

Ratos and the EU Taxonomy 2023

The EU taxonomy was expanded in 2023 to cover four additional environmental objectives: water and marine resources, the transition to a circular economy, pollution, and biodiversity. For the 2023 financial year, nonfinancial companies are to disclose the proportion of their activities that are eligible in accordance with each of the six objectives of the Taxonomy, as well as the proportion of their eligible activities that are also taxonomy-aligned. In this text, we outline our assessment process, identify activities that meet taxonomy criteria, and present our findings on the eligibility and alignment of these activities with the EU taxonomy.

The EU Taxonomy is part of the EU's action plan on financing sustainable growth. The purpose of the Taxonomy is to channel companies and capital flows towards more sustainable activities. The Taxonomy Regulation is a classification system that offers shared definitions of sustainable economic activities. Reporting in line with the Taxonomy links the company's financial reporting of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) with defined sustainability criteria for various economic activities. The environmental objectives included in the Taxonomy are: (i) climate change mitigation, (ii) climate change adaptation, (iii) the sustainable use and protection of water and marine resources, (iv) the transition to a circular economy, (v) pollution prevention and control, (vi) the protection and restoration of biodiversity and ecosystems.

Assessment process

Ratos taxonomy reporting covers the full group structure, including all subsidiaries except for Aibel, which is an associated company and not a subsidiary. Each subsidiary has independently analysed its economic activities with support from Ratos. This information has then been compiled and quality-assured at group level. During the year, Ratos have provided the subsidiaries with training to ensure that they have sufficient knowledge of the EU taxonomy to conduct their analyses and reporting in accordance with the requirements and guidelines contained in the EU taxonomy. As a complement to this training, the companies have also had access to individual guidance to facilitate the taxonomy analysis in each company and to ensure that the framework is interpreted and implemented consistently across the entire Group. Ratos will continue

with this approach in 2024 to ensure that the EU Taxonomy is managed in a proactive and effective manner.

As part of the assessment process, also the complementary delegated act containing nuclear energy-related and fossil gas-related activities has been assessed. Ratos have concluded that none of the group's subsidiaries are covered by these activities as none of the subsidiaries carry out, finance or are exposed to the nuclear energy-related and fossil gas-related activities that are listed in the complementary delegated act.

Taxonomy eligible activities

Nine of the group's companies have identified taxonomy-eligible activities. On a consolidated level, in 2023, 47% of turnover, 14% of CapEx and 9% of OpEx were taxonomy-eligible. Of Ratos three business areas – Construction & Services, Consumer and Industry – the largest proportion of taxonomy-eligible turnover, CapEx and OpEx are attributable to the Construction & Services business area through the companies HENT, SSEA Group, Airteam and NVBS. Within Industry, Diab, OASE and Semcon conduct taxonomy-eligible activities, and within Consumer, a portion of KVD and Plantasjen's activities are taxonomy-eligible.

HENT and SSEA Group are active in the construction sector. Most of HENT's turnover is attributable to the taxonomy activities "Renovation of existing buildings" and "Construction of new buildings". For SSEA Group, this equals all its turnover. A portion of both companies' CapEx is also attributable to these two activities. Airteam's core business involves installing and maintaining ventilation systems. All of the company's revenue is generated from activities categorized under the taxonomy activity "Installation, maintenance, and repair of energy efficiency equipment,"

which includes ventilation services. A significant portion of NVBS's operations revolves around railway maintenance and contracting, making it eligible for the taxonomy activity "Infrastructure for rail transport."

Diab, Semcon, and Oase operate within the business area Industry. Close to half of Diab's revenue come from the wind power sector, where its unique products play a significant role in wind turbine production. Diab's technology stands out as a unique solution in the market for crafting wind turbine blades using sandwich technology. Recognizing the pivotal role of this unique solution in numerous wind turbines, we classify this portion of the company's revenue as eligible under the taxonomy activity "Manufacture of renewable energy technologies". Semcon derives a small fraction of its revenue from conducting energy audits of buildings, qualifying it as part of the taxonomy-eligible activity "Professional services related to energy performance of buildings." Similarly, a small share of Oase's turnover come from the activity "Sale of second-hand goods", a new activity in the EU taxonomy relating to the environmental objective of circular economy.

Within the business area Consumer, KVD has identified a small portion of its revenue, CapEx, and OpEx as eligible associated with the activities "Transportation by motorcycles, passenger cars, and light commercial vehicles" and "Installation, maintenance and repair of charging stations for electric vehicles in buildings". In addition to this, a majority of its turnover and OpEx are eligible under the activity "Sale of second-hand goods" since KVD's business is based on trading second-hand vehicles. For Plantasjen, almost a third of its CapEx is attributable to "Installation, maintenance, and repair of energy efficiency equipment" related to energy efficiency investments in several stores during 2023.

The rest of the companies within the group have not identified any eligible activities related to the three taxonomy KPIs turnover, CapEx, and OpEx in 2023. Reporting principles and eligibility assessments remain consistent with the previous year.

Taxonomy-aligned activities

Ratos assessment is that we cannot count any of the turnover, CapEx or OpEx for 2023 as taxonomy-aligned. In the light of the guidelines in the “Final Report on Minimum Safeguards” from the Platform on Sustainable Finance (October 2022) on how companies can become aligned with the EU taxonomy’s minimum safeguards, Ratos current assessment is that the group does not currently comply with the EU taxonomy’s expectations with respect to the due diligence process in line with the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines) and the UN Guiding Principles on Business and Human Rights (UNGPs).

Accordingly, none of the group’s taxonomy-eligible activities can be counted as taxonomy-aligned. In the assessment of the group’s taxonomy-eligible activities, also the detailed requirements related to the do no significant harm criteria for climate adaptation and pollution prevention and control have proven hard to comply with without further investments.

Several of the group’s companies with taxonomy-eligible activities are however already aligned with the technical screening criteria for making a substantial contribution to “climate change mitigation”. This will provide the group with good conditions over the coming year to increase the proportion of taxonomy-aligned turnover, CapEx and OpEx by developing processes and strengthening communication concerning the aforementioned minimum safeguards and climate risk analyses.

There is currently no CapEx plan in accordance with the EU taxonomy criteria.

Outlook

The taxonomy assessment for 2023 provides a good basis for addressing and developing the processes related to the taxonomy requirements in future years. Ratos materiality assessment in accordance with the concept of double materiality and the preparations for upcoming ESRS reporting is an important cornerstone in the work of establishing the due diligence process needed to adapt to the EU taxonomy’s requirements for minimum safeguards. During 2024, Ratos will continue to actively develop its taxonomy reporting process and provide ongoing training and guidance to subsidiaries.

	Proportion of turnover/ Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	43%
CCA	0%	0%
WTR	0%	0%
CE	0%	40%
PPC	0%	0%
BIO	0%	0%

	Proportion of CapEx/ Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	9%
CCA	0%	0%
WTR	0%	0%
CE	0%	6%
PPC	0%	0%
BIO	0%	0%

	Proportion of OpEx/ Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0%	6%
CCA	0%	0%
WTR	0%	0%
CE	0%	3%
PPC	0%	0%
BIO	0%	0%

CCM: Climate Change Mitigation
 CCA: Climate Change Adaptation
 WTR: Water and Marine Resources
 CE: Circular Economy
 PPC: Pollution Prevention and Control
 BIO: Biodiversity and ecosystems

Turnover

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover, 2022	Category enabling activity	Category transitional activity	
	Code	Turnover	Proportion of Turnover, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity					
																				Y; N; N/EL
Economic Activities		SEKm	%															%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
N/A																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)																				
Of which Enabling																				
Of which Transitional																				
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Manufacture of renewable energy technologies	CCM 3.1	416	1.2%	EL																
Sale of second-hand goods	CE 5.4	1,328	3.9%					EL												
Infrastructure for rail transport	CCM 6.14	291	0.9%	EL																
Construction of new buildings	CCM 7.1/CE 3.1	10,999	32.6%	EL				EL												
Renovation of existing buildings	CCM 7.2/CE 3.2	938	2.8%	EL				EL												
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	1,740	5.2%	EL																
Professional services related to energy performance of buildings	CCM 9.3	1	0.0%	EL																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		15,713	46.6%															44.6%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		15,713	46.6%															44.6%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)																				
18,035 53.4%																				
Total																				
33,748 100.0%																				

CapEx

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx, 2022	Category enabling activity	Category transitional activity
	Code	CapEx	Proportion of CapEx, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity				
Economic Activities		SEKm	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
N/A																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%																
Of which Enabling		0	0%																
Of which Transitional		0	0%																
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of renewable energy technologies	CCM 3.1	13	1.3%	EL															
Infrastructure for rail transport	CCM 6.14	1	0.1%	EL															
Construction of new buildings	CCM 7.1/CE 3.1	60	6.0%	EL				EL											
Renovation of existing buildings	CCM 7.2/CE 3.2	0	0.0%	EL				EL											
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	61	6.2%	EL															
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		136	13.6%														5.5%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		136	13.6%														5.5%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		861	86.4%																
Total		998	100.0%																

OpEx

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, 2022	Category enabling activity	Category transitional activity
	Code	OpEx	Proportion of OpEx, 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity				
Economic Activities		SEKm	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
N/A																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			0	0%															
Of which Enabling			0	0%															
Of which Transitional			0	0%															
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
					EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL									
Manufacture of renewable energy technologies	CCM 3.1	34	3.7%	EL															
Sale of second-hand goods	CE 5.4	31	3.4%					EL											
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	4	0.4%	EL															
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	15	1.6%	EL															
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			83	9.1%													10.8%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)			83	9.1%													10.8%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)			832	90.9%															
Total			915	100.0%															