Ratos and the EU Taxonomy 2022

The requirements for reporting in line with the EU Taxonomy as part of the statutory sustainability report have been expanded for 2022 compared with the preceding year. For the 2022 financial year, non-financial companies are to disclose the proportion of their activities that are eligible in accordance with the current version of the taxonomy and the proportion of their eligible activities that are also taxonomy-aligned. In this section, we describe our analysis process, which activities are taxonomy-eligible and our conclusions with regard to whether these activities are taxonomy-aligned.

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. At present, only two of a total of six environmental objectives are included in the Taxonomy: (i) climate change mitigation, and (ii) climate change adaptation. Assuming the timetable is not delayed further, the other four environmental objectives will be published and adopted by the EU in 2023. The remaining four environmental objectives are: (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.

Analysis process

Ratos's taxonomy reporting covers the entire Group, including all subsidiaries except Aibel, which is an associate. Each subsidiary has analysed its economic activities with support from Ratos. This information was then compiled and quality-assured at Group level. During the year, Ratos provided the subsidiaries with training to ensure that they have sufficient knowledge of the taxonomy to conduct their analyses and reporting in accordance with the requirements and guidelines contained in the 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 2023 to ensure that the EU Taxonomy is handled in a proactive and effective manner.

Taxonomy-eligible activities

Seven of the Group's companies have identified taxonomy-eligible activities. This means that for the Group as a whole in 2022, 44.6% of turnover, 5.5% of CapEx and 10.8% of OpEx were taxonomy-eligible. Of Ratos's 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 and Semcon conduct taxonomy-eligible activities, and within Consumer, a portion of KVD's activities are taxonomy-eligible.

For the Group's two companies in the construction industry, HENT and SSEA Group, all of the companies' turnover is attributable to the taxonomy activities "Renovation of existing buildings" and "Construction of new buildings". A portion of both companies' CapEx and OpEx is also attributable to these two activities. airteam's business comprises installation and maintenance of ventilation systems, and all of the company's turnover are attributable to the taxonomy activity "Installation, maintenance and repair of energy efficiency equipment", an activity whose definition also includes ventilation. A large part of NVBS's business involves railway maintenance and contracting and therefore comprises the taxonomy-eligible activity "Infrastructure for rail transport"

Nearly half of Diab's turnover is attributable to the wind power segment, where the company's unique products represent an important part of the production of wind turbines. Diab's technology is the market's only solution for producing wind turbine blades with sandwich technology. Given that this unique solution is a critical component of many wind turbines, we have determined that this portion of the company's turnover is eligible and attributable to the taxonomy activity "Manufacture of renewable energy technologies". For the newly acquired company Semcon, a small proportion of its turnover is derived from energy audits of buildings and thus comprises the taxonomy-eligible activity "Professional services related to energy performance of buildings". KVD has identified a limited proportion of its turnover, CapEx and OpEx as eligible, linked to the activity "Transport by motorbikes, passenger cars and light commercial vehicles".

For 2022, the other companies in the Group have not identified any eligible activities linked to any of the three taxonomy KPIs of turnover, CapEx and OpEx. Reporting principles and assessments of eligibility are in all material respects unchanged compared with the preceding year.

Taxonomy-aligned activities

Ratos's assessment is that it cannot count any of its turnover, CapEx or OpEx for 2022 as taxonomy-aligned. In light of the recommendations in the advisory report "Final Report on Minimum Safeguards" from the Platform on Sustainable Finance (October 2022) on how companies can become aligned with the taxonomy's minimum safeguards, Ratos's current assessment is that the Group is not currently in compliance with the 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 taxonomy-aligned. In the analyses of the Group's taxonomy-eligible activities, it was also difficult in many cases to fulfil the detailed requirements imposed on the climate risk analyses to be carried out for all activities as part of the criteria for "doing no significant harm".

Several of the Group's companies with taxonomy-eligible activities are 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 taxonomy criteria.

Outlook

The taxonomy analysis for 2022 provides us with a good basis for addressing and developing the processes related to the taxonomy requirements during 2023 given that we do not currently fulfil all of the criteria. An important first step in this direction was taken in 2022 when Ratos conducted a new materiality analysis in accordance with the concept of double materiality. The analysis identifies the Group's impact and impact risks throughout the value chain and is an important cornerstone in the efforts to establish the due diligence process needed to be aligned with the taxonomy requirements for minimum safeguards.

In 2023, Ratos will also continue to work proactively to further develop its taxonomy reporting process and continue to offer training and guidance to the subsidiaries. We are also preparing for the four new environmental objectives to be able to immediately identify which activities are eligible in accordance with these four objectives and analyse the related criteria. Since the taxonomy is being continuously developed, we see favourable potential for more companies in the Group to become taxonomy-eligible in the future. Accordingly, Ratos's work related to the taxonomy will include all of the companies, not only the seven companies that are currently taxonomy-eligible.

Turnover				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year N	Taxonomy-aligned proportion of turnover, year N-1	Category (enabling activity)	Category (transitional activity)
		SEKm	%	%	%	%	%	%	%	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	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	0%	–	–	–
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%														0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	508	1.7%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	33	0.1%																	
Infrastructure for rail transport	6.14	349	1.2%																	
Construction of new buildings	7.1	9,833	32.9%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	1,491	5.0%																	
Renovation of existing buildings	7.2	1,109	3.7%																	
Professional services related to energy performance of buildings	9.3	0	0.0%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		13,325	44.6%																	
Total (A.1 + A.2)		13,325	44.6%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		16,550	55.4%																	
Total (A+B)		29,875	100.0%																	

CapEx				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, year N	Taxonomy-aligned proportion of CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
		SEKm	%	%	%	%	%	%	%	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	-	0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	-	-	-
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%																	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	38	1.8%																	
Construction of new buildings	7.1	58	2.7%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	20	0.9%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		116	5.5%																	
Total (A.1 + A.2)		116	5.5%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-Non-eligible activities (B)		2,005	94.5%																	
Total (A+B)		2,121	100.0%																	

OpEx				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, year N	Taxonomy-aligned proportion of OpEx, year N-1	Category (enabling activity)	Category (transitional activity)
		SEKm	%	%	%	%	%	%	%	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	–	0	0.0%	–	–	–	–	–	–	–	–	–	–	–	–	–	0%	–	–	–
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0%																	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of renewable energy technologies	3.1	77	9.2%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	1	0.1%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	12	1.5%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		90	10.8%																	
Total (A.1 + A.2)		90	10.8%														0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-Non-eligible activities (B)		748	89.2%																	
Total (A+B)		838	100.0%																	