

Stockholm April 2015

## **Communication on Progress 2014**

Ratos signed the UN Global Compact in 2013. As part of our commitment to this initiative, I am pleased to report on our activities and progress in our first Communication on Progress and to reconfirm our support for the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. This report covers the fiscal year 2014, and consists of this letter and an extract from our annual report 2014. In the extract, we outline our approach to integrating the principles into our active ownership and give examples of actions and activities taken by us and our holdings during the year to progress our work.

With this communication, we want to emphasize our ambition to continue to integrate the Global Compact principles into our business: into the strategy, culture and day-to-day operations of our company.

Best regards



Susanna Campbell  
CEO, Ratos

# Sustainability and responsible ownership

– extracts from the Annual Report 2014

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**RATOS**



# Ratos owns and develops Nordic companies

Ratos is an active owner and creates value by developing operations in existing holdings combined with carrying out value-creating transactions.

## **Value creation with Ratos as owner**

Ratos's focus and goal as an active owner is to contribute to long-term and sustainable operational development in the holdings and to carry out value-creating transactions. Ratos invests in Nordic companies where our core expertise as a professional, active and responsible owner over time creates good value growth. Added value is created in connection with acquisition, development and divestment of these primarily unlisted companies. This provides stock market players with a unique investment opportunity. Ratos has a company-specific return target (average annual return on invested capital, IRR) which is at least 15-20%, depending on market and company-specific factors. Since 1999 our average IRR has been 24% on the total of 38 completed exits. Read more about Ratos's vision, mission, targets and strategy in the annual report.

## **Long tradition of active ownership**

Ratos has a long tradition of active ownership. The business originated in the steel wholesaler Söderberg & Haak, which was founded in 1866. Ratos was listed on the stock exchange in 1954, at the time as a mixed investment company. Today Ratos is a listed private equity conglomerate. Ratos is listed on Nasdaq Stockholm. Read more about our active ownership in the annual report.

## **People are the key**

Value growth at Ratos over time is decided by our transactions and how well we succeed in implementing ambitious plans in the holdings. Ratos's organisation, and the boards, management groups and employees in our holdings all play a key role. Ratos's investment organisation currently has some 25 people who are responsible for developing the holdings and finding new investment opportunities. Ratos has a total of approximately 50 employees and some 15 Industrial Advisors who support the business.

# Value creation through responsible ownership



## CEO'S COMMENTS

*Ratos's key task is to create value in our holdings. By conducting structured sustainability initiatives as an active and responsible owner, while at the same time adapting our demands and support to each individual holding, we preserve and create values for the holdings and Ratos.*

*In 2013, Ratos became a signatory to the UN Global Compact's ten principles for responsible business operations as well as the UN Principles for Responsible Investment, PRI. We also drafted a new CR framework, based on the Global Compact's principles, which clarifies our demands and expectations on the holdings. During 2014 we have worked to implement this updated CR framework.*

*In many cases, medium-sized Nordic companies face the same challenges as larger groups. With more limited resources, however, they are forced to work in a smarter and more integrated way in order to meet the expectations of their stakeholders. As a responsible owner we will continue to make demands but we will also support our holdings in their work with continual improvements within issues related to human rights, working conditions, the environment and business ethics.*

Susanna Campbell  
CEO

## Company-specific value creation

Ratos's work with sustainability or Corporate Responsibility (CR) is based on a value-creating perspective. It is yet 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 company-specific efforts, i.e. that focus and demands relate to the CR issues that are relevant to each holding.

## Value creation through 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.

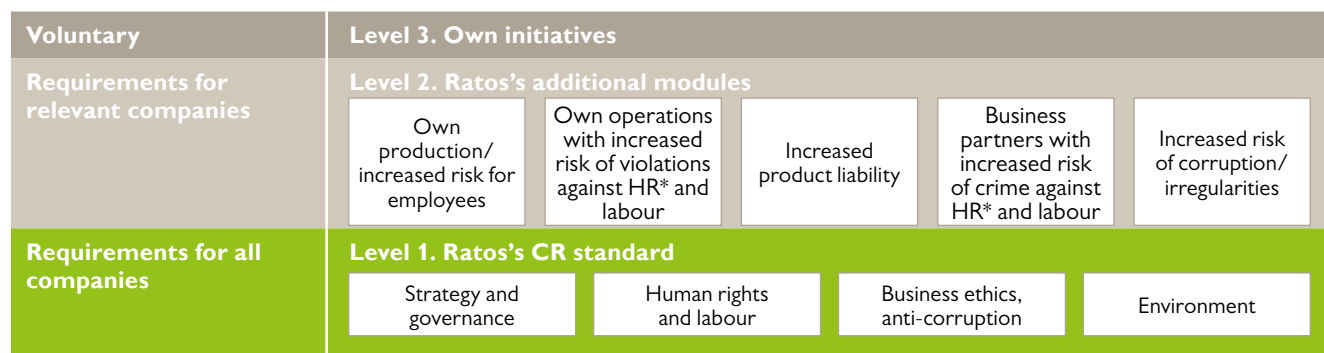
Ratos also has a number of exclusion criteria as guidance. We cannot invest in companies that operate in the arms industry, contribute to environmental damage, produce or actively provide pornography or manufacture tobacco products.

### 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.

## RATOS'S CR FRAMEWORK FOR SUBSIDIARIES



\* HR= human rights

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 (see illustration above).

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.

### 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 code of conduct, which applies to both Ratos and the subsidiaries, describes the principles in accordance with which employees are expected to act. Since 2014 all subsidiaries owned by Ratos for at least one year have their own code of conduct which complies with Ratos's code. New holdings are expected to implement such a code of conduct within one year.

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. The CR Manager defines and coordinates requirements,

guidelines and follow-up of the holding's sustainability work as well as assisting Ratos's holding teams – and where necessary 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. The people responsible for the holdings at Ratos ensure that each holding meets Ratos's CR requirements and perform an annual review of CR work at the holdings.

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

### How we contribute as owner

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.

### Focus and development during the year

Examples of Ratos's work in the holdings during the year based on the Global Compact's four areas.

#### 1 Human rights and 2 Labour

Good health and a good working environment for the employees which encourages performance and employee involvement, as well as skills development and career opportunities are prioritised issues for Ratos and the holdings. Most (80%) of the Group's 21,000 employees work in the Nordic countries or elsewhere in Europe.

In addition, for some holdings aspects including guaranteeing human rights, reasonable working conditions and freedom of association are focus areas both in their own operations and for their suppliers and partners. As an owner Ratos makes it clear that human rights and the rights and working conditions of employees must be respected.

#### Examples of activities in 2014

- Supplier follow-up with a focus on human rights and working conditions were themes at the RatOS CR Forum in May.
- During the year HENT introduced clearer written instructions about human rights and working conditions for its subcontractors.
- Arcus-Gruppen continues to work in accordance with the Nordic Alcohol Monopolies' Code of Conduct where working conditions linked to viticulture are a key component.

### 3 Environment

The parent company RatOS's environmental impact comes primarily from business travel and energy consumption, and then from waste and purchasing of goods and services. The direct environmental impact is limited, however, and the biggest impact is through our holdings.

Climate consideration includes encouraging the holdings, where relevant, to develop sustainable or "climate smart" goods and/or services and helping the holdings to focus on energy efficiency and work to reduce their emissions of greenhouse gases.

#### Examples of activities in 2014

- Updated environmental plan for RatOS AB.
- Transfer to 100% renewable energy supply for Nordic Cinema Group's 40 SF Bio cinemas in Sweden.
- Mobile Climate Control won an order with delivery to New York's public transport where the key to success was a clear reduction in fuel consumption (about 10%).
- Inwido reduced its energy consumption per unit of product by 4.5%, through some 30 different measures.

### 4 Anti-corruption

For an owner company like RatOS credibility, sound ethical values and regulatory compliance are essential for our ability to do business. Corruption is a widespread problem in the world which leads to ineffective markets and major costs for companies as well as significant costs for many countries in the form of limited development.

Several of RatOS's holdings operate in sectors or markets where there is a heightened risk of corruption and must therefore have preventive processes in place.

#### Example of activities in 2014

- As a member of the Swedish Leadership for Sustainable Development, coordinated by the Swedish International Development Cooperation Agency (Sida), RatOS has attended network meetings, exchanges of experience related to anti-corruption work and drafting proposals for anti-corruption objectives for the UN's new global development goals.
- Ensured that all subsidiaries have a code of conduct with a clear position against corruption in accordance with RatOS's own code.
- Procured a whistleblowing system, available to all holdings. Launched at RatOS AB and HL Display as a first step.
- Implemented an updated code of conduct, including internal training at KVD, Biolin Scientific and Euromaint, among others.

## CR WORK AT RATOS

Activities 2014	Planned activities for 2015-2016
<b>RatOS AB</b> <ul style="list-style-type: none"> <li>■ Preparations for updating RatOS's exclusion criteria for new investments.</li> <li>■ Implementation of RatOS's tools and processes for inclusion of CR issues in due diligence processes.</li> <li>■ Dilemma training and training related to climate change and planetary boundaries for RatOS's organisation.</li> <li>■ Publication of RatOS's CR handbook 1.0.</li> <li>■ Updated environmental plan for RatOS AB produced.</li> <li>■ Evaluation and implementation of a whistleblowing system.</li> </ul>	<b>RatOS AB</b> <ul style="list-style-type: none"> <li>■ First report to Global Compact and PRI.</li> <li>■ Develop RatOS's external reporting on CR and responsible ownership.</li> <li>■ Develop CR perspective relating to RatOS AB's suppliers.</li> <li>■ Evaluate systems for climate calculations and reporting for holdings.</li> <li>■ Evaluate systems for feedback from subsidiaries' work with CR and compliance.</li> </ul>
<b>Subsidiaries</b> <ul style="list-style-type: none"> <li>■ Implementation of RatOS's CR framework.</li> <li>■ Implementation of updated code of conduct, in line with principles in RatOS's code.</li> </ul>	<b>Subsidiaries</b> <ul style="list-style-type: none"> <li>■ First feedback on RatOS's CR framework from subsidiaries for 2014.</li> <li>■ Focused dialogue with and support to holdings about specific issues.</li> <li>■ Implementation of relevant modules from RatOS's CR framework.</li> </ul>

# Vision, mission, targets and strategy

## BUSINESS MODEL



### *Acquisition*

Ideas for potential acquisitions come from many sources. A large number originate from active efforts to find companies and situations that are suitable for Ratos. In addition, we participate in processes conducted by investment banks and other advisors.

### *Development*

It is during the holding period that most of Ratos's value creation takes place. How well an acquired company develops depends, among other things, on the chosen strategy, development of the industry and the economy, as well as the ability of the company's

management and employees to conduct operations in an effective manner. We exercise our ownership role actively and with an operational focus in order to increase earnings and sales in the holdings over time. Approximately 70% of value creation in exits made so far is derived from this operational development.

### *Divestment*

Our active exit strategy includes an assessment of future returns potential as well as Ratos's ability to contribute to further development of the holding. Ratos does not set any limit on its holding period and we place great importance on making a responsible exit.

## **Vision**

Ratos shall be perceived as the best owner company in the Nordic region.

## **Mission**

Ratos is a private equity conglomerate whose business comprises acquisition, development and divestment of preferably unlisted companies.

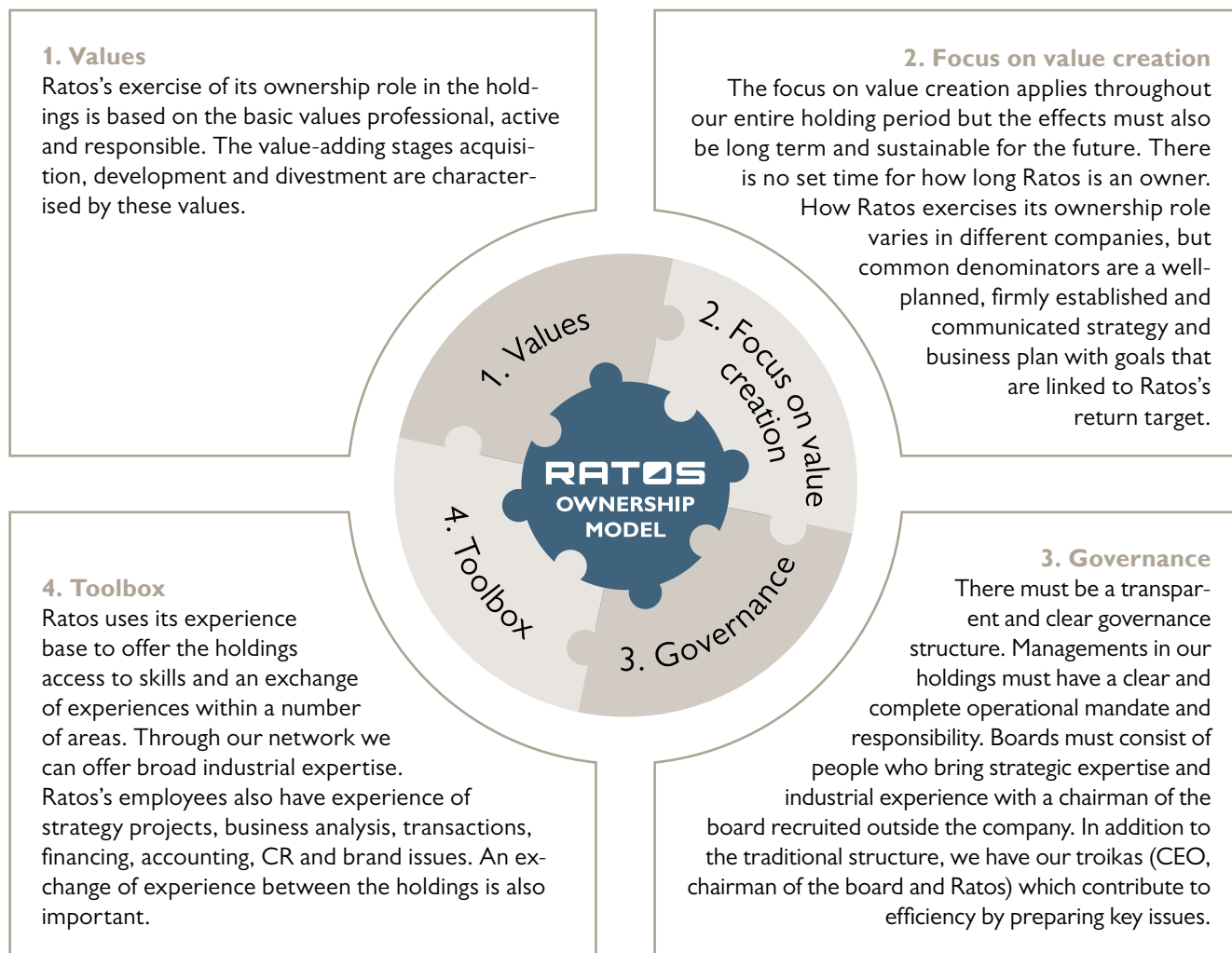
Ratos's mission is to generate, over time, the highest possible return through the professional, active and responsible exercise of its ownership role in a number of selected companies and investment situations, where Ratos provides stock market players with a unique investment opportunity. Added value is created in connection with acquisition, development and divestment of companies.

## **Investment strategy**

- *Holding* at least 20% and normally the principal owner.
- *Investment size*. Normally at least SEK 250m up to SEK 5,000m in equity. Ratos does not invest in early phases of companies' life cycles.
- *Preferably unlisted companies*.
- *Nordic acquisitions*. We invest solely in companies with their head office in the Nordic region. Add-on acquisitions via our holdings can be made globally.
- *Sector generalist*. Ratos's core competence is to be an active owner which is independent of sector expertise. We have therefore chosen to be sector-neutral.
- *Focus on own deal flow*.
- *Active exit strategy*. Ratos does not have any set limit on its ownership period. Every year, an assessment is made of the future return potential of each holding and Ratos's ability to contribute to the holding's continued development.

# Ratos's ownership model

How Ratos works as an owner varies since every investment situation is unique, but there are some common denominators. Ratos's focus and goal as an active owner is to contribute to long-term and sustainable operational development in the holdings and the ownership model is based on four key pillars: common values for Ratos's activities, a focus on value creation, well-planned corporate governance and a number of tools that can support operational development in the holdings.



# Holdings in brief

Ratos invests in medium-sized companies in the Nordic region and has a portfolio with 18 holdings. The biggest segment in terms of sales is industrials, followed by services and consumer goods. An overview of Ratos's holdings is presented below and a detailed description of each holding is provided in the annual report.

**18** holdings with total

sales of SEK **38** billion

operating profit SEK **2.0** billion and

**21,000** employees



## Our holdings

### INDUSTRIALS

#### AH Industries

Danish supplier of metal components, modules, systems and services to the wind energy, cement and mineral industries.

Sales	SEK 781m
Operating profit	SEK 12m
Ratos's holding	70%
Investment year	2007

[www.ah-industries.dk](http://www.ah-industries.dk)

#### DIAB

Global company that manufactures and develops core material for sandwich composite structures including blades for wind turbines.

Sales	SEK 1,157m
Operating profit/loss	SEK -4m
Ratos's holding	96%
Investment year	2001

[www.diabgroup.com](http://www.diabgroup.com)

#### HENT

A leading Norwegian construction company that focuses on newbuild public and commercial real estate.

Sales	SEK 4,865m
Operating profit	SEK 159m
Ratos's holding	73%
Investment year	2013

[www.hent.no](http://www.hent.no)

#### HL Display

International supplier of products and solutions for in-store communication and merchandising.

Sales	SEK 1,509m
Operating profit	SEK 60m
Ratos's holding	99%
Investment year	2001/10

[www.hl-display.com](http://www.hl-display.com)

#### Ledil

Leading global player within secondary optics (lenses which focus light from a source to achieve a desired lighting solution) for LED lighting.

Sales	SEK 243m
Operating profit	SEK 61m
Ratos's holding	66%
Investment year	2014

[www.ledil.com](http://www.ledil.com)

### OIL & GAS

#### Aibel

Leading Norwegian supplier of maintenance and modification services as well as new construction projects within offshore on the Norwegian continental shelf.

Sales	SEK 9,319m
Operating profit	SEK 22m
Ratos's holding	32%
Investment year	2013

[www.aibel.com](http://www.aibel.com)

#### GS-Hydro

Global supplier of non-welded piping systems to the marine and offshore industries, among others.

Sales	SEK 1,315m
Operating profit	SEK 100m
Ratos's holding	100%
Investment year	2001

[www.gshydro.com](http://www.gshydro.com)

### CONSUMER SERVICES

#### KVD

Sweden's largest independent online marketplace offering broker services for second-hand vehicles. The number of unique visitors totals approximately 200,000 per week.

Sales	SEK 315m
Operating profit	SEK 44m
Ratos's holding	100%
Investment year	2010

[www.kvd.se](http://www.kvd.se)  
[www.kvdnorge.no](http://www.kvdnorge.no)  
[www.kvdauctions.com](http://www.kvdauctions.com)  
[www.bilpriser.se](http://www.bilpriser.se)

#### Nordic Cinema Group

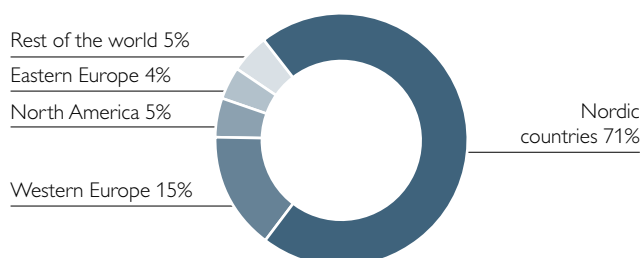
The Nordic region's largest cinema group with 65 wholly owned cinemas with 436 screens in Sweden, Finland, Norway and the Baltic countries.

Sales	SEK 2,612m
Operating profit	SEK 366m
Ratos's holding	58%
Investment year	2011/13

[www.nordiccinemagroup.com](http://www.nordiccinemagroup.com)

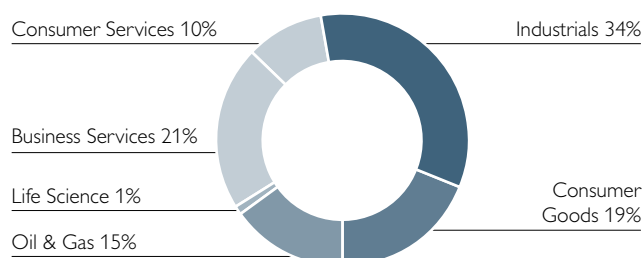


### Sales breakdown by geographic market



Holdings' sales to 100%, except for Aibel and Inwido which are included with Ratos's holding.

### Sales breakdown by segment



Holdings' sales to 100%, except for Aibel and Inwido which are included with Ratos's holding.

### CONSUMER GOODS

#### Mobile Climate Control

Offers complete climate systems mainly for buses, off-road and defence vehicles.

Sales	SEK 1,021m
Operating profit	SEK 106m
Ratos's holding	100%
Investment year	2007

[www.mcc-hvac.com](http://www.mcc-hvac.com)

#### Arcus-Gruppen

One of the Nordic region's leading suppliers of wine and spirits. The group's best-known brands include Aalborg and Lysholm Linie Aquavit.

Sales	SEK 2,548m
Operating profit	SEK 245m
Ratos's holding	83%
Investment year	2005

[www.arcus.no](http://www.arcus.no)

#### Hafa Bathroom Group

With the Hafa and Westerbergs brands a leading Nordic company within bathroom interiors.

Sales	SEK 206m
Operating profit/loss	SEK -4m
Ratos's holding	100%
Investment year	2001

[www.hafabg.com](http://www.hafabg.com)

#### Inwido

Develops, manufactures and sells windows and exterior doors in the Nordic region and selected countries in northern Europe.

Sales	SEK 4,916m
Operating profit	SEK 376m
Ratos's holding	31%
Investment year	2004

[www.inwido.com](http://www.inwido.com)

#### Jøtul

One of Europe's largest manufacturers of stoves and fireplaces. The company dates back to 1853 and the products are sold worldwide.

Sales	SEK 920m
Operating profit/loss	SEK -22m
Ratos's holding	93%
Investment year	2006

[www.jotulgroup.com](http://www.jotulgroup.com)

### BUSINESS SERVICES

#### Bisnode

A leading European supplier of decision support within business, credit and market information.

Sales	SEK 3,502m
Operating profit	SEK 298m
Ratos's holding	70%
Investment year	2005

[www.bisnode.com](http://www.bisnode.com)

#### Euromaint

Independent maintenance company for the rail transport sector in Sweden, Germany, the Netherlands and Latvia.

Sales	SEK 2,274m
Operating profit	SEK 57m
Ratos's holding	100%
Investment year	2007

[www.euromaint.com](http://www.euromaint.com)

#### Nebula

Provider of cloud-based services, IT infrastructure and network services to small and medium-sized enterprises in Finland. The company has approximately 39,000 customers.

Sales	SEK 261m
Operating profit	SEK 85m
Ratos's holding	73%
Investment year	2013

[www.nebula.fi](http://www.nebula.fi)

### LIFE SCIENCE

#### Biolin Scientific

Offers advanced analytical instruments for research, development and diagnostics.

Sales	SEK 215m
Operating profit	SEK 32m
Ratos's holding	100%
Investment year	2010

[www.biolinscientific.com](http://www.biolinscientific.com)

# We at Ratos

Today approximately 25 people work in Ratos's investment organisation and are responsible for developing our holdings and finding new investment opportunities. Ratos has a total of approximately 50 employees and some 15 Industrial Advisors who support the operations.

## Organisation

The employees in the investment organisation have long experience of operational development, often from a background as management consultants. They are continuously involved with investment processes, and lead the work in Ratos's holdings together with each company's board and management.

Each holding has a dedicated team which consists of two Ratos employees where one is responsible for the holding and one or both are also members of the board. The team is often the same throughout the entire holding period, from acquisition to exit. In this way we create continuity and build trust between Ratos and the management and board of each company.

Ratos also has some 15 Industrial Advisors. They act as advisors in investment processes and company development and are often board members in the holdings as well as members of our Advisory Boards. In addition, Ratos works on an ad-hoc basis with a broad network of industrial advisors who have long experience of Nordic business life. A presentation of our Industrial Advisors is available at [www.ratos.se](http://www.ratos.se).

Ratos's ownership aims to be professional, active and responsible. Our work is based on these three core values and on the way employees act towards each other and our stakeholders. By acting responsibly we ensure that the business is conducted in a correct and ethical manner and in accordance with expectations from our holdings, shareholders and other stakeholders.

## HR issues and talent development

Together with the managements and boards of our holdings we develop ambitious business plans in order to achieve our return target. How well we succeed depends, among other things, on the ability of management and employees to conduct operations efficiently and implement the business plan. This requires experience, knowledge and expertise within the holdings and this is why HR and talent development are prioritised issues for us as owners.

We are also keen to ensure that our holdings are attractive employers and we therefore conduct a number of HR initiatives to attract, develop and retain skilled employees and talents.

We also bring together CEOs, boards and management groups at various training and development events. This is another strength of Ratos's business model – the ability to make a tangible contribution to the exchange of experience between different companies, industries and environments.

## Ratos's presence in the Nordic region

The Nordic countries differ in several respects, including corporate structure, sector distribution and business culture. To improve our contact base, we have set up an Advisory Board in Denmark, Finland, Norway and Sweden. These consist of people with many years of industry experience. They act as Ratos's representatives and contribute with knowledge of local business life and with their individual networks.

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## RATOS'S HR INITIATIVES

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### Some of our HR initiatives

- Network Days
- Chairman Forum
- CEO Summit
- Ratos Talent Award
- CFO Executive Development programme



### Ratos Talent Award

Ratos Talent Award was presented for the third time in 2014. The award was established to increase the focus on talent development in our holdings. The ability to attract and retain talent in the organisations is a decisive factor for the long-term success of the companies.

*The three prize winners in 2014 were:*

- Thorstein Roxrud, manager Bisnode Analytics and Marketing Automation in Norway
- Carlos Franco, responsible for DIAB's balsa operations in Ecuador
- Mariusz Król, MD of Mobile Climate Control Poland

# Involved force in community

Ratos has a long history of being a responsible owner with a strong community involvement. Today Ratos works to manage and develop this inheritance with broad involvement from our employees.

## Focus today

Together with our partners (who are described below) Ratos is involved in the development of the communities in which we operate. For Ratos the involvement of our employees is important since they contribute in various ways with their time and their core expertise in operational development and entrepreneurship. In 2014 approximately 25% of our employees took part in some activity together with our cooperation partners.

## Entrepreneurship

Entrepreneurship is a key component of Ratos's history and also has clear links to operations today.

Inkludera Invest, with which Ratos started a collaboration in 2014, is a non-profit organisation that works to combat marginalisation in Sweden by backing social entrepreneurs who have developed solutions to social challenges. In addition to providing the organisation with financial support, during 2014 Ratos's employees assisted Inkludera Invest's entrepreneurs by acting as mentors and sounding boards as well as holding workshops on corporate governance, for example. Ratos also contributes with expertise and as a discussion partner for Inkludera Invest's own organisation.

CEO Susanna Campbell participates in the Royal Swedish Academy of Engineering Sciences, IVA, project Prince Daniel's Fellowship and Entrepreneurship Programme, a project aimed to encourage and inspire young people to dare to consider entrepreneurship as an option.

## Children and young people

Ratos has cooperated with Mentor Sweden since 2006 and is today one of its main partners. Mentor Sweden works to give young people a strong self-image and a brighter future outlook by offering various mentorship programmes as well as activities for parents. During the year Ratos's employees together with Mentor have provided inspiration and spoken to students about their own work as well as teaching business skills and codes. Ratos has also supported Mentor International's establishment in the other Nordic countries.

Ratos also supports the Danish Børnehjælpsdagen (The Children's Aid Foundation), which aims to improve conditions for children living in children's homes in Denmark.

## Vulnerable people in communities in which we operate

Ratos is involved in its immediate community through collaboration with the Stockholm City Mission. Since 2004 we have supported Klaragården which is run by the Stockholm City Mission and is a refuge for vulnerable women in the Stockholm area.

Since 2008, Ratos has also supported particularly vulnerable people in our community through the Cooperation Against Trafficking (IMTR).

## Education and research

Education and research are cornerstones for the continued development of our society. Ratos supports the Stockholm School of Economics and the Centre for Business Policy Studies (SNS).

## Other

As a result of the escalating unrest in Gaza, Syria and Iraq, as well as the Ebola epidemic in West Africa, Ratos made a contribution to Médecins Sans Frontières (MSF) during the year.

To read more about Ratos's community involvement, visit Ratos's website and the websites of the organisations mentioned here.



### Interview with Golnaz Hashemzadeh CEO and founder of Inkludera Invest

*Why is an organisation like Inkludera Invest necessary?*

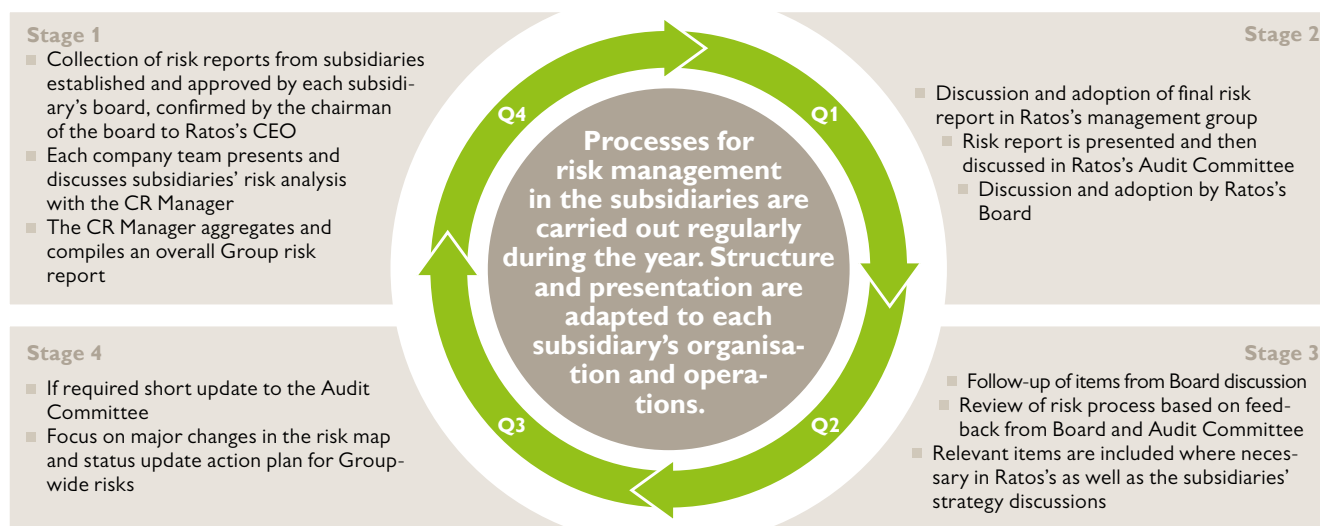
We can see that there are strong social entrepreneurs who have developed innovative solutions to Sweden's social challenges. These are people who are experts on their target groups and who with enormous commitment have built up ways to include vulnerable people in Sweden. Inkludera Invest is needed to provide a business perspective and together with these entrepreneurs to strengthen and spread these solutions and ensure that as many people as possible benefit from them.

*What does collaboration with Ratos mean for you?*

For us at Inkludera being able to engage and consult with Ratos's employees means a lot. They have exactly the expertise that we want to strengthen our entrepreneurs with. Ratos's employees help to make board work in our operations more professional and effective, to develop business and expansion models and build organisational structures with a clear division of responsibility. They also help to develop Inkludera's own processes. With Ratos's help we can, for example, define what support the entrepreneurs need in different phases and how we decide when it is time to end our involvement with each one. Ratos's financial contribution also means we can work with more entrepreneurs and thus spread more solutions and reach more people.

## RATOS'S INTERNAL RISK PROCESS

Ratos's internal risk process takes into account a broad spectrum of risks: strategic, operational, financial risks as well as risks related to compliance and sustainability issues such as the environment, social responsibility and business ethics/corruption.



### Internal control

The Board has ultimate responsibility for preparing an effective process for Ratos's risk management and internal control. The purpose is to provide reasonable assurance that operations are conducted in an appropriate and effective manner, that financial reporting is reliable and that laws as well as internal regulations are complied with. This work is conducted through structured board work as well as by tasks being delegated to management, the Audit Committee and other employees. Responsibility and authority are defined in instructions for powers of authorisation, policies and manuals which provide guidelines and guidance for the Group's operations and employees.

Furthermore, the board of each subsidiary is responsible for ensuring that the company in question complies with laws and regulations as well as for compliance with internal policies and guidelines.

### Ratos's risk management process

Ratos conducts an annual review of risks where significant risks in its

own operations and the holdings are summarised and discussed in Ratos's management and Board.

As part of good corporate governance, the holdings are expected to have a continuous process for identifying, assessing and managing their risks. Each holding's CEO and management have operational responsibility for having an appropriate risk management process in place which is approved by the holding's board.

During the year Ratos worked to strengthen its subsidiaries' risk processes through clearer communication of expectations, requirements and responsibilities, which requires a structured effort. All subsidiaries' chairmen were asked in 2014 to confirm to Ratos's CEO that the company concerned has implemented an appropriate process for management of the holding's risks.

Ratos's greatest risks are summarised in the Director's report in the annual report.

Ratos supports the subsidiaries with proposals for structure, models, etc., for work with risk management, see illustration below.

## RECOMMENDED RISK MANAGEMENT PROCESS FOR RATOS'S SUBSIDIARIES



**1 IDENTIFICATION** – Ratos recommends a broad process where all relevant operational and strategic areas are covered, in order to identify the companies' biggest risks. Each holding should identify and discuss risks at a suitable level in the organisation in a company-adapted process.

**2 CLASSIFICATION** – classification and ranking of identified risks, for example based on probability, degree of impact, type of risk and time perspective.

**3 MANAGEMENT** – a plan for how identified risks should be managed should be drawn up with activities and means to eliminate/reduce/monitor the risk and specifying who is responsible.

**4 REPORTING** – the risk assessment and management plans should be presented and discussed in each company's board at least once a year.

**5 REPORT TO OWNER** – a report which summarises the biggest risks at Ratos and the holdings is compiled and presented to Ratos's Board annually.

# RATOS

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Drottninggatan 2 Box 1661 SE-111 96 Stockholm  
Tel +46 8 700 17 00 Fax +46 8 10 25 59 [www.ratos.se](http://www.ratos.se) Reg. no. 556008-3585