RI TRANSPARENCY REPORT

2014/15

Ratos AB
About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation’s response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a Principles index which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an ‘at-a-glance’ summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the ‘General’ column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔</td>
<td>The signatory has completed all mandatory parts of this indicator</td>
</tr>
<tr>
<td>☑</td>
<td>The signatory has completed some parts of this indicator</td>
</tr>
<tr>
<td>❌</td>
<td>This indicator was not relevant for this signatory</td>
</tr>
<tr>
<td>-</td>
<td>The signatory did not complete any part of this indicator</td>
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<tr>
<td>⚫</td>
<td>The signatory has flagged this indicator for internal review</td>
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Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.
## Organisational Overview

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Short description</th>
<th>Status</th>
<th>Disclosure</th>
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<td>OO 03</td>
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<td>Asset mix disclosed in OO 06</td>
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<td>Segregated mandates or pooled funds</td>
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<td>OO 08</td>
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<td>OO 09</td>
<td>Additional information about organisation</td>
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<td>OO 10</td>
<td>RI activities for listed equities</td>
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<td>Modules and sections required to complete</td>
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<td>Dialogue with public policy makers or standard setters</td>
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<td>OA 19</td>
<td>Internal and external review and assurance of responses</td>
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OA: Overarching Approach

✓: Public
❖: Private
n/a: Not applicable
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<th>Indicator</th>
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<tr>
<td>PE 01</td>
<td>Breakdown of investments by strategy</td>
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<td>Incorporating ESG issues when selecting investments</td>
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<td>PE 09</td>
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<td>Types of ESG information considered in investment selection</td>
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<td>PE 11</td>
<td>Encouraging improvements in investees</td>
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<td>PE 12</td>
<td>ESG issues impact in selection process</td>
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<td>Private</td>
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<td>PE 13</td>
<td>Proportion of companies monitored on their ESG performance</td>
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<td>Proportion of portfolio companies with sustainability policy</td>
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<td>PE 15</td>
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<td>PE 17</td>
<td>Disclosure of ESG issues in pre-exit</td>
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<td>PE 18</td>
<td>ESG issues affected financial/ESG performance</td>
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<td>PE 19</td>
<td>Examples of ESG issues that affected your PE investments</td>
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<td>Disclosure of ESG information to public and clients/beneficiaries</td>
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</table>
Ratos AB

Reported Information

Public version

Organisational Overview

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
### Basic Information

<table>
<thead>
<tr>
<th>OO 01</th>
<th>Mandatory</th>
<th>Gateway/Peering</th>
<th>General</th>
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<td><strong>OO 01.1</strong></td>
<td>Select the category which best represents your primary activity.</td>
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<tr>
<td>● Non-corporate pension or superannuation or retirement or provident fund or plan</td>
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<tr>
<td>● Corporate pension or superannuation or retirement or provident fund or plan</td>
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<td>● Insurance company</td>
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<tr>
<td>● Foundation or endowment</td>
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<td>● Development finance institution</td>
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<td>● Reserve - sovereign or government controlled fund</td>
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<td>● Other, specify</td>
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<tr>
<td><strong>Ratos is a private equity conglomerate listed on Nasdaq Stockholm.</strong></td>
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<table>
<thead>
<tr>
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<th>Additional information. [Optional]</th>
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<tr>
<td><strong>Ratos is a private equity conglomerate whose business comprises acquisition, development and divestment of preferably unlisted companies. Ratos's mission is to generate, over time, the highest possible return through the professional, active and responsible exercise of its ownership role in a number of selected companies and investment situations, where Ratos provides stock market players with a unique investment opportunity. Added value is created in connection with acquisition, development and divestment of companies.</strong></td>
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<th>Peering</th>
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<td>Select the location of your organisation’s headquarters.</td>
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<td>Sweden</td>
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<table>
<thead>
<tr>
<th><strong>OO 02.2</strong></th>
<th>Indicate the number of countries in which you have offices (including your headquarters).</th>
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<tbody>
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<td>● 1</td>
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<tr>
<td>○ 2-5</td>
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<td>○ 6-10</td>
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<td>○ &gt;10</td>
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<table>
<thead>
<tr>
<th><strong>OO 02.3</strong></th>
<th>Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).</th>
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<tbody>
<tr>
<td>FTE</td>
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<tr>
<td>50</td>
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</table>
Ratos has a total of approx. 50 employees at the headquarters in Stockholm, of which approx. 25 work in the investment organisation. In addition, some 15 industrial advisors support the organisation in developing the holdings and finding new investments. The total Group, ie including the employees of our holdings, has approximately 21 000 employees.

**OO 03**  
**Mandatory**

**OO 03.1**  
Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

**OO 04**  
**Mandatory**

**OO 04.1**  
Indicate the year end date for your reporting year.

31/12/2014

**OO 04.2**  
Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

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<th></th>
<th>trillions</th>
<th>billions</th>
<th>millions</th>
<th>thousands</th>
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<td>Assets in USD</td>
<td>2</td>
<td>441</td>
<td>850</td>
<td>006</td>
<td></td>
</tr>
</tbody>
</table>

**OO 04.5**  
Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 04.6**  
**Additional information. [Optional]**

Total AUM has been defined as the market capitalization of Ratos AB at 31/12/2014. At this date, Ratos had a cash and bank balance, which is short-term and earmarked for private equity investments.
To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown
- Publish our asset class mix as broad ranges

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Internally managed (%)</th>
<th>Externally managed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Equity</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fixed Income - Corporate</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fixed Income - Government</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fixed Income - Other</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Private Debt</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Private Equity</td>
<td>&gt;50%</td>
<td>0</td>
</tr>
<tr>
<td>Property</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commodities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Forestry</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Farmland</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Inclusive Finance</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>10-50%</td>
<td>0</td>
</tr>
<tr>
<td>Other (1), specify</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other (2), specify</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

- Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

---

Gateway asset class implementation indicators

<table>
<thead>
<tr>
<th>Gateway</th>
<th>Mandatory</th>
<th>Gateway</th>
<th>General</th>
</tr>
</thead>
</table>

8
Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

☐ Private equity
☐ Cash
☐ None of the above

The modules and sections that you will be required to complete are listed below.

This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.

**Core modules**

☐ Organisational Overview
☐ Overarching Approach (including assets which do not have a separate module)

**RI implementation directly or via service providers**

☐ Direct - Other asset classes with dedicated modules

☐ Private Equity

**Closing module**

☐ Closing module
Ratos AB

Reported Information

Public version

Overarching Approach

PRI disclaimer

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### Responsible investment policy

<table>
<thead>
<tr>
<th>OA 01</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>General</th>
</tr>
</thead>
</table>

**OA 01.1** Indicate if you have a responsible investment policy.

- ✔ Yes
- ☐ No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

- ✔ Yes
- ☐ No

**OA 01.3** Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

#### Extract from Ratos policy on Corporate Responsibility and responsible investment

Ratos is a listed private equity conglomerate. Our mission is to provide the highest possible return through the professional, active and responsible exercise of our ownership role. Added value is created in connection with acquisition, development and divestment of companies. Our goal is that our core values, professional, active and responsible, not only permeate how we act as owners but are also firmly established in our corporate culture. Our aim is to meet the expectations placed on us by our stakeholders. Ratos aims, in addition to providing the highest possible return for our shareholders, to contribute to building strong, sustainable companies in the Nordic region.

In line with our own Code of Conduct as well as the UN Global Compact and PRI, Ratos intends to act in accordance with the expectations of our stakeholders. We recognise that sustainability aspects, i.e. issues relating to the environment, ethics, social responsibility and governance, can affect our investments in different ways depending on company, industry and market. The following guidelines provide a basis for our work:

1. Ratos shall work to develop the companies in which we invest, among other things in order to build long-term, sustainable companies, which may benefit many different stakeholder groups.
2. We shall include issues relating to sustainability in our work, including our investment analyses and decision processes.
3. We make clear demands on and have expectations on employees and business partners regarding the environment, ethics and social responsibility. These are described in our Code of Conduct.
4. We shall be active owners and include sustainability issues in our Owner Policy and corporate governance. This means we will work to ensure that our subsidiaries and other holdings conduct their business in a responsible and sustainable manner.
5. Ratos shall have a transparent governance structure that meets national and international standards for corporate governance and business management.
6. We shall provide transparent, accurate, continuous, and timely information of the highest quality. We will report on our CR activities and how we work with sustainability issues as well as providing relevant and appropriate sustainability information about the companies in which we invest.
7. Ratos shall be accessible to, and co-operate with, relevant stakeholders.
8. Our aim is to participate in leading the development of corporate responsibility in the Nordic private equity and owner company industry and thus promote the acceptance and implementation of sustainability issues in our sector.

Please see Ratos annual report for more information on our approach (http://www.ratos.se)
OA 02.1 Indicate if your responsible investment policy is publicly available.

- Yes

OA 02.2 Provide a URL to your responsible investment policy.

URL
http://www.ratos.se/Global/03_CR/policyer/Ratos%20policy%20for%20Corporate%20Responsibility%20and%20Responsible%20Investments.pdf?epslanguage=en

- No

OA 02.3 Indicate if your other policies or guidance documents related to responsible investment are publicly available.

- Yes
  - Yes, all
  - Yes, some

OA 02.4 List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

<table>
<thead>
<tr>
<th>Policy or document name</th>
<th>URL</th>
</tr>
</thead>
</table>

- No

OA 02.5 Additional information. [Optional]

All holdings are expected to implement a code of conduct in line with the Ratos code of conduct. All potential new investments are screened against the policy for responsible investment and the code of conduct. In addition, our Owner Policy guides governance and outlines expectations on boards and management of our holdings.

OA 03.1 Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply
<table>
<thead>
<tr>
<th>Policy components/types</th>
<th>Coverage by AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Policy setting out your overall approach</td>
<td>✶ Applicable policies cover all AUM</td>
</tr>
<tr>
<td>✓ Engagement/active ownership policy</td>
<td>○ Applicable policies cover a majority of AUM</td>
</tr>
<tr>
<td>✓ Specific guidelines on corporate governance</td>
<td>○ Applicable policies cover a minority of AUM</td>
</tr>
<tr>
<td>✓ Specific guidelines on environmental issues</td>
<td></td>
</tr>
<tr>
<td>✓ Specific guidelines on social issues</td>
<td></td>
</tr>
<tr>
<td>□ Asset class-specific guidelines</td>
<td></td>
</tr>
<tr>
<td>✓ Screening/exclusion policy</td>
<td></td>
</tr>
<tr>
<td>□ Other, specify</td>
<td></td>
</tr>
<tr>
<td>□ Other, specify</td>
<td></td>
</tr>
</tbody>
</table>

Ratos approach to active responsible ownership

In autumn 2013, Ratos became a signatory to the UN Global Compact and Principles for Responsible Investment, PRI, principles for responsible business operations and responsible investments. These undertakings, together with Ratos's CR framework which describes our expectations and demands relating to sustainability work in the holdings, provide the base for Ratos's CR work. PRI's principles relating to the environment, social responsibility and corporate governance are an integrated part of the exercise of our ownership role throughout the holding period - from decision processes ahead of an acquisition to a responsible divestment.

Acquisition

Before making new investments, as part of the due diligence process, Ratos performs an evaluation of risks and opportunities as well as the company's maturity level and values within sustainability. Ratos's investment teams are responsible for this evaluation, supported by Ratos's CR Manager and external advisors for specific issues. Only in exceptional cases does this analysis result in us rejecting an investment. Rather it forms the basis for the CR plan that is drawn up to develop sustainability work during the period of Ratos's ownership.

Ratos also has a number of exclusion criteria as guidance. We cannot invest in companies that operate in the arms industry, contribute to severe environmental damage, produce or actively provide pornography or manufacture tobacco products.

Development

The Global Compact's ten principles within the four areas human rights, labour, the environment and anti-corruption, guide our demands on and work with the holdings. As a responsible owner Ratos must be clear about its expectations and demands on the holdings relating to CR. - We set appropriate, specific and clear requirements for each holding based on their activities. An updated CR framework, which presents Ratos's requirements for its subsidiaries, was launched in 2014. The framework is based on the principles in the Global Compact and has several levels: a basic level, Ratos's CR standard, which applies to all subsidiaries, and a number of additional modules with requirements for specific companies based on their operations and market presence. The framework is a combination of policy requirements, practical implementation and indicators for follow-up. In addition, Ratos encourages own initiatives which strengthen the holding’s CR work and sustainable business development.

The management of each holding is responsible for drafting a plan for how the CR framework will be implemented and complied with in operations. The holdings' boards have overall responsibility and are expected to receive a report about and discuss how CR work is developing at least once a year. A continuous dialogue is conducted with management and CR managers in the holdings through Ratos's holding teams and the board and through Ratos's CR manager.

Divestment

Ratos will carry out responsible divestments, in accordance with our business model, where we combine long-term good development with the highest possible returns.
OA 04.1  Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

OA 04.2  Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

Conflicts of interest are avoided. Ratos’s employees shall always work in Ratos's best interests and avoid all acts that might be perceived as favouring a company, organisations, individuals or other stakeholders at Ratos's expense. Employees shall avoid all types of activity that violate the company's interests or have a negative effect on the employee's judgement and integrity. Agreements with or other forms of assignment to related parties should be avoided, and always be notified to and approved by the immediate supervisor or group management.

Statement from the Ratos Code of Conduct, of which all employees are informed and understanding is confirmed regularly.

No

Objectives and strategies

OA 05  Mandatory Gateway/Core Assessed General

OA 05.1  Indicate if your organisation sets objectives for its responsible investment activities.

Yes

OA 05.2  Indicate how frequently your organisation sets or revises objectives for responsible investment.

At least once per year

Less than once per year

OA 05.3  Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

Quarterly

Biannually

Annually

Every two years or less

It is not reviewed

No

Governance and human resources

OA 07  Voluntary Descriptive General
Responsibility, governance and follow-up

The base of CR at Ratos is the policies adopted by the Ratos Board, in particular the policy for Corporate Responsibility and responsible investments, the code of conduct and the environmental policy.

Ratos’s CEO together with the CR Manager, who is part of Ratos's investment organisation, have overall responsibility for Ratos’s strategy and work within CR and responsible investment. The CR Manager defines and coordinates requirements, guidelines and follow-up of the holding's sustainability work as well as assists Ratos's holding teams - and where necessary the holdings. Ratos's sustainability work is presented and discussed in the Ratos Board at least once a year, in 2014 on several occasions.

Before making new investments, as part of the due diligence process, the investment team supported by the CR Manager conducts an evaluation of risks and opportunities as well as the company's maturity level and values within sustainability, as part of the due diligence. The final conclusions are included in the investment decision material presented to Ratos board for final investment decision.

The Ratos investment team responsible for each specific holding ensure that each holding meets Ratos's CR requirements and perform an annual review of CR work at the holdings. The CEO and management of each holding have operational responsibility for the company's CR work. The company's board has ultimate responsibility for ensuring the company complies with Ratos's and the company's policies and guidelines.

In the holdings which are associated companies, Ratos's ability to exert an influence is different which is why demands and processes can vary.

☐ I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

<table>
<thead>
<tr>
<th>OA 08</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>OA 08.1</td>
<td>Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Board members or trustees
  - ☑ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☑ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
  - Deputy CEO and Investment Director
☐ Oversight/accountability for responsible investment  
☐ Implementation of responsible investment  
☐ No oversight/accountability or implementation responsibility for responsible investment  
☐ Portfolio managers  
☐ Investment analysts  
☒ Dedicated responsible investment staff  
☒ Oversight/accountability for responsible investment  
☒ Implementation of responsible investment  
☐ No oversight/accountability or implementation responsibility for responsible investment  
☐ External managers or service providers  
☒ Other role, specify

Investment Directors/Senior Managers/Managers  
☐ Oversight/accountability for responsible investment  
☒ Implementation of responsible investment  
☐ No oversight/accountability or implementation responsibility for responsible investment  
☐ Other role, specify

<table>
<thead>
<tr>
<th>OA 08.2</th>
<th>Indicate the number of dedicated responsible investment staff your organisation has. [Optional]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>1</td>
</tr>
</tbody>
</table>

Promoting responsible investment

<table>
<thead>
<tr>
<th>OA 10</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 4,5</th>
</tr>
</thead>
</table>
| OA 10.1 | Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.  
Select all that apply  
☒ Principles for Responsible Investment |
Your organisation’s role in the initiative during the reporting period (see definitions)

☑ Basic
☐ Moderate
☐ Advanced

☐ Asian Corporate Governance Association
☐ Association for Sustainable & Responsible Investment in Asia
☐ Australian Council of Superannuation Investors
☐ CDP Climate Change
☐ CDP Forests
☐ CDP Water
☐ CFA Institute Centre for Financial Market Integrity
☐ Council of Institutional Investors (CII)
☐ Eumedion
☐ Extractive Industries Transparency Initiative (EITI)
☐ Global Investors Governance Network (GIGN)
☐ Global Real Estate Sustainability Benchmark (GRESB)
☐ Institutional Investors Group on Climate Change (IIGCC)
☐ Interfaith Center on Corporate Responsibility (ICCR)
☐ International Corporate Governance Network (ICGN)
☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
☐ Investor Network on Climate Risk (INCR)/CERES
☐ Local Authority Pension Fund Forum
☐ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
☐ Shareholder Association for Research and Education (Share)
☐ United Nations Environmental Program Finance Initiative (UNEP FI)
☑ United Nations Global Compact

Your organisation’s role in the initiative during the reporting period (see definitions)

☑ Basic
☐ Moderate
☐ Advanced

☐ Other collaborative organisation/initiative, specify
☐ Other collaborative organisation/initiative, specify
☐ Other collaborative organisation/initiative, specify
☐ Other collaborative organisation/initiative, specify

OA 11 | Mandatory | Core Assessed | PRI 4
--- | --- | --- | ---

OA 11.1 | Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

☑ Yes

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OA 11.2  Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☑ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
☐ Provided financial support for academic or industry research on responsible investment
☑ Encouraged better transparency and disclosure of responsible investment practices across the investment industry
☑ Spoke publicly at events and conferences to promote responsible investment
☐ Wrote and published in-house research papers on responsible investment
☑ Encouraged the adoption of the PRI
☐ Other, specify

☐ No
Ratos AB

Reported Information

Public version

Direct – Private Equity

PRI disclaimer

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Overview

PE 03 | Voluntary | Descriptive | PRI 1-6
---|---|---|---
PE 03.1 | Provide a brief overview of your organisation’s approach to responsible investment in private equity.

Company-specific value creation through active responsible ownership

Ratos’s work with sustainability or Corporate Responsibility (CR) rests on a value-creation perspective. It is another means for us as an active owner to preserve and create values in our holdings. Sustainability issues are strategic, where a good CR standard is becoming increasingly essential for doing good business, both for Ratos and for our holdings.

Key CR issues for the parent company, Ratos AB, include transparency, good business ethics and financial strength. In addition, talent development, good corporate governance and integration of issues relating to the environment and social responsibility in the investment process and ownership of the holdings are key CR issues.

For the Ratos Group the biggest CR issues and challenges are linked to the operations we own. Ratos is sector-neutral which means that our holdings are affected by a large number of different issues. These depend, among other things, on their operations and geographic footprint. It is therefore important that we have companiespecific efforts, i.e. that focus and demands relate to the CR issues that are relevant to each holding.

In autumn 2013, Ratos became a signatory to the UN Global Compact and Principles for Responsible Investment, PRI, internationally recognised principles for sustainable business and responsible investments. These undertakings, together with Ratos’s CR framework which describes our expectations and demands relating to sustainability work in the holdings and the Ratos Code of Conduct, applicable to all our holdings as well to Ratos AB, provide the base for Ratos’s CR work. PRI’s principles relating to the environment, social responsibility and corporate governance are an integrated part of the exercise of our ownership role throughout the holding period - from decision processes ahead of an acquisition to a responsible divestment.

PE 04 | Mandatory | Core Assessed | PRI 2
---|---|---|---
PE 04.1 | Indicate if your organisation’s investment guidelines for private equity refer to responsible investment.
- Our investment guidelines do refer to responsible investment
- Our investment guidelines do not refer to responsible investment
- We do not have investment guidelines

Pre-investment (selection)

PE 07 | Mandatory | Gateway | PRI 1
---|---|---|---
PE 07.1 | Indicate if your organisation typically incorporates ESG issues when selecting private equity investments.
- Yes
Before making new investments, as part of the due diligence process Ratos performs an evaluation of risks and opportunities as well as the company's maturity level and values within sustainability. Ratos's investment teams are responsible for this evaluation, supported by Ratos’s CR Manager and external advisors for specific issues. Only in exceptional cases does this analysis result in us rejecting an investment. Rather it forms the basis for the CR plan that is drawn up to develop sustainability work during the period of Ratos’s ownership.

Ratos also has a number of exclusion criteria as guidance. We cannot invest in companies that operate in the arms industry, contribute to severe environmental damage, produce or actively provide pornography or manufacture tobacco products.

☐ No

<table>
<thead>
<tr>
<th>PE 09</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 1,3</th>
</tr>
</thead>
<tbody>
<tr>
<td>PE 09.1</td>
<td>Indicate which E, S and/or G issues are typically considered by your organisation in the investment selection process and list up to three typical examples per issue.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ESG issues**

- **Environmental**
  - List up to three typical examples of environmental issues
    - Environmental liabilities and/or exposure
    - Constrained resources
    - Environmental policies and practices in place

- **Social**
  - List up to three typical examples of social issues
    - Health and safety of employees
    - Risk assessment of value chain from human rights, labour rights perspective
    - Labour/trade union relations

- **Governance**
  - List up to three typical examples of governance issues
    - Corporate culture and values
    - Implementation of policies, e.g. code of conduct
    - Risk assessment processes

**Post-investment (monitoring and active ownership)**

<table>
<thead>
<tr>
<th>PE 13</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>PRI 2</th>
</tr>
</thead>
</table>

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PE 13.1 Indicate whether your organisation incorporates ESG issues in investment monitoring of portfolio companies.

- Yes

PE 13.2 Indicate the proportion of portfolio companies where your organisation included ESG performance in investment monitoring during the reporting year.

- >90% of portfolio companies
- 51-90% of portfolio companies
- 10-50% of portfolio companies
- <10% of portfolio companies

(in terms of total number of portfolio companies)

PE 13.3 Indicate ESG issues for which your organisation typically sets and monitors targets (KPIs or similar) and provide examples per issue.

**ESG issues**

- Environmental

  List up to three example targets of environmental issues

  - Absolute energy usage (kWh)
  - Relative energy usage (company specific measure)

- Social

  List up to three example targets of social issues

  - Sick leave
  - Proportion of women in leading positions

- Governance

  List up to three example targets of governance issues

  - Code of conduct implemented in the organisation
  - Business partner code of conduct
  - Sustainability strategy and performance discussed at least once on the Board of the holding

- We do not set and/or monitor against targets

- No
We aim to set appropriate, specific and clear requirements for each holding based on their activities. An updated CR framework, which presents Ratos’s requirements for its subsidiaries, was launched in 2014. The framework is based on the principles in the Global Compact and has several levels: a basic level, Ratos's CR standard, which applies to all subsidiaries, and a number of additional modules with requirements for specific companies based on their operations and market presence. The framework is a combination of policy requirements, practical implementation and indicators for follow-up. In addition, Ratos encourages own initiatives which strengthen the holding's CR work and sustainable business development.

<table>
<thead>
<tr>
<th>PE 14</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>PE 14.1</td>
<td>Indicate if your organisation tracks the proportion of your portfolio companies that have an ESG/sustainability-related policy (or similar guidelines).</td>
<td>☑ Yes</td>
<td></td>
</tr>
</tbody>
</table>
| PE 14.2 | Indicate what percentage of your portfolio companies has an ESG/sustainability policy (or similar guidelines). | ☑ >90% of portfolio companies | ☐ 51-90% of portfolio companies
☐ 10-50% of portfolio companies
☐ <10% of portfolio companies
☐ 0% of portfolio companies |

(in terms of total number of portfolio companies)

☐ No

<table>
<thead>
<tr>
<th>PE 14.3</th>
<th>Additional information. [Optional]</th>
<th></th>
</tr>
</thead>
</table>

Since 2014 all subsidiaries owned by Ratos for at least one year have their own code of conduct which complies with Ratos’s code of conduct. New holdings are expected to implement such a code of conduct within one year.

ESG/sustainability policy is here interpreted as a sustainability strategy and plan. The management of each Ratos holding is responsible for drafting a plan for how Ratos CR framework and relevant sustainability work will be implemented in the business and operations. The holdings’ boards have overall responsibility and are expected to receive a report about and discuss how CR work is developing at least once a year.

Types of actions taken by portfolio companies

☑ Allocate responsibility for ESG issues to board/senior management

Implemented by percentage of portfolio companies
>90% of portfolio companies
51-90% of portfolio companies
10-50% of portfolio companies
<10% of portfolio companies
We do not track this information

(in terms of total number of portfolio companies)

Composition of board ensure ESG expertise
Consider ESG issues in risk management processes

Implemented by percentage of portfolio companies
>90% of portfolio companies
51-90% of portfolio companies
10-50% of portfolio companies
<10% of portfolio companies
We do not track this information

(in terms of total number of portfolio companies)
Define performance targets for applicable ESG issues in operations

Implemented by percentage of portfolio companies
>90% of portfolio companies
51-90% of portfolio companies
10-50% of portfolio companies
<10% of portfolio companies
We do not track this information

(in terms of total number of portfolio companies)

Define when engagements with stakeholders should be carried out to discuss ESG issues
Other actions, specify
None of the above

PE 15.2 Describe how your organisation contributes to the portfolio’s management of ESG issues.

Ratos’s aim is to strengthen the holdings’ sustainability work during the holding period. We do this through:

- Clear demands and expectations: provided among other things through Ratos’s CR framework.
- Networks: experience and expertise is shared between the holdings and via the Ratos CR Forum.
- CR handbook: material for the holdings within various sustainability areas.
- Resources: ongoing dialogue, sounding-board and training for the investment organisation and holdings.

Communication
Indicate whether your organisation proactively discloses ESG information on your private equity investments.

Disclose publicly

Provide URL


Indicate whether the type of ESG information you proactively provide to the public is the same as that you provide to your clients (LPs)/beneficiaries.

Yes

Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients (LPs)/beneficiaries.

- ESG information in relation to our pre-investment activities
- ESG information in relation to our post-investment monitoring and ownership activities
- Information on our portfolio companies' ESG performance
- Other, specify

Indicate your organisation’s typical frequency of disclosing ESG information to the public and/or your clients (LPs)/beneficiaries.

- Quarterly or more frequently
- Semi annually
- Annually
- Every two years or less frequently
- Ad-hoc, specify

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients (LPs)/beneficiaries. [Optional]

Information is provided in our annual report, published on our website.

- No
- Disclose to investor clients (LPs)/beneficiaries only
- No proactive disclosure to the public or to clients (LPs)/beneficiaries

Additional information. [Optional]

As we are a publicly listed company, we do not have separate clients/LPs/beneficiaries.