution of the policy

### 2.1 Investment principles

Our ambition is to assess and evaluate each investment opportunity to ensure that ESG risks and opportunities are identified and managed in the screening as well as the investment process. ESG considerations are fully integrated into investment decisions and the processes are further described in the separate internal policies for *Risk Management and Investment Strategy & Investment Decisions*. Screening for ESG opportunities is an integral part of our sourcing activities.

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The Altor Funds will not invest in companies relating to the following aspects if the direct exposure exceeds the established revenue thresholds, i.e. the **exclusionary list**:

<b>Sectors/Themes/Countries</b>	<b>Threshold</b>
• Controversial weapons	0%
• Other military equipment (unless strictly for defence)	10%
• Illicit drugs	0%
• Tobacco	0% production, 10% distribution
• Sex industry (excl. sex toys)	0%
• Gambling	10%
• Coal (thermal)	0% extraction, 25% other
• Oil & Gas (energy related)	0% extraction, 25% other
• Embargoed by the UN/EU/US	0%
• OFAC sanctioned	0%
• Tax Havens (OECD, EU list)	0%
• Severe/systematic breach(es) of relevant ESG regulations and/or conventions	-

The list will be reviewed annually. Judgment on a case-by-case basis must be applied for activities not on the list but which potentially carry similar risks, and for indirect exposure. In the above, direct exposure is defined as direct generation of revenues from products manufactured or sold as well as services sold while indirect exposure is defined as a significant share of revenues/sourcing volume of customers/business partners directly covered by the excluded aspect(s), and exposure through (co-) investors where they are deriving a significant share of proceeds from or are investing in excluded aspects. The higher thresholds for direct exposure (25%) indicated above reflect Altor's ambition to invest in the green transition.

## 2.2 Ownership principles

We have established the following requirements for ESG matters for the portfolio companies.

- If (potential) ESG related risks – beyond the exclusionary list – are identified in an investment process or later, the affected portfolio company shall address such risks and manage them towards compliance with Altor's ESG standards
- ESG shall be part of each portfolio company's value creation agenda, including projects and targets
- Each portfolio company should have a board approved ESG related policy (or equivalent policies) firmly anchored in governance systems. *See further details on governance standards in section 3.1.3*
- All portfolio companies shall establish an ESG point of contact within the organization that is also responsible for the execution of the ESG related policy (or equivalent policies)
- All portfolio companies shall at least annually report progress across material ESG metrics to Altor, and upon occurrence and at least quarterly on any potential incidents
- To ensure that ESG data can be verified and subject to external assurance, portfolio companies shall properly document how all relevant metrics are calculated. This includes formulas, data sources, data quality activities, responsibilities and process descriptions or process charts. The documentation shall be incorporated in relevant governance systems

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- All portfolio companies shall ensure full compliance with regulatory requirements relating to ESG such as but not limited to EU's Action Plan on Sustainable Finance/the EU taxonomy

In addition, we make the following commitments:

- We shall commit to full internal transparency on the portfolio companies' compliance with the ESG standards and update the Altor Funds' investors on ESG matters quarterly
- We shall increase the share of the underrepresented gender in Board of Directors, working towards 50% gender split for independent directors by end of 2023
- We encourage the Boards in our portfolio companies to work towards at least 30% representation of the underrepresented gender in management teams. *See further details on portfolio company diversity in section 3.1.2*

## 3. ESG standards

### 3.1 Overall

All standards stated in this policy apply to the portfolio companies of the Altor Funds as well as our own operations. The standards are presented in the below sections covering Environmental, Social and Governance.

A transition period is required in order for some of the current portfolio companies to be in full compliance with this amended version of our Responsible Investment and Ownership Policy. It is our clear ambition to ensure compliance with the policy by all existing portfolio companies by no later than end of H1 2022. Exceptional circumstances may lead to selective deviations even after this deadline, any such deviation shall always be addressed with a prioritized corrective action plan towards full compliance.

#### 3.1.1 Environmental standards

- Being fully compliant with relevant local and international environmental legislation and conventions (zero incidents), in own operations and in the supply chain<sup>\*\*\*</sup>, and active screening and awareness of upcoming relevant regulation/standards
- Achieving carbon-neutrality<sup>\*\*</sup>
  - o Covering scope 1-2 GHG emissions, and scope 3 if scope 3 equals or exceeds 40% of total emissions
  - o Working towards an abatement plan in line with the Paris Agreement (Science Based Targets methodology)
  - o For offsets, following [The Oxford Principles for Net Zero Aligned Carbon Offsetting](#), in particular Principle 1. This includes prioritizing reduction of emissions (abatement) over offsetting, ensuring environmental integrity through the use of "offsets that are verifiable and correctly accounted for and have a low risk of non-additionality, reversal, and creating negative unintended consequences for people and the environment", and maintaining transparency on emissions calculations, targets, and offsets.
- Committing to strive for net-zero by 2045, also beyond Altor's ownership
- Where material, measuring physical and financial impact from climate change (as per TCFD recommendation), and committing to invest in mitigation measures\*

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- If environmental management is identified as material, encouraged to attain ISO14001 certification (or equivalent)\*
- For all other environmental aspects determined as material for the respective company and/or industry (such as circular resource management, water, land use, biodiversity), managing towards best-in-class performance – with targets and milestone plan

## 3.1.2 Social standards

- Committing to zero fatalities and high consequence work-related injuries or ill health in own operations and in the supply chain\*\*\*. If operational health and safety is identified as a material topic: encouraged to attain ISO 45001 certification (or equivalent)\*
- Being fully compliant with relevant local and international legislation and conventions on human rights (zero incidents), including zero tolerance of child or forced labor in own operations and in the supply chain\*\*\*, and active screening and awareness of upcoming relevant regulation/standards
- Committing to employees' and contractors'/suppliers'\*\*\* right to freedom of association and collective bargaining through internal and supplier code of conducts, and zero incidents of restrictions/breaches such as hindering entry, registration, organizational operation, access to funding and resources, advocacy work and reporting and accountability
- Committing to a living wage in own operations and throughout the supply chain\*\*\* (minimum through supplier code of conducts), by guaranteeing wages and benefits paid for a standard working week meet, at a minimum, national legal standards, or industry benchmark standards, whichever is higher. In any event wages shall always be enough to meet basic needs and to provide some discretionary income
- Towards all stakeholders, showing zero tolerance of discrimination or harassment of any type, incl. based on age, race, gender, religion, sexual orientation or disability
- Taking active measures for employee wellbeing (annual progress reporting)
- Working towards providing health insurance and extended income security/social benefits (e.g. parental leave, corporate pension plan) to employees in jurisdictions where it is not legally required
- Actively promoting diversity by working towards fair representation (in line with best-in-class industry standard) of underrepresented groups in employee recruitment and staffing of leadership positions, empowering minorities through training, addressing unconscious bias, creating an inclusive culture. In particular with regards to gender diversity (*See further details on diversity in Board of Directors/ management in section 2.2*):
  - o Committing to gender diversity in filling the recruiting funnel. – For Altor internally, this materializes in a target of 50% intake, and the commitment to challenge head-hunters to present shortlists with diverse candidates
  - o Committing to equal pay for equal work
  - o Requesting that professional service providers, such as commercial, tax, legal, and financial advisors, have diverse service teams. – Altor encourages and targets itself at least 30% of the underrepresented gender
- Working in the best of customers' interests, including customer health and safety, data security and customer privacy and responsible marketing practices

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- If product safety and customer rights/welfare is identified as a material topic: encouraged to attain ISO 9001 certification (or equivalent)\*
- Driving positive community engagement, incl. through dialogue, employee volunteering, donations

## 3.1.3 Governance

- Maintaining high standards of business ethics, incl. being fully compliant with relevant local and international legislation and conventions on anti-corruption (incl. extortion and bribery), antitrust/fair competition, and tax (zero incidents), and active screening and awareness of upcoming relevant regulation/standards
- Having a third-party whistle blower function in place
- Managing suppliers actively\*\*\*: Screening/auditing of new/existing suppliers based on ESG criteria
- Having a defined and documented corporate governance structure with clear responsibilities and procedures and appropriate internal control mechanisms
- Having a sound ESG strategy and management approach: Integrating material ESG aspects in the organization's operating model and strategy and conducting a strategic board discussion on the same at least bi-annually. Setting of appropriate ESG standards through relevant codes/policies/guidelines. Tracking of progress based on quantitative KPIs
- Having a board approved ESG related policy (or equivalent policies), based on the organization's material ESG aspects, and covering at least Altor's ESG Standards. Committing to promote adherence to the standards throughout the supply chain
- Having all ESG targets signed off by management, anchored in internal performance management systems, and backed up with necessary resource plans
- Providing financial and non-financial transparency through accurate external reporting, based on acknowledged market standards (GRI or similar for non-financial reporting)

\*Within 24 months of Altor ownership or update of this policy

\*\*Within 36 months of Altor ownership or update of this policy

\*\*\*For material part of supply chain