

FORMICA
CAPITAL

Investing with a purpose

Impact &
Responsibility
Report

First edition
September 2021



Committed to tomorrow

Formica Capital is an investment company founded in 2018 by the Olsson Eriksson family. We have a long-term active investment perspective and are highly committed to building the high-performing, sustainable businesses that support a better tomorrow.

Formica is based in Gothenburg, Sweden. With over 5 billion in assets under management we create value by investing in companies with a strong purpose and a clear commitment to address the global challenges facing society. We are convinced that long-term growth and potential for profitability can only exist in sustainable companies. Reversely, companies can only be sustainable in the long term if they are growing and profitable.

We partner up with strong, purpose-driven management teams in mid-sized companies that are leaders in their field, primarily in the Nordic region. With full flexibility

we can invest as a minority or a majority owner in private, as well as public, companies. Regardless, we develop these companies with a long-term focus. We do this through active ownership focused on value creation and acceleration of impactful solutions that benefit society.

We drive performance under a strong sustainability and growth agenda in both our selection of investments and through our active ownership model. We are in the process of building our portfolio of outstanding businesses of tomorrow.

Formica is the Latin word for ant and a name that encourages each and every one of us to contribute in making societies healthier and the planet more sustainable, piece by piece.



2/3rds of 5 billion SEK AUM available for strategic investments



Gothenburg based, family owned, open, long term, active investment company



Focus and strength in value creation through businesses with positive impact on society

FORMICA CAPITAL AT A GLANCE 01

- CEO Letter 02
- Our team 03

STRATEGY FOR THE SHIFT 04

- Contributing to Impact 05
- The Formica way 07

INVESTING FOR THE SHIFT 08

- Our Impact Solution Map 09
- An in-depth look at the energy system 11
- Our screening criterias 12
- Our impact analysis framework 13

ENABLING THE SHIFT 14

- 7 capabilities of outstanding businesses 15
- A formula approach 16

EXECUTING THE SHIFT 17

- Case of strategic investment:
Knowit & Ekokraft 18
- Key activities 20

INSPIRING THE SHIFT 21

The strongest value driver of our time

Formica was formed in 2018 by the Olsson Eriksson family with bold ambitions to build a long-term significant investment company with a strong positive impact on society. Only three years ago, there was still the preconception out there that generating impact and generating return stood in some kind of contrast. The family did not buy into this and saw that the World was changing. Rapidly.

The perhaps best way to describe the idea and Formica's perspective to positive impact is to start by asking yourself a number of key questions. Do you believe in the climate threat? Do you believe in a societal determination to

address this threat? Do you want to participate in changing things and do you think future generations will continue to drive change?

If you answer yes to these questions, then you understand that the World needs to undergo a formidable change. Things just simply cannot stay the way they are, as society address climate change and other pressing topics. Existing businesses will have to move quickly in a more sustainable direction.

“Thanks to all our people and the outstanding collaboration, open mind-set and never-give-up attitude towards our long-term purpose and goals”

Olof Cato
CEO



tion, new market leaders will emerge and the need for new innovation and technology will be insatiable.

By looking at a number of critical societal systems – Formica’s Solutions Map – where change can have a huge impact, it is not difficult to see that in these systems there will be strong technological development, political and societal pressure and capital invested.

Formica is now looking to invest our funds in established companies and management teams that already understand this and that are conscious and purpose driven. Companies that can drive change and grab opportunities. These are simply the companies that we think will be the future winners and where invested capital will create strongest positive impact for society, while driving the best returns.

With a seasoned team with strong complementing backgrounds from investment companies, strategy consulting firms, private equity and capital management, we know how to invest with a clear focus on value creation. What we add is insight and recognition that generating impact is a strong value driver and tools for our companies to capitalize on this.

Writing 2021, the timing for launching Formica seems almost too perfect.

Impact as an investment theme in the investor community is today a given and with all of us in the investor community pulling in the same direction we can together change things for real. Even though we are surrounded by alarming reports on how rapid our climate is changing, there seems to be a broad agreement that it is time to act and that is truly inspiring.

Olof Cato
CEO of Formica Capital

Our team

Formica Capital is run by a seasoned investment team with complementary expertise and backgrounds. The team is characterized by a strong commitment to investing in and developing companies with an impactful purpose that can generate long-term superior returns.



"Formica sets clear expectations as owners and give the right support for management teams to drive innovation and growth at necessary speed and scale to make true impact."

Tomas Haglund Flemström, Head of Impact and Innovation

Tomas helped build Accenture Strategy's global sustainability practice with key responsibilities in circular economy and managing the Nordics. With 15 years of strategy experience he is at Formica to help build businesses that are resilient, prosperous and set up for long term growth.

Business strategy & Sustainable development expertise



"I am certain that we at Formica, with our commitment, competence and capital, truly can make a difference"

Carolina Winroth Lundin, CFO

Carolina has worked in the private equity industry for ten years. Her background includes Sjätte AP fonden (AP6) as well as Deloitte and Transtema Group. In Formica she sees a firm whose ambition is to take impact to the next level, which makes her motivated every single day.

Private equity & Controlling expertise



"The correlation between doing well and doing good has never been stronger than now. At Formica we aim at being in the forefront of this development"

Olof Cato, CEO

Olof has a 20 year background within private equity and investment management, most recently with JCE Group, Litorina and Kennet. With Formica he is triggered by an ambition to build strong, sustainable businesses through investing in innovative and leading companies with a clear purpose.

M&A & Finance expertise



"It is in the convergence of sustainability and business ingenuity that the greatest values will be generated"

Johan Christiernin, CIO

Starting as a stockbroker at Aragon and subsequently moving on to equity analysis and portfolio management at Dunross & co and Knutsson Holdings, Johan has worked nearly 20 years in the financial sector. At Formica he can leverage this experience for the sake of global sustainability.

Capital management & Stock market expertise



"Society need to quickly change to sustainable systems and solutions. By accelerating growth and development of companies driving that shift we create both monetary and human value"

Teresa Enander, COO

Teresa has a background from long term investment companies Latour and Frankenius Equity and as a consultant from McKinsey & Co. At Formica she is committed to building the sustainable businesses of the future.

Management & Active ownership expertise

The board
 Johan Giverholm (Chairman),
 Madeleine Olsson Eriksson,
 Gustav Eriksson,
 Marie Eriksson,
 Bert-Åke Eriksson,
 Staffan Hultgren,
 Claes-Göran Lyrhem
 and Martin Svalstedt.

Our Purpose:

Investing with a purpose.

On a Mission:

We partner, with purpose-driven management teams, with the determination to drive value creation and accelerate impactful solutions. We create long-term value with care for planetary boundaries and contribution to human wellbeing. We build the outstanding businesses of tomorrow.

With our Values:

Long-term, Active, Collaborative, Creative.

Achiving a Vision:

A large and valuable investment company with strong positive impact on society.

Leading to Impact:

Contributing to the Shift.

We are investing for the shift

At Formica we are convinced that the world is at the beginning of a major shift to sustainable development. There are huge opportunities for companies bringing this shift about. Our purpose is to invest with a clear purpose in this shift and drive these companies' positive impact and value creation.

Formica invest in businesses with roles to play in the sustainable transformation of systems that are fundamental to improve society. As an investors we look for companies with a clear purpose and defined role in the sustainability shift.

The shift will result in improved financial performance of businesses that deliver positive impact. A correlation between financial success and a strong record in sustainability has already been proven. This will only intensify as the rate of change accelerates, driven by the determination of consumers, voters, politicians, regulators, employees, businesses, economists, scientists, innovators and - finally - investors.

Our investments should be seen as partnerships with purpose-driven

management teams and as an active owner we drive long-term value creation and accelerate impactful solutions. Together, we will build the outstanding businesses of tomorrow.

Our contribution is to give companies the right conditions for developing strategies, securing competence, prioritizing and setting objectives that will let them maximize their value creation and positive impact. We support already successful companies with the right environment to grow and prosper in.

We are supported by our values. The shift to a sustainable world is truly systemic and calls for long-term thinking in every dimension. We are active and determined to make

every effort to create the necessary conditions for success. Further, we believe a collaborative approach is key to achive maximum positive impact regardless of context. Finally, we are creative, ready to review our truths with a willingness to consider fresh lines of action as a sustainable society is a moving target.

Our vision is to become a larger and more valuable investment company with a strong positive impact on society. The increasing return we generate can then be reinvested for more positive impact. We will become a significant investment company that will generate revenues that we can then reinvest for more impact.

We will contribute to the shift.

Contributing to impact

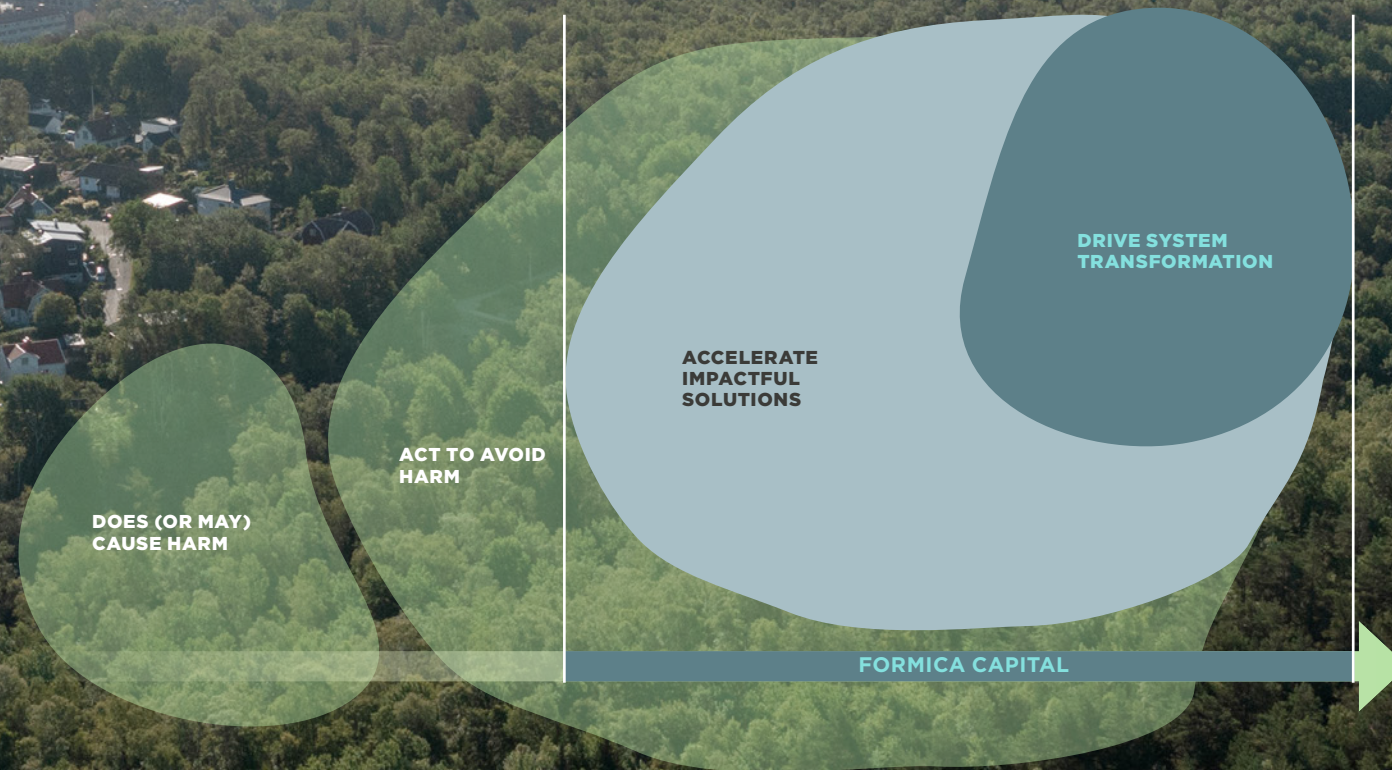
The shift to a sustainable world comes both with a responsibility to act and the investment opportunity of a lifetime. It is the starting point for our investment and ownership strategy. We look to channel our funds to the best of companies with strong impact potential. We contribute with focus and supporting capabilities as owners to maximize their potential.

The overdue nature of the climate crisis means that no one can continue running their business as usual. UN's global Sustainability Development Goals (SDGs) presents a blueprint of a number of other improvement areas for the world to deal with. Businesses are recognizing this, improving their sustainability game, and starting to take responsibility for the harm their adverse effect of its operations are causing society.

However, to truly make a difference to the shift to a sustainable society, companies must go beyond innovating its own operations and incremental improvement of ESG metrics. ESG improvement

is important but it is to some extent only taking the responsibility that can be expected from you.

Businesses that take it further are innovating their offering, developing solutions that help their customers and partners be more sustainable. They, for instance, help reduce customers' CO₂ footprint or energy need. Some take it all the way and look to contribute by innovation and transformation of entire systems into more sustainable ones, e.g. providing a utility, like mobility, without selling a product, in this case a car. These businesses have impact, a positive impact on society greater than its own weight.



Formica Capital invest in companies that are part of sustainable systems, drives acceleration of good solutions while being more responsible than expected by its stakeholders. We contribute through long-term active ownership providing knowledge, tools and network to achieve more impact and better results.

We are convinced that a greater impact will drive greater value creation and growth. This will only intensify as the rate of change in the sustainability shift accelerates, driven by the determination of consumers, voters, politicians, regulators, employees, businesses, economists, scientists and – finally – investors.

At Formica we are dedicated to invest in the shift through companies with impact potential, from accelerating impactful solutions to driving systems transformation. We both invest in solid, mature companies with a legacy of providing good solutions and a history as well as in growing high-potential companies with a proven market success. Our investment approach is tailored to help us find these and develop them.

Our approach to Investing in the Shift is to look at the important systems of society and analyze what they mean for businesses here and now. What innovations are necessary for these systems (to be sustainable) and will thrive in the future but already exists and prosper today? Based on this analysis we look for successful companies with a clear role to play in the shift, a dedicated purpose-driven management team and a good financial performance.

When we invest we do it with a long-term ownership horizon and are dedicated to contribute to its success as owners. To be “Enabling the Shift” we support our companies to maximize its impact which often require focus on key Impact opportunities and its growth as well as engaging the ecosystem to accelerate that impact. We also support them in taking its due responsibility which often covers a wider set of sustainability aspects. This a need of continuous ingenuity and development. It is the base for being a trustworthy partner to society in delivering impact.

We have condensed this support into a Formica Formula for Impact & Responsibility which we adapt to each companies need.

We are also active owners in the continuous “Execution of the Shift” by our portfolio companies throughout the board, strategy process or anyway our network, experience and competence is helpful to the management teams.

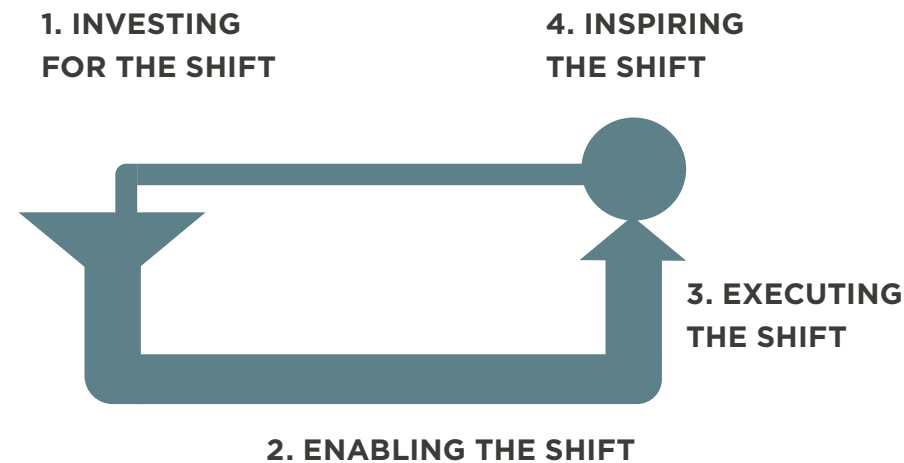
“Formica doesn’t settle on just-investing capital in the short term. Whether we are a minority or majority owner, we want to make a long-term contribution and actively drive our portfolio companies’ impact and responsibility agendas. Our convictions that the shift to a sustainable world will happen and that

long-term value is created through positive impact will always be fundamental to our decision-making,” states Olof Cato, CEO.

The final piece of the puzzle in our strategy to maximize impact is Inspiring in the shift so others chose to follow suit. The execution of the shift by our companies, leading their industries, will drag the full industry along. Once a company has proven the correlation of superior returns and greater impact to society, stakeholders in that ecosystem will not accept the legacy solution. Much like Tesla have transformed the auto industry’s destiny into an electric one. We aim to inspire other investors with our eventual success and we put effort into sharing our learnings along the way.

“At Formica we are convinced that impact will drive future value creation and growth. By investing in companies with positive impact we believe we make a higher risk-adjusted return on investments. We support our companies to be better at creating more impact, which improve their return, and can reinvest that to generate even more impact and value. It is a positive feedback-loop for the shift to a sustainable society and we do our best to share our perspective to inspire other investors, to promote even more impact”

Tomas Haglund-Flemstrom,
Head of Impact and Innovation.



The Formica Impact Loop

Formica is looking for companies with a clear purpose and defined role in the sustainability shift.

1. INVESTING FOR THE SHIFT

Impact central in finding the right companies through a three tiered funnel

- A. Exploring impactful investment universe
- B. Initial screening
- C. Deepening impact & other analysis

2. ENABLING THE SHIFT

Support companies with Formica Formula to build seven impact capabilities in four steps



- SCIENCE BASED SOCIETY PERSPECTIVE
- MIND SET PARTNER & MANAGE ECOSYSTEM
- PARTNER & MANAGE ECOSYSTEMS
- ACTIVE STAKEHOLDER ENGAGEMENT
- ADVOCACY IN SOCIETY INTEREST
- IMPACT LENS IN INNOVATION
- VALUE & PERFORMANCE OBSESSED

- A. PLANNING
- B. ENGAGING
- C. INNOVATE
- D. GOVERN

4. INSPIRING THE SHIFT

By strong outcomes and sharing know-how & ambition



Positive impact shifting toward sustainable future

3. EXECUTING THE SHIFT

Through focus, setting clear expectations and give the right support

Investing for the shift

Formica's investments lie within a range from around SEK 50 Million to SEK 700 Million. We have a flexible approach where we can invest in private as well as public companies within the Nordics. Investments outside the Nordics can be made opportunistically. We can take both majority and minority positions as long as we actively can influence the value creation plan.

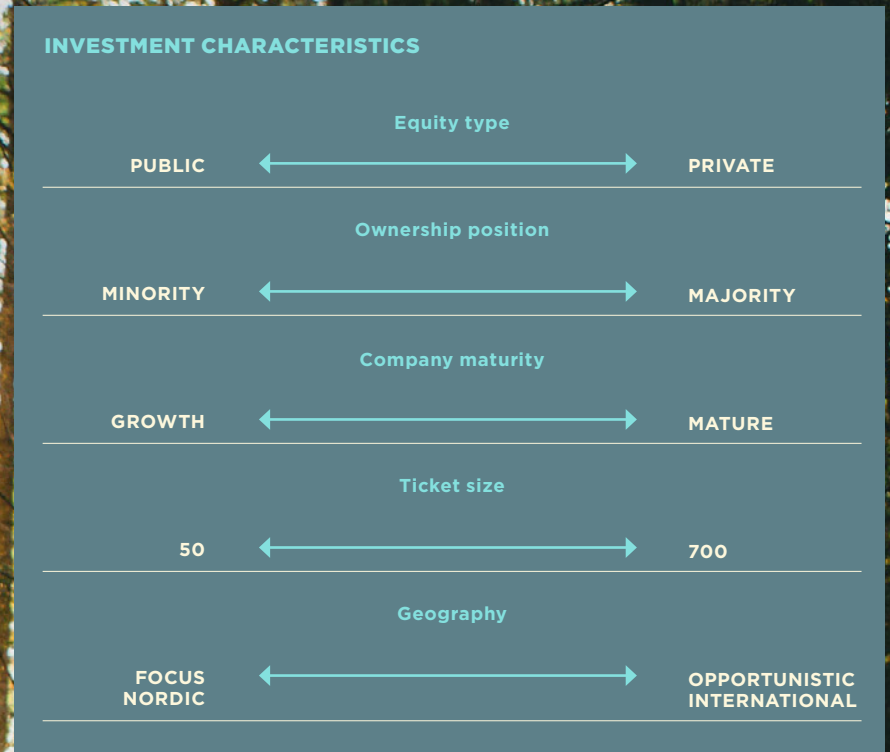
Companies we invest in can either be growing rapidly with positive unit economics or they are already more mature with a solid positive cash flow.

In 2020 we developed a framework for investment analysis with regards to impact and responsibility. It is tailored to ensure that we invest in companies that match our ambitions and have a need for what we can provide as an active owner.

The first step is to define our investment universe. In combination with characteristics above we have developed an Impactful Solutions Map that defines impactful solution areas that can be part of future sustainable systems. It is inevitably of

a dynamic nature and gives a broad investment universe yet helps us know where to proactively look for investable companies. We are also dependent on advisors or companies reaching out to us with suggestions on potential investments.

As investment opportunities enter our deal flow we evaluate them using our screening criteria. If a potential deal passes through we do a thorough investment analysis that will form the basis of an investment decision in first our management and then our board. For the impact parameters we have developed an impact analysis framework that we utilize all throughout the due diligence to the closing of the deal.



Our Impactful Solutions Map

At Formica we strive for a systemic perspective on our investments. To identify the right areas to invest in for positive impact we have produced an Impactful Solutions Map.

The Solutions Map contain six systems that rapidly need to be transformed for society to mitigate climate change and meet the SDGs. They all have a significant influence on society's ability to keep within planetary boundaries and improve human wellbeing and need substantial investments here and now to become sustainable.

For each system there is a set of prerequisites needed to be fulfilled

for them to be truly sustainable. Impactful solutions can be found among those putting these prerequisites in place. For example, solar energy substantially clean the grid but requires a secure efficient grid to replace fossil fuels. Both solution areas have meaningful impact and several such areas have been identified across these systems.

Finally our map includes a number of enablers going across systems but are vital for their materialization. These enablers are hence also investable.

The development of the map has been through a combination of

top-down and bottom-up analysis. The system's importance is ensured by its contribution to climate change and role in the SDGs. Identifying the solution areas were aided by the scientific initiatives, the Exponential Roadmap Initiative, the Doughnut Economics framework and Project Drawdown.

The solution areas has been double-checked through an analysis of more than 500 small and medium-sized companies that have all been applauded for their work on developing impactful solutions. We continue to fill a database of such companies subject to potential future investments.

The Impactful Solutions Map represents our view of the world. Rigorous work has been put into producing it, but we do not by any means claim that it is complete. There may very well be more systems and areas than these and we are open to feedback.

The map indicates a large number of areas where there is a need for investments in the shift to a sustainable society.

“What really is significant is that the map indicates a large number of areas where there is a need for investment in impactful solutions that will create long-term value. For investors it represents both a chance to make a difference and huge financial opportunities”

Tomas Haglund-Flemström,
Head of Impact and Innovation.

Sustainable Energy



Sustainable Mobility



Sustainable Infrastructure & Industry



Sustainable Food & Ecosystems



Sustainable Materials



People Positive





Sustainable Energy



Sustainable Mobility



Sustainable Infrastructure & Industry



Sustainable Food & Ecosystems



Sustainable Materials



People Positive

Definition	Clean, secure & affordable energy for all at any time	Clean, secure & affordable energy for all at any time	100% fit-for-purpose built environment and efficient industry with net zero planet impact	Healthy & affordable food for all with an eco-system in balance	100% circular material sustainably sourced for all applications	Healthy, happy, free, affluent people, treated equitably
Pre-requisites	<ul style="list-style-type: none"> - Clean and renewable energy production - No intermittency issues at point of use - Secure efficient grids at any point & time - Electrified energy use 	<ul style="list-style-type: none"> - Clean efficient drivetrains/propulsion - Safe mobility for all - Shared efficient people mobility - End to end optimized goods mobility 	<ul style="list-style-type: none"> - Smart, lasting, biofriendly infrastructure - Smart efficient & green buildings - Smart, clean & enjoyable cities & dwellings - Sustainable construction & clean efficient industry 	<ul style="list-style-type: none"> - Clean and renewable energy production - No intermittency issues at point of use - Secure efficient grids at any point & time - Electrified energy use 	<ul style="list-style-type: none"> - Clean and renewable energy production - No intermittency issues at point of use - Secure efficient grids at any point & time - Electrified energy use 	<ul style="list-style-type: none"> - Clean and renewable energy production - No intermittency issues at point of use - Secure efficient grids at any point & time - Electrified energy use
Solution areas	<p>Clean energy production Solar Energy, Wind Energy, Bioenergy/Fuels and Other Renewable & Advanced Energy.</p> <p>Zero distribution & intermittency issues Smart Grids & Virtual Power Plants, Demand Side Energy Mng & Storage and Micro Grids & Grid Storage.</p> <p>Electrified energy use Heat Pumps/AC & Green Refrigerants, Electrified Steel, Concrete & Other and E-fuels.</p>	<p>Clean efficient propulsion Electric Drivetrain, Batteries & Hydrogen, Clean Shipping, Aviation & Long-haul, Aerodynamics & Other Efficiency and Modular Vehicle Components.</p> <p>Safe mobility Autonomous & Assisted Driving and Vehicle2vehicle Communication.</p> <p>Efficient mobility solutions Mobility Platforms & Mobility Behaviour and Last Mile People Solutions.</p> <p>Optimized goods mobility Intelligent Supply Chain, Efficient Packaging Solutions and Multimodal, Last-mile And Reverse Logistics.</p>	<p>Sustainable construction Efficient Modularized Clean Construction and Renewable Circular Building Materials & Components.</p> <p>Smart buildings Building Automation and Clean Building Technology.</p> <p>Smart clean cities City Sensor Use & Info Management, Water & Air Purification & Management and Smart City & Ecosystem Management.</p> <p>Right smart infrastructure Smart, Electrified Roads & Charging and Biodiversity Infrastructure.</p> <p>Clean efficient industry Industry Efficiency Solutions and Clean Industry Solutions.</p>	<p>Planet effective diet Precision Fermenting & New Protein Sources, Plant-based Foods and Meal & Dietary Solutions.</p> <p>Sustainable land use Precision & Advanced Farming Methods, Marine Permaculture & Harvesting and Urban Farming & Land-based Fish Farms.</p> <p>Ecosystem balance Carbon Sequestration & Offset Markets and Ecosystem Restoration & Services.</p> <p>Smart food value chain Intelligent E2E Supply Chains, Efficient Cold Chain Solutions, Food Treatment & Packaging Solutions and Smart Food Waste Solutions & Utilization.</p>	<p>Sustainable extraction Environmentally Friendly Operations and Origin & Operations Verification Solutions.</p> <p>Circular consumable Sustainable Packaging and Bio-based Consumables.</p> <p>Circular durables Bio-based Durables and Sustainable Steel & Concrete.</p> <p>Advanced materials Advanced Chemistry & New Materials and Bio & Genetic Engineering.</p> <p>Efficient recycling system Advanced Recycling Tech, Recycled Material Upcycling and Recycling Market Tech & Tracking Solutions.</p>	<p>Equitable work for all Augmented Work Solutions, Safety & Healthy Worker Solutions and Sustainable Business Solutions.</p> <p>Education for all Edtech and Education Solutions.</p> <p>Health for all Elderly Care and Health Tech.</p> <p>Finance for all Sustainable Fintech and Finance For All Solutions.</p> <p>Leisure & freedom for all Sustainable Leisure and Responsible Consumer Solutions.</p>
Sustainable System Enablers	Circular & efficient value chains	Rapid & right technology development	Integrated externalities & rightly valued public goods	Financial systems supporting change	Sustainable businessknow-how	Common global values

An in-depth look at the energy system

In order to contribute in meaningful ways to holding companies, we see it as Formica’s role to develop our competence within the various systems that need to be transformed in the shift to a sustainable world.

“**Adopting a holistic** systems perspective we can support companies and accelerate their innovation, development of impactful solutions and sustainable value creation. It also helps us understand what to look for in our ongoing quest for suitable investments,” says Olof Cato, CEO.

During the year, we have taken an in-depth look at the global energy system and how need to change in the shift. It stores some great challenges being the most polluting system run by 80% fossil fuels, intermittent renewable energy sources putting pressure on electric grids and using a lot of liquified energy carriers that result in most energy being wasted. The energy system needs to be renewable, smarter & electrified.

Timing for investments are ripe, the eleven solution areas we identified are almost all markets of USD 50+ billion and growing by double digits and may do so until 2050. Clean and smart solutions create more jobs and are cheaper to end-users yet a majority of investments last year went to legacy fossil fuel industry.

The change is happening now, ten years ago fossil did get 4x the investments vs renewables, in 2019 double and in Q1 2021 it was equal. IEA estimates a sustainable energy system requires a trillion dollar yearly, up from USD 300 billion in renewables 2019.

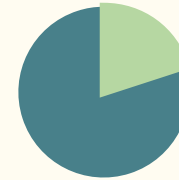
“**Our overview shows** that investments to a large degree have ended up in the wrong places, due

to industry and policy inertia. The insight that the shift must happen is spreading among stakeholders and for Formica and other investors there are now plenty of opportunities to correct prior sins and put the capital where it ought to be in order to help the shift. We see huge long-term value creation opportunity for investments, like ours in Ecokraft and Rototec,” says Teresa Enander, COO.

From our in-depth analysis we take away a conviction that the energy system will be truly sustainable in 2050. Investments in renewable energy, digitized more responsive grids with storage and a electrification of energy use will be good.

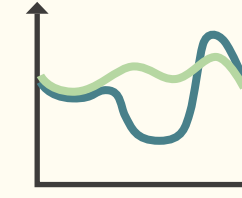
THREE UNDERLYING CHALLENGES

FOSSIL ENERGY



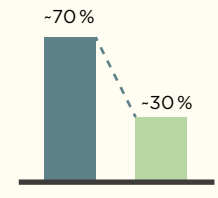
World energy use is 80% fossil based

INTERMITTENT ENERGY



Daily grid demand curve in California 2012 vs 2020 due to solar

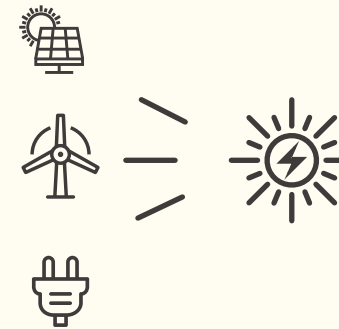
WASTEFUL ENERGY



ICE Electric

SEVERAL SOLUTION AREAS

CLEAN ENERGY PRODUCTION



ZERO DISTRIBUTION & INTERMITTENCY ISSUES

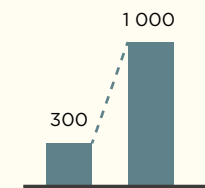


ELECTRIFIED ENERGY USE



MORE INVESTMENTS NEEDED

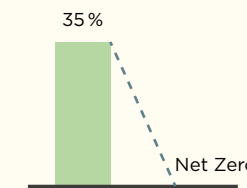
(USD BILLIONS)



2019 Yearly need

NET ZERO OUTCOME

(% OF GLOBAL CO2E)



2020 2050

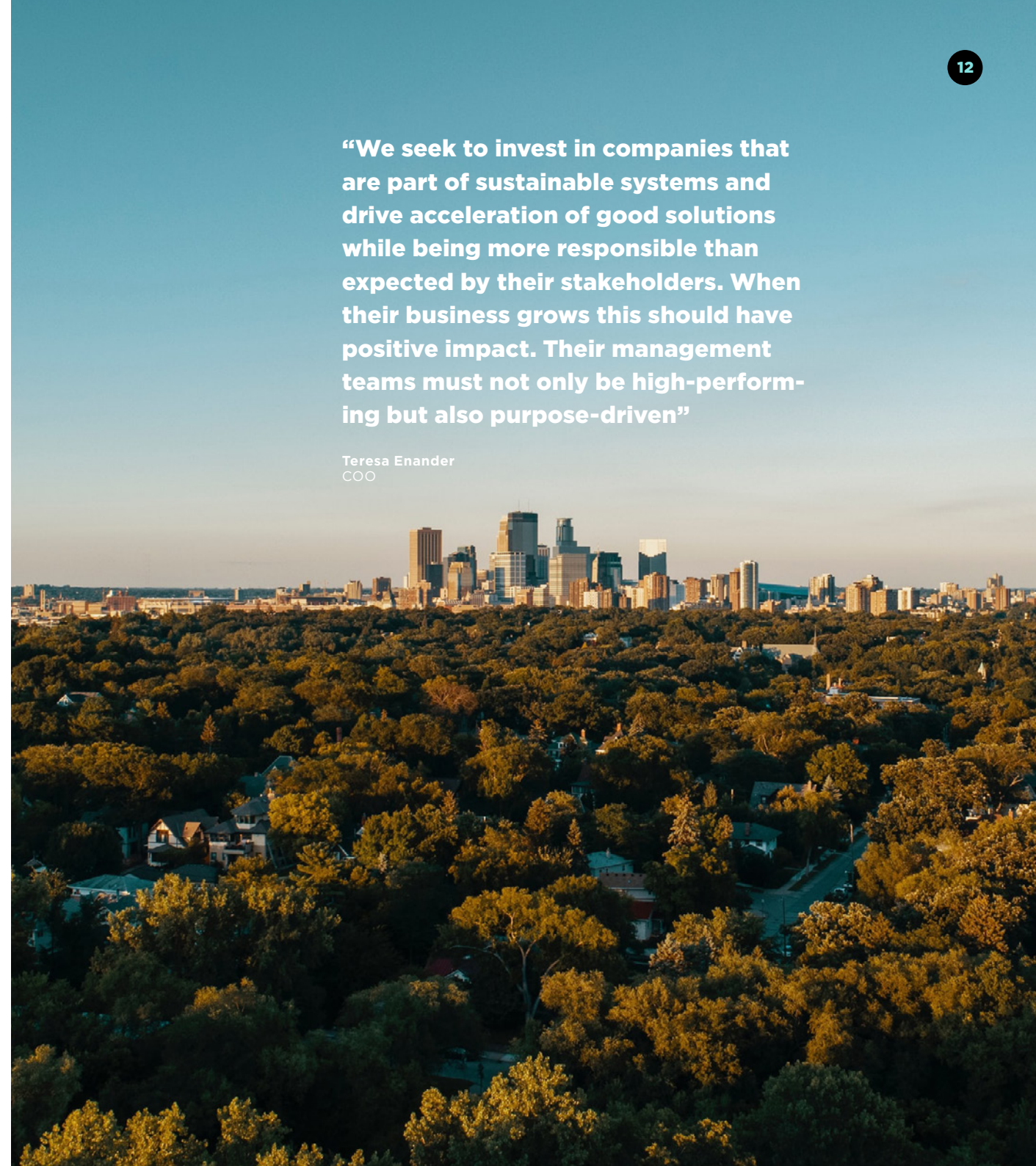
Our screening criterias

As investment opportunities enter our deal flow we first evaluate them using a set of screening criteria. We establish that the company has a market-leading position in a growing market. It should show strong financial performance and be run by a strong purpose-driven management team. In the center of this screening is “sustainability shift as a core value driver” consisting of three sub-criteria.



“We seek to invest in companies that are part of sustainable systems and drive acceleration of good solutions while being more responsible than expected by their stakeholders. When their business grows this should have positive impact. Their management teams must not only be high-performing but also purpose-driven”

Teresa Enander
COO



Our impact analysis framework

Once we have established that a company meets our criteria we make a deeper evaluation using our impact analysis framework. The analysis framework is further utilized throughout due diligence to the closing of the deal.

“We seek to invest in companies that are part of sustainable systems and drive acceleration of good solutions while being more responsible than expected by their stakeholders. When their business grows this should have positive impact. Their management teams must not only be high-performing but also purpose-driven,” explains Teresa Enander, COO.

Aided by a grading system with a scale from 1 to 4 we analyze key aspects within each of the three sublevels *Impact Magnitude*, *Responsibility & Purpose* and *Formica Contribution Potential*. Rating 1 often means a red light for our investment, whereas a company that rates 2 on some metrics can still have potential to develop if overall judgement is positive.

Impact Magnitude

To establish the company’s impact magnitude we rate how important its industry or sector is for achieving the shift to a sustainable society, we look at whether the company’s industry easily can exist within planetary boundaries and if their business model better addresses core sustainability issues in the industry and is scalable.

- **INDUSTRY IMPORTANCE**
Do their industry/sector have a big impact on core issues in making societies sustainable?
- **PLANETARY BOUNDARIES**
Can their industry/part of the value chain exist in a sustainable world?
- **BUSINESS MODEL**
Do their business model address core issues in industry and possible to scale for impact?

Responsibility & Purpose

In this sublevel we rate the extent to which management is purpose-driven and engaged for sustainability, the company’s skills and capabilities when it comes to ESG as well as how it is scoring on key ESG metrics in its industry and general.

- **MANAGEMENT PURPOSE & ENGAGEMENT**
Are they communicating an ambitious agenda? Are management clearly behind?
- **SKILLS & CAPABILITIES**
Do they have a solid ESG framework in place and capabilities to continue develop?
- **ESG RESULTS**
Are they scoring high on ESG metrics vs their industry and/or in general?

Scope for Formica Contribution

We are looking to contribute to long-term value creation and positive impact as an active owner, so we rate if we have a good hypothesis around our possible contribution and rate to what extent we can obtain enough ownership to influence the sustainability agenda in combination with an evaluation of the maturity of other owners on impact.

- **SHARE OF OWNERSHIP**
Are they communicating an ambitious agenda? Are management clearly behind?
- **OWNER MATURITY**
Do other owners show maturity in impact and responsibility
- **FORMICA HYPOTHESIS**
Does Formica have a hypothesis around future material impact initiatives?

Enabling the Shift

A key element for Formica is to contribute as active owners to our companies. Whether we are working with growth companies scaling up or mature companies that are shifting to some extent, our objective is to make a difference in accelerating impactful solutions and long-term value creation. To maximize impact we use the Formica Formula.

The Formica Formula is an asset that each company can use to the best of its needs. The companies in our portfolio are and will be diverse and each will have different needs. Hence, the Formula contains a host of tools and support to our companies, and it is not a policy or a compliance obligation.

The basic need of a Formula for Impact & Responsibility is our conviction that companies need to operate a bit differently than historically to maximize its impact and its positive effect on value creation. Business as usual put us where we are and a new formula is needed to take us from here. Our companies should get the best opportunity to master that.

A key element of the Formula is the 7 characteristics or capabilities that is needed to for value creation through impact. It is 7 building blocks to become outstanding businesses and we believe a simple 4 step iterative approach can help build them. For these 4 steps we have developed assets to support our companies to continuously mature and move on the ladder to truly sustainable outstanding businesses.

Key in our support is our competence, experience and focus that we provide in close collaboration with management and take into the board room. Together we will decide the need for support with each company management and

they chose to what extent they believe they need our support.

“A few things are highly recommended, though. For all our companies we develop an ownership directive that includes both financial and strategic expectations. We also define our expectations on the company’s impact and responsibility. The work we put in using the Formica Formula together with the company makes a good basis for these expectations, ensuring that they are challenging while at the same time within reason,” explains Olof Cato, CEO.

Working with the Formula we bring assets like frameworks, methodologies and a host of different tools

to be used either as inspiration or in practice while planning. We support with a knowledge repository for industries, functions, like sustainable sourcing, or key topics like climate mitigation. (e.g., see the section on the 1.5°C Business Playbook on page 21)

“As the sustainability shift is such a broad issue, the formula is there to make sure that we, jointly with our portfolio companies as a group, build competences that each individual company could not hold themselves. The whole becomes greater than the sum of its parts,” says **Teresa Enander, COO.**

As owners we also bring in our broad network and an ability to steer focus to the topic of sustainability, impact acceleration and value creation through our ownership agenda. As an investment company we are exposed to a wider set of organizations and individuals than a mid-sized company. This is something that our portfolio companies can benefit greatly from. In this sense, the Formica Formula constitutes a way of collaboration – between us and the management teams, within our portfolio companies and with the wider ecosystem and network of all individuals in the Formica sphere.

7 capabilities of outstanding businesses

It is our conviction that there are a set of characteristics common to all truly impactful companies benefiting and driving the shift to a sustainable society. These characteristics, first defined in the UN Global Compact's 2013 CEO study, runs from strategic planning through the ability of engaging its ecosystem to innovation and governance. It can be described as seven capabilities.

SCIENCE BASED SOCIETY PERSPECTIVE

To understand which role to best play in society companies need an understanding of its context. It needs to clarify both in which ways it has an adverse effect on society and how it could contribute. It is important to see beyond the upsides, be realistic and base it in the latest science, but also to be aware of strengths that can be utilized to have a positive impact and speed of change possible.

MIND SET OF GROWTH & DIFFERENTIATION

The above perspective needs to be translated into a growth and differentiation mindset. Minimizing adverse impact is a burden, supporting an accelerating shift is a great opportunity to rally behind. It is very important to stretch the organization's imagination to see potential possibilities in what society needs and the speed of change the shift brings about. Building on existing strengths but with an open mind of the future can define an impact plan and targets that is ambitious but nevertheless realistic.

ACTIVE STAKEHOLDER ENGAGEMENT

Companies with a purpose to better society enjoy the luxury of being able to engage their stakeholders in a positive journey. Proactively engaging stakeholders with a fair unbiased win-win perspective will give you a network effect in scaling. Stakeholders that share your purpose will jointly carry your burden. This need active planning management and integration into existing communication activities.

PARTNER & MANAGE ECOSYSTEM

Successful companies also utilize a joint purpose in managing their ecosystem and finding the right partners for growth. If many parties in an industry or value chain work together needed change can be brought much more quickly. If all know and plan their role the success is shared in the ecosystem.

ADVOCACY IN SOCIETY INTEREST

Companies can also advocate in the best interest for society to ensure better regulations, policies and state investments for the future. Being impartial is key to remain trustworthy and to more easily lock up the right benefits.

IMPACT LENS IN INNOVATION

Engagement can unlock innovation. The outcome for society that the company is aiming for should serve as the starting point for innovation which can be within the company's operations, its offering and/or the very system it operates and support its differentiation and growth targets. Organization need to actively involve the society and systems perspective in its innovation work across its business.

VALUE & PERFORMANCE OBSESSED

An outstanding business is innovative across all it does and strives to achieve more impact, better and faster, while being truly responsible. It knows how to measure progress and have established a clear link between impact, responsibility and value creation. Whether it is reducing risk or cost or improving revenue or intangible assets, ambitions can more easily be prioritized, defined and measured. Impact can be executed.



“In our quest to build the outstanding businesses of tomorrow, we support our holding companies in gaining or refining all these characteristics through what we call the Formica Formula”

Tomas Haglund-Flemström
Head of Impact and Innovation

A formula approach

The Formica Formula can be described as a toolbox for our portfolio companies to gain all the characteristics needed to be a transformational company helping to bring about the shift to a sustainable world. It is aiming to be comprehensive and at the same time adaptable to the specific needs of each company, supporting them across four iterative steps: planning, engaging, innovating and following up.

PLAN

To be able to move with the speed required to accelerate positive change it is important to thoroughly understand where to focus, while simultaneously thinking big enough and understanding the context from a systems perspective. We provide the knowledge, experience and proven frameworks to support our companies in exploring, prioritizing and setting targets within impact as well as responsibility. We help them explore the needs of society, the expected change required and the opportunities and threats considering their abilities and possible role in a sustainable world. Based on this they prioritize key actions today. Targets is set with a thorough understanding of the financial and operational complications.

Key Formula assets: Impact & Responsibility Strategy Frameworks & Tools

ENGAGE

When the road map has been drawn up it is time to engage the ecosystem. Once companies are comfortable with their own role in the ecosystem, they can interact with other players to further accelerate change. The Formica Formula helps companies identify their role and who their partners are, as well as how they should communicate to create engagement. Furthermore, Formica can act through our network, supporting collaboration as well as pushing a broader advocacy agenda, although we will never ever steal the spotlight from the company itself.

Key Formula assets: Formica knowledge, experience, training & network

INNOVATE

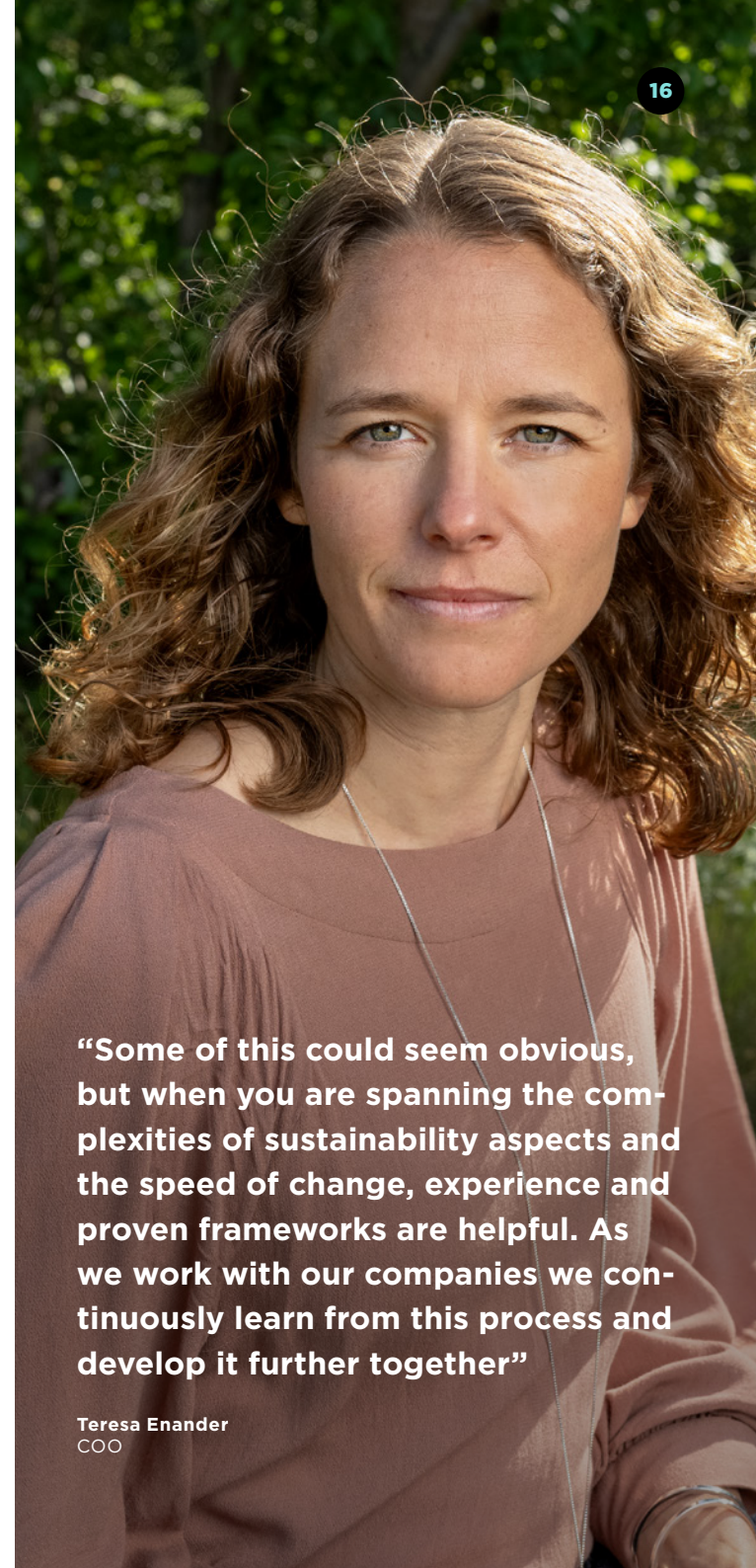
With a clear road map and an engaged stakeholder community, innovation can happen faster given the right conditions. The Formica Formula helps ensure a comprehensive innovation agenda and assists in building a culture for positive change. With our cross-industry perspective Formica can support companies, disseminating good practices and new uses of technology from one company in our portfolio to another. Our systems view can help see new areas of innovation across operations, offerings and the transformation of full systems.

Key Formula assets: Tools & Systems Perspective, Impactful Solutions Map

GOVERN

The Formica Formula also supports companies in how to follow up both their impact and responsibility agendas. It gives inspiration on which metrics to use and what targets are reasonable to set. On common issues, like climate, there is a possibility to compare maturity of processes as well as outcomes, making good use of both our experience and our constantly improving knowledge repository. We call this a formula staircase, as all companies are still on a route towards becoming truly sustainable.

Key Formula assets: Ownership directives, Formula Maturity Stairway; KPIs & Operating Model asset



“Some of this could seem obvious, but when you are spanning the complexities of sustainability aspects and the speed of change, experience and proven frameworks are helpful. As we work with our companies we continuously learn from this process and develop it further together”

Teresa Enander
COO

Executing the Shift

Since starting in 2018, Formica has taken the first steps in our investment journey to help build the outstanding businesses of tomorrow. We have recruited the right team, developed frameworks and processes, and got to work on finding companies with a purpose and positive impact in order to assist them in their further development, accelerating their impactful solutions and driving long-term value creation.



Case of strategic investment: Knowit

The digital transformation is the strongest social trend of our time and a catalyst for human development. Handled correctly, digitalization has a huge impact potential in helping the shift to a sustainable world through higher resource efficiency, new offerings and radically transformed business models.

There are over 200,000 people working in the IT consultancy industry in the Nordic region

and most companies engage IT consultants on a regular basis. Developing this industry in a more sustainable direction translates into a huge impact potential. Digitalization and global sustainability should fit hand-in-glove and work together as a joint driver of innovation and growth.

In July 2019 Formica acquired a majority share in Cybercom, a leading digitalization consultancy company in the Nordics, with some 1,300 employees. In 2021, Cybercom

merged with listed company Knowit AB, building a very strong Nordic player with the ability to further leverage Cybercom's strong position within sustainable digital transformation, thus achieving even more positive impact. Following the merger, Formica becomes the individually largest owner of Knowit.

Knowit is a leading IT and digitalization consulting company in the Nordic region with over 3,800 employees in six countries. The company assists premium clients in developing sustainable and profitable businesses through consultancy services in its four business areas Solutions, Connectivity, Insights and Experience. Knowit's mission is to guide clients in a positive direction and thereby help future-proofing social development. During 2020 Cybercom has used the Formica formula to further improve their impact and responsibility.

“We see this transaction as a strategically sound next step for all parties – the operations complement each other well and constitute a strong platform for continued acquisition-based growth. We see our ownership in Knowit as a long-term investment in one of the strongest and most fast-growing digitalization companies in the Nordics, with excellent opportunities to promote sustainable digital transformation.”

Olof Cato
CEO of Formica and Chairman of Cybercom.

Date of investment:
February 2019

Type of ownership:
Lead

Number of employees:
4,000

Pro forma turnover 2020:
MSEK 4,000

Total carbon emissions (scopes 2 & 3[only air travel]):
136 tn (-58% in sales and -81% in business travel compared to 2018)

Gender distribution, M/W:
Board of directors: 50/50%
Managers: 70/30%
Other employees: 80/20%

eNPS:
18%

Client satisfaction index:
83

Share of business contributing to SDGs:
73%

Ecokraft

The transformation to a society running purely on renewable energy in combination with the electrification of mobility systems and many sectors of industry are creating a strong demand for clean energy all over the world. The installation of solar photovoltaic (PV) systems, both stand-alone and combined with energy storage solutions, is growing globally as well as in Sweden. These solutions are making an important contribution to pushing out fossil sources of energy.

Ecokraft is a fast-growing company in the Swedish energy market, delivering high-quality solar cell and energy storage solutions to commercial properties and agriculture, as well as to the residential market. It is a leading company in the quality segment of solar PV installations in Sweden and has built a solid

Date of investment:
November 2020

Type of ownership:
Minority

Number of employees:
80

Turnover 2020:
MSEK 140

Too early for reporting on Formica's sustainability metrics.



foundation for strong growth with a focus on customer satisfaction, quality and sustainability in developing and delivering products.

Ecokraft is driving the transformation through delivering renewable energy solutions with longer product warranty and reduced climate impact compared to industry standards. The company is ready for future expansion both within and outside Sweden.

“In Ecokraft, we see a company that has succeeded in combining a top quality offering, extremely high customer satisfaction, rapid growth and profitability. Based on a digitized efficient business model and a strong, driving corporate culture around the shift to a sustainable society, they attract many talents in the industry. We see great potential in continued growth, both geographically and in adjacent product areas and look forward to making this exciting journey together with the impressive entrepreneurs at Ecokraft.”

Teresa Enander,
COO of Formica.

MAJORITY INVESTMENT

Rototec

In May 2021 Formica got a new core holding by acquiring the pioneering geoenery company Rototec. Rototec is the European market leader in geoenery solutions for mid-sized and large properties, managing Europe’s largest drilling equipment fleet for geoenery in Finland, Sweden and Norway. Rototec offer services from consulting and design of geoenery systems to their implementation. Rototec is driving the Shift through delivering electrified & energy efficient heating & cooling solutions which is a climate friendly alternative with a minimal physical footprint above ground. In 2020 Rototec had a turnover of 51 mEUR and employs 100 people. Through its history, Rototec has drilled a total of 58 000 energy wells with an estimated saving of 275 000 tonnes of CO₂. Rototec is a core holding and Formica is its majority owner.

www.rototecgroup.com

MINORITY INVESTMENT

Swedish Algae Factory

Swedish Algae Factory produces a bio-based material in a circular process. It extracts a unique nanoporous silica material from diatoms, a unicellular microscopic algae. The material has exceptional light-altering properties as well as the ability to absorb or release particles depending on its surrounding environment. Branded Algica®, the material is of interest to a variety of industries, where it can replace harmful and/or less efficient chemical substances. Algica® can, for example, be used to improve the efficiency of solar panels and for moisturizing, cleansing and ultraviolet light protection in personal care products.

swedishalgaeafactory.com

MINORITY INVESTMENT

Collectius

Collectius is a trusted restructuring partner to banks and financial institutions in Asia with operations in Indonesia, Philippines, Singapore, Malaysia and Thailand. Its business is to purchase portfolios of non-performing consumer loans and help its customers to become debt free using the “Collectius way.” a digital and customer-centric approach. Collectius vision is to create a world where every person, regardless of background, has the financial know-how to grow with the economy.

www.collectius.com

MINORITY INVESTMENT

Orbital Systems

Orbital Systems is transforming our usage of water with an instant recirculation system, saving water usage with up to 90% in current applications. Water is one of our most precious natural resources and many areas of the world are facing severe water shortage in a near future with our current level of consumption. Orbital Systems is based in Malmö, Sweden.

www.orbital-systems.com

MINORITY INVESTMENT

Devoted Health

Devoted Health is a US-based health care solution provider driving accessibility and simplicity in healthcare centered around the patient – not the provider. “The Devoted Solution” encompass putting the focus back on the patient, building relationships between providers, focusing on quality over quantity, in essence making health-care easier and better.

www.devoted.com

MINORITY INVESTMENT

Sierra Energy

Sierra Energy is committed to innovation that leads to a zero waste future. Since 2004, Sierra Energy has focused on the development of FastOx® gasification, a technology that turns hard-to-recycle trash into energy without burning. This sustainable solution is commercially available and the company continues to advance its technology and test new applications for gasification at the Sierra Energy Research Park in Davis, California.

www.sierraenergy.com

Key activities

A number of activities have taken Formica forward in its task of investing to accelerate impactful solutions, drive long-term value creation and building the outstanding, sustainable businesses of tomorrow.

Developing the Formica Formula

During 2020 we developed the Formica Formula, a top-down toolbox for our holding companies to use (with our help) in order to improve their impact and responsibility. The formula includes how to set strategies, innovate, engage internal and external stakeholders, measure and build capabilities needed to excel on impact and responsibility. (See page 7.)

Developing our impact framework

In 2020 we developed Formica's impact analysis framework for a deeper evaluation of companies deemed interesting to invest in. The framework helps us establish if companies meet our criteria within impact, responsibility and purpose, as well the scope for Formica to make a meaningful contribution as an active owner in accelerating impactful solutions and creating long-term value. (See page 13.)

Completing the team

In 2020 we recruited two members completing Formica's team. In January, Carolina Winroth Lundin brought all her private equity experience onboard as CFO. In August, Tomas Haglund-Flemström started as Head of Impact and Innovation, bringing important competence for our ability to support our holding companies. Furthermore, our intern Erik Jonsson made important contributions during the year.

Completing Impactful Solutions Map 1.0

In June 2020 we finished the first version of Formica's Impactful Solutions Map in which we look at the global transformation to a sustainable society from a systemic viewpoint. Identifying systems that need to be transformed if we are to keep within planetary boundaries while ensuring human wellbeing, the map points out areas in need of impactful solutions and aids us in our quest for strategic investments. It also assists our holding companies as part of the Formica Formula. (See page 9.)

Signing UN PRI

In March 2021 Formica became a signatory of UN's Principles for Responsible Investment (PRI). This demonstrates our commitment to including ESG factors in our investment decision-making and ownership. Signing the principles gives us access to international networks, collaboration, and guidelines.

Inspiring the shift

At Formica we strive to be a positive beacon of change for the financial sector. By investing for the shift to a sustainable world we are counting on getting better returns which can then be used for further positive impact. We want as many investors as possible to copy the concept. As is clarified by our Impactful Solutions Map, there is plenty of need for investment.

Formica wants to take part in educating and building competence within sustainability. We support our companies to build up their capabilities to have positive impact and be responsible. We want to assist and inspire our holding companies in developing further, but also spread the word beyond them.

The value chains and ecosystems of our holding companies are the first line of actors that can be inspired. Through successful execution by our companies they will be sources of inspiration in their industries, to competitors needing to raise their game but also to customers and regulators knowing that they can expect more.

We also strive to be an inspiration for our industry, the financial sector, demonstrating that it is possible to successfully accelerate impactful solutions and drive long-term value creation through sustainability. We joined We don't have times call for action in the financing industry, participating with our perspective to 5 million viewers worldwide.

Another example of this is our decision to make the 1.5°C Business Playbook a part of the Formica Formula as a means to drive decreasing climate emissions in global value chains. As first investment and financial company we join leading organizations like Ericsson, IKEA and Scania as well as our own holding, Cybercom, in spreading good practices for climate change mitigation.

“We are very excited to take part of the 1.5°C Business Playbook initiative, which we believe is a scientific yet practical way for companies to reduce carbon emissions while improving their competitive advantage and bottom line results”

Olof Cato
CEO of Formica and Chairman of Cybercom.

The 1.5°C Business Playbook is a spin-off from the world-leading Exponential Roadmap Initiative. It supports the worldwide call to action for all companies to set sharp climate targets now and establish a strategy aligned with the ambition to limit global warming to 1.5°C, throughout their value chain, business proposition and beyond.

The Playbook is a concrete tool produced by leading experts and business stakeholders that provides a framework for companies of all sizes to reach net-zero emissions rapidly. This is achieved through adopting an exponential trajectory of at least halving greenhouse gas emissions every decade and integrating climate action into their business strategy.

“The investor community is absolutely essential in order to achieve the global goal of halving emissions by 2030 towards net-zero before 2050 by acceleration the next generation climate solutions addressing needs in society”

Johan Falk
Head of Exponential
Roadmap Initiative.

Contact us

Tomas Haglund-Flemström, Head of Impact
and Innovation
tomas.haglund-flemstrom@formicacapital.se

Olof Cato, CEO
olof.cato@formicacapital.se

Teresa Enander, COO
teresa.enander@formicacapital.se

Johan Christiernin, CIO
johan.christiernin@formicacapital.se

Carolina Winroth-Lundin, CFO
carolina.winroth.lundin@formicacapital.se