

Enact[®]



**Ratos:
Double materiality**

January 12, 2023

Summary

The materiality process

This description or an amended version of it can be used in the more detailed description of Ratos' sustainability work in the Annual and Sustainability report

Ratos' most significant sustainability topics are identified through a double materiality analysis, looking at Ratos' impact on the world (outward impact) as well as how different aspects of sustainability have an impact on Ratos.

The analysis comprises a compilation of information about the activities of Ratos and its portfolio companies, intelligence gathering, mapping of typical risks as well as relevant regulations, and dialogue with key stakeholders.

Based on the impact, likelihood and relative weight, a limited number of topics have been identified as most material, either because they constitute material impact *of* Ratos on others (*impact materiality*) or impact *on* Ratos (*financial materiality*) or both.

Based on the topics identified as most material, Ratos defines targets and action plans to carry out and develop the sustainability work, and to strengthen long-term value creation.

Material topics – Aggregated list

Environment

Buildings
Climate change &
energy
Ecosystems
Water

Social

Migrant workers
Occupational health
& safety
Quality & safety of
products & services
Working conditions
Talent attraction/
retention

Governance

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

Material topics

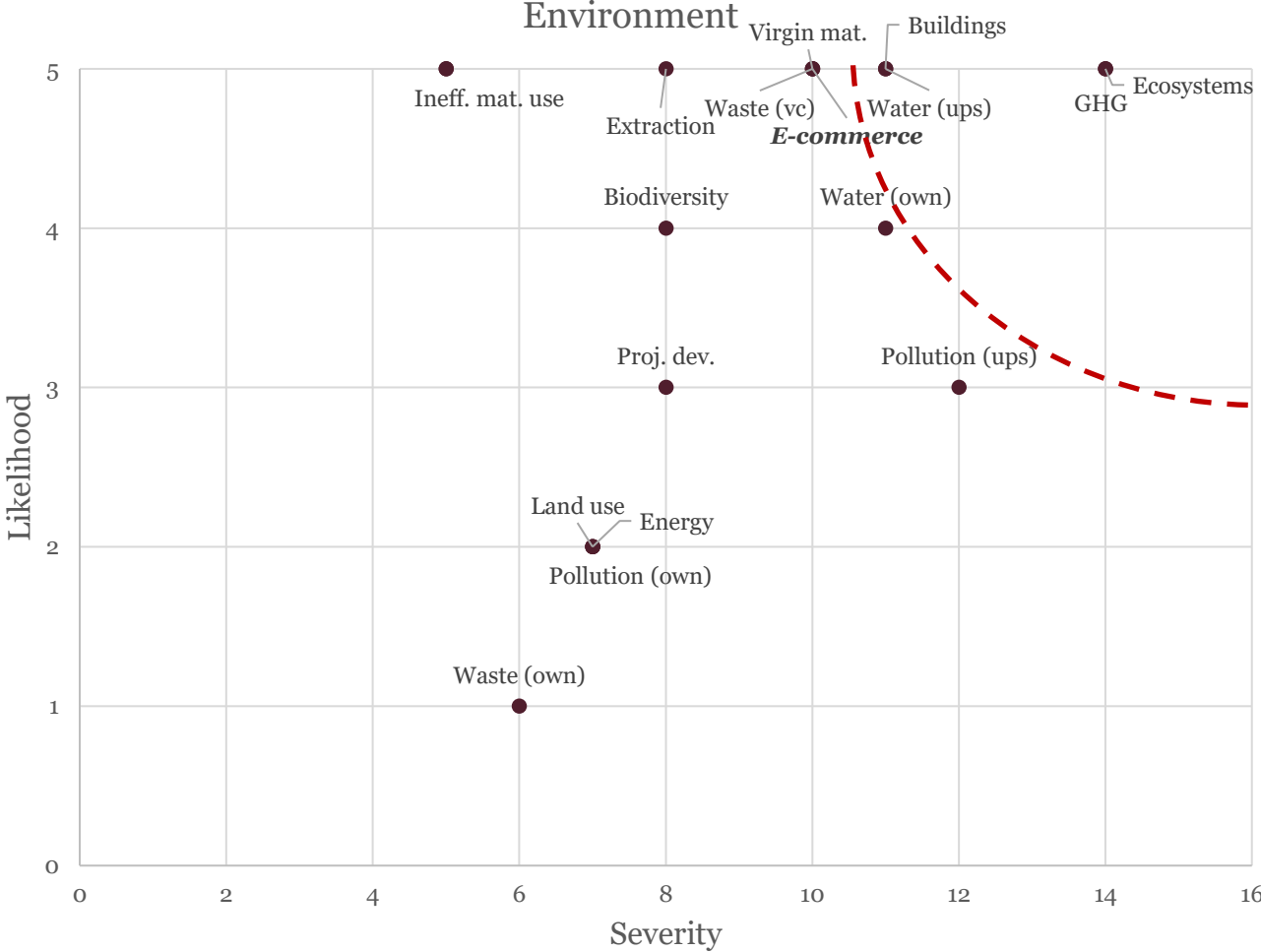
Material topics – Environment

Topic	Materiality
Buildings	Buildings are used by Ratos and all its portfolio 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 & energy	The environment is affected by emissions throughout the value chain of Ratos' portfolio companies. At the same time, many of the companies have a positive impact through their offerings which decrease emissions.

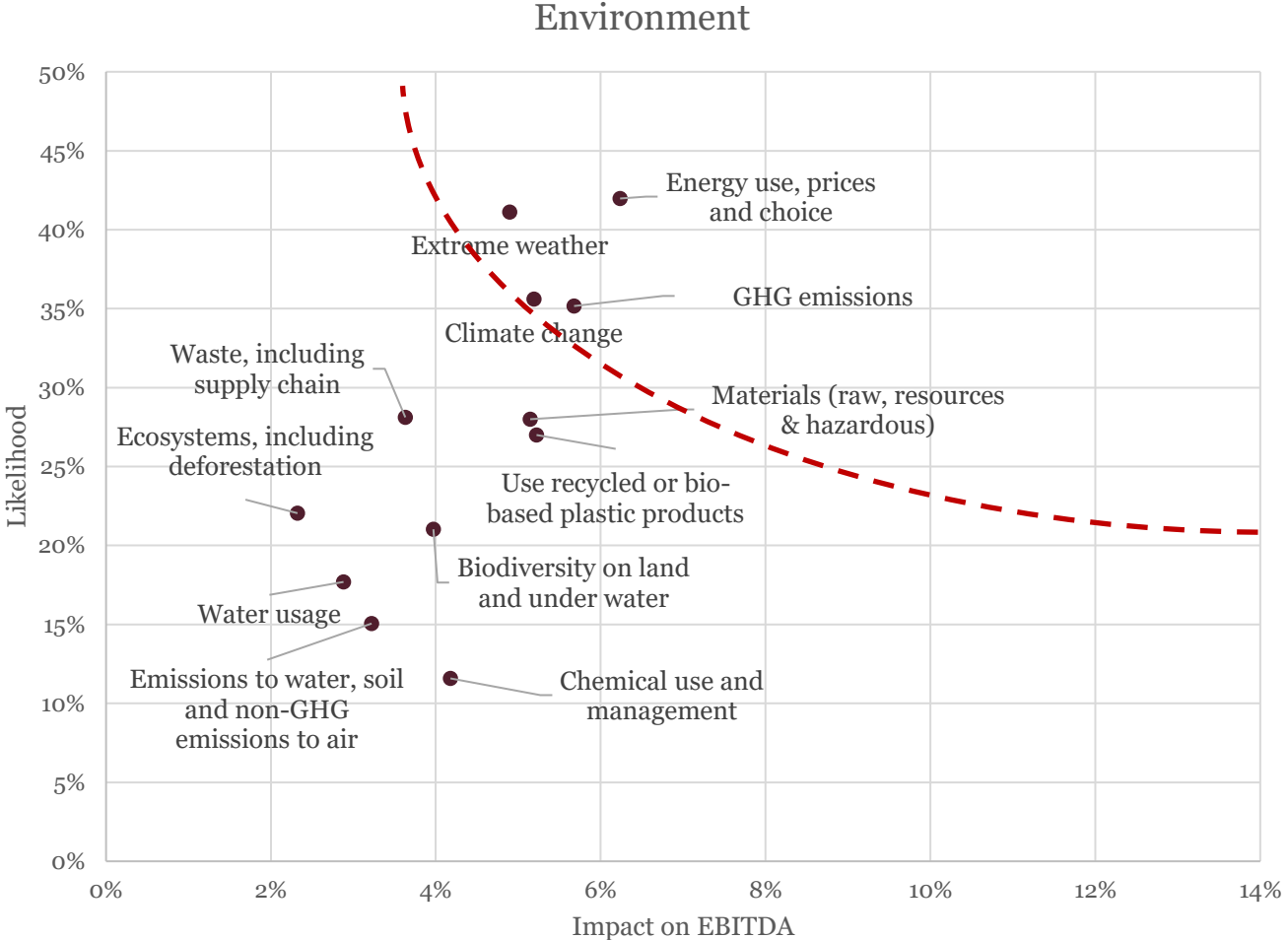
Material topics – Environment

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

Outward impact - Environment



Inward impact - Environment



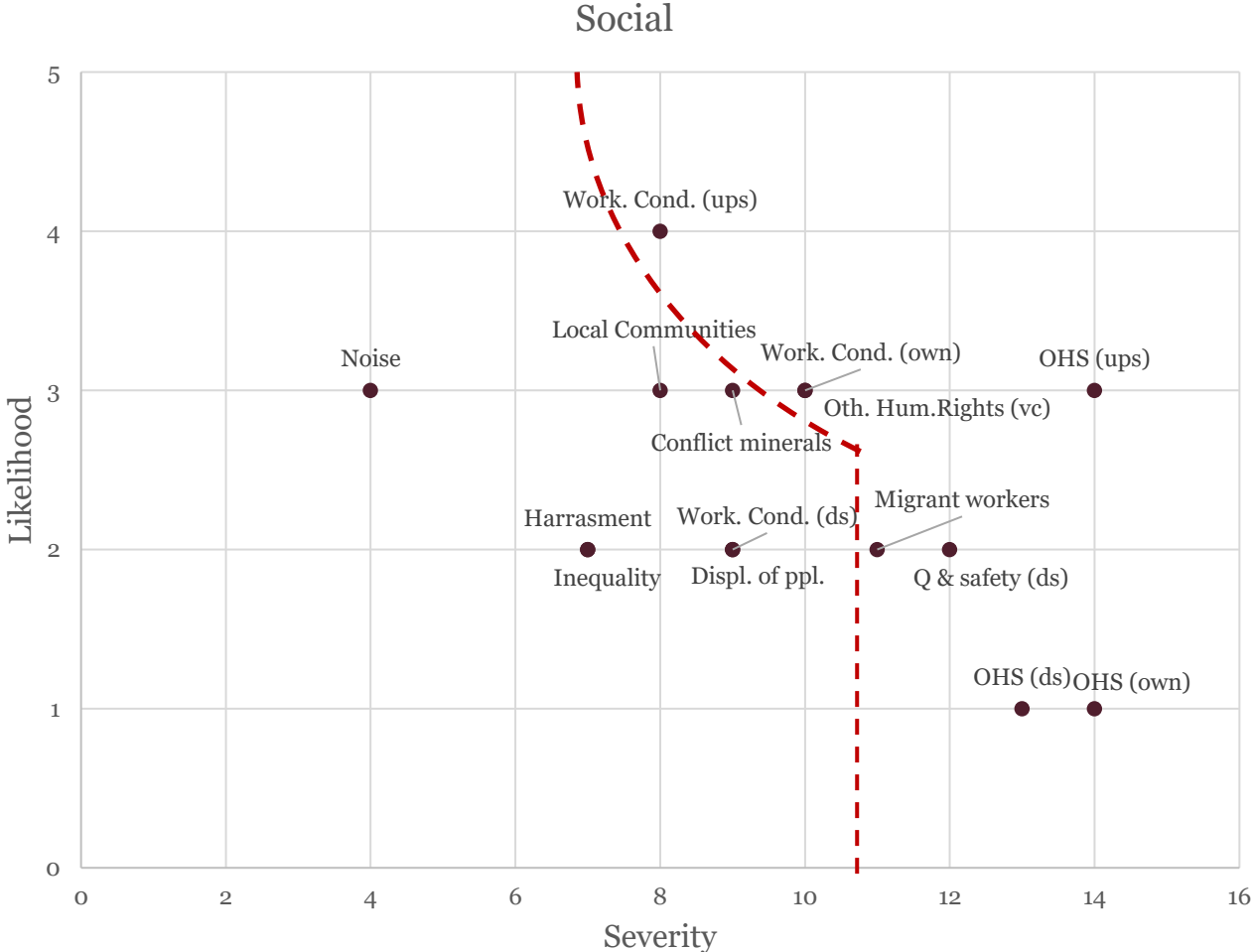
Material topics – Social

Topic	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.
Occupational health & 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 portfolio companies.

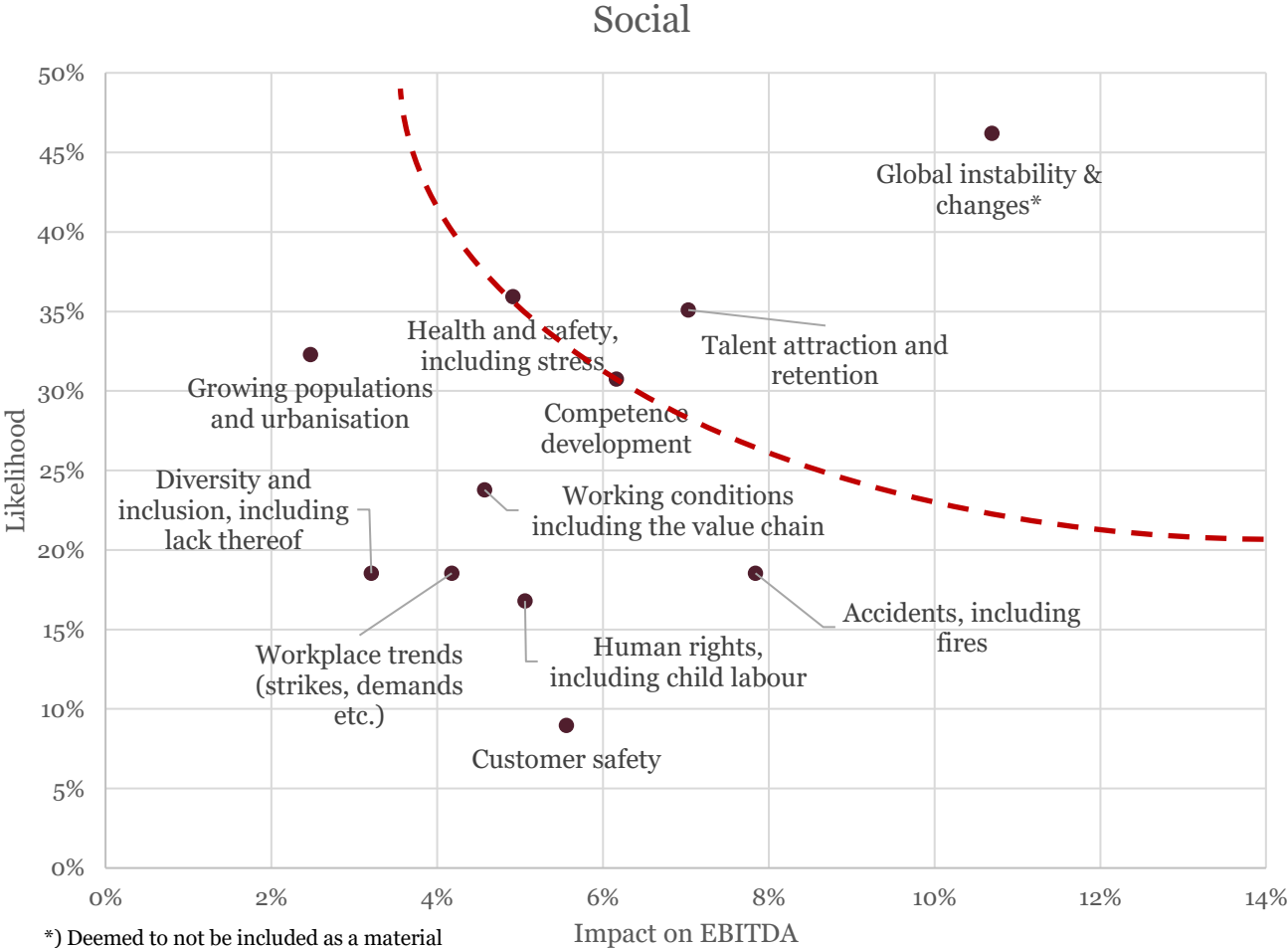
Material topics – Social

Topic	Materiality
Quality & safety of products & 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.
Talent attraction/retention	Being responsible and attractive employers is key to success of Ratos' portfolio companies. Quality of management, work-life balance, competence development possibility affect engagement levels, and ultimately the success of Ratos.

Outward impact – Social issues



Inward impact - Social



*) Deemed to not be included as a material sustainability topic, though the issue is highly important from a business perspective.

Material topics

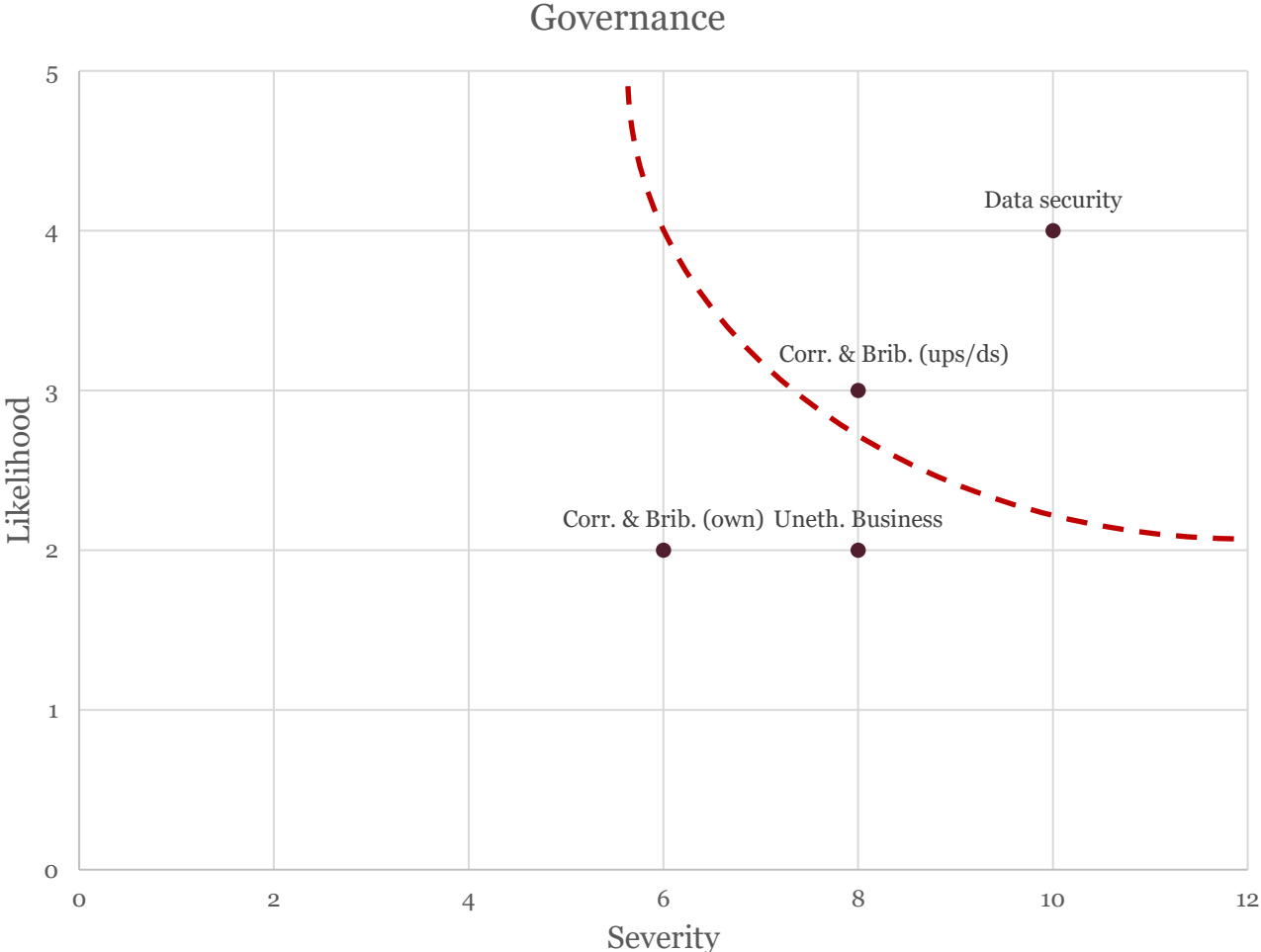
– Governance

Topic	
Compliance with (new) legislation & 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.
Corruption & bribery	There is a risk of corruption and bribery upstream in sourcing as well downstream in the sales process, especially for portfolio companies selling to certain sectors in certain geographies.
Data security & integrity	With an increased amount information available in cloud-based systems, the risk has increased of security breaches and personal integrity being breeched.
IT, automation & digitalisation	Automation and digitalisation is a possibility to increase efficiency and profitability. At the same time, it may lead to challenges related to unemployment and the digital divide.

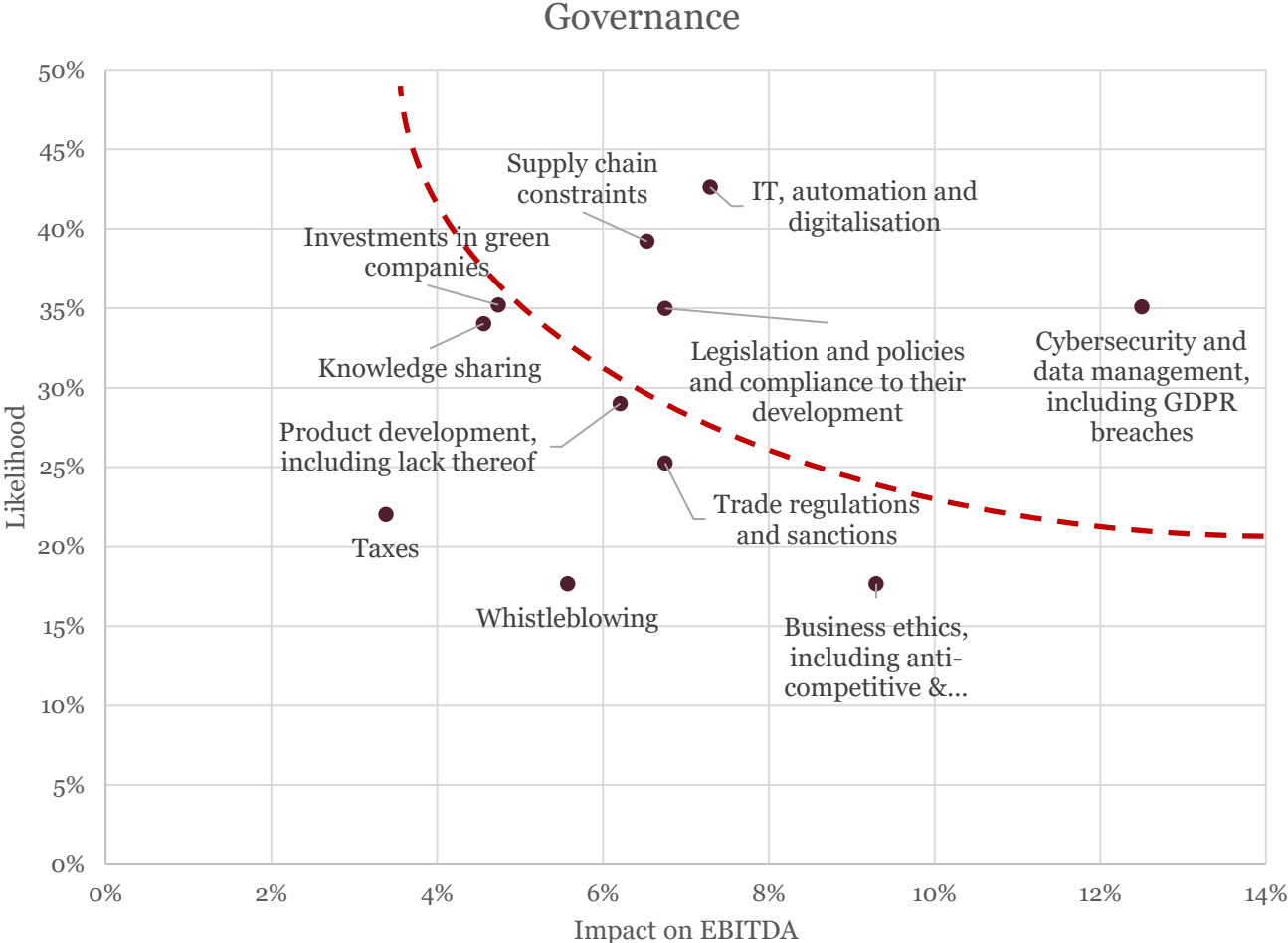
Material topics – Governance

Topic	
Supply chain constraints	Lack of supply of certain products and other constraints in the supply chain is a direct challenge to the financial success of Ratos. It also increases the risk of causing or contributing to negative impact on people and the environment, when suppliers are screened and onboarded too quickly.

Outward impact – Governance



Inward impact - Governance



Definitions & concepts

What do we mean by impact?

An organisation can have impact on:

Economy

Environment

People, including their
human rights



Impact can be:

Positive, negative, actual, potential, direct, indirect, short-term, long-term, intended or unintended

But impact goes both ways

Economy

Environment

People, including their
human rights

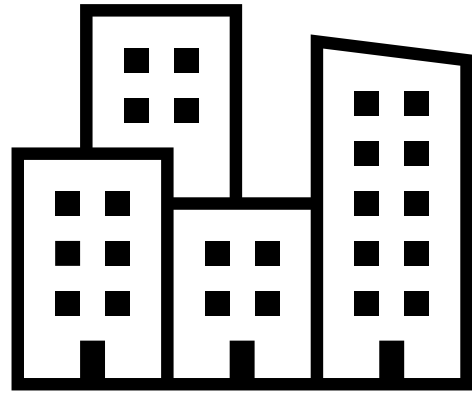
...can have impact on an organisation



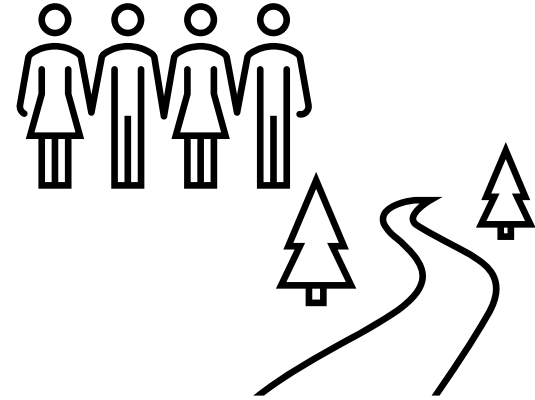
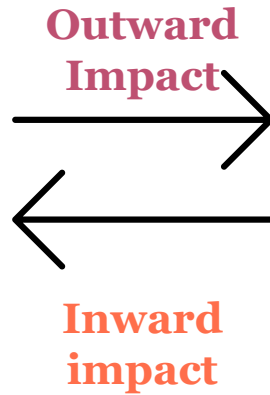
Impact can be:

Positive, negative, actual, potential, direct, indirect, short-term, long-term,
intended or unintended

Double materiality: Outward and inward impact

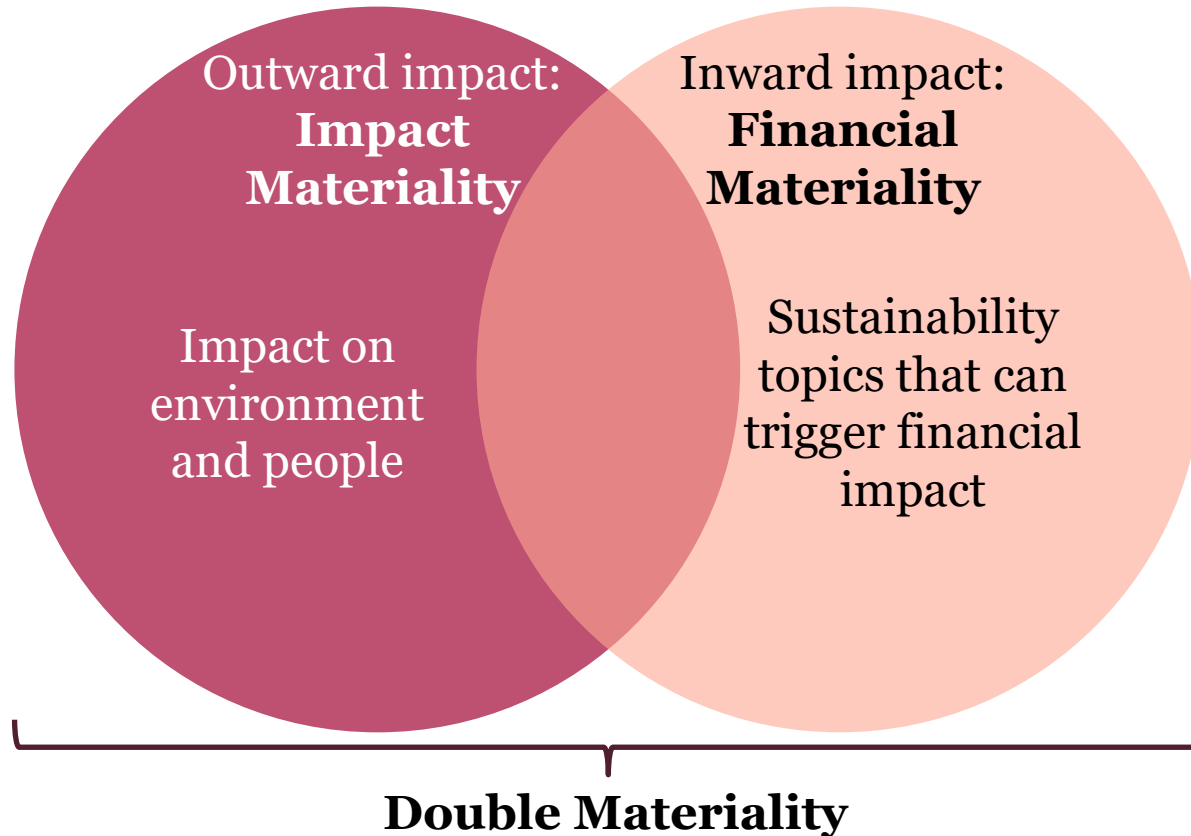


The organisation

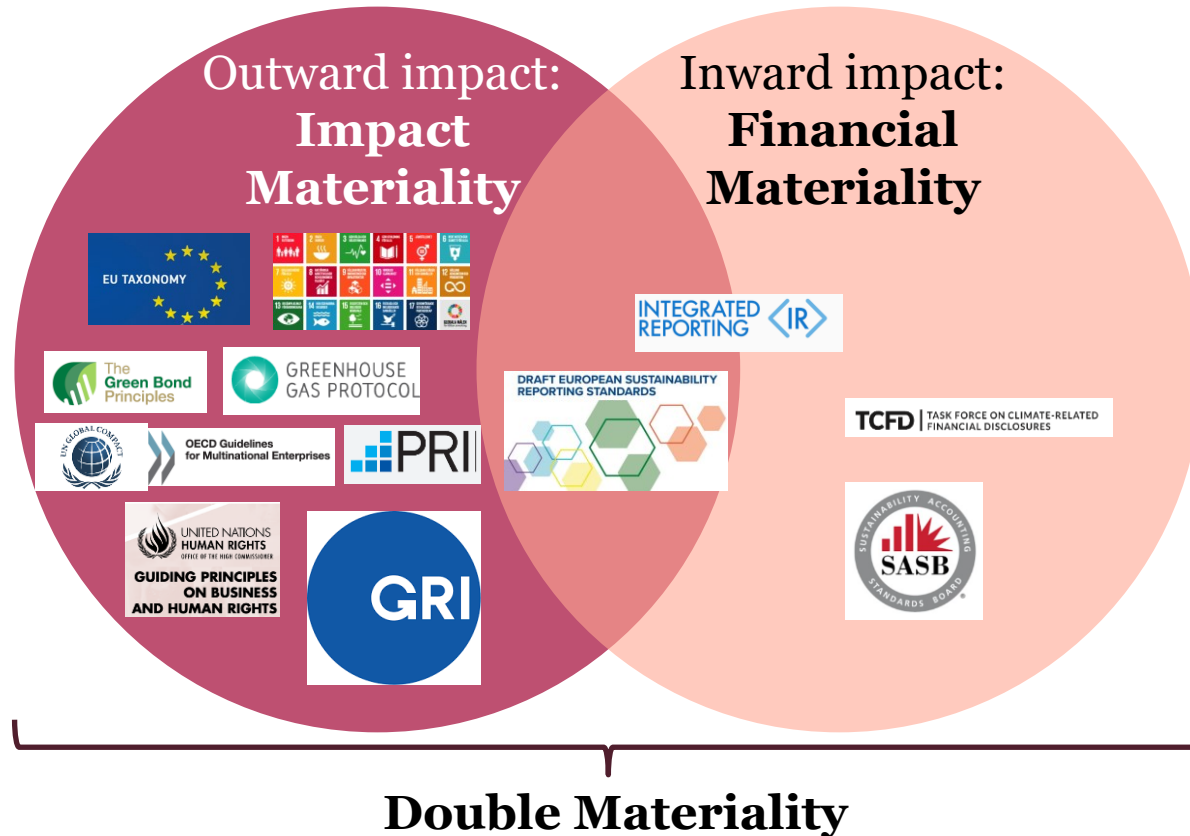


People and the environment

Double materiality



Double materiality: A jungle of reporting requirements and other regulatory development



Project & Methodology

The information gathering process

The process for gathering information about the activities of Ratos and its portfolio companies comprised of a rigorous analysis of internal documents from Ratos and portfolio companies. The analysis focused on identifying business activities and practices, and their respective characteristics from a materiality impact perspective.

A mapping of typical risks pertaining to the business areas Ratos portfolio companies are active in was also conducted. This mapping took into account both internal risk analyses from within Ratos, as well as external sources which outlines general risks for a given industry our business activity.

Furthermore, an analysis of relevant regulations was conducted to find potential material topics for the current and upcoming regulatory requirements for Ratos and its portfolio companies.

Lastly, a dialogue with key stakeholders was conducted to provide an insight into the stakeholders' views on sustainability issues and Ratos, as well as portfolio companies, within their area of expertise. A survey was also conducted to gather stakeholders' views on how sustainability issues can affect Ratos and its portfolio companies.

Mapping & Stakeholder dialogue – Desktop research

In order to produce a preliminary list of Ratos’ actual and potential impacts, a desktop research was conducted based on your industry and value chain using internal documentation and external sources. In this step, we also conducted the qualitative interviews.

Internal sources:

- Annual report 2021
- Ratos Code of Conduct
- Ratos internal policies
- Ratos AB risk & assurance mapping
- Portfolio companies’ annual & sustainability reports
- Interviews
- Portfolio companies’ compliance surveys
- Portfolio companies’ risk mapping

External sources:

- ESRS April draft standards
- CSR Risk Check
- SASB
- BHR navigator
- Interviews

Mapping & Stakeholder dialogue – Impact workshop

An interactive workshop was conducted with participants from Ratos portfolio companies with special knowledge company and their operations. Under the leadership of a facilitator, discussions were held about the company's impact on various sustainability issues. The workshop was conducted with the purpose to ensure that their views on impact, risks and opportunities are captured in the materiality analysis, and that the portfolio companies gain an understanding of the process.

Part 1: Negative impact

What are the largest negative impacts throughout the different steps of Ratos' value chain?

Part 2: Significance

Which of the listed topics have the most significant impact?

Part 3: Positive impact

What are the largest positive impacts throughout Ratos' whole value chain?

Mapping & Stakeholder dialogue – Interviews

In order to assess the impact on the various sustainability issues as well as the impact of the sustainability issues on Ratos, qualitative interviews were conducted. The interviews were conducted with the following stakeholders:

Ratos employees:

- President of BA
- CEO of portfolio company
- Management team members
- Sustainability manager of portfolio company

Client:

- *Sustainability Project Manager - Global Procurement at a European energy company*

Other:

- An important owner of Ratos

Internal survey – Introduction

Enact, on behalf of Ratos, sent out an internal survey to key stakeholders in Ratos AB and its portfolio companies between 11 and 30 November 2022. The survey was sent to 35 stakeholders and received 25 responses, a response rate of 71%. At least one response was received from each portfolio company.

The survey aimed to gather information about Ratos and its portfolio companies' views on the inward impact which sustainability issues have on Ratos. The sustainability issues included in the survey were based in the output of the mapping and stakeholder dialogue conducted before the survey.



**25
responses**



**71% response
rate**

The impact weighting process

Once the data was collected, a gross list of potential sustainability topics was created. The list was then consolidated to remove redundancies and identical entries. Throughout this process, the sources of the topics were combined to map for which business area and portfolio companies they were relevant for. The result of this process step is a consolidated list of potential material topics for Ratos and its portfolio companies.

The gross list was used as a basis for the stakeholder survey, providing insight into the severity and likelihood of the sustainability issues from the stakeholder's perspective.

The survey results provided a basis for weighting the sustainability topics, which was complemented with financial data about the portfolio companies. This exercise results in a weighted comprehensive overview of how each sustainability topic is likely to occur and its corresponding impact.

As a last step, the weighted sustainability topics was presented before the management team in a workshop to validate the results of the process.

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