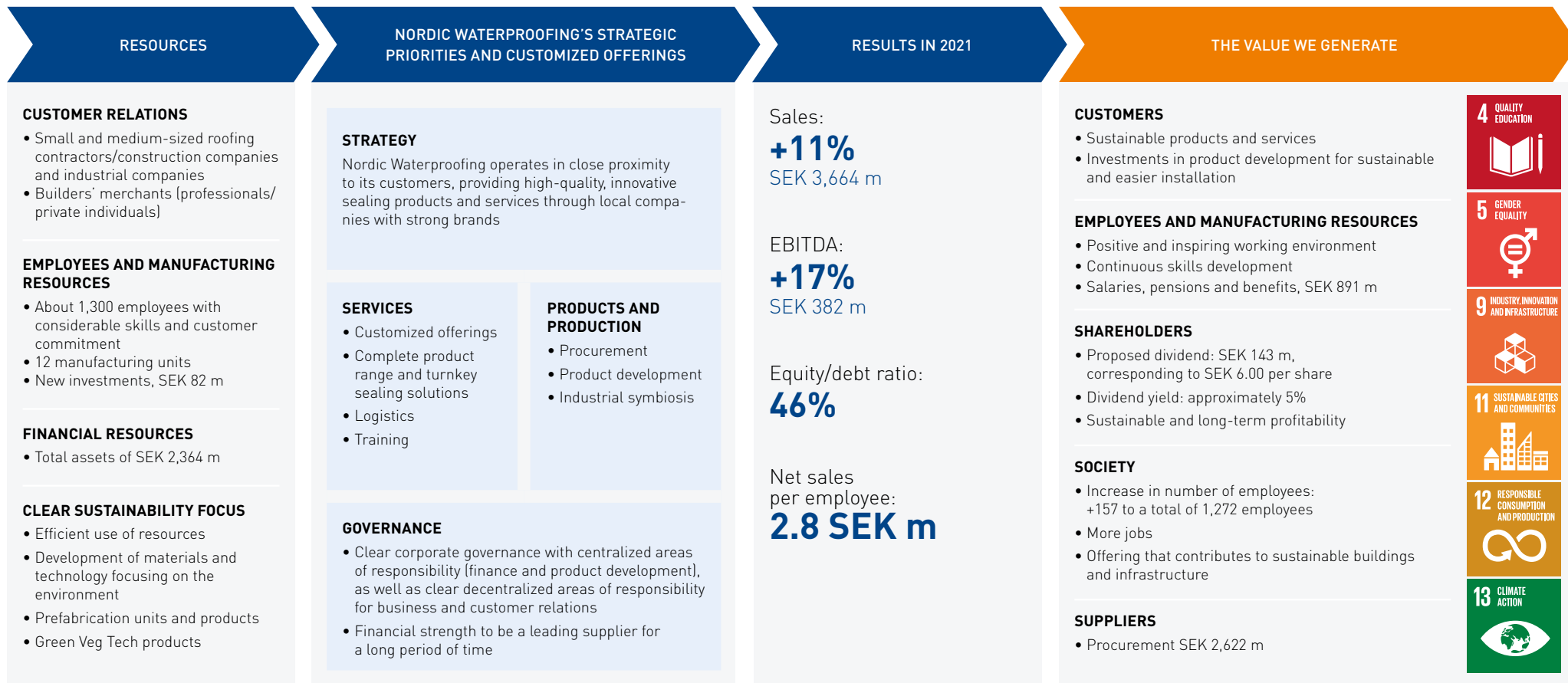


Focus on the customers and sustainability drives our business model

With a combination of competent employees, innovative strength and robust financing, Nordic Waterproofing contributes to develop, manufacture and sell innovative and sustainable products and solutions.



Sustainability report

Nordic Waterproofing's products contribute to long-term sustainability at the same time as the sustainability work creates new business opportunities.

Office building of the year in Denmark 2021 - DLG's domicile in Snoghøj, Fredericia.

The Group's business concept is based on sustainability, enabling customers to protect, preserve and contribute to the durability of buildings and infrastructures. The Group also contributes with environment and climate-saving products; better energy performance, CO₂-neutral alternatives and increased biodiversity through green infrastructure.

REPORTING AND EXTERNAL ACCOUNTING

The sustainability report is designed as the company considers relevant and in accordance with the Swedish statutory Annual Accounts Act. A list on all requirements' page references can be found on page 35.

GOVERNANCE

The Board is ultimately responsible for the Group's sustainability including definition of targets and by continuously monitoring the Group's sustainability

focus. The operational sustainability organization is led by a steering group consisting of the business area managers and led by the CSO (Chief Sustainability Officer). The function was created in 2021 as Susanne Højholt was appointed.

The actual sustainability work takes place primarily at the national level by the subsidiaries who are closest to the market with a proactive development adapted for regional preferences.

MATERIALITY ANALYSIS CARRIED OUT IN DENMARK

Denmark is the first country to have conducted a stakeholder dialogue and a materiality analysis. Other countries are in the process. The next step is to make an aggregated materiality analysis for the Group. This will form the basis for even more goal-oriented sustainability work. Other main markets intend to do the same work.

THE EU TAXONOMY - A PERSPECTIVE

The EU taxonomy for sustainable investments is one of the measures taken in the EU action plan in financing a sustainable growth. It provides the opportunity to identify and compare investments that contributes to achieve a sustainable economy. The idea is to form the basis for future standards and labeling of sustainable financial products. Nordic Waterproofing is to some extent covered by the regulation.

In 2019, the European Commission presented a new growth strategy, the European Green Deal, with the aim of reducing net greenhouse gas emissions to zero by 2050 and supporting economic growth through the most efficient and sustainable use of natural resources.

Regulation (EU) 2020/852 of the European Parliament and of the Council (the Taxonomy regulation) was introduced as a common classification system for

sustainable economic activity. The purpose is to scale up sustainable investments and redirect capital flows to technologies and companies that are considered sustainable. Nordic Waterproofing views the implementation of the Taxonomy regulation as very positive.

It has been a clearly stated strategy for us to grow in sustainable construction solutions, which was one of the reasons why the acquisitions in prefabricated roof and wall elements as well as green solutions for urban environments were implemented.

To be eligible according to the regulation, a significant contribution through internal measures must be made by Nordic Waterproofing. The contribution can be made through phasing out fossil fuels, and / or by making it easier for other stakeholders, for example products produced with lower CO₂ emissions such as prefabricated elements in wood.

EU taxonomy is still evolving, and it is important to note that current regulation does not cover all sustainable market activities. In the transition to zero carbon dioxide emissions, the emphasis is on the most carbon-intensive industries and/or the areas with the highest potential for improvement. Nordic Waterproofing is mainly a supplier of waterproofing solutions, which are not explicitly mentioned in the current regulation as a component in building solutions. Thus the Group has only a few relevant economic activity categories to report.

Nordic Waterproofing's annual report for 2021 provides comprehensive information on the Group's sustainability results, including details on greenhouse gas emissions and climate impact in addition to the regulatory requirements in the climate economy and the EU taxonomy in general. As the legislation is still evolving and is expected to expand in to other areas that are relevant to our products and operations, the future taxonomy will accordingly be updated.

ACTIVITIES ELIGIBLE WITH BY THE TAXONOMY

All operations of the Group have been evaluated and assessed as to whether they are eligible with the taxonomy definitions or not. In principle, the entire Group's operations can be considered to fall under the section 3.5 Manufacture of energy-efficient equipment for buildings.

The Group's operations within bitumen and EPDM based waterproofing constitute parts of a building with established limit values for the complete building but not for the parts provided by us. Our products are currently not considered to be covered by the taxonomy definitions.

Our manufacturing of prefabricated roof and wall elements in wood, established limit values are met by our operations and have been included in the calculations.

The same applies to our urban green solutions, thus also considered to be covered by the taxonomy and are included in the calculations.

Accounting principles

In addition to EU Regulation (EU) 2020/852 (published 6.7.2021), Article 10 states that non-financial corporations shall only report the proportion of economic activities that are covered by the taxonomy and are not covered by their total turnover, capital and operating expenditures and relevant qualitative information for the reporting for the financial year 2021.

One of the main targets of the EU taxonomy is to prevent "green washing". This is respected by Nordic Waterproofing. We have taken a conservative stance when reporting taxonomy-eligible data, which does not include items that are not specifically mentioned in the taxonomy.

The taxonomy stipulates that companies comment on how double counting has been avoided in the taxonomy-supported economic activities. This has been done based on our cost structures and ensures that the cost elements are separate for each business, which has been facilitated by the limited amount of transactions made between different businesses.

Turnover

Turnover include external sales from operations covered by the taxonomy. The denominator is Nordic Waterproofing's total turnover during the financial year

2021 and the numerator includes turnover of prefabricated roof and wall elements of wood as well as of products and services for green urban environments.

Capital expenditure

Capital expenditure include capital expenditures in activities that are covered by the taxonomy. The denominator is the Group's total capital expenditure in tangible fixed assets. Investments in activities covered by the taxonomy are included in the numerator.

Operating expenditure

Operating expenditure refer to expenditure within activities that are covered by the taxonomy and include all direct non-capitalized costs that relate to research and development (R&D), building renovation measures, short-term lease, maintenance and repair, as well as direct expenditures relating to the day-to-day servicing of assets, i.e. not the total operating expenses, but only expenses associated with maintaining the value of assets linked to eligible products.

Based on the above, this means that operating expenditures does not correspond to total operating expenditures, but only, as mentioned above, expenditures associated with the continuous and appropriate functioning of the asset. This means, for example, that the cost of electricity can be included in opex in cases where the electricity is required for maintenance or service of the tangible fixed asset. However, electricity used in production cannot be included.

SHARE OF ACTIVITIES COVERED BY THE EU TAXONOMY

	Total		Eligible activities		Non-eligible activities	
	SEK m	%	SEK m	%	SEK m	%
Turnover	3,664	19%	689	81%	2,975	
Capital expenditure	79	14%	11	86%	68	
Operating expenditures	36	28%	10	72%	26	



SUSTAINABILITY TARGETS

Group-wide sustainability targets were decided in 2021. To make the starting point more complete, the data collection process for the sustainability goals from 2021 has become significantly more systematic for all operations. The comparability with previous years may therefore differ. Another factor that complicates comparability between the years is the incorporation of acquired companies.

Fully carbon dioxide neutral

Nordic Waterproofing must be completely carbon dioxide neutral within scope 1 & 2 in 2030 and completely carbon dioxide neutral within scope 1-3 in 2050.

All waste recycled in 2030

Nordic Waterproofing will recycle all self-generated waste to keep 100 percent of the products' CO₂ in the life cycle. No waste will go to landfill in 2030. The waste will be converted into a resource by finding recycling methods to keep CO₂ in the product (eg road paving and filling, sound absorber).

The outcome of the targets is reported in the Business concept, goals and strategies, on page 11.

POLICIES

Policies such as environment, code of conduct and whistleblower policy have been developed at Group level.

CODE OF CONDUCT POLICY

The Group's code of conduct is based on the ten principles of the UN Global Compact and are expected to be followed by the subsidiaries. The policy covers human rights, labor law, the environment and anti-corruption.

A specific code of conduct for suppliers has been established, which is also based on the UN Global Compact.

THE VALUE CHAIN IS CENTRAL TO THE SUSTAINABILITY STRATEGY

To contribute to a higher degree of sustainability, in both new construction as well as renovation, focus is placed on the Group's value chain, sourcing, production, application and maintenance. The work is focused on reducing the footprint of CO₂ and material consumption at all levels.

The importance of documented life cycle analyzes is increasing for the customers. The number of products will continuously increase with documentation of EPD (Environmental Product Declaration) or environmental certification systems such as DGNB or BREEAM. The target is that 85 percent of our offer will be covered by environmental declarations and/or EPD.

Waterproofing for building protection has few fossil-free alternatives

Waterproofing for low-sloping roofs is by 85 percent covered by bitumen-based waterproofing in the Nordic region. Nordic Waterproofing also manufactures EPDM rubber membranes and offers sealing by PVC and TPO plastic. Together, these four materials account for 95 percent of all waterproofing for low-sloping roofs. There are currently no materials based on completely fossil-free alternatives that is on the same performance and cost level.

Inputs

The most important inputs in the production are bitumen, polymers (rubber compounds and plastics), environmentally certified wood and plants.

Reduced material and time consumption...

The product development is also focused on reducing the thickness of roofing felt (and thus the amount of bitumen) while maintaining function through better mixing recipes. Digital aids are also essential in the



design work of prefabricated elements and for control and quality monitoring in production.

... and an increased proportion of sustainable materials

Sustainable materials are a growing part of Nordic Waterproofing's operations. Both green infrastructure and wood-based building elements have a positive environmental impact due to their CO₂-binding properties. Wood as a building material is a natural raw material with a significantly lower emission level compared with other building materials.

Green infrastructure contributes to biodiversity while protecting the underlying waterproofing membranes, insulating the building better against extreme temperatures and absorbs some of the city's noise, dust and air pollution while improving both the micro and macro climates. Green roofs also act as barriers in heavy precipitation. Up to 50-80 percent of the precipitation can be absorbed, reducing or detaining the run-off of rainwater.

Growing plants for green infrastructure requires no major energy consumption. In addition, biochar is used as a nutrient in the crops. It has been added from Vegtech's bio-based boiler through so-called pyrolysis.

Reduced CO₂ emissions are also possible in bitumen-based products. The Group's Finnish brand Kerabit has developed Kerabit Nature. Its fossil bitumen has partially been replaced by bitumen extracted from tall oil, CTO. The positive CO₂ uptake by the tall oil raw material makes Kerabit Nature CO₂-neutral (bitumen already has low 0.2 kg CO₂ equivalents / kg) Kerabit Nature is available for both top and bottom layers.

Development is also focused in the installation of roofing felt without gas burners, thus reducing both CO₂ emissions and the risk of fire.

Recycling

The Group also focuses on completely recycling all residual material and waste in order to reduce material consumption and retain CO₂.

The challenge is mainly fossil-based materials such as bitumen and EPDM rubber. Roofing felt is normally left on the roof when applying a new layer when renovating. EPDM rubber can only be reused as a filler material as it is vulcanized and cannot be melted. There is currently no established method, why various recycling methods are developed and evaluated.

EPD DECLARATIONS FOR SMARTER ENVIRONMENTAL CHOICES

Before a new construction takes place, a life cycle analysis (LCA) is assessed to get an overall picture of its environmental impact. The prerequisite for a correct LCA is that the constituent materials have an established EPD, (Environmental Product Declaration, an information system for factually describing the environmental properties of products and services in a life cycle perspective). Nordic Waterproofing has initiated EPDs which continuously will cover further products.

EFFICIENT ENERGY USE

A significant part of the Group's energy consumption, as well as its climate impact, is related to the use of natural or biogas as well as purchased electricity and district heating (indirect and direct energy). Reporting takes place from production units and offices at all business units. Beginning 2021 energy consumed by company cars, trucks and suppliers is also included.

Energy consumption in 2021 increased by 20 percent compared to the previous year. Net sales for the same period increased by 11 percent. The data collection process for energy, CO₂-emissions and waste has become significantly more systematic for all operations. A comparison with the previous year's data is therefore not fair. The calculation of the Group's CO₂ emissions in scopes 1 and 2 (direct emissions from controlled sources and emissions from the generation of electricity and district heating) is based on each unit's total average energy mix.

Please refer to the table on following page 35.

Green electricity and biogas

As each country's energy mix differs, national initiatives are taken to introduce more renewable energy. Sweden e.g. signed an agreement in 2019 on the purchase of green electricity (renewable energy sources) and a transition from natural gas to biogas in the production of bitumen-based products was made at the end of 2019. Thus, CO₂ emissions were reduced by almost 1,100 tons of CO₂e compared to 2019. Denmark has taken the same initiative with green electricity and switched to biogas in 2021 reducing 750 tons of CO₂e compared to consumption in 2020. Finland will change into biogas in 2022, with an estimated yearly reduction of 1 000 tons.



CASE

Recycled tires are reused in Prelasti green

Prelasti green is an EPDM rubber with a lower climate footprint thanks to the reuse of materials from recycled car tires. 42% recycled material in the form of carbon black is used to increase wear resistance in elastomers (rubber). This makes it 20% lower CO₂ emissions in the production at the same time as the properties remain the same.

Prelasti Green gives reliable protection and sealing for flat roofs, with or without a green layer on top. EcoSeal also offers a water-based adhesive without any harmful solvent.



PRODUCTION

The business affects the external environment mainly through noise and direct and indirect emissions. The Group's production requires resources such as raw materials, water, energy, and chemicals. All subsidiaries are covered by the Group's environmental policy, which covers energy consumption, emissions, and the use of raw materials. Where applicable, there is a local policy as a complement. All production units apply environmental management systems, and each production facility has set environmental goals. Operations in Finland and Sweden are certified according to ISO 14001.

TRANSPORTS

Most of the waterproofing products have a high weight in relation to their value. The general solution is therefore to reduce the distance between the production plant and the destination by having national production facilities. Most of the transports are carried out by a third party purchased by Nordic Waterproofing.

Climate, tons CO ₂ e	2021	2020	Comment
Scope 1			
Natural gas	1,017	1,637	Decrease due to natural gas no longer reported at NW DK (switched to biogas)
Biogas	2	1	
Light heating oil	277	42	Increase due to including more Finish companies
Emissions from biomass which are not absorbed during growth	52	3	More complete data
Fuels for forklifts	952	118	More complete data
Fuels for company cars/vans	1,532	735	More complete data
Scope 1 emissions total	3,676	2,536	
Scope 2 emissions total	1,676	2,028	
Electricity	1,385	1,949	Decrease mainly due to switch to renewable in Denmark
District heating	289	79	More complete data
Cooling	2	n/a	
CO₂ Scope 1 & 2 Total	5,352	4,564	Increase due to reporting from the entire Group
Energy, MWh	2021	2020	Comment
Electricity	19,809	14,931	
District heating	3,251	1,518	More complete data
Cooling	4		
Natural gas	4,994	8,118	Decrease due to natural gas switched to biogas
Biogas	7,989	5,985	Increase due to NWDKs swift to biogas end of 2020
Light heating oil	1,043	289	Increase due to including more Finish companies
Wood pellets	3,391	1,112	
Total	40,478	31,952	

Group-wide sustainability targets were decided in 2021. To make the starting point more complete, the data collection process for the sustainability goals from 2021 has become significantly more systematic for all operations. The comparability with previous years may therefore differ. Another factor that complicates comparability between the years is the incorporation of acquired companies.

STATUTORY SUSTAINABILITY REPORT, AS STATED IN THE ANNUAL ACCOUNTS ACT

- | | |
|---|---|
| 1. Business concept page 17 | 5. Respect for human rights page 38 |
| 2. Policies page 33 | 6. Anti-corruption page 38 |
| 3. Environment page 31-35 | 7. Significant risks page 50-53 |
| 4. Personnel and social conditions page 37-38 | |

Auditor's Report on the statutory sustainability report

To the general meeting of the shareholders in Nordic Waterproofing Holding AB (publ), corporate identity number 556839-3168.

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2021 on pages 17, 31-38, 50-53 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared. Malmö March 28, 2022
Deloitte AB

Jeanette Roosberg
Authorized Public Accountant



UN'S 17 GOALS FOR SUSTAINABLE DEVELOPMENT

The Group signed the UN Global Compact in 2012.

The UN's goals in Agenda 2030 are clear and constitute a useful framework for meeting the global challenges and have a major impact on the society. At the same time, the goals are a driving force for innovations and business opportunities in sustainability.

Private and public organizations play an important role. The business community is expected to contribute with responsible business, transparent reporting of its own goals and achieved results, but above all and to develop and offer products and services that contribute to a sustainable development.

Nordic Waterproofing supports and contributes to several of the UN's sustainability goals. The Group has chosen to give special priority to five of these goals.

The business is judged to have the greatest opportunity to contribute to the following relevant sub-goals:

- 4 Quality education
- 5 Gender equality
- 5.5 Ensure women's full and effective participation and equal opportunities for leadership
- 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure
- 11 Make cities and human settlements inclusive, safe, resilient and sustainable

- 11.5 Mitigate the negative effects of natural disasters
- 11.6 Reducing the environmental impact of cities
- 11.7 Create safe and inclusive green areas for all
- 12 Ensure sustainable consumption and production patterns
- 12.2 Achieve the sustainable management and efficient use of natural resources
- 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle
- 12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse
- 13 Combat climate change and its impacts
- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

CODE OF CONDUCT

The Group's code of conduct is based on the ten the principles of the UN Global Compact, which all subsidiaries are expected to follow. It covers human rights, labor law, the environment and anti-corruption.

BITUMEN – A RESIDUAL PRODUCT ...

Bitumen is a residual product that follows in the industrial refining of crude oil when producing different fuels. Bitumen production requires thus a lower energy consumption in the production itself, however, heat energy is required in the processing of waterproofing products.

... with a long-life cycle ...

Today's bitumen-based waterproofing, blended with elastomers and polymer for increased flexibility, has

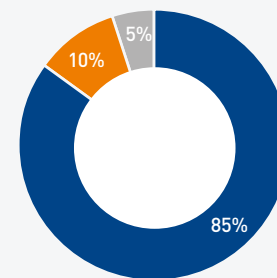
a life cycle of up to 50 years, where design and installation also affects. When renovating the waterproofing, the old layer normally is kept, and a new layer is added.

... and which doesn't harm man or nature

As bitumen is a hydrocarbon not intended for combustion but for use in structural materials, no greenhouse gases are emitted. The remaining constituents of bitumen-based waterproofing (fillers, polymers, slates, sand, etc.) are either inert (not inclined to

form chemical compounds) or have low propensity for chemical reaction. This means that they pose minimal danger to man or nature throughout their life cycle, provided that it isn't burnt. Bitumen is insoluble in water, non-biodegradable and therefore the ideal material for collecting and holding water (collection ponds, irrigation water, polluted water etc.). In order to reduce use of polyester in the liners, a large part consists of recycled polyester from PET bottles.

BITUMEN APPLICATIONS



■ Tarmac ■ Roofs ■ Others

Social enterprise

Nordic Waterproofing has a decentralized organizational structure with local management responsible for employee recruitment and dialogue.

The Group had an average of 1,272 (1,147) full-time employees in 2021. During the summer season, the workforce in the operating segment Installation Services increases by more than 100 people.

COMPETENCE PROVISION IS MADE LOCALLY

Human resource issues are decentralized with an employee policy formulated nationally in adaptation to the country's legislation. The operations are mostly located in smaller communities where the company is an important employer. Employees who are recruited locally are normally more motivated, which leads to lower staff turnover. An important part of the Human resource strategy as a decentralized group is to attract the right expertise locally. The recruitment activities with traditional recruitment is complemented with apprenticeships and new arenas where the right skills are considered to be found.

Roofing contractors experience continued personnel shortages and difficulties recruiting new skilled labourers. To increase access to potential staff, Nordic Waterproofing supports educational programmes in roof installation and offers trainee positions for future professionals, increasing its attractiveness in the market.

INTRODUCTION PROGRAM AND EMPLOYEE SURVEYS

Various introductory programs take place to create a smooth start for new employees. Similarly, different forms of employee surveys to reconcile job satisfaction and motivation.

SKILLS DEVELOPMENT AND MOTIVATION

Ongoing skills development focusing, for example, on productivity and broader production skills, increases the organization's flexibility. The Group's philosophy is that skills development is primarily achieved through continuous learning in day-to-day work. This is complemented by training initiatives for a large number of employees, as well as for external roofers/contractors seeking further training in the industry. To monitor employee satisfaction and commitment, performance reviews are conducted alongside regular employee surveys.

OCCUPATIONAL HEALTH AND SAFETY

Employee safety is always the highest priority, and all subsidiaries have a work environment policy. Nordic Waterproofing's operations include production units, warehouses, and offices. The Finnish, Norwegian and Danish (via franchise) operations also include roofing services. The production unit in Finland is certified according to the work environment management system OHSAS 18001.

The efforts in preventing and reducing the incidents and accidents take place through analysis of the underlying causes. Each workplace has its specific risks why each subsidiary is responsible for managing health and safety work in a systematic way. This includes collecting information about and evaluating site-specific risks and reporting accidents to the Group.

Finland accounts for the largest number due to installations that are still the Group's most risky area. At the same time, serious accidents (bodily injuries, eg bone fractures) decreased to 3 (18). Newly acquired companies are integrated into the Group's systematic work, but also through education raise the awareness and knowledge of the new employees who have entered our operations when the pace of production and installation increases. All manufacturing companies within the Group use external occupational health care services to support their employees, including rehabilitation.

Newly acquired companies are integrated into our systematic efforts. Efforts are continued in increasing the awareness and knowledge among all employees who are contributing to our operations. All of the companies within the Group that have production sites have contracted external Occupational Health Care services to support their employees, including rehabilitation.

In 2021, the regions have continued to be affected by the ongoing Covid-19 pandemic. We have given priority to the well-being and health of our employees and other stakeholders and have taken the precautionary measures prescribed by the local authorities, at the least. Those who had the opportunity worked from home.



DIVERSITY AND EQUAL TREATMENT

Historically, the roofing industry has been a male-dominated industry regardless of personnel category. Nordic Waterproofing has a diversity policy and works to achieve its target to have a balanced mix of ethnicity, age and gender, taking into account the type of activity being conducted. Improved diversity and inclusion have the potential to further drive Nordic Waterproofing's development and results, both at team level and individually.

The companies within the Group work continuously to attract, develop and retain talented young people regardless of gender or other characteristics. Independent of gender or other aspects of diversity, each individual is offered equal opportunities in terms of career paths. The operations as a whole also work towards a more balanced mix in terms of ethnicity and gender. To reach the target to increase the awareness

of its operations and being a good employer, Group companies leveraging several online platforms and channels to build relationships with new stakeholders.

Today, local management teams comprise a total of 61 individuals (68), of which 23 percent (23) are women. Nordic Waterproofing Holding AB's Board of Directors consists of four men and two women. Accordingly, the proportion of women on the Board of Directors is 33 percent, which doesn't meet the target of 40 percent women. It is taken into account in the Nomination Committee's future recruitments to the company's board.

THE CODE OF CONDUCT IS THE BASIS FOR ALL ACTIVITIES

Nordic Waterproofing aims to maintain a working environment characterized by responsibility and empowerment, ethics and morality, openness and

teamwork. Combined with a focus on customers and their needs, these values enable the Group to meet its targets and strategic priorities. An important part of a safe working environment is to ensure that no one is exposed to discrimination or sexual harassment. Nordic Waterproofing's workplaces should be characterized by respect for diversity and different qualities, knowledge and skills, regardless of gender, religion, ethnic background, age, race or sexual orientation.

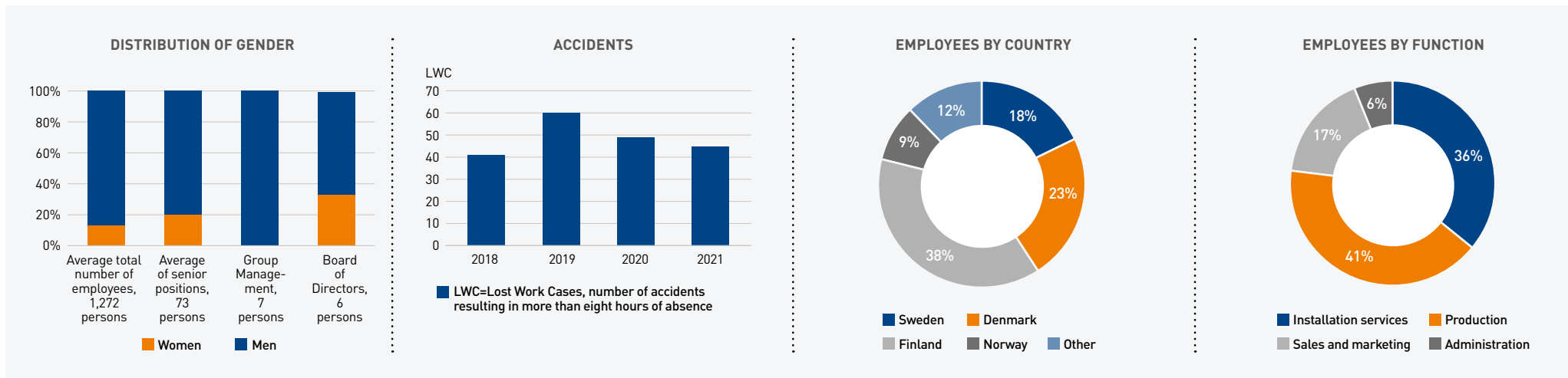
The Group's Code of Conduct, which includes the areas of human rights, environment, work environment and business ethics, including anti corruption, is the basis for all activities within the Group and applies to all employees and the Group's Board of Directors without exception. The Code of Conduct was reconfirmed in 2021 and the training materials are available in all nine languages used within the Group.

WHISTLEBLOWER

A whistleblower policy and function is established where notifications are received by an external party. This can be reached both by phone and email, information on how notification can be made can be found on the Group's website.

OUR CORE VALUES

The Group has defined the following core values; enthusiasm reliability and efficiency. They are described more detailed on page 9.



Risks and risk management

All business operations are associated with risks. Risks that are managed well can lead to opportunities and value being generated, while risks that are not managed properly can cause damage and losses.

Demand for Nordic Waterproofing's products and solutions varies by market. The Group focuses on maintaining an exposure to market segments that generally offer a favourable balance between parts of the construction industry that dominate in the earlier and later stages of the economic cycle, as well as towards private individuals and industrial players between which demand is well balanced. Seasonal effects occur and are particularly apparent in the Installation Services operating segment. Read more about seasonal effects on page 21.

RISKS OF CONFIDENCE

As a leading player in the Nordic waterproofing market, the expectations of Nordic Waterproofing are rigorous. There is a risk for the Group that the behaviour of individual employees or business decisions could erase the trust that has been built up over a long time. It is essential to prevent and minimize the risk of such events and behaviours adversely affecting confidence and trust in the Group and its brands. For this reason, the Group conducts continuous training in the Code of Conduct and product safety.

CRISIS MANAGEMENT

Nordic Waterproofing's crisis management is decentralized, meaning that events should be resolved locally, as close as possible to the origin of the incident. The crisis organization now in place at the Group level shall ensure that those involved within Nordic Waterproofing have the knowledge and skills required to manage various incidents. If major incidents occur that could affect the Group as a whole, the Group's crisis organization, including the Board of Directors, is to be informed and should assess how the event should be managed.

RESPONSIBILITY AND REVIEW

The capacity to identify, evaluate, manage and monitor risks is an important part of the management and control of Nordic Waterproofing's business operations. The purpose is for the Group's targets to be achieved through well-considered risk taking within defined limits. Risks and opportunities are regularly reviewed and reported to the Executive Board and the Board of Directors for appropriate responses and actions.

Responsibility for risk work lies with the managers of each of Nordic Waterproofing's different business units. Responsibility refers both to ongoing efforts with operational and other relevant risks, to advance and develop work in the area of risk. A bottom-up risk assessment is conducted annually in each business unit. A risk matrix with the ten greatest risks – their probability, consequences and measures for reducing or preventing those risks – is then consolidated from each business unit up to the Group level, forming the basis for a list of the Group's shared risks.

Financial risk management is administrated by the Group CFO who is responsible for the Group's external banking relationships, liquidity management, net financial items, interestbearing liabilities and assets, and for Groupwide payment systems and netting of currency positions. The centralization of financial management entails considerable economies of scale and lower financing costs, while ensuring strict management of the Group's financial risks and improved internal control. Read more about Nordic Waterproofing's significant risks and risk management on pages 91-93.

MAJOR RISKS AT NORDIC WATERPROOFING

RISK	DESCRIPTION	DEVELOPMENT DURING 2021	
Market	Development of the construction market	The waterproofing market is a relatively small niche within the construction market and generally follows the fluctuations in the construction industry. Demand for Nordic Waterproofing's products and services may fall because of lower construction activity.	Demand from the construction industry remained strong in 2021, despite the global covid-19 pandemic. We estimate that Nordic Waterproofing's distribution of sales is approximately 50 percent for renovation and 50 percent for new construction, which gives us a good balance to cope throughout the business cycle.
	Competition	By developing their products, improving their production methods or offering their products at lower prices, Nordic Waterproofing's competitors could cause customers to prefer their products. Synthetic materials, such as PVC and TPO, which account for a small proportion of the Group's turnover, may increase in popularity at the expense of bitumen.	Nordic Waterproofing is constantly monitoring the development in its market. The overall demand for bitumen and EPDM products, and other materials supplied via Nordic Waterproofing's local representatives, is stable in the Group's market.
Operational	Unforeseen problems in connection with acquisitions	Unforeseen business-related problems associated with the acquired companies or the integration processes may take longer or be costlier than anticipated, and expected synergies could fail to, or only partially, materialize. Thus, the value of assets relating to the acquisitions – goodwill – may not be realized and may need to be written down.	The Group has stated plans to grow through acquisitions and has implemented a number in recent years. The acquisition processes are led by a group experienced executives contributing to a structured integration process including the Group's Code of Conduct as an important part. During 2021 seven acquisitions have been made which has increased this risk compared to last year.
	Seasonality	Irregular seasonal variations, e.g. an earlier winter season, may affect building activities.	The Group maintains an agile organization to meet the challenges posed by the Nordic winter and summer weather conditions.
	Disruption in production	The Group's manufacturing and installation operations could suffer stoppages or disruptions in the form of, for example, fire, engine breakdowns, failures in IT systems, disputes with labour organizations, weather conditions or natural disasters.	The manufacturing units are maintained routinely and, once a year, production is stopped for systematic servicing. In addition, Nordic Waterproofing has spare capacities in its production units, allowing for a shorter accidental stop.
	Environmental permits	The production facilities in Denmark, Finland and Sweden are subject to mandatory reporting obligations and require permits. The operations affect the external environment primarily through noise and emissions.	The Group has all necessary permits for its operations and is monitoring any changes in the environmental regulations and permit regulations in each relevant country.
	IT system and process failure	The Group's IT systems can be disrupted by software failures, computer viruses, hacking, sabotage and physical damage, for example.	A central organization is continually monitoring the system's status and carrying out monthly updates to protect the Group's IT systems. During the year, protection against unauthorised intrusion has been expanded and tests carried out to determine any weaknesses. No major disruptions were reported in 2021.
	Supplier relationships	Access to alternative suppliers from whom bitumen and rubber components can be purchased is considered crucial in the event that partnerships with the Group's primary suppliers were to come to an end. The supply agreement for rubber products contains minimum volume commitments for the Group, reducing the option to purchase rubber compounds from alternative suppliers and adapt to lower demand.	The Group has integrated the risk minimization and dependencies in the purchasing process. Potential suppliers are evaluated and a more flexible dual sourcing is used where possible. During 2021, there has been a shortage of different raw materials and the Group's long-term and good relationship with critical suppliers has been an important component for securing deliveries. Some delivery problems were noted in 2021, in particular for products for our operations in Distripod.
	Access to input material	There is a risk that the Group's suppliers will not be able to provide inputs as a consequence of, for example, operational disruptions, increased demand or lack of their input materials.	During 2021, the Group has at times had a shortage of certain input materials, in particular this has negatively affected the operations within Distripod and in Installation Services.
	Political risks	The Group may have suppliers who procure their raw materials from areas that may be affected by political turbulence or, for example, through an executive order from the US Treasury Department's Office of Foreign Assets Control (OFAC) may no longer continue to purchase their raw materials from its supplier.	During the year, the Group has not had any negative consequences as a result of political risk.
Effects of Russia's war with Ukraine	Russia has initiated a war against Ukraine. Nordic Waterproofing has no operations of its own in Russia or Ukraine and sales to these markets were limited in 2021. The conflict affects our operations through difficulties in accessing inputs and strong cost inflation. The Group manages this risk primarily by terminating all purchasing relationships that are directly or indirectly dependent on goods or services from Russia.	The conflict only escalated into a war in 2022. The sanctions imposed on Russia after their attack on Ukraine in the beginning of 2022 can have an impact on the access to input materials for NWG.	

MAJOR RISKS AT NORDIC WATERPROOFING

RISK	DESCRIPTION	DEVELOPMENT DURING 2021	
Legal	Competition law	Competition authorities have the power to take legal action and may require a party to cease applying terms and conditions or prices in agreements that are found to be anti-competitive.	In 2021, none of the Group's business units were subject to an investigation by competition authorities.
	Disputes with stakeholders	Nordic Waterproofing conducts business with many different stakeholders and has several competitors in each business. There is a risk that disagreements cannot be resolved but will be settled by rulings in court or by arbitrators.	Nordic Waterproofing A/S and other suppliers of waterproofing products were the subject of an investigation by the Danish Competition and Consumer Authority (KFST), which in 2020 was terminated without further action from the authorities. Some competitors have chosen to pursue this in a civil case and have claimed compensation for the damage they consider to have suffered. In addition to these matters, the Group has no material ongoing disputes.
	Changes to regulations	Changes in stimuli to encourage the construction of new-buildings, e.g. legislation, regulations and rules affecting town planning, zoning plans and land development, as well as building permit/planning permission regulations, may change in the future. Furthermore, changes may occur in the regulations for contributions, such as the ROT deductions in Sweden and household allowances in Finland.	Nordic Waterproofing's products are well established in all relevant markets and the Group is exposed to a limited extent to changes in the subsidies in different countries.
	Intellectual property rights	The Group has developed products that lack patent protection that may be more important to the Group and its competitive position on the market than what has previously been considered to be commercially reasonable. There is also a risk that the Group will be unable to defend trademarks and patents granted.	The Group has assigned an external party and established routines to register and maintain its patents, trade marks and other intellectual property.
	Compliance risks	With 1,300 employees in ten countries there is an inherent risk that any Nordic Waterproofing employee is involved in unethical behavior in terms of bribery, corruption, fraud or other illegal or unethical behaviour. The same goes for the Group's suppliers.	The Group has for several years established an internal Code of Conduct, a Code of Conduct for Suppliers and a Whistleblowing Policy. Its compliance is monitored annually in the annual performance review.

MAJOR RISKS AT NORDIC WATERPROOFING

RISK	DESCRIPTION	DEVELOPMENT DURING 2021	
Financial	Currency risks	The Group is exposed to currency risk in the form of transactions and currency conversions. Transaction exposure arises in connection with acquisitions and sales of goods and services in currencies other than the local currency of the relevant subsidiary. The translation exposure constitutes the risk represented by the translation difference in the form of the change in equity.	The Group has significant cash flows in foreign currencies (DKK, EUR and NOK) that arise in the ordinary course of the Group's business. Inflows and outflows of those foreign currencies are naturally well balanced and any net transaction exposure is therefore considered insignificant.
	Credit risks	Credit risks may occur in relationships with customers failing to perform their obligations.	In each country, Nordic Waterproofing has a large number of customers, most with low outstanding credit. The Group maintains a close relationship with its customers and any delays are monitored and rectified as soon as possible. Due to the ongoing pandemic, there was a particular focus in 2021 on monitoring outstanding credits. No major credit loss was reported in 2021.
	Commodity price risk	Commodity price risk is the risk that changes in the price of raw materials will unexpectedly impact the Group's income statement, balance sheet or cash flow. Nordic Waterproofing is primarily exposed to the risk of price changes of four types of raw materials: bitumen, SBS, polyester and EPDM. There is a risk that the Group will not be able to compensate for an increased cost of inputs by introducing a higher price towards the customer, or that such compensation can only be achieved after a period of negative impact on the Group's earnings and position.	The Group is exposed to commodity price volatility and may decide to hedge the price levels for a certain period of time and/or respond by raising the price of its products. In 2021, spot prices for bitumen were volatile as a result of the movements in the market price for oil, the Group had more stable commodity prices through hedge agreements during the first two quarters of the year. Raw material costs rose sharply on most raw materials and most of our operations were able to compensate by making price increases, sometimes with a certain delay leading to short-term lower margins.
	Financing risks	Financing risk means that the Group cannot finance its operations, for example by the Group's lenders terminate the credit agreement, suppliers no longer willing to deliver on credit or that there is no available capital from external investors.	In 2021, the Group extended the agreement for its long-term financing for another year, reducing this risk. The Group works actively with its relationships with major investors and the stock market in general to have established contacts if an external capital raising need to be made.
	Interest rate risk	Interest rate risk is the risk that a change in market interest rates will have a negative impact on the Group's income statement or balance sheet. The Group's bank loans carry variable interest rates in the form of EURIBOR 3M or STIBOR 3M plus a margin.	During 2021, the Group's covenants in the financing agreement have been at a stable level with large scope to the respective limit value, which has led to a continued low interest cost.
Sustainability	Environmental risks	The Group is exposed to environmental and production risks, such as major fires with both production stoppages and environmental impact as a consequence.	With regard to fires in proprietary production, this is followed up for each individual business unit in an annual assessment with preventive action programmes and testing of emergency contingencies. The follow-up is reported to Group Management. The Group has not been subjected to any incidents that have led to a negative environmental impact.
	Occupational safety and health risks	Group operations, especially the installation businesses which involve roof laying, are subjected to risks of accidents, with very severe injuries or even deadly outcomes as a consequence.	The Group continuously trains personnel with the aim of minimizing risks and accidents. Best practice comparisons are made between the different countries' organizations. In 2021, a particular focus has been on reducing accidents in the workplace that lead to absences and the work environment risks of working from home and not in the same way as before regularly meeting colleagues.
	Human rights	The Group has both common supply chains, and supply chains specific for our business units. We evaluate our suppliers but there is a risk that there are breaches of labour and human rights lower in the value chain.	The Group continuously evaluates the possible effects the Group's operations may cause. A Supplier Specific Code of Conduct is established which clarifies that the Group only accepts suppliers who respect human rights, including no discrimination.

Nordic Waterproofing is one of the leading providers in the waterproofing market in northern Europe. The Company provides high-quality products and solutions for waterproofing in Sweden, Finland, Denmark, Norway, Belgium, the Netherlands, Poland, the United Kingdom, Germany and Latvia. Nordic Waterproofing also provides installation services through wholly-owned subsidiaries In Finland, through a part-owned company in Norway and through part-owned franchise companies in Denmark. The Company markets its products and solutions under several brands, all with an extensive heritage, most of which are among the most established and well-recognized brands in waterproofing in their respective markets, such as Matakı, Trebolit, Phønix Tag Materialer, Kerabit, Byggpartner, SealEco, Distri Pond, SPT-Painting, Taasinge Elementer, RVT, Urban Green and Veg Tech. Nordic Waterproofing is listed in the Mid Cap segment on Nasdaq Stockholm with the stock ticker NWG. In 2021 the Group had Net sales of SEK 3,664 m and 1,272 employees in 10 countries.

NORDIC WATERPROOFING

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