

Description of double materiality assessment amended for 2023

1. To prepare for reporting compliant with the requirements in the Corporate Sustainability Reporting Directive, and to meet GRI's revised 2021 standards, Ratos conducted a double materiality assessment and stakeholder dialogue in the autumn and winter of 2022.
2. During 2023, no major changes took place within Ratos, and the assessment was only briefly amended.
3. The materiality assessment aims at identifying Ratos' material topics, based on the company's most significant impacts on the environment and on people, including their human rights, as well as the most significant financial risks and opportunities for Ratos with regards to sustainability.
4. In this process, Ratos' actual and potential, negative and positive impacts, risks, and opportunities were mapped, and the perspectives of several different stakeholders were included. The process of identifying the material topics included the following steps:

Step 1: Mapping Ratos' sustainability context

5. To understand the impact that Ratos has or can have on the outside world, Ratos' value chain, activities, and business relationships were mapped. This step served to further deepen our understanding of the industries in which Ratos companies operates, the industries and materials related to their value chains, and the challenges that exist in these industries, as well as in society at large. This mapping also provided a context for understanding Ratos' sustainability-related business risks and opportunities.

Step 2: Identification of actual and potential impacts, risks, and opportunities

6. The double materiality process has been informed by Ratos' companies, using their information on impacts, risks, and opportunities. The investments have very different type of business activities, are operating in different geographies, and have different types of business relationships. These specific circumstances and other factors have informed them in their efforts to identify negative and positive impacts.
7. To produce a gross list of Ratos' actual and potential impacts risks and opportunities, a desktop analysis was carried out based on industry and value chain. The analysis was based on a review of internal documentation and external sources.

8. Among the sources are numbered:
 - Interviews and workshops
 - Sustainability reports from Ratos' companies
 - Websites of the Ratos' companies
 - Other sustainability related documentation from Ratos' companies
 - Ratos' Annual Report 2021 and 2022
 - Ratos' Code of Conduct
 - Risks and opportunities identified in Ratos' risk management
 - Draft topical ESRS standards (April 2022) – for the initial identification and assessment of impacts
 - Final version of ESRS for the 2023 amendment of the materiality assessment
 - Industry-based SASB standards relevant for the industries in which Ratos' companies are active
 - MVO Netherland's CSR Risk check
9. In connection with this step, a stakeholder dialogue was carried out to gain a better understanding of our operations and identify Ratos' impacts on the outside world, as well as the severity of that impact. The dialogue was conducted through seven qualitative interviews with different stakeholders, as well as three internal workshops with people from Ratos and the portfolio companies. The workshops were designed and carried out with the purpose of identifying impacts, risks, and opportunities within the different levels of the organisation. The interviews included representatives from various parts of the Ratos Group, including one important client.
10. Experts with knowledge of sustainability and human rights have been consulted. Furthermore, a survey was conducted with key internal stakeholders representing several Ratos companies with operational and sustainability knowledge of the business to gather further insight into the impacts.
11. Impact resulting from Ratos' own operations and the operations of Ratos' investments as well as impacts in the value chains of Ratos' investments were included. The type of connection to the impact (If Ratos cause, contribute or is directly linked to the impact) has not determined whether an impact has been listed or not.
12. In the gross listing of risks and opportunities, the list of impacts and related dependencies were used to determine potential and actual positive and negative financial effect on Ratos. In addition, dependencies and other factors not related to impacts, that could result in risks and opportunities were listed. The gross list was vetted and amended by representatives of the investments.
13. The results of the stakeholder dialogue directly informed the process to determine Ratos' potential and actual impacts and their significance.

Step 3: Assessment of the significance of the impact, risks, and opportunities

14. The mapping and stakeholder dialogue resulted in a gross list of Ratos' positive and negative impacts that Ratos have or can have on the environment, economy, and people, including their human rights.
15. The significance of the impact was assessed using the results of the stakeholder dialogue, including consultations of external sustainability experts. Ratos' different types of impacts were compared with each other, and negative impacts and positive impacts were analysed separately. The significance of negative impacts was assessed based on severity, a combination of scale, scope, and remediation. The significance of positive impacts was assessed based on scale and scope. For potential impacts, the likelihood was also taken into account. Actual and potential negative impact on human rights were assessed on the basis of severity rather than likelihood.
16. The assessment was made in quantitative terms, using agreed lists of levels for scale, scope, irremediability, likelihood and financial effect.
17. In the assessment of severity – based on scale, scope and irremediability, factors that could give rise to heightened risk of adverse impacts have been taken into account. More specifically, the industries and the geographies in which the investments are operating have weighed in. In some cases, company specific factors have informed the assessment.
18. In the assessment of the scope¹ of the different impacts, the size of the respective investments weighed in, assuming that companies with a larger turnover on average will have impacts with bigger scope than smaller ones.
19. The financial risks and opportunities were assessed based on a combination of the likelihood of occurrence and the size of the potential financial effects. The financial effects were assessed by the potential effects on annual EBIDTA in the short, medium, and long-term. The definitions and levels used in the assessment were based on Ratos' existing processes and definitions for assessing business risk.
20. Ratos' investments took part in the first step of the assessment of risks and opportunities through a survey in which the respondents made numerical assessment of likelihood and financial effect according to pre-defined levels.
21. The results were weighted against the different companies' respective impact on overall financial performance of Ratos measured as impact on the aggregated EBITDA of the investments. This is based on the assumption that the size of the EBITDA of a company corresponds to its influence on Ratos in terms of risks and opportunities. *(E.g. If energy – as an issue - is deemed to constitute a risk for one Ratos company and health and safety a risk for another with twice the EBITDA of the first, then – all else equal – the financial effect of health and safety will be given twice the weight than that of energy.)*
22. The weighted results were validated by representatives of Ratos management.

¹ Scope; how widespread the negative or positive impacts are. In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected (ESRS 1, Appendix A, AR10b)

Step 4: Prioritisation of impacts, risks and opportunities, and validation

23. Based on the analysis in step 3, it was determined for each impact as well as for each risk and opportunity if they should be considered material or not.
24. The threshold for impact materiality has been issues where the impact on people or the environment, or from a governance perspective, is significant enough to require action (including monitoring) by Ratos, or significant enough from a Ratos reporting perspective.
25. The threshold for financial materiality has been issues where the impact on Ratos is significant enough to require action (including monitoring) by Ratos, or significant enough from a Ratos reporting perspective.

Decision-making process, integration, and input parameters

26. The main responsibility to identify, assess, prioritise, manage, and monitor potential and actual impact on people and the environment lies with Ratos' companies. The level of maturity of the sustainability due diligence varies heavily between the different companies.
27. The double materiality assessment has been coordinated by Ratos' sustainability function, with involvement of the companies. The ultimate decision on materiality have been taken by the management of Ratos.
28. The material topics have been validated by Ratos' management team and will guide the content of Ratos' sustainability report.
29. The double materiality assessment informs Ratos' overall risk management and will indirectly influence overall business planning.

Topical ESRS standards which have been deemed non-material

30. As a result of the materiality assessment, two of the thematical ESRS standards are deemed non-material: ESRS E5 – Circular economy and S3 – Affected communities.
31. The reason for omitting E5 is that materiality analysis did not find any impacts, risks, or opportunities material for Ratos an overall level. However, there are great potential and initiatives of circularity within the Ratos group, which take place and is growing in the group.
32. The reason for the omission of S3 is the same as for E5; no material impact, risks or opportunities related to the topic covered under S3 were identified. There are most certainly significant actual and potential impact on a company level for some of Ratos' investments.

Identification and assessment of specific impacts.

33. The identification and assessment of material climate-related impacts, risks and opportunities were based on the companies' assessment of their greenhouse gas emissions, prior assessments of the aggregated emissions – as reported by Ratos in its annual reports. Several of Ratos' companies have identified climate-related physical risks to assets and business activities. Similarly, some of Ratos' companies have identified climate-related transition opportunities (and risks). This identification and assessment, however, have been done on company level. No joint scenario analysis has been used.
34. The identification and assessment of material pollution-related impacts, risks and opportunities were based on the companies' assessment, which in some cases may include Ratos' companies screening site locations and business activities in order to identify actual and potential impacts, risks and opportunities.
35. The identification and assessment of material water and marine resources-related impacts, risks and opportunities were based on the companies' assessment, which in some cases may include Ratos' companies screening assets and activities in order to identify actual and potential impacts, risks and opportunities.
36. The identification and assessment of material biodiversity and ecosystem-related impacts, risks and opportunities were based on the companies' assessment, which in some cases may include Ratos' companies screening of own site locations and locations upstream and downstream in order to identify actual and potential impacts, risks and opportunities.
37. The identification and assessment of material resource use and circular economy-related impacts, risks and opportunities were based on the companies' assessment of how resource inflows, resource outflows and waste may be related to such impacts, risks, and opportunities. This may in some cases include Ratos' companies screening of assets and activities in order to identify actual and potential impacts, risks and opportunities.
38. The identification and assessment of material impacts, risks and opportunities related to business conduct were based on the companies' assessment of how location, activity, sector, and the structure of their transactions may be related to such impacts, risks, and opportunities.
39. No consultations with communities potentially affected by Ratos' companies have been carried out as part of the materiality assessment.
40. Based on company assessments, an aggregated assessment and threshold setting were carried out.

Updates, modifications, and future revision

41. The identification, assessment and prioritisation of material topics took place during 2022. The amendments for 2023 included:
- Update of company EBIDTA, turnover and ownership share numbers, taking into account name changes and structural changes.
 - Exclusion of data and issues related to Aibel as Ratos' is not a majority owner and the financial results of Aibel therefore are not consolidated in Ratos' annual reporting.
 - Renewed consolidation into a smaller number of consolidated topics, while keeping the material impacts, risks, and opportunities.
42. A renewed materiality assessment is planned to take place during 2024 for the reporting of the fiscal year 2024.