

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Finance Framework

Sdiptech SA
26 November 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Finance Instruments
Relevant standard(s)	Sustainability-Linked Bond Principles, as administered by ICMA (06.2020) Sustainability-Linked Loan Principles as administered by LMA/APLMA/LSTA (05.2021)
Lifecycle	Pre-issuance verification
Scope of verification	Sustainability-Linked Finance Framework (26.11.2021 version)
Validity	As long as Sdiptech's Sustainability-Linked Finance Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

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SCOPE OF WORK

Sdipotech SA (“Sdipotech”) commissioned ISS ESG to assist with its Sustainability-Linked Instruments by assessing three core elements to determine the sustainability quality of the instrument:

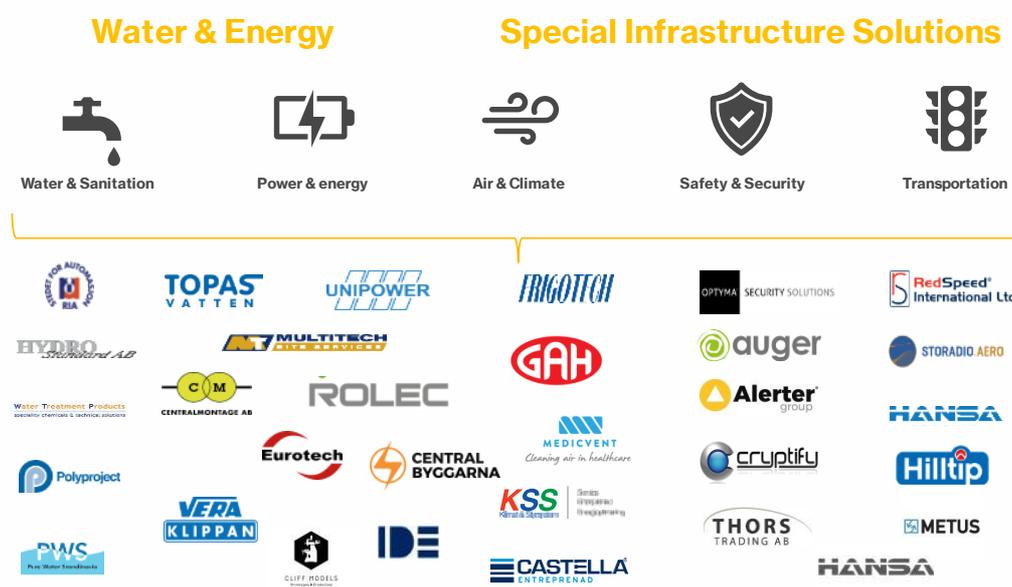
1. The sustainability credibility of the KPI selected and Sustainability Performance Target (SPT) calibrated – whether the KPI selected is core, relevant and material to the issuer’s business model and sector, and whether the associated target is ambitious.
2. Sdipotech’s Sustainability-Linked Finance Framework (26.11.2021 version) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association's (ICMA) in June 2020 and Sustainability-Linked Loan Principles (SLLP), as administered by the Loan Market Association (LMA) / Asia Pacific Loan Market Association (APLMA) / Loan Syndications and Trading Association (LSTA) in May 2021.
3. Sustainability-Linked Instruments link to Sdipotech’s sustainability strategy – drawing on Sdipotech’s overall sustainability profile and related objectives.

SDIPTTECH BUSINESS OVERVIEW

Sdipotech AB (“Sdipotech”) is a technology group that acquires and develops companies in the infrastructure sector with the goal to create more sustainable, effective, and safe societies.

Its business concept is to acquire and develop businesses with products and services to both the public and private sectors in the infrastructure sector. The company has its headquarters in Stockholm, Sweden. Its main markets are Sweden and the United Kingdom, but the company also has operations in Finland, Norway, Netherlands, and Croatia.

Sdipotech’s business model may be divided into two parts: acquisition and development, and the company’s business areas include:



ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
<p>Part 1:</p> <p>KPI: Group carbon emission intensity (Scope 1 & 2)</p> <p>SPT 1: Reduction of 20% by the end of 2024</p> <p>SPT 2: Reduction of 50% by the end of 2026</p>	<p>KPI selection: Relevant and core to issuer’s business model and sustainability profile and material to the issuer’s direct operations.</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against issuer’s past performance with limitations² • Ambitious against issuer’s sectorial peer group • Limited information to assess the ambition against international targets <p>ISS ESG finds that the KPI selected is core and relevant to the issuer’s business model and consistent with its sustainability strategy. The KPI is material to the issuer’s direct operations, but as Scope 1 and 2 emissions account for only part of the total emissions of the issuer, the KPI is not material to the issuer’s Corporate Value Chain. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers all operations and activities of Sdipotech and its business units.</p> <p>ISS ESG finds that SPT 1 and 2 will be ambitious against past performance. However, this conclusion is limited by the lack of historical data for at least 3 years and lack of external verification of the available data. This can be explained by the fact that the issuer will set the baseline for year 2021; the baseline will be calculated in line with GHG Protocol methodology. Against the sectorial peer group, SPT 1 and SPT 2 set the highest annual linear reduction rates, and can thus be deemed ambitious against peers. There is limited information for ISS ESG to conclude the level of ambition of SPT 1 and SPT 2 against international targets. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.</p>
<p>Part 2:</p> <p>Alignment with the SLBP and the SLLP</p>	<p>Aligned with ICMA Sustainability-Linked Bond Principles and LMA/APLMA/LSTA Sustainability-Linked Loan Principles</p> <p>The Issuer has defined a formal framework for its Sustainability-Linked Instruments regarding the selection of KPI, calibration of Sustainability Performance Targets (SPT), sustainability-linked instruments characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and with the Sustainability-Linked Loan Principles (SLLP) administered by the LMA/APLMA/LSTA.</p>
<p>Part 3:</p> <p>Link to issuer’s sustainability strategy</p>	<p>Consistent with issuer’s sustainability strategy</p> <p>Sdipotech provides specialized technology solutions for advanced infrastructure applications, with segments in Water & Energy, Air & Climate Control, Safety & Security, and Transportation. The KPI selected by the issuer relates to reducing the GHG emissions of its operations. This has been defined as the key priority for the issuer in terms of its sustainability strategy and ISS ESG finds that it is a material sustainability topic for the issuer. Further, ISS ESG finds that this issuance contributes to the issuer’s sustainability strategy given the clear link between the KPI and the key sustainability priority of the issuer.</p>

¹ ISS ESG’s evaluation is based on the engagement conducted in November 2021, on Sdipotech’s Sustainability-Linked Finance Framework (26.11.2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on 05.11.2021).

² This conclusion is limited by the lack of historical data for at least 3 years and lack of external verification of the available data.

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

1.1. KPI selection

KPI selected by the issuer

FROM ISSUER'S FRAMEWORK

KPI: Group carbon emission intensity (Scope 1 and 2), tCO₂/MSEK revenues

Methodology: The KPI will be measured in tonnes of CO₂e for Scope 1 and 2 emissions as a share of sales in MSEK.

SPT 1: Reduction of carbon emission intensity by 20% by the end of 2024 from the base year 2021

SPT 2: Reduction of carbon emission intensity by 50% by the end of 2026 from the base year 2021

Rationale: Sdipotech's has identified carbon emission reduction as one of their material sustainability focus areas. The issuer's emissions are related to the internal use of fossil fuels and electricity, emissions of carbon dioxide, but are also generated by various modes of transport, such as transport of materials and products and passenger transport. While the issuer has business units with solutions to reduce climate impact for their customers, the issuer wants to lead by example and make sure that Sdipotech and their business units work on reducing their own climate impact coming years.

While Sdipotech acknowledges the need for reduction of absolute emissions, due to the growth nature of the business, the Framework relies on an emission intensity approach to allow its companies to grow. Absolute emissions will be reported annually as part of Sdipotech's Sustainability Report.

Baseline year: 2021

Baseline: to be calculated*

* The issuer explains that, while Sdipotech measures direct emissions (scope 1) and emissions from energy consumption (scope 2) since 2019, in 2021 the company will recalculate their baseline for scope 1, 2 and 3 in line with the Greenhouse Gas protocol. For the purpose of this KPI, they will use the most recent and fair baseline. Given Sdipotech's change of reporting method for 2021, this year will be used as a baseline to make sure that the reporting will be comparable over time and provides an accurate data point for its carbon emissions.

Target year: 2024 for SPT1 and 2026 for SPT2

Target performance: 20% reduction for SPT1 and 50% reduction for SPT2

Scope: all business units and Sdipotech's own Scope 1 and 2 emissions

Materiality and relevance

Sdipotech is involved in two business areas: Water & Energy and Special Infrastructure Solutions. Climate change mitigation is an important issue in both of these areas. First of all, water and energy are highly interdependent as well as strongly interrelated with climate change³. The United Nations Sustainable Water and Energy Solutions Network explains how the development and management of water and energy could provide sustainable solutions to reduce negative climate change impacts. Such solutions include, amongst other, wind and solar photovoltaic systems, cooling systems in thermoelectric power plants, hydrogen, wastewater treatment, and desalination.

Secondly, a recent report⁴ by the United Nations Environment Programme (UNEP), UN Office for Project Services (UNOPS) and the University of Oxford published ahead of the 2021 UN Climate Change Conference (COP26) provides evidence for the key role infrastructure plays in fostering climate compatible development. According to this study, infrastructure is responsible for 79% of all greenhouse gas emissions and 88% of all adaptation costs. As such, the UN highlights that infrastructure should be treated as a priority sector for climate action.

ISS ESG finds the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Sdipotech's business as carbon emission intensity is an important variable for resource-conserving production, which in turn is a key issue for the Industrial Machinery and Equipment according to key ESG standards⁵ for reporting and ISS ESG assessment. As Sdipotech is a technology group that acquires and develops companies in the infrastructure sector, it plays a significant role in determining the direction of the GHG emissions in that industry. As Sdipotech develops advanced infrastructure in a more energy efficient way, it can contribute to climate change mitigation.
- **Core** to the issuer's business as climate change mitigation reduction measures because it affects all business units as well as the issuer's own emissions⁶ and affects key processes (e.g., shifting to renewable energy, converting to an electric vehicle fleet for transportation of building materials, conduct energy mapping and energy optimization/efficiency).
- **Moderately material** to Sdipotech from an ESG perspective:
 - The KPI is material to the issuer's direct operations because it encompasses aggregate Scope 1 and 2 emissions covering all operations of Sdipotech's as well as their business units' activities globally.
 - However, Scope 1 and 2 emissions account for only part⁷ of the total emissions of the issuer. Therefore, the KPI is not covering the issuer's full Corporate Value Chain.

³ United Nations, June 2021, 'Report on Sustainable Water and Energy Solutions addressing Climate Change', https://www.un.org/sites/un2.un.org/files/sustainable_water_energy_solutions_addressing_climate_change_final_20210628_1.pdf

⁴ <https://www.unep.org/resources/report/infrastructure-climate-action>

⁵ Key ESG Standards include SASB and TCFD, among others.

⁶ Since the issuer holds several business units, it is important to show that – as per instruction of the GHG Protocol – they do not only include the emissions of their Portfolio Companies but also of their own company (e.g., emissions from Sdipotech's office).

⁷ It should be noted that Sdipotech is in the process of fully measuring their Scope 3 emissions. At the time of writing of this SPO, the data gathered for Scope 3 was not complete yet and therefore no statement can be made on the proportion of Scope 1 and 2 emissions over the total amount of emissions of the issuer.

Consistency with overall company's sustainability strategy

Sdipotech's overall sustainability strategy is to support more efficient and safe societies through more sustainable infrastructure. To achieve this, Sdipotech takes an active role in this development by acquiring and developing leading niche companies that offer solutions for the infrastructure sector's most critical needs. Its sustainability focus is integrated in the entire operations and is embedded as an increasingly fundamental part of their quest for better business results.

Moreover, Sdipotech continuously analyses sustainability risks and opportunities according to the Taskforce on Climate-related Financial Disclosure methodology (TCFD), which are made available in their annual report. These include governance, strategy, risk management, targets and metrics related to climate change. In these areas, Sdipotech highlights how the Group manages and evaluates climate-related financial risks. The same method is used for social sustainability risks.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** The KPI aggregates Scope 1 and 2 emissions from Sdipotech as well as all its business units worldwide.
- **Quantifiable:** The KPI selected will be measurable and quantifiable. The baseline, which will be set for the year 2021, will be calculated in accordance with the Greenhouse Gas Protocol (GHG Protocol).
- **Externally verifiable:** The KPI selected will be externally verifiable thanks to use of commonly used standard, the GHG Protocol. Sdipotech will ensure an external and independent verification of its actual KPI performance relative to the SPT on an annual basis and in relation to the Target Observation Date. The verification will be conducted by a reviewer with relevant expertise with limited assurance by the reviewer. The verification will be made public together with the Sustainability Report as outlined in the transaction specific documentation.
- **Benchmarkable:** By referring to commonly acknowledged GHG protocol, the KPI will be easily comparable with the data reported by other companies and with international targets such as the Paris Agreement.

Opinion on KPI selection: ISS ESG finds that the KPI selected is core and relevant to the issuer's business model and consistent with its sustainability strategy. The KPI is material to the issuer's direct operations, but as Scope 1 and 2 emissions account for only part of the total emissions of the issuer, the KPI is not material to the issuer's Corporate Value Chain. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers all operations and activities of Sdipotech and its business units.

1.2. Calibration of SPT

SPT set by the issuer

FROM ISSUER'S FRAMEWORK⁸

Sustainability Performance Target (SPT) 1: Reduction of carbon emission intensity by 20% by the end of 2024 from the base year 2021

Sustainability Performance Target (SPT) 2: Reduction of carbon emission intensity by 50% by the end of 2026 from the base year 2021

Sustainability Performance Target Trigger: is calculated as follows: the Group carbon emission intensity (Scope 1 and 2 emissions) as a share of total sales in MSEK

Sustainability Performance Target Observation Date: Each Sustainability-Linked Finance Instrument issued under this Framework will in their transaction specific documentation refer to dates at which compliance with the SPT will be assessed (Target Observation Date(s)). The Target Observation Dates for SPT 1 and 2 will be 31 December 2024 and 2026 respectively.

Baseline year: 2021

Baseline: to be calculated*

* The issuer explains that: While Sdipotech measures direct emissions (scope 1) and emissions from energy consumption (scope 2) since 2019, in 2021 the company will recalculate their baseline for scope 1, 2 and 3 in line with the Greenhouse Gas protocol. For the purpose of this KPI, they will use the most recent and fair baseline. Given Sdipotech's change of reporting method for 2021, this year will be used as a baseline to make sure that the reporting will be comparable over time and provides an accurate data point for their carbon emissions.

Historical performance:

Sdipotech's Co2 emissions, tonnes	2020	2019
Scope 1	2084	1131
Scope 2	2224	2578
Total	4308	3709

Sdipotech's CO2e Tonnes/MSEK sales	2020	2019
Scope 1	0,998	0,620
Scope 2	1,065	1,413
Total	2,06	2,03

Methodology: The KPI will be measured in tonnes of CO2e for Scope 1 and 2 emissions as a share of sales in MSEK.

Since 2019, Sdipotech measures direct emissions (Scope 1) and emissions from energy consumption (Scope 2). In 2021, Sdipotech will recalculate its baseline for Scope 1, 2 and 3 in line with the Greenhouse Gas protocol and this will be used as the baseline in this Framework.

⁸ This table is displayed by the issuer in its Sustainability-Linked Finance Framework and have been copied over in this report by ISS ESG for clarity.

Absolute emissions will be reported annually as part of Sdipotech's Sustainability Report. The base year for the performance target will be 2021 and will consist of all the 31 companies Sdipotech own, including acquired companies during 2021, and will be compared with the same companies' emission during 2024 and 2026.

Factors that support the achievement of the target:

- Global accelerating of the transition to a fossil-free society, with a larger share of renewable energy, electric cars, etc.

Risks to the target:

- The companies Sdipotech acquires during 2021 will not be able to change their business model completely the next year.
- Regarding the reduction of emissions from its vehicle fleets:
 - Short term: the issuer is experiencing difficulties in obtaining new cars, including leasing cars, due to lack of cars, especially in the UK where a big share of their companies is operating.
 - Medium term: challenges for conversion of the vehicle fleet for some of the issuer's business units to EV (electrical vehicle), for example the EV infrastructure (lack of fast charging stations in rural areas), as well as the current supply of EVs for larger vans that are commonly used by their service staff.

Ambition

Against company's past performance

The level of ambition against past performance can only be partially judged due to the lack of historical data for at least 3 years, as recommended in the SLBP. Also, the evidence is limited because the available historical data has not been externally verified and the baseline has yet to be calculated. The issuer explains that the choice to set the baseline in 2021 is because the company has changed their reporting method for carbon emissions, in line with the GHG Protocol. As such, from 2021 onwards the data will be comparable over time.

The historical data for the Scope 1 and 2 emission intensity was 2.03 in 2019 and 2.06 in 2020. This equates to a percentage increase of 1.48%.

While the baseline has yet to be calculated at the time of writing of this SPO, SPT 1 sets a reduction pathway of -20% for the time period 2021-2024 and SPT 2 a reduction of -50% for the time period 2021-2026. By calculating the Compound Annual Growth Rate (CAGR) for the SPT, the annual reduction rate for SPT 1 will be -7.17% and for SPT 2 -12.94%. In conclusion, the SPT sets a reduction pathway while emission intensity in the past was increasing.

Therefore, ISS ESG concludes that SPT 1 and 2 will be ambitious against past performance. However, this conclusion is limited by the lack of historical data for at least 3 years and lack of external verification of the available data.

Against company's sectorial peers

ISS ESG conducted a benchmarking of SPT 1 and SPT 2 set by Sdiptech against 16 sectorial peers⁹ provided by the issuer.

Out of the peer group, six companies set a GHG emissions reduction target. From this subgroup, two companies officially committed to the SBTi, however, their targets haven't yet been verified by the SBTi. Moreover, three peers set a target to reduce Scope 1 and 2, while one company also includes all Scope 1, 2 and 3. In terms of targets set, Sdiptech belongs to the top 50% tier.

The timelines that peers have chose for their targets differ. When comparing the annual linear reduction rates of the targets set by the four peers with Sdiptech's SPTs, both SPT 1 and 2 are in the top 3. SPT 2 has the highest reduction rate with -12.94% and SPT 1 with -7.17% comes in third. The annual reduction rates of the peers range from -10.63% to -4.36%. This puts the issuer at the top of the peer group in terms of magnitude of targets.

Therefore, ISS ESG concludes that SPT 1 and SPT 2 will be ambitious against sectorial peers.

Against international targets

Paris agreement

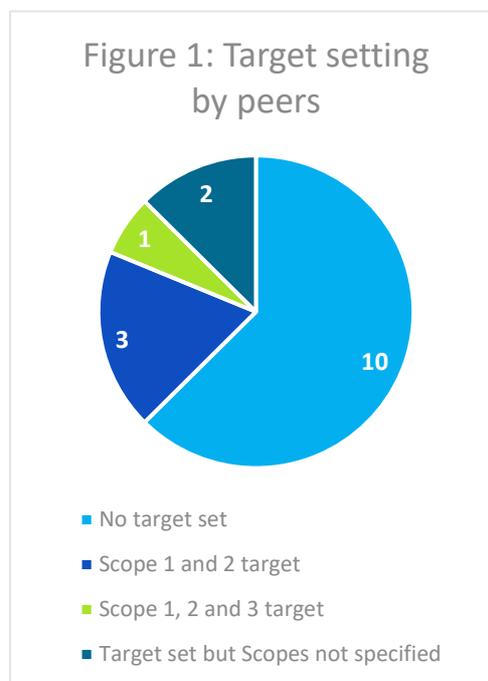
Sdiptech calibrated SPT 1 and SPT 2 as intensity targets to measure the issuer's, and their PC's, climate efficiency, while allowing for business growth. The issuer does not commit to the SBTi at this point as that would entail committing to absolute targets, because Sdiptech's business strategy is to invest in PCs that are growing.

Therefore, there is limited information for ISS ESG to conclude the level of ambition of SPT 1 and SPT 2 against international targets.

Measurability & comparability

- **Historical data:** the issuer provided historical data for 2019 and 2020. However, the SLBP prescribes issuers to provide historical data for at least the previous 3 years.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards set by the GHG Protocol, the KPI will be easily comparable with the data reported by other companies who also set intensity targets.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation dates, the trigger events and the frequency of SPTs measurement.

Figure 1: Target setting by peers



⁹ The peer group consists of: Addlife, Addnode Group AB, Addtech, Advise Group AB, Assa Abloy AB, Cint Group AB, Constellation Software Inc, Evolution Gaming AB, Halma, Idun Industrier AB, Indutrade, Lagercrantz, Lifco, Sandvik AB, Stillfront AB, Storskogen AB.

Supporting strategy and action plan

Sdiatech manages over 30 business units with different operations, challenges and opportunities. Hence, there are several sustainability strategies in place based on each of the business unit's biggest impact and opportunities to lower their emissions. Some examples include shifting to renewable energy, converting to an electric vehicle fleet, working with suppliers to assure the traceability of materials (specifically the proportion of recycled materials and the possibility to trace purchases of raw materials), and mapping the proportion of waste.

Opinion on SPT calibration: ISS ESG finds that SPT 1 and 2 will be ambitious against past performance. However, this conclusion is limited by the lack of historical data for at least 3 years and lack of external verification of the available data. This can be explained by the fact that the issuer will set the baseline for year 2021; the baseline will be calculated in line with GHG Protocol methodology. Against the sectorial peer group, SPT 1 and SPT 2 set the highest annual linear reduction rates, and can thus be deemed ambitious against peers. There is limited information for ISS ESG to conclude the level of ambition of SPT 1 and SPT 2 against international targets. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.

PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA/APLMA/LSTA SUSTAINABILITY-LINKED LOAN PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

As an investor, Sdipotech considers itself to play an important role in reducing greenhouse gas emissions. Its climate contributions and impacts mainly occur in business units.

Sdipotech's investment philosophy is that companies with a sustainable business model and few sustainability risks have better potential for long-term profitability and growth. To make sure that investments remain responsible, it includes sustainability criteria in the selection process for acquisitions. To ensure its role as responsible owners and that the investments it makes are sustainable, it uses three approaches: exclude, include, and influence.

To this end, the issuer states that the framework serves to support the issuance of Sustainability-Linked Finance Instruments, including Sustainability-Linked Bonds and Loans, or a combination thereof.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Sdipotech as aligned with the SLBP and SLLP.

2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

Opinion: ISS ESG finds that the KPI selected is core and relevant to the issuer's business model and consistent with its sustainability strategy. The KPI is material to the issuer's direct operations, but as Scope 1 and 2 emissions account for only part of the total emissions of the issuer, the KPI is not material to the issuer's Corporate Value Chain. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers all operations and activities of Sdipotech and its business units.

2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

Opinion: ISS ESG finds that SPT 1 and SPT 2 calibrated by Sdipotech will be ambitious against past performance. However, this conclusion is limited by the lack of historical data for at least 3 years and lack of external verification of the available data. This can be explained by the fact that the issuer will set the baseline for year 2021; the baseline will be calibrated in line with GHG Protocol methodology. Against the sectorial peer group, SPT 1 and SPT 2 set the highest annual linear reduction rates, and can thus be deemed ambitious against peers. There is limited information for ISS ESG to conclude the level of ambition of SPT 1 and SPT 2 against international targets. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.

2.3. Sustainability-Linked Securities Characteristics

FROM ISSUER'S FRAMEWORK

Characteristics outlined in Sdipotech's Framework are applicable to all Sustainability-Linked Finance Instruments issued under it. The proceeds from Sustainability-Linked Finance Instruments will be used for general corporate purposes.

Depending on Sdipotech's KPI performance versus the applicable SPT(s) as per the applicable Target Observation Date(s) as set out in the security specific documentation, the financial characteristics of the Sustainability-Linked Finance Instrument will change. This may include, but is not limited to, coupon or margin adjustments, or adjustments to the redemption price. Regardless of financial characteristic selected, the scale of the impact aims at being meaningful and commensurate. The financial characteristic selected for each financial instrument will be specified in the transaction specific documentation. In addition, should Sdipotech fail to provide the relevant reporting and verification, in line with this Framework, the financial characteristics of the Sustainability-Linked Finance Instrument will change as outlined in the transaction specific documentation.

The KPIs and SPTs set out in this Framework will remain applicable throughout the tenor of any security issued under the Framework, regardless of any changes to Sdipotech's sustainability strategy. This includes any changes relating to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards. However, any changes to Sdipotech's organisational structure, the calculation methodology for a KPI or significant changes in data due to better data accessibility may result in a change in baseline. Any new or updated Financing Framework, in relation with any subsequent securities issuance, shall not have any implications on the securities issued under this Framework.

Opinion: ISS ESG considers the characteristics of the Sustainability-Linked Instruments provided by Sdipotech as aligned with the SLBP and SLLP.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

To ensure investors and other stakeholders have updated and adequate information about Sdipotech's sustainability strategy and the progress of the KPI in relation to the respective SPTs, Sdipotech will report the progress of the SPT as part of its Sustainability Report publicly available on Sdipotech webpage, on an annual basis for as long as there are Sustainability-Linked Finance Instruments outstanding.

The Sustainability Report will contain the relevant information for assessing whether the applicable SPT has been met for the applicable Target Observation Date. The Sustainability Report will include the following reporting points (required).

- The performance of the KPI versus the SPT, as per the relevant reporting period and, when applicable, as per the Target Observation Date including the calculation methodology and baselines when relevant
- Information on any relevant updates to Sdipotech's sustainability strategy
- A list of Sustainability-Linked Finance Instruments outstanding

Where feasible and possible the Sustainability Report will also include:

- Qualitative and/or quantitative explanations of the contribution of the main factors, including M&A and/or other restructuring activities, behind the evolution of the performance of the SPT on an annual basis,
- Illustration of the positive sustainability impacts of the performance improvement
- Updates on new or proposed regulations from regulatory bodies relevant to the KPI and the SPT

In the case Sdipotech would have financial instruments other than bonds outstanding, the company may choose to provide the reporting in relation to finance instruments other than bonds, directly and non-publicly, to the lenders or counterparts.

Failure to provide the Sustainability Report, including the above-mentioned required reporting metrics, by the dates defined in the transaction specific documentation will result in an automatic adjustment in the financial characteristics, also as outlined in the transaction specific documentation.

Opinion: ISS ESG considers the Reporting description provided by Sdipotech as aligned with the SLBP and SLLP. Up-to-date information on the performance of the KPI versus the SPT will be made publicly available annually and include valuable information, as described above.

2.5. Verification

FROM ISSUER'S FRAMEWORK

Sdipotech will ensure an external and independent verification of its actual KPI performance relative to the SPT on an annual basis and in relation to the Target Observation Date. The verification will be conducted by a reviewer with relevant expertise with limited assurance by the reviewer. The verification will be made public together with the Sustainability Report as outlined in the transaction specific documentation.

Failure to provide the annual verification by the dates defined in the transaction specific documentation will result in an automatic adjustment in the financial characteristics, also as outlined in the security specific documentation.

Opinion: ISS ESG considers the Verification description provided by Sdipotech as aligned with the SLBP and SLLP. The issuer plans on having all annual values of the SPT verified and published.

PART 3: LINK TO SDIPTech'S SUSTAINABILITY STRATEGY

Methodological note: Please note that SdipTech is not part of the ISS ESG Corporate Rating Universe. Thus, the sustainability profile is an assessment conducted by the analyst in charge of the industrial machinery & equipment sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

Industry classification: **Industrial Machinery & Equipment**¹⁰

Key Issues of the industry:

1. Occupational Health and Safety
2. Product Safety
3. Life Cycle Assessments
4. Extension of Useful Product Life
5. Material efficiency of products and operations
6. Energy efficiency of products

Indicative ESG risk and performance assessment¹¹

SdipTech provides specialized technology solutions for advanced infrastructure applications, with segments in Water & Energy, Air & Climate Control, Safety & Security, and Transportation. The company's business model resembles a Private Equity firm as its primary strategy focuses on acquiring and developing relevant companies that offer niche solutions. As of Q3, 2021, approximately 51% of revenues were attributed to product sales while the remaining revenue stems from services such as installation. The company is therefore exposed to risks material to both Industrial Machinery and Commercial Support Services industries.

As SdipTech offers a variety of machinery products and services, the company is exposed to social risks related to occupational health and safety and product safety. The company does not appear to have implemented a comprehensive health and safety management system across its operations. However, SdipTech's main operations are in Sweden, United Kingdom, Finland, and Norway, all of which have high regulatory standards on occupational safety. There is little evidence that suggests the company performs safety testing or quality assurance during the design phase, and it is unclear whether customers can access safety information such as training sessions or safety data sheets. As a service provider, SdipTech collects and stores sensitive business and client data and therefore faces risks related to data protection and information security. These risks are managed to a certain degree through the implementation of some measures, e.g., cybersecurity training and technical safeguards.

Environmental risks include environmental management of operations, product life cycle, material efficiency, and energy efficiency of products. SdipTech made a commitment to reduce the carbon footprint of operations and discloses group wide carbon emissions. However, not enough data is available to assess a trend for carbon intensity, and therefore the efficacy of their environmental

¹⁰ As per ISS ESG industry classification.

¹¹ As SdipTech's business areas span both products and services, thereby attributing the key risks of two segments: Industrial Machinery and Industrial Support Services. This has been taken into account for this assessment.

strategy is unclear. Little information is available on environmental impacts of products, e.g., through life cycle assessments or measures to extend useful product life (i.e., through longevity, upgradability, repairability, recyclability).

Indicative product portfolio assessment

Social impact of the product portfolio:

- The majority of Sdipotech's product portfolio neither obstructs nor contributes to solving global sustainability challenges. The company offers devices to help ensure health of the population, including emergency devices, personal and vehicle safety solutions, and assistive devices for people with disabilities. However, these products do not appear to account for a significant share of profits.

Environmental impact of the product portfolio:

- Sdipotech offers wastewater treatment solutions which contribute to the global sustainability objective of conserving water (approx. 10% of the company's profits). Sdipotech also offers charging stations for electric vehicles (approx. 20%) and key components for renewable energy systems (approx. 10%) contributing to sustainable energy use.

Controversy Assessment

Company screening: The analyst in charge of producing the report conducted a high level controversy assessment, based on public information exclusively. There is no indication Sdipotech being involved in any controversies.

Industry screening: The below is based on a review of ESG controversies over a 2-year period reported against companies operating in the Industrial Machinery & Equipment sector. The top three issues that have been reported against companies within the industry are as follows: alleged failure to assess environmental impacts, failure to respect the right to an adequate standard of living and failure to respect the right to just and favourable conditions of work. This is closely followed by alleged failure to prevent water pollution, failure to mitigate climate change impacts and to prevent forced labour.

Contribution of KPI to sustainability objectives and priorities

ISS ESG mapped the KPI selected by the issuer for its Sustainability-linked securities with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the industrial machinery & equipment sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability. From this mapping, ISS ESG derived a level of contribution to the strategy of each KPI selected.

KPI SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Reduction in GHG emission intensity	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the KPIs are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing sustainability-linked securities is clearly described by the issuer.*

DISCLAIMER

1. Validity of the SPO: For Sdipitech's Sustainability-Linked Securities issuances as long as the Sustainability-Linked Finance Framework (26.11.2021), SPTs benchmarks and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: Methodology

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles (SLB), as administered by ICMA, and the Sustainability-Linked Loan Principles (SLLP), as administered by the LMA/ALPMA/LSTA

ISS ESG reviewed the Sustainability-Linked Securities Framework of Sdiptech, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA, as well as the Sustainability-Linked Loan Principles (SLLP), as administered by the Loan Market Association (LMA). Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked securities market by clarifying the approach for issuance. ISS ESG reviewed the alignment of the concept of the Sdiptech's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks. ISS ESG analysed the ambition of the SPT against Sdiptech's own past performance (according to Sdiptech's reported data), against Sdiptech's Products peers (as provided by the issuer), and against international benchmarks such as the Paris agreement. Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Sdiptech.

ANNEX 2: Quality management processes

SCOPE

Sdipotech commissioned ISS ESG to compile a Sustainability-linked instruments SPO. The Second Party Opinion process includes verifying whether the Sustainability-linked Finance Framework aligns with the ICMA Sustainability-Linked Bond Principles, as well as the LMA/APLMA/LSTA Sustainability-Linked Loan Principles (SLLP), and to assess the sustainability credentials of its Sustainability-linked securities, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles (June 2020)
- LMA/APLMA/LSTA Sustainability-Linked Loan Principles (May 2021)

ISSUER'S RESPONSIBILITY

Sdipotech's responsibility was to provide information and documentation on:

- Framework (26.11.2021 version)

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-linked securities to be issued by Sdipotech based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles and the Sustainability-Linked Loan Principles by LMA/APLMA/LSTA.

The engagement with Sdipotech took place in October and November 2021.

ISS ESG's BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

Federico Pezzolato

SPO Business Manager EMEA/APAC

Federico.Pezzolato@isscorporatesolutions.com

+44.20.3192.5760

Miguel Cunha

SPO Business Manager Americas

Miguel.Cunha@isscorporatesolutions.com

+1.917.689.8272

For Information about this Sustainability-linked securities SPO, contact: SPOOperations@iss-esg.com

Project team

Project lead

Leontine Schijf
Associate
ESG Consultant

Project support

Rafael Heim
Analyst
ESG Consultant

Project supervision

Viola Lutz
Associate Director
Head of Climate Services