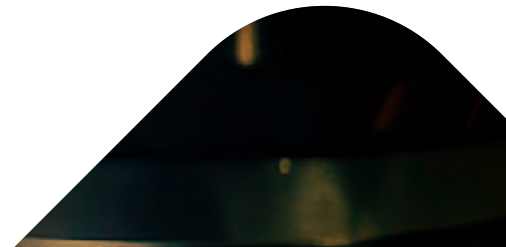


Karnell Group AB (publ)

SUSTAINABILITY REPORT

2023

Karnell.



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**“We are building
a group of leading
industrial technology
companies equipped
for the future.”**

CEO LETTER

Karnell is committed to sustainable business practices and promoting resilient business models. Our approach involves seamlessly integrating sustainability into our overall business strategy and the governance framework of our group companies. We take responsibility for our impact on people and the environment, acknowledging that addressing sustainability-related business risks and opportunities enhances our prospects for long-term value creation.

During 2023, we have expanded our portfolio through acquisition K-Vagnen, Sweden's leading manufacturer of trailers for landscaping. We also acquired Plalite Ltd and Sähkö-Jokinen. Plalite Ltd is a precision machining company specializing in aerospace and high-performance automotive components. This acquisition marks Karnell's entry into the UK market. Sähkö-Jokinen is a manufacturer of outdoor lighting products in Finland. Specializing in collision-safe lighting poles, the company has become a pioneer in the industry. Data from those two companies is not included in the current report since they were acquired at the end of the year.

Continuing our dedication to Environmental, Social, and Governance (ESG) considerations, we consistently incorporate them into our strategic decision-making across the entire organization. During the year, we gathered sustainability data from our operations, leveraging data-driven insights to establish ambitious sustainability targets our board of directors endorsed. Conducting a thorough gap analysis, we assessed our readiness to comply with the Corporate Sustainability Reporting Directive (CSRD). This analysis

guides our strategic decisions and ensures alignment with evolving reporting requirements. A pivotal step in meeting new standards is our successful implementation of scope 3 emissions reporting, emphasizing our commitment to providing a holistic and accurate representation of our environmental impact.

Despite challenges like energy price fluctuations and market uncertainties, we remain unwavering in our commitment to overcoming obstacles and adapting to the dynamic business landscape. Our resilience underscores our dedication to long-term sustainability and responsible business practices.

Internally, we've prioritized strengthening internal controls to ensure the effectiveness and integrity of our sustainability efforts. This enhanced oversight is crucial for maintaining accountability, identifying areas for improvement, and fostering a culture of continuous progress.

Reflecting on the past year, we take pride in our achievements while acknowledging opportunities for further enhancing

our sustainability initiatives. Committed to transparency, continuous improvement, and pursuing a sustainable future, we express gratitude for the group companies' passion and perseverance as we collaborate to create positive and lasting impacts.



Petter Moldenius | CEO

ABOUT KARNELL

Karnell is a committed long-term investor in industrial and technology firms, actively involved in their operations. To ensure agility, we secure a controlling stake in the companies we acquire, allowing us to make prompt decisions as needed. We focus on smaller to medium-sized private companies with promising growth prospects in the industrial technology sector.

Our business comprises two segments: product companies and niche production firms. These entities specialize in developing, manufacturing, and marketing industrial goods and services. Operating on a perpetual ownership model, we also serve as advisors, providing guidance and assistance to our portfolio companies through active participation on their boards of directors. Together, we address significant challenges in a structured manner, fostering growth and success.

**“Engaged
long-term owner of
industrial technology
market leaders”**



OUR VISION

An attractive choice for long-term investors who seek above-market returns. Karnell creates value by being an engaged long-term owner with financial strength, deep industrial know-how, and a network to support our companies.



BUSINESS CONCEPT

Karnell is an owner of sustainable industrial technology market leaders, supported by underlying global market trends and solid prospects for a continued outstanding performance. We work together with our companies to identify and support the initiatives that creates the most value for each company.



KEY VALUES

We run our Group in a decentralized manner, all companies have its unique culture and way of working but Karnell's values are guiding principles throughout the Group.

- Sustainability
- Professionalism
- Challenge and improve

OUR COMPANIES

Karnell has ten group companies in the Group within two business segments: (i) product owning companies which often has their own production, development, and sales of industrial products and (ii) niche manufacturing companies with high value creation for the customer. During 2023, K-Vagnen became part of the Karnell Group.

PRODUCT COMPANIES



AUTORI OY

Acquired
2017

Autori is Finland's leading supplier of administrative software for the infrastructure maintenance industry, based in Uleåborg.



VEBE TEKNIK AB

Acquired
2020

Vebe is a developer and manufacturer of bag filling systems, based in Björköby.



RE-BOARD TECHNOLOGY AB

Acquired
2020

Re-board is a manufacturer of board material, based in Norrköping.



ROTOMON OY

Acquired
2022

Rotomon is manufacturer of rainwater-, culvert-, drainage- and cable protection pipes and wastewater treatment systems, based in Kangasniemi.



DRIVEX AB

Acquired
2022

Drivex is a leading manufacturer of attachments for snow removal, road maintenance, material handling and construction work, based in Edsbyn.



K-VAGNEN AB

Acquired
2023

K-Vagnen is Sweden's leading manufacturer of trailers for landscaping, based in Karlshamn.



SÄHKÖ-JOKINEN OY*

Acquired
2024

Leading developer and manufacturer of outdoor lighting products, based in Norrmark in Björneborg.

*Not included in data collection for 2023.

NICHE PRODUCTION



TEKNISERI OY

Acquired
2017

Tekniseri is Finland's leading supplier of industrial printing on plastics and metals, based in Kempele.



PLALITE Ltd*

Acquired
2023

Plalite Ltd is a precision machining company specializing in aerospace and high-performance automotive components, based in the UK.



SIMFAS SWEDEN AB

Acquired
2019

SimFAS is a manufacturer of fillers, adhesives, and sealants, based in Simrishamn.



KL MECHANICS OY

Acquired
2021

KL Mechanics is one of Finland's leading precision manufacturers, based in Oulunsalo.



TIMEKA OY

Acquired
2022

Timeka is a niche supplier of customizable parts, mainly for global industrial machinery manufacturers, based in Mynämäki.

ESG DURING OUR OWNERSHIP

Karnell prioritizes sustainability throughout our ownership, aiming to develop resilient companies capable of navigating future challenges. Our approach includes integrating environmental, social, and governance (ESG) considerations into our investment decisions and operational practices. This involves implementing exclusion criteria, robust risk assessment processes, and setting clear ESG standards and expectations for our group companies. Our ESG Policy encompasses various frameworks and policy areas, which are detailed on Karnell's website at www.karnell.se. Strengthening our compliance controls is a priority for us, and it's an area we plan to address in the future to enhance our sustainability efforts.

ESG Policy Content	Purpose
Framework for the Investment Process	The framework's purpose is to define what constitutes an acceptable investment and ensure Karnell does not invest in businesses that carry out activities involving manufacturing of weapons, betting and gambling, alcohol and drugs, fossil fuels, or illegal economic activities.
Framework for Responsible Ownership and Sustainable Entrepreneurship	By defining several focus areas within ESG, the framework aims to guide the Group to a holistic approach to sustainability.
Code of Conduct	The Code of Conduct exists to ensure that the Group's operations contribute to positive social and environmental development with responsible and sustainable investments. The code addresses human rights, forced labor, child labor, freedom of association, and Karnell's whistleblower function.
Work Environment Policy	The policy addresses safety and health with the purpose to guide the Group to maintain a safe workplace and minimize work environment risks.
Business Ethics Policy	The policy's purpose is to define what constitutes acceptable business behavior by providing information and guidance on how employees should act in relation to anti-corruption, competition, handling of personal data, tax and money laundering, marketing and information, and insider information.

Karnell evaluates multiple potential acquisitions yearly to identify companies that are already market leaders in their respective segments or have the potential to become so. The initial step in this process involves screening target companies against Karnell's specific investment criteria and restrictions. This screening process excludes companies engaged in controversial or unethical sectors and those at risk of violating international conventions and guidelines, such as the OECD guidelines, UN Guiding Principles on Business and Human Rights, and Labor Rights conventions. Additionally, we conduct assessments of sustainability risks and opportunities as part of our due diligence process. These assessments take into account both sector-specific risks and broader trends.

The second step involves conducting a thorough evaluation of the target company, including an analysis of any significant potential risks and opportunities. Due diligence is a mandatory step in this process and is conducted by external experts. The results of these assessments are used to inform the development of the new group company. The findings from the due diligence process are considered alongside other factors in making investment decisions and serve as the basis for the ongoing development of the acquired company.

Karnell's has specific requirements and expectations for integrating sustainability within each group company. We also developed an ESG Policy, a framework for our group companies to follow. This policy includes mandatory guidelines for each company regarding environmental, social, and governance considerations. We are currently working to implement this policy in all group companies.



OUR ESG AREAS OF FOCUS

Through a materiality assessment we have pinpointed our key focus areas within ESG domains, which are critical for long-term value creation for the Group. By focusing on those material domains we can effectively support attaining five of the UN Sustainable Development Goals (SDGs): SDG 8 Decent Work; SDG 9 Industry Innovation; SDG 12 Sustainable Consumption and Production; SDG 13 Climate Action; and SDG 16 Peace Justice and Strong Institutions.





ENVIRONMENT

The urgency of slowing down the increase in global temperatures necessitates proactive measures from businesses. These climate changes have environmental, social, and economic consequences. Altered weather patterns, rising sea levels, and more frequent extreme weather events have heightened expectations from the public and policymakers regarding corporate climate action.

Karnell has deliberately committed to mitigating its climate impact across its operations and group companies. Failing to address climate concerns poses direct and indirect risks, including regulatory and reputational challenges. The primary climate-related risks identified for Karnell and its Group of companies revolve around greenhouse gas (GHG) emissions from operational activities, energy consumption, and transportation. In response, we have initiated a climate commitment for the Group, aiming to reduce emissions and minimize the climate footprint of all our group companies. Recognizing that emission levels vary among companies due to their diverse operations, we are implementing tailored strategies for each entity to reduce its climate impact. As part of our overarching ESG Policy and sustainability framework, we are actively mapping and measuring the greenhouse gas emissions of each company. Acknowledging the complexity of obtaining reliable data for the entire Group's emissions, we view this commitment as a significant and ongoing endeavor. In 2021, we commenced the calculation of greenhouse gas emissions for group companies in scopes 1 and 2, inspired by the international GHG Protocol framework. As of this year, our reporting framework has expanded to include scope 3 emissions, and calculations have been done using the GHG Protocol, demonstrating our commitment to transparency and accountability. Please refer to chapter Karnell Group's GHG Inventory for more information.

We have decided that each company incorporates an environmental policy into its overall management and risk management system. Beyond addressing greenhouse gas control, these policies must encompass other environmental considerations such as waste management, water usage, and the responsible handling of chemicals and plastics.



SOCIAL

The Group's employees are our most valuable asset, and positive relationships between employees and management are crucial for our companies' development and long-term value creation. By supporting employee wellbeing, we avoid costly consequences. Risks associated with failure to ensure a good work environment include:

- a. High staff turnover and absence lead to higher recruitment and training costs.
- b. Poor working and living conditions for workers pose a threat of low productivity levels or strikes.
- c. Risks associated with a bad reputation lead to negative effects on the brand.
- d. Difficulties in committing talent.

Our vision is to ensure sustained growth while upholding exemplary working conditions. With this commitment, we maintain a zero-vision stance towards work-related accidents, illnesses, and incidents. We are deeply dedicated to fostering good health and well-being among employees within Karnell and our group companies, striving to impact all our staff members' lives positively. All companies must provide a secure and healthy work environment guided by clear policies that outline principles and guidelines. We strongly advocate for a proactive approach to prevent health and safety incidents and occupational injuries or diseases.

Additionally, we emphasize the importance of prioritizing managing risks associated with mental health within the organization. Our dedication to maintaining good working conditions extends beyond our Group to encompass our entire value chain. Therefore, the management and oversight of ESG risks throughout the value chain are essential. This includes respecting human rights, environmental considerations, working conditions, and ethical business practices.

In the coming years, we intend to map the value chains of our group companies and systematically monitor the most critical suppliers to manage risks at the supplier level effectively. We advocate for our companies to establish a Supplier Code of Conduct based on the principles of the UN Global Compact, which significant suppliers must adhere to. Furthermore, regular compliance checks will be conducted to uphold these standards consist.



GOVERNANCE

Our perspective on governance within sustainable business practices revolves around our dedication to prioritizing stakeholders' interests and proactively mitigating social and environmental risks. In this work, we emphasize the following key aspects:

- a. Accountability: We hold ourselves and our companies accountable for precise analysis regarding board accountability and executive compensation and review of relevant financial disclosures and internal controls.
- b. Risk management and organizational structure: Compliance, reporting, responsibilities, policy, guidelines, routines, and risk processes need to be reviewed and monitored by executives and boards.
- c. Business ethics: Refers to counteracting bribes, corruption, and fraud, as well as compliance with laws and regulations. Also refers to transparent and reliable ESG accounting, communication, and tax management.

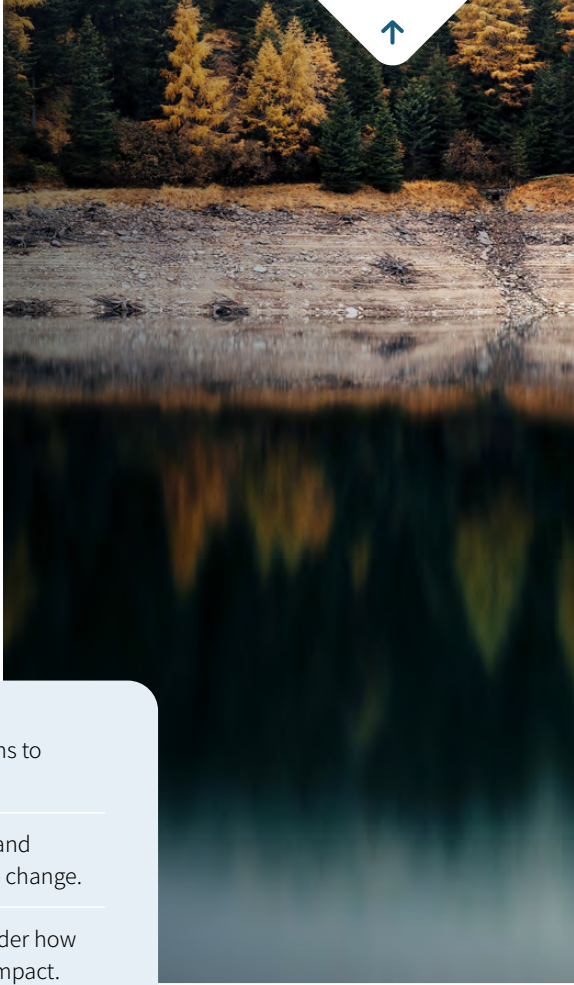
Moreover, we have the ambition that each group company has its management system, such as ISO or something similar. The table below shows that seven of ten group companies are ISO-certified or are preparing for certification.

Group Company	Management System
Autori	ISO 27001, preparing for certification
Drivex	ISO 9001, 14001 and 3834, certified
K-Vagnen	None
KL Mechanics	ISO 9001 and 14001, certified
Re-board	None
Rotomon	ISO 14001 and 9001
SimFAS	ISO 14001 and 9001, certified
Tekniseri	ISO 9001 and 14001, certified
Timeka	ISO 14001, 45001, 9001 and 3834, certified
Vebe	None

OUR APPROACH TO BRIBERY AND CORRUPTION

Bribery and corruption threaten democratic processes, fair business practices, and the sustainable development of the environment and the economy. Corruption undermines positive outcomes and disproportionately impacts vulnerable populations by inflating costs and diminishing the accessibility and quality of essential services like healthcare and education. Additionally, corruption can compromise economic returns and adversely affect environmental and social performance. Karnell is committed to fostering ethical business practices and cultivating a culture defined by integrity. This entails maintaining a zero-tolerance approach towards all forms of corruption and bribery, whether within our own operations, our Group, or our partners.

We have implemented a whistleblower function to provide employees and other stakeholders a platform to report suspected incidents anonymously. An external party manages this function, which is accessible on Karnell's website, www.karnell.se. As of this year, this function has been fully implemented in all our group companies. Moreover, we are actively working with each group company to establish appropriate systems for relevant internal controls aimed at consistently preventing money laundering. Additionally, we conduct regular training sessions to ensure that our staff is well-versed in and adheres to policies and procedures about business ethics. Any suspected incidents involving bribery, fraud, corruption, or other illegal activities are promptly reported to Karnell for further investigation and action.



STRATEGY

ESG considerations are deeply ingrained in our strategic approach, meaning we systematically evaluate ESG aspects in every decision-making process. Our strategy aims to create value for our key stakeholders through strong governance and effective management practices. We balance addressing short-term performance needs and fostering long-term value creation and preservation. We focus on seizing opportunities, mitigating risks, and optimizing resource utilization to generate a financial surplus. We prioritize developing and implementing successful strategies within our companies to prevent impulsive and potentially detrimental decisions. Looking ahead, we are committed to delving deeper into analyzing our group companies' production processes through the lens of circularity. We assess the strategic maturity of our companies and evaluate how well they have integrated ESG considerations based on the following criteria:



- Future-mindedness:** We look for action-oriented and realistic optimism. The company has identified future opportunities and plans to become or remain a market leader.

- Grit:** The company demonstrates passion and perseverance for strategic objectives. The goals are clearly defined and responsive to longer-term drivers of value creation, such as technological, societal development, and climate change.

- ESG-embodiment:** The strategy and strategic objectives align with the organization's distinct contribution to the SDGs. We consider how well the company understands double materiality and can focus sustainability efforts in areas of significant impact.



- Resilience:** Refers to the group companies' business models and their ability to generate value in the long run. Includes the ability to convert to a circular economy, contribution/impact linked to global goals, and life cycle perspectives.

- Unbiasedness:** The company's sustainability priorities have been identified through the stakeholders' objective process. The company has taken specific conditions in the market into consideration and identified material aspects.

RISK MANAGEMENT OF MATERIAL ESG ASPECTS IN THE GROUP

The table below shows our commitments in our eight priority ESG areas. Each commitment is linked to critical actions and performance indicators to create the most significant possible impact on the UN Sustainability Development Goals. We have been working with and collecting data about these commitments for three years, and this year, we have set quantifiable targets for each commitment. All targets should be achieved by 2030. In acquisitions, we grant a two-year grace period for the implementation of necessary strategies to align with our goals.

ESG	Focus Areas	Commitment	Planned Actions for The Group	Action Status	KPI	Targets 2030	Impact
Environmental	Climate Footprint	Reduce the Group's climate footprint and prepare for the transition to net-zero climate emissions	Strategic plan for reduced emissions	Work in progress	<ul style="list-style-type: none"> Total scope 1 & 2 GHG emissions (market-based). Emission intensity scope 1 & 2 (market-based). Emission intensity scope 1 & 2 per employee (market-based). Total amount of energy used in operations per year. Percentage of renewable energy used for operations. 	<p>Reduce GHG emission intensity by 40 % from 2023 in scope 1 and 2 (market based).</p> <p>100% share of purchased energy is renewable (scope 2, market based).</p>	
	Mapping of CO2 emissions and energy use		Achieved				
Climate calculation based on the GHG Protocol	Achieved						
	Environmental Concerns	Maintaining good control of compliance	Environmental management system and ESG Policy	Work in progress	Share of companies with environmental management systems	<p>100% of the group companies shall have an environmental management system equivalent to ISO 14001 with an associated audit procedure.</p>	

ESG	Focus Areas	Commitment	Planned Actions for The Group	Action Status	KPI	Targets 2030	Impact
Social	Responsible Human Resource Management	Protect employees' rights and promote a safe and secure, as well as sustainable work environment for all	Maintain good social conditions and implement systems for measuring social issues	Work in progress	<ul style="list-style-type: none"> Sick leave Staff turnover Total number of injuries relative to total workforce Average hours of training per year per employee Employee engagement (through employee survey) Gender Diversity 	<ul style="list-style-type: none"> 98 % work attendance. High employee satisfaction. <i>Sub-targets:</i> - 70 % response rate for employee surveys. - 90 % of the respondents assesses their job satisfaction as high. Zero serious injuries and deaths. 100 % injuries must be reported and investigated. When hiring for managerial roles, at least 30 % of the candidates are women (in the contacting stage). 	
	Sustainable Supply Chain Management	Ensure ethical conditions throughout the value chain	Implement Supplier Code of Conduct Supplier follow-up and compliance control	Work in progress Work in progress	Number of checks on suppliers' compliance with supplier code of conduct, and description of any deficiencies and actions taken.	100% of the group companies have mapped out their ten largest suppliers (by purchase volume).	



ESG	Focus Areas	Commitment	Planned Actions For The Group	Action Status	KPI	Targets 2030	Impact
Governance and Strategy	ESG Risk Management	Ensure effective governance of ESG in all companies	ESG Policy and framework as part of each company's overall governance system	Work in progress	Percentage of companies that have implemented ESG Policy	100 % group companies have implemented Karnell's ESG policy.	
			ESG score card for the entire Group	Achieved			
	Business Ethics	Promote a culture characterized by integrity. We have a zero-tolerance for bribes and corruption.	Implement Business Ethics policy	Work in progress	<ul style="list-style-type: none"> Percentage of all employees who have signed business ethics policy or code of conduct Total number of whistleblowing cases and actions taken Proportion of employees who have completed business ethics training 	No cases of corruption or bribery	
			Training for employees	Work in progress			
			Implement whistleblower function	Achieved			
	Resilient Business Models	Contribute to circular economy and responsible resource management	Carry out life cycle analysis at the Group's manufacturing companies	Work in progress	<ul style="list-style-type: none"> Proportion of companies that performed life cycle analysis Percentage of renewable energy used for operations 	100% share of purchased energy is renewable (scope 2, market based).	
Convert to renewable energy use			Work in progress				



COMPANY CASE: SÄHKÖ-JOKINEN



Sähkö-Jokinen is a second-generation family business founded in 1968 and a leading developer and manufacturer of outdoor lighting products in Finland. The core operations focus on collision-safe lighting poles and their high-quality concrete bases. Through innovative product design and modern technology, Sähkö-Jokinen has become a pioneer in their field. Tens of thousands of KAPU® poles illuminate roads and enhance safety throughout Europe. Sähkö-Jokinen also drives innovation and contributes to the fulfillment of SDG 9 Industry Innovation. New production methods and products have actively been developed over the years.

ENVIRONMENTAL

The company is dedicated to offering materials with extended life cycles, ensuring they comply with regulations in line with or ahead of requirements. This commitment aligns with SDG 12, which promotes sustainable consumption and production practices. The company fosters more environmentally responsible and sustainable business operations by prioritizing longevity and regulatory compliance.

SOCIAL

The safety of road users and innovations are the driving force behind the company's operation to prevent fatal accidents; the company is focused on implementing safe traffic poles, thereby enhancing road safety. This measure aligns with public expectations, and there is anticipated to be an increase in the installation of traffic light poles in the coming decade. However, it is also recognized that traffic lights can pose risks to vehicles in the event of accidents. Consequently, Sähkö-Jokinen is actively developing collision-safe traffic light poles, representing a departure from traditional stiff poles. The KAPU® safety poles, which, depending on the model, either bend or deflect vehicles in a collision, underscore the company's commitment to advancing safety standards.

GOVERNANCE

The company has adopted the ISO 9001:2000 quality management system. To ensure high quality, sähkö-Jokinen manufactures all its products at its production facility in Noormarkku, Satakunta. An automated production line and efficient production methods ensure consistency and accuracy. In addition, the KAPU® product family bears the CE marking, which guarantees that the quality requirements set for the products are met.

“A leading developer and manufacturer of outdoor lighting products in Finland.”



COMPANY CASE: K-VAGNEN



K-Vagnen is based in Karlshamn and is Sweden's leading manufacturer of landscaping trailers. With over 70 years of experience, K-Vagnen prides itself on its commitment to high-quality and Swedish-made products. The company has a highly skilled employee team with extensive experience dedicated to ensuring that they remain at the forefront of delivering high-quality products. Through its core operations, the company supports the achievement of SDG 8, Decent Work and Economic Growth. The personnel's well-being and professional development are business imperatives. K-Vagnen supports SDG 12, Sustainable Consumption and Production, in many ways. The company's products are designed with a long-term perspective in mind and have an extended lifeline.

ENVIRONMENTAL

The products are made sure to consistently meet and exceed customers' expectations for environmental compliance, reflecting K-Vagnen's dedication to sustainability. The company strives to minimize its environmental footprint through ongoing efforts in continuous improvement. Employees are aware of environmental issues, integrating sustainability principles into their daily work routines. They are encouraged to act responsibly, proactively identifying opportunities to reduce environmental impact and sharing best practices with their colleagues.

SOCIAL

K-Vagnen complies with authorities regarding the work environment. K-Vagnen has processes to ensure the products manufactured are safe to use and meet regulatory requirements. The company closely monitors any changes in legislation or stakeholder expectations to adjust accordingly. The company contributes to Team Rynkeby, who is cycling in support of the Children's Cancer Foundation.

GOVERNANCE

K-Vagnen ensures strong governance through well-planned manufacturing processes with clearly defined and communicated objectives throughout the organization. K-Vagnen maintains a zero-tolerance policy for bribery, corruption, extortion, and embezzlement.



“Sweden's leading
manufacturer
of landscaping
trailers.”

K-VAGNEN
VAGNSTEKNIK AB

KARNELL GROUP'S GHG INVENTORY

		Retrospective			
Scope 1 GHG emissions	Metric	2022	2023	% change between 2023 and 2022	Commentary on material changes between 2023 and 2022
Stationary combustion	Tonnes CO2eq	*	763		
Mobile combustion	Tonnes CO2eq	*	287		
Refrigerant leaks	Tonnes CO2eq	*	67		
Total gross scope 1 GHG emissions	Tonnes CO2eq	1 175**	1 116	-5%	
Percentage of scope 1 GHG emissions from regulated emission trading schemes	%	0%	0%	0%	

		Retrospective			
Scope 2 GHG emissions	Metric	2022	2023	% change between 2023 and 2022	Commentary on material changes between 2023 and 2022
Electricity (location-based)	Tonnes CO2eq	*	141		
Heat (location-based)	Tonnes CO2eq	*	0		
Cooling (location-based)	Tonnes CO2eq	*	0		
Steam (location-based)	Tonnes CO2eq	*	0		
Gross location-based scope 2 GHG emissions	Tonnes CO2eq	*	141		
Electricity (market-based)	Tonnes CO2eq	*	420		
Heat (market-based)	Tonnes CO2eq	*	59		
Cooling (market-based)	Tonnes CO2eq	*	0		
Steam (market-based)	Tonnes CO2eq	*	0		
Gross market-based scope 2 GHG emissions	Tonnes CO2eq	585**	479	-18%	

* Reported year 2023 for the first time.

** 48% of the total in scope 1 and 2 has been allocated from scope 2 to scope 1. The total intensity of emissions has not changed.

		Retrospective		
Scope 3 GHG emissions	Metric	2023 (base year)	% change between 2023 and 2022	Commentary on material changes between 2023 and 2022
1. Purchased goods and services	Tonnes CO2eq	51 159		
3. Fuel and energy related activities	Tonnes CO2eq	161		
4. Upstream transportation and distribution	Tonnes CO2eq	968		
6. Business travel	Tonnes CO2eq	84		
Total gross scope 3 GHG emissions	Tonnes CO2eq	52 372		

		Retrospective		
Total GHG emissions	Metric	2022	2023	Commentary on material changes between 2023 and 2022
Total GHG emissions (locations-based)	Tonnes CO2eq	*	53 629	
Total GHG emissions (market-based) <i>Total scope 1 & 2 GHG emissions</i>	Tonnes CO2eq <i>Tonnes CO2eq</i>	1 760 <i>1 760</i>	53 967 <i>1 595</i>	2023 is the first year to include scope 3 emissions, explaining the material increase in total GHG emissions.
Emission intensity (market-based)	Total GHG emissions / Total net revenue KSEK	0,002	0,054	
Emission intensity scope 1 & 2 (market-based)	Total GHG emissions scope 1 & 2 / Total net revenue KSEK	0,002	0,002	
Emission intensity scope 1 & 2 per employee (market-based)	Total GHG emissions scope 1 & 2 / Total employees	3,7	3,3	

* Reported year 2023 for the first time

2023 is the first year when locations-based scope 2 calculations are included, and scope 1 and 2 emissions sources are reported separately. It is also the first year when calculations were done in accordance with the GHG Protocol Standards. By the GHG Protocol Standards, a GHG inventory was carried out for the Group. Each group company was mapped against the emission sources presented in the GHG Protocol Standards for scope 1, 2 and 3. This was done together with the help of experts. By conducting a GHG inventory, it was identified that the Group has scope 3 emission sources from both upstream and downstream of our value chain. Due to the complexity of gathering data and that 2023 is our first year reporting on scope 3, data was gathered and reported on only four (upstream) scope 3 categories. In the coming years, we plan to expand our reporting framework further to include all relevant scope 3 categories. See the table below for information on applied methodology.

	Data source	Data quality	Method	Exclusions
Scope 1	Primary	Calculated		None
Scope 2	Primary	Calculated	Locations- and market based	None
Scope 3.1 Purchased goods and services	Primary	Calculated	Average data (22%) Spend based (78%)	Includes purchased products and services from each group company's 10-15 largest suppliers based on purchase volume. The emission factors used when using the spend based method account for a good's entire life and are not limited to cradle-to-gate.
Scope 3.3 Fuel and energy related activities	Primary	Calculated	Average data	Includes activity A, B and C. Activity D is not applicable to the Group and is therefore excluded.
Scope 3.4 Upstream transportation and distribution	Primary	Calculated	Spend based	Only direct purchases of transportation services are included. Distribution is excluded. Emissions associated with the manufacture of vehicles, facilities and infrastructure are excluded.
Scope 3.6 Business travel	Primary	Calculated	Distance based (35%) Spend based (65%)	Emissions from hotel stays are excluded.

KARNELL GROUP'S ENERGY CONSUMPTION AND MIX

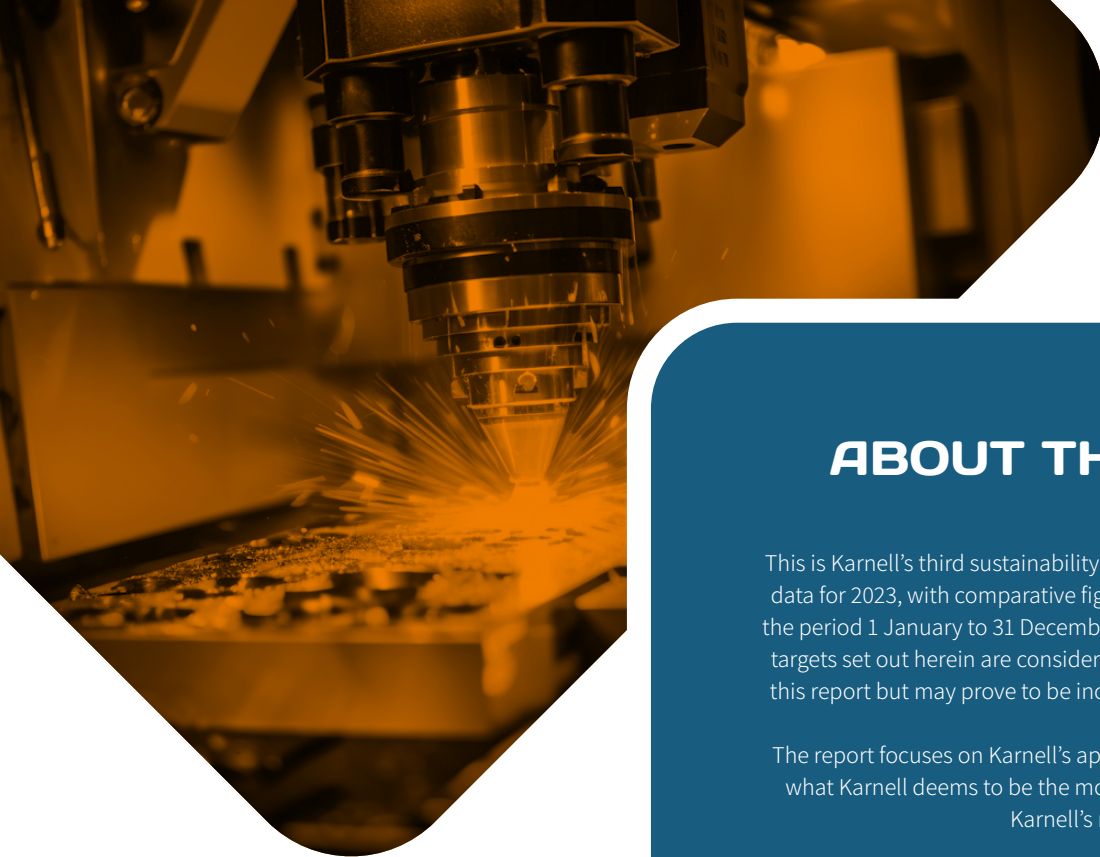
Energy consumption and mix	Metric	2022	2023 (base year)
Fuel consumption from coal and coal products	MWh	*	46
Fuel consumption from crude oil and petroleum products	MWh	*	1 270
Fuel consumption from natural gas	MWh	*	0
Fuel consumption from other fossil sources	MWh	*	2 915
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources	MWh	*	659
Total fossil energy consumption	MWh	*	4 890
<i>Share of fossil sources in total energy consumption</i>	%	*	34%
Consumption from nuclear sources	MWh	*	591
<i>Share of consumption from nuclear sources in total energy consumption</i>	%	*	4%
Fuel consumption from renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.)	MWh	*	1 004
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	*	7 881
The consumption of self-generated non-fuel renewable energy	MWh	*	96
Total renewable energy consumption	MWh	8 340	8 981
<i>Share of renewable sources in total energy consumption</i>	%	68%	62%
Total energy consumption	MWh	12 264	14 462
Energy intensity per net revenue	Total energy consumption MWh / Total net revenue KSEK	0,01	0,01

* Reported year 2023 for the first time

PERFORMANCE DATA FOR KARNELL GROUP

ESG	Aspect	KPI	2021	2022	2023
Environmental	Climate Footprint	CO2e emissions per year, scope 1 (tonnes CO2e)		1 175	1 116
		CO2e emissions per year, scope 2 (market-based) (tonnes CO2e)		585	479
		CO2e emissions per year, scope 3 (tonnes CO2e)		*	53 967
		Emission intensity (market based) (total tonnes CO2e/total net revenue KSEK)	0,002	0,002	0,054
	Energy Management	Total amount of energy used in operations per year (MWh)	7 858	12 264	14 462
		Percentage of renewable energy used for operations	55 %	68 %	62%
		Energy intensity per net revenue (total energy consumption MWh/total net revenue KSEK)	0,01	0,01	0,01
	Environmental Concerns	Share of group companies with environmental policy	83 %	67 %	90%
		Share of group companies with environmental management system (i.e. ISO)	67 %	56 %	70%
	Social	Responsible Human Resource Management	Gender diversity throughout company	18 % women	16 % women
Gender diversity in senior leadership (management team)			11 % women	17 % women	10% women
Sick leave			7 %	9 %	4%
Staff turnover			13 %	16 %	16%
Injury frequency (total number of injuries/total number of employees)			0,02	0,04	0,05
Average hours of training per year per employee			9	8	17
Share of group companies with non-discrimination policy			83 %	89 %	100%
Share of group companies with occupational health and safety policy			100 %	89 %	100%
Governance	Business Ethics	Share of group companies with whistleblower function	0 %	67 %	100%
		Total number of whistleblowing cases and actions taken	0	0	1
		Total number and nature of confirmed incidents of corruption	0	0	0
		Share of group companies with internal Code of Conduct for business ethics	50 %	67 %	80%
	Strategic Maturity	Share of group companies that have taken ESG aspects into account in risk analysis and risk management	67 %	78 %	90%

* Reported year 2023 for the first time



ABOUT THIS REPORT

This is Karnell's third sustainability report. The report covers sustainability data for 2023, with comparative figures from 2022 and 2021, and refers to the period 1 January to 31 December. Any forward-looking statements and targets set out herein are considered reasonable by Karnell at the date of this report but may prove to be incorrect or become altered in the future.

The report focuses on Karnell's approach to sustainability and highlights what Karnell deems to be the most relevant and significant aspects of Karnell's management.

This is the third year we have collected sustainability data from our group companies. Data has been collected and presented using best efforts, but shall not be relied upon as a basis for any investment decision in Karnell's shares. Karnell aims to improve the reporting and reliability of the data collected yearly. The report has not been externally verified. The report is available on Karnell's website, www.karnell.se.

For questions about the report, please contact
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Karnell.

www.karnell.se