Update of the double materiality assessment 2023

January 16, 2024

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Summary

Ratos carried out a double materiality assessment (DMA) in 2022 which resulted in 14 consolidated material topics.

At the time of the assessment, the European Sustainability Reporting Standards (ESRS) were still in a phase of rapid development. Though the first 12 standards now have been finalised, many aspects are still not set. To name a few:

- The launch of sector specific standards have been postponed.
- The assurance guidance is not expected until 2026.
- A string of draft guidance from the independent body EFRAG have been issued.

Within Ratos and its subsidiaries, however, no major changes have taken place. Similarly, no specific sustainability topics – impacts, risks or opportunities, have surfaced as having a substantially increased likelihood, severity and/or financial effect.

Based on this, it possible for Ratos to use the 2022 materiality assessment as basis for the 2023 reporting.

As agreed with the auditors, Aibel is excluded from the reporting and therefore data related to Aibel is excluded in the DMA. Minor amendments of the consolidation of material topics have been applied.

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Consolidated material topics 2022

E
ENVIRONMENT

- Buildings
- Climate change and energy
- Ecosystems
- Water

S
SOCIAL

- Migrant workers
- Occupational health and safety
- Quality and safety of products and services
- Working conditions
- Talent attraction and retention

G
GOVERNANCE

- Compliance with (new) legislation and policies
- Corruption and bribery
- Data security and integrity
- IT, automation and digitalisation
- Supply chain constraints

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Consolidated material topics 2023

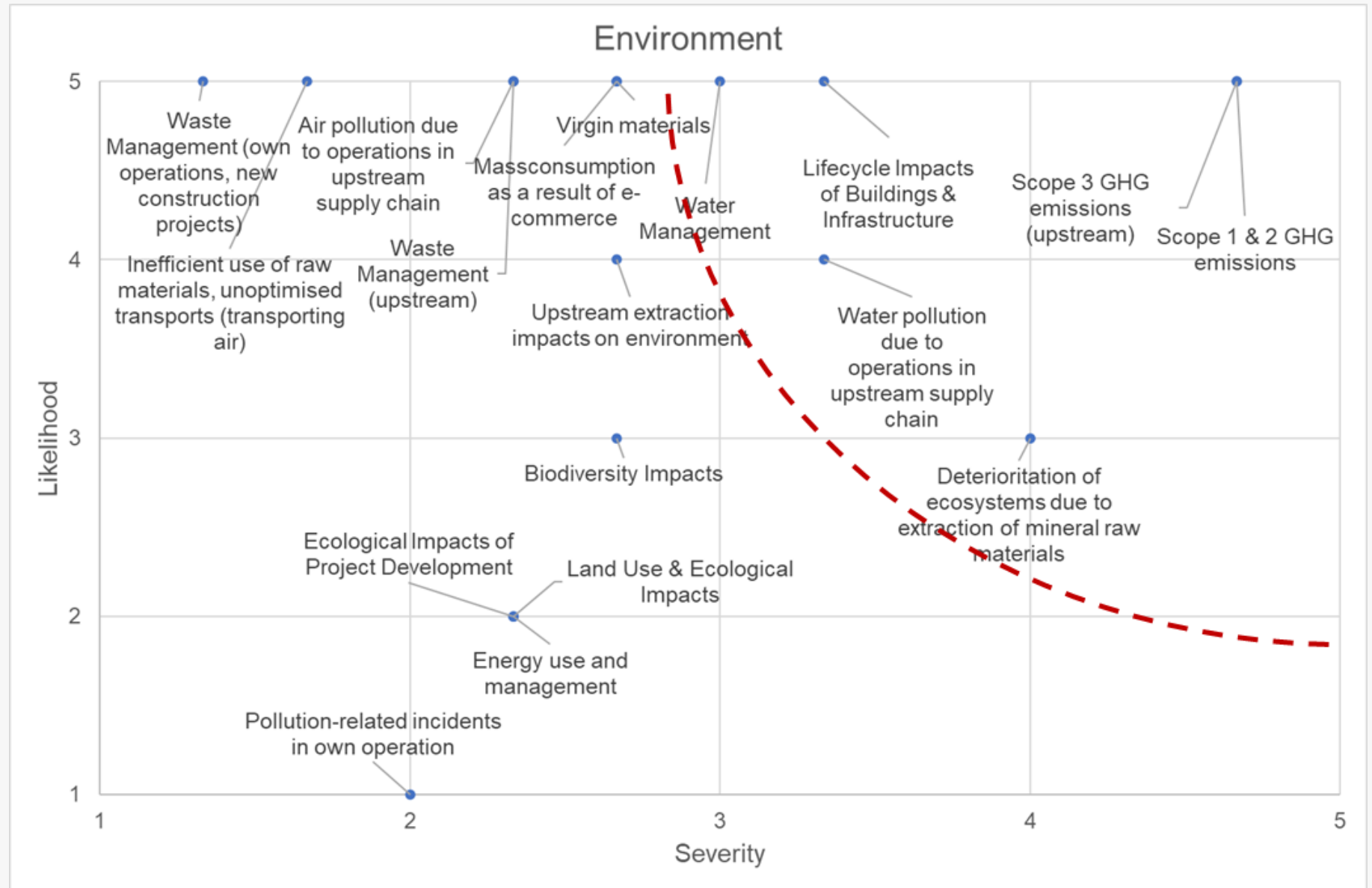| E ENVIRONMENT	S SOCIAL	G GOVERNANCE
• Buildings • Climate change and energy • Ecosystems • Water	• Migrant workers • Occupational health and safety [1] • Quality and safety of products and services • Working conditions [1] • Talent attraction and retention	• Compliance with (new) legislation and policies • Corruption and bribery • Data security and integrity [2]

1) Including the increased likelihood of negative impacts as a result of supply chain constraints (e.g. speedy efforts to replace suppliers / materials)
2) Including potential negative impact resulting from IT, automation and digitalisation
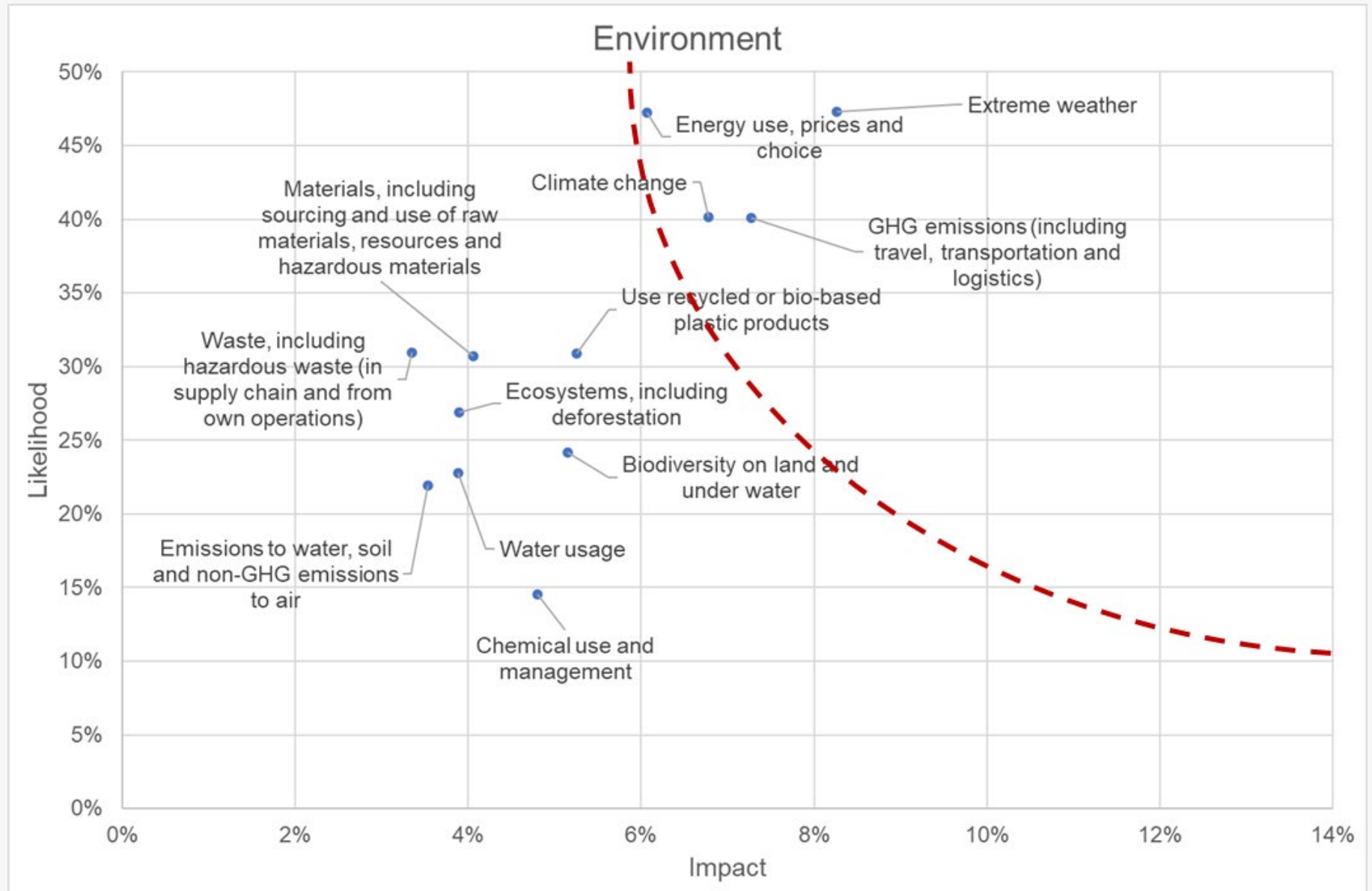
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Material topics – Environment

E

Topic	Materiality
Buildings	Buildings are used by Ratos and all its companies. Some are engaged in developing buildings or infrastructure which require building materials. The sourcing of building materials from raw materials as well as the required refinement processes have a negative impact on the environment through GHG emissions. At the same time, several Ratos companies are active in the construction sector, which is crucial in terms of providing solutions to prevent and mitigate Climate change.
Climate change and energy	The environment is affected by emissions throughout the value chain of Ratos' companies. At the same time, many of the companies have a positive impact through their offerings which decrease emissions.

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Material topics – Environment

E

Topic	Materiality
Ecosystems	Ecosystems are negatively impacted by the operations in the value chains of the companies. This occurs during extraction of raw materials, construction work, as well as spills.
Water	Certain processes in Ratos companies' value chains require large amounts of water, for example cement production.

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Outward impact - Environment

Environment

Likelihood (y-axis), Severity (x-axis)

- Waste Management (own operations, new construction projects)
- Air pollution due to operations in upstream supply chain
- Virgin materials
- Inefficient use of raw materials, unoptimised transports (transporting air)
- Massconsumption as a result of e-commerce
- Waste Management (upstream)
- Water Management
- Lifecycle Impacts of Buildings & Infrastructure
- Scope 3 GHG emissions (upstream)
- Scope 1 & 2 GHG emissions
- Upstream extraction impacts on environment
- Water pollution due to operations in upstream supply chain
- Biodiversity Impacts
- Deterioritation of ecosystems due to extraction of mineral raw materials
- Ecological Impacts of Project Development
- Land Use & Ecological Impacts
- Energy use and management
- Pollution-related incidents in own operation

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Inward impact - Environment

Environment

Likelihood vs Impact scatter plot:
- Extreme weather (~8%, 47%)
- Energy use, prices and choice (~6%, 47%)
- Climate change (~6.7%, 40%)
- GHG emissions (including travel, transportation and logistics) (~7.2%, 40%)
- Materials, including sourcing and use of raw materials, resources and hazardous materials (~4%, 30.5%)
- Waste, including hazardous waste (in supply chain and from own operations) (~3.3%, 31%)
- Use recycled or bio-based plastic products (~5.2%, 31%)
- Ecosystems, including deforestation (~4%, 27%)
- Biodiversity on land and under water (~5.2%, 24%)
- Emissions to water, soil and non-GHG emissions to air (~3.5%, 22%)
- Water usage (~4%, 23%)
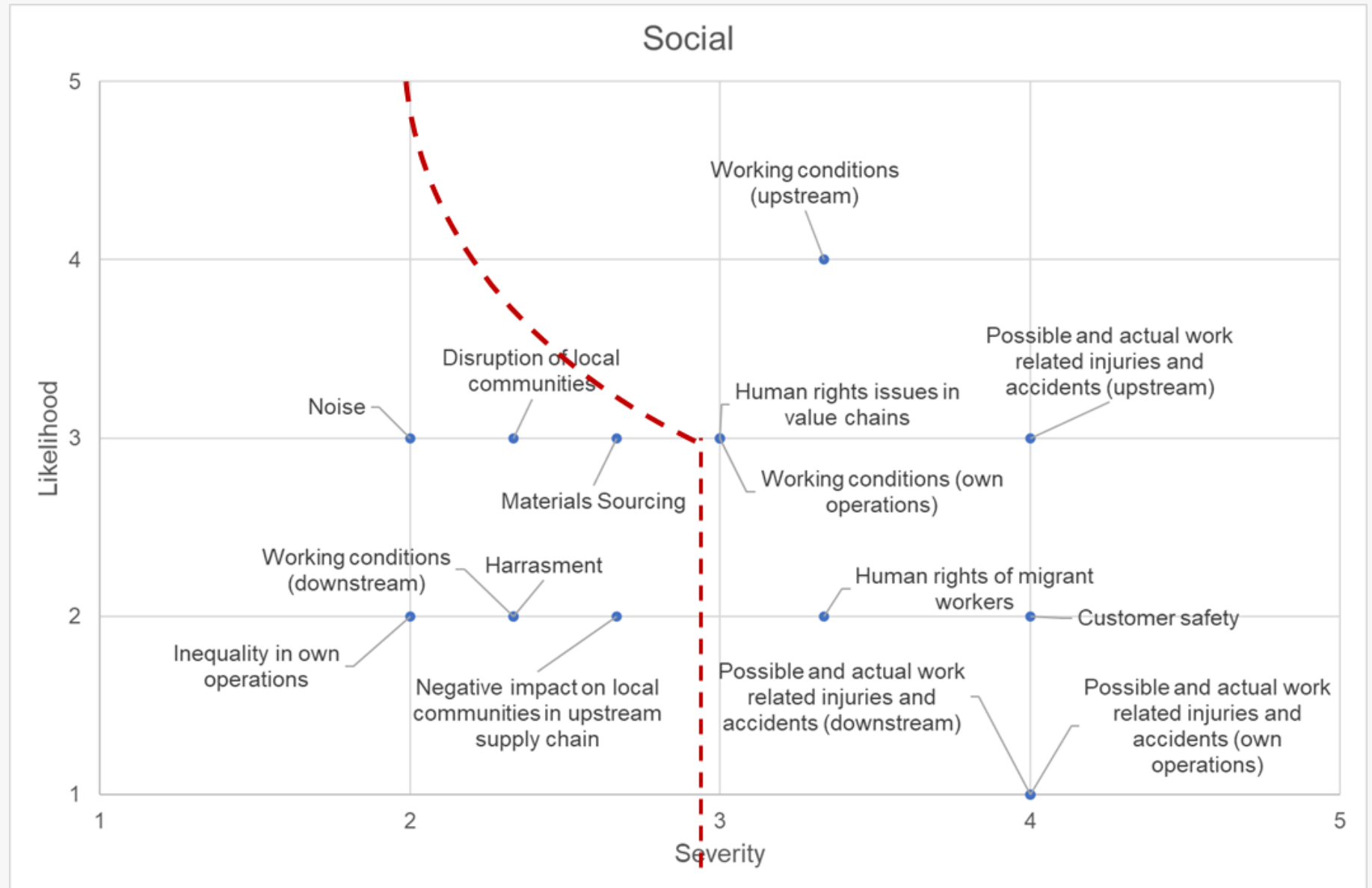- Chemical use and management (~4.8%, 14.5%)

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Material topics – Social

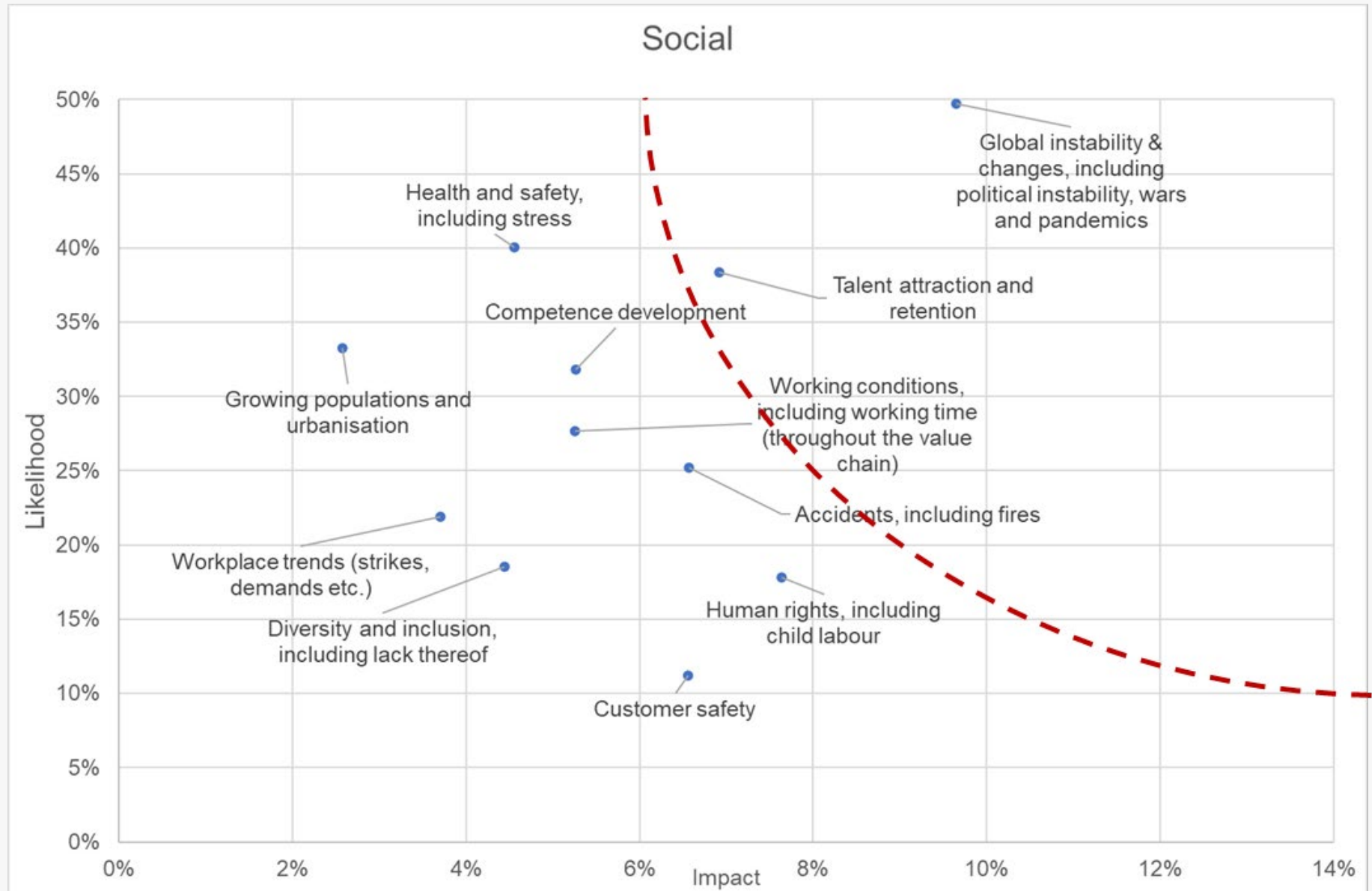| Topics	Materiality
Migrant workers	Migrant workers are prevalent in the construction sector, an area in which many Ratos' companies operate. It is also common upstream in most value chains. Migrant workers are often exposed to bad work environments or lack of labour rights. Ratos companies therefore risk being linked to negative impact on people and their human rights. The supply chain constraints many Ratos companies experience heightens the risk of this impact materialising.
Occupational health and safety	Substandard occupational health and safety is common in some parts of most value chain. Ratos companies therefore risk being linked to such negative impacts on people. At the same time, stress, accidents and illness can be costly to Ratos and its companies. The supply chain constraints many Ratos companies experience heightens the risk of this impact materialising.

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Material topics – Social

S

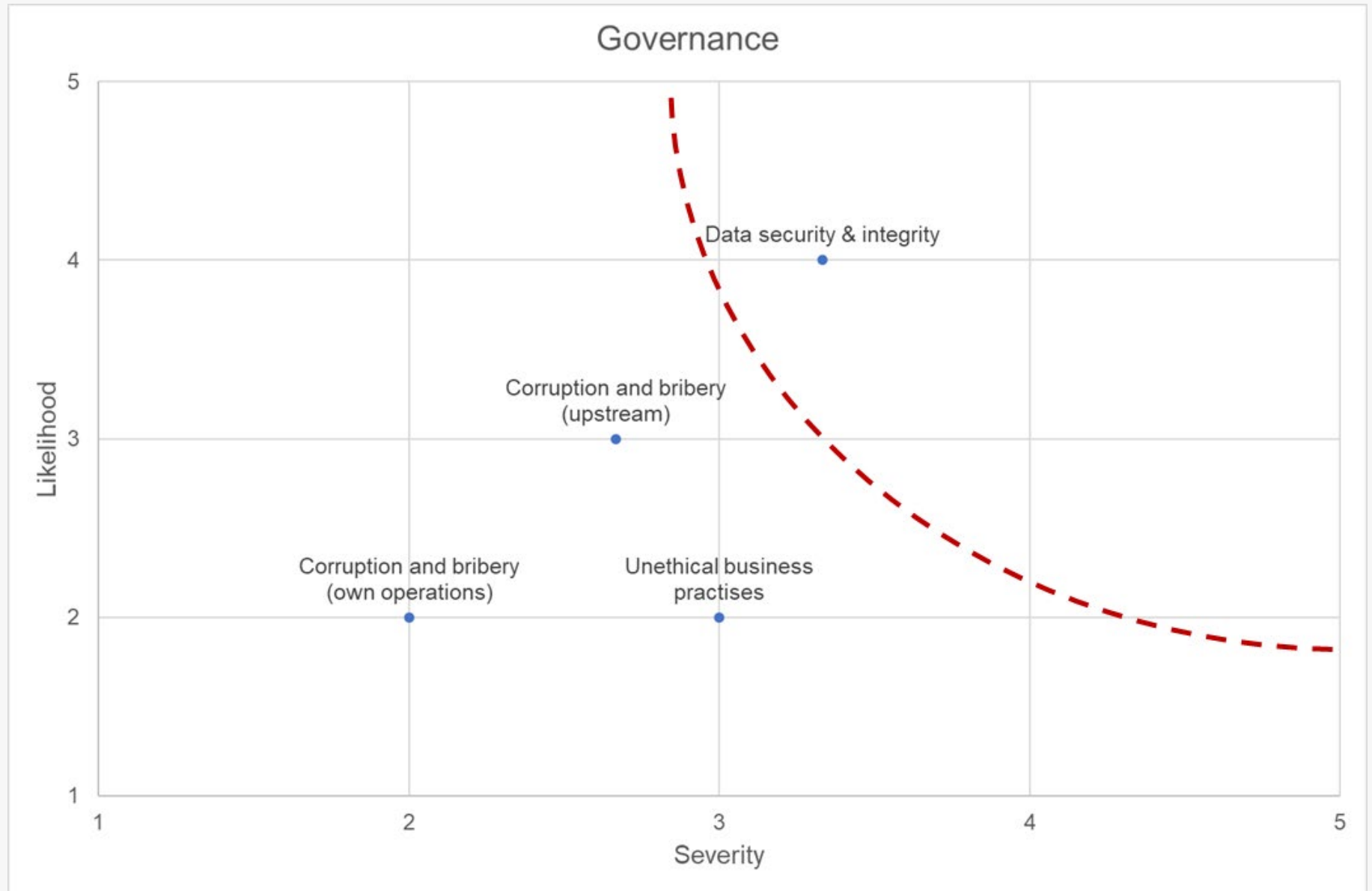| Topics	Materiality
Quality and safety of products and services	A lack of quality & safety of products & services in development or in delivery can have negative impacts on people in operations as well as among customers downstream in the value chains of Ratos companies.
Working conditions	Working conditions at Ratos companies differs from company to company, from sector to sector, especially when looking upstream and downstream. It is an area where negative impact can often occur, and that requires continuous monitoring and development. The supply chain constraints many Ratos companies experience heightens the risk of this impact materialising.
Talent attraction/ retention	Being responsible and attractive employers is key to success of Ratos' companies. Quality of management, work-life balance, competence development possibility affect engagement levels, and ultimately the success of Ratos.

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Outward impact - Social

Inward impact - Social

Social

- Global instability & changes, including political instability, wars and pandemics
- Health and safety, including stress
- Talent attraction and retention
- Competence development
- Growing populations and urbanisation
- Working conditions, including working time (throughout the value chain)
- Workplace trends (strikes, demands etc.)
- Accidents, including fires
- Diversity and inclusion, including lack thereof
- Human rights, including child labour
- Customer safety

Axes: Likelihood (0%–50%) vs Impact (0%–14%)

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Material topics – Governance

G

Topics	Materiality
Compliance with (new) legislation and policies	New regulation, requiring more sustainable ways of working, is introduced at an increasing speed both on national and EU level. Ensuring compliance is necessary but demanding. Non-compliance would be costly in many perspectives.
Corruption and bribery	There is a risk of corruption and bribery upstream in sourcing as well downstream in the sales process, especially for Ratos companies selling to certain sectors in certain geographies.
Data security and integrity	With an increased amount information available in cloud-based systems, the risk has increased of security breaches and personal integrity being breeched. While automation and digitalisation is a possibility to increase efficiency and profitability, such a development may lead to challenges related to data security and integrity (and more broadly the digital divide).

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Outward impact - Governance

Governance

Likelihood vs Severity scatter plot

- Data security & integrity — (Severity ~3.3, Likelihood 4)
- Corruption and bribery (upstream) — (Severity ~2.7, Likelihood 3)
- Corruption and bribery (own operations) — (Severity 2, Likelihood 2)
- Unethical business practises — (Severity 3, Likelihood 2)

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Inward impact - Governance