

MS GROUP SUSTAINABILITY REPORT 2021

MS GROUP AB

2022 January

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1. Introduction

Sustainability continues to be important to MS Group. It is a corner stone in being a responsible employer. It represents a “ticket to play” within most of our business segments and it is key in being attractive as an employer. From an environmental aspect, with a challenging situation on CO2 emissions in the world today, it is vital for every company to work focused when it comes to sustainability. And from a personal viewpoint, it just feels right.

1.2 About this report

This is the second sustainability report from MS Group. It covers the period from January 1st to December 31st of 2021. The report has been approved by the MS Group Board of Directors and pertains to the entire Group, unless otherwise stated. Central KPIs which are reported to Latour on a yearly basis can be found at the end of the report. The report is not certified by any third party.

MS Group’s sustainability actions and ambitions rest on 3 pillars, as presented in our sustainability policy: People, Planet, and Profit. In this report, each area will be presented in more depth.

2. We are MS Group

MS Group is a global provider of motion system products and services. We improve quality of life for people using wheelchairs as well as for other selected applications. We are passionate about helping people in their daily lives. Our mission brings us together, empowers us, and helps us to define our priorities and path towards increased customer and consumer value. Our vision is to be the preferred partner of motion systems for the global medical technology market and selected segments.

MS Group develops and acquires companies characterised by an ability to build long-term relationships with customers and stakeholders. We have a decentralised structure based on a clear and simple governance structure. Our brands are managed in two divisions with high focus on customer adaptation. We collaborate within the Group on product development, operational efficiency, and international expansion.

MS Group is a subsidiary of Latour Industries AB, a business area within Investment AB Latour, a Swedish mixed investment company listed on Nasdaq OMX Stockholm Large Cap.

Group values are clearly defined in the Group’s cultural booklet and incorporated into the Code of Conduct model.

All MS Group companies share a joint mission and vision statement and a common strategy including a divisional strategy. The strategy is updated on a yearly basis and includes sustainability priorities. The output is partly the financial targets but also the desired position in terms of customer and shareholder value resulting from customer feedback and internal dialogue on common as well as divisional targets.



Figure 1: Desired market position. From Group Strategy from May 2021.

Responsibilities within the governance structure give clear mandate to the divisions (SBUs). There are selected MS Group corporate policies and processes, one of which is the Sustainability Policy.

Risk exposure is continuously managed as part of the management process. Overall, risks are managed per division, group operations, and IT respectively and followed up within the Group Management Team. Risks were reviewed during 2021 and actions defined. Some risks have become more and some less significant. In addition, TCFD reporting was added to be a natural part of the group risk management structure during the year.

To manage requirements imposed on the company and create a platform for our operations, we base everything we do on our Company/Quality Policy which is integrated as part of local quality systems in each site. This policy is presented in parallel to our vision and mission statement across all local entities, which are certified according to ISO standards.

2.1 Company / Quality Policy

The Group defines ambitions for local certifications and objectives as an integral part of the strategy. All units and divisions work to achieve a higher level of certification over time which always should be ahead of market requirements.

In figure 2, we can see an overview of the certification status within the Group. During 2021, focus was on passing certification for MDR requirements for AAT and Batec, with a deadline of May 2021. As well, Batec were able to pass ISO13485 certification.

Site	ISO 9001	ISO 14001	OHSAS 18001	ISO 13485	MDR Compl	21 CFR Part 820 (FDA)	NRTL approval	RoHS3
REAC Poland (RPL)	OK	OK	OK	OK	N/A	N/A	N/A	OK
REAC Comp. (REC)	OK	OK	OK	N/A	N/A	N/A	N/A	N/A
AAT GmbH (AAT)	OK	Pending 2023	Pending 2023	OK	OK	Pending	OK	Pending
Batec Mobility (BAM)	Pending	TBD	TBD	OK	OK	Pending	N/A	Pending

Figure 2: Summary of certifications within MS Group

2.2 Group Governance Model

To ensure that each division/site complies with Group policies, performs according to financial targets, and delivers on KPIs, the governance model involves several methods and models:

- A structured approach to ISO and other certifications.
- Yearly management review and frequent meetings with the Quality Management Team.
- Weekly and monthly follow-ups of unit and division performance to ensure activities and targets are in place and that improvements are implemented.
- Customer surveys conducted in a structured way (minimum once every two years) to get input on continuous improvements.
- Employee surveys conducted digitally and followed up monthly during business reviews.

2.3 Key Events in 2021

During 2021, our focus has been to navigate through the global pandemic and adjust our operations and cost level to new market conditions. Supply chain disruptions, increased inflation, energy process and some quality disturbances have impacted operations. Despite these facts, the organisation has managed well to withstand these challenges and still delivered well on strategic and tactical priorities.

Some highlights in terms of results with reference to sustainability:

- **New product launch in AAT.** AAT launched an upgrade of the V-max product during the year. It marks a key event in the total renewal of the product offering to key customers. The V-max2 is better in performance and also lower in weight (-10% in the lead version and -25% using Lion battery solution) and therefore represent a clear contribution to the sustainability efforts.
- **New products launch in Reac.** Reac launched two new products during the year that has contributed well to the sustainability targets. The first one is a new actuator replacing an existing one. It has a lower cost and 15% lower weight. The second one is a new seating system, developed to have three motions, but only uses two actuators. It saves both material and weight by its advanced design.
- **Relocation of RPL.** In September REAC Poland inaugurated a new plant in Piotrkow. This enables the group to deliver products in a more efficient and environmentally friendly way. Some key improvements are: 100% green electricity. Integrated Air handling units and LED-lamps for better energy efficiency.
- **Integration of Batec Mobility.** Batec was acquired early 2020. During 2021 the company was fully integrated and is now a fully functional unit within Mobility Division. As well, electricity in this plant is also 100% green.
- **Materiality analysis version 2:** On Group level, involving key employees and key stakeholders, MS Group completed a materiality analysis, see section 3.3.
- **Code of Conduct training:** Code of Conduct training was initiated with 64 employees during Q4 and finalized in the beginning of 2022.
- **Certifications:** MDR certification was achieved for both AAT and Batec. ISO 13485 implemented in Batec.
- **Leadership training process and upgrade of the booklet:** A decision on a long term leadership training process was achieved, and a third version of the group booklet was published. The leadership process will commence during January 2022 with a digital leadership training platform.

3. Sustainability for MS Group

The Group Sustainability Policy takes reference from the *Company Policy* as well as the *Group Strategy Document*. The Sustainability Policy relies on three pillars: “People”, “Planet”, and “Profit”.



Figure 3: MS Group Sustainability Policy (copy from web site).

3.2 Bringing our strategy to life, CEO Comment

MS Group has a set of principles for what we do as a business.

First, our *mission* “To improve quality of life” and our *vision* “To be the preferred partner of motion systems for the global medical technology market and related segments” statements are bold. But we need to be bold considering the challenges ahead, especially when it comes to sustainability. MS Group has great people, a strong set of assets, and a clear strategy to guide the company forward into the future.

Second, we make decisions every day. We cannot put everything we do into written procedures. Therefore, we have our *values*. Our values support the way we make decisions. It supports our culture. Our culture is about how we interact within the organisation as well as with customers, partners, and society as a whole. Being a multinational company, we operate with the same set of values, but we allow for local dialects of that same culture.

Third, our *Code of Conduct*, which is a policy / training program from Latour, outlines how we do business. MS Group companies and functions complies with the Latour Code of Conduct, where selected colleagues receive frequent training. Doing business in line with this policy builds trust in the organisation as well as with partners.

3.3 MS Group Stake holder analysis and Materiality Aspects

Stakeholder perspectives are considered throughout the strategy development and deployment. It is based on an open dialogue with the purpose of establishing key sustainability priorities.

During 2020, the Group completed its first materiality analysis of the business. The aim was to agree on the **aspects** that are most important for our different stakeholders as well as understand the **impact** of our business on these aspects.

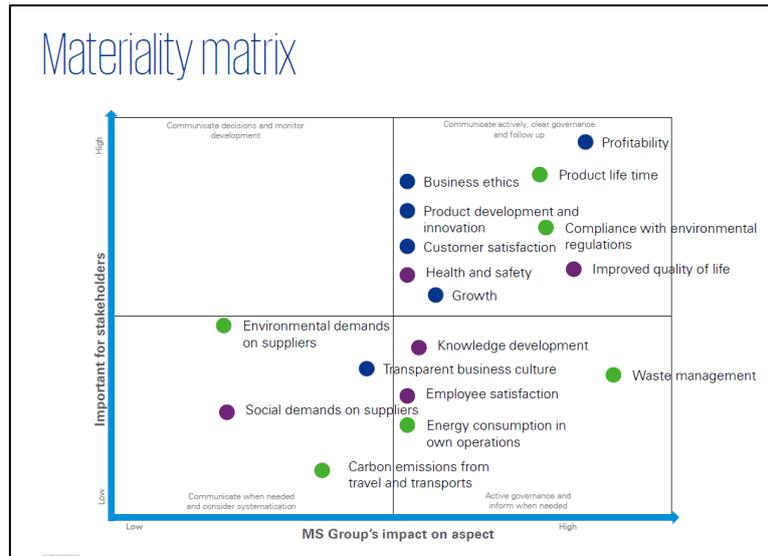


Figure 4: Result of the materiality analysis in MS Group 2020

From this analysis of the aspects, MS Group conduct a frequent **materiality analysis** among stake holders. In 2020 as well as in 2021, an internal materiality analysis was done among ca 40+ employees from all over the group including representation from our owners and board. Input is also taken from external partners. The purpose of the materiality analysis is to align and focus the group on aspects where the company should target activities. While different stakeholders raise specific concerns certain sustainability topics are common for most stakeholder groups. The latest materiality analysis is shown in the figure below.

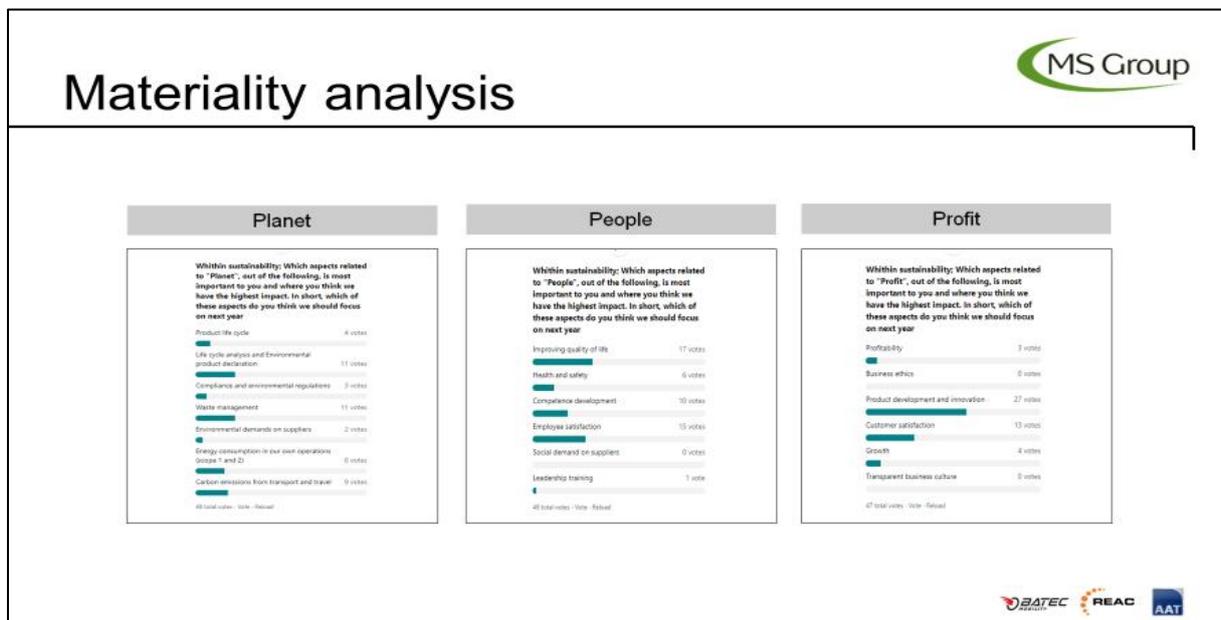


Figure 5: Result of the internal materiality analysis in MS Group 2021

3.4 Discussion on targets and achievements in 2021

In early 2021 and with reference from the first materiality analysis, MS Group defined a set of targets under each "pillar" of the sustainability policy to help guide the organization and the sustainability work, see figure below.

	Target	2020 YTD Oct	2021
People	<ul style="list-style-type: none"> Winningtemp participation to > 75% Implement sustainability boards in all plants Track and improve on local KPIs 	Ca 75% N/A Acc. to target	>75% Implemented Acc. to target
Planet	<ul style="list-style-type: none"> Implement target on Carbon emissions from transport/ travel, electricity & heating Measure and improve on renewable energy as % of electricity and heating Improve on all environmental KPIs in all plants Continue to implement certifications Track and improve on local KPIs 	N/A N/A Done Follow strategy Acc. to target	Implemented Implemented Improvement Follow strategy Acc. to target
Profit	<ul style="list-style-type: none"> Achieve budget on OP (% of Sales) Measure investments with sustainability index Conduct customer survey in REAC/ AAT/ Batec Implement sustainability targets in Prod. Dev. 	N/A 2017/2018 N/A	>Budget Implemented Implemented Implemented

Figure 6: Sustainability targets for 2021

The performance results on these targets are covered below in section 3.4.1 – 3.4.3.

3.4.1 Achievements related to the targets in 2021: People

Employee satisfaction and experience is a key factor to develop the company. Winningtemp is a group wide digital tool to follow up and initiate activities to improve the employee experience and working climate. MS Group integrated Batec in the Winningtemp tool and was able to keep the participation score well over the targeted 75% (The group reported 83%).

In addition, a code of conduct training was initiated during Q4 2021 and should be completed during January 2022.

The group also successfully implemented sustainability as an integral part of the Visible Management System (VMS) in all sites. The purpose is to drive and manage sustainability locally, as a natural task every day. KPIs related to employee performance and safety are measured as a part of the VMS system. As an example, KPIs related to incidents and accidents are followed up during monthly business reviews. It should be highlighted that all plants have made efforts and achieved results in keeping safety high during the global corona pandemic and still being able to keep operations up and running.

During the year, the group HR Forum completed the framework on Leadership training consisting of a 4-stage program. This long-term process was included in the budget for 2022 and has since been kicked off as part of the group activities during 2022. This process is an add on to the normal competence planning and execution from the employee appraisals and will be essential to continuously build and develop the group culture.

MS Group continues to support Solvatten as a general CSR initiative together with many Latour companies. Solvatten supports families with increased access to safe and hot water. The collaboration contributes to improved health, hygiene, and equality and increased use of solar energy, enabling a brighter future for all. Solvatten continues to be a great example where MS Group can participate for a better environment and improved quality of life – our company mission.

3.4.2 Achievements related to the targets in 2021: Planet

The priorities within the group related to the environment is partly described in the quality management system. We have a responsibility to develop sustainable solutions, taking into account life cycle analysis, weight, efficiency. An important aspect in this field is to ensure the usage of materials supporting directives such as RoHS, WEEE and REACH. Yearly audits with suppliers are also used to ensure that all Group entities support and comply with these directives.

KPIs strictly related to the environment are followed up on a monthly basis in each local plant using the Visible Management System. Latour has also implemented new KPIs in 2018 to be monitored in each site in the group (see section 6). Some of these KPIs are implemented in the monthly figures.

The KPIs serve as input for each plant when defining activities on how to improve energy consumption, waste management, and more.

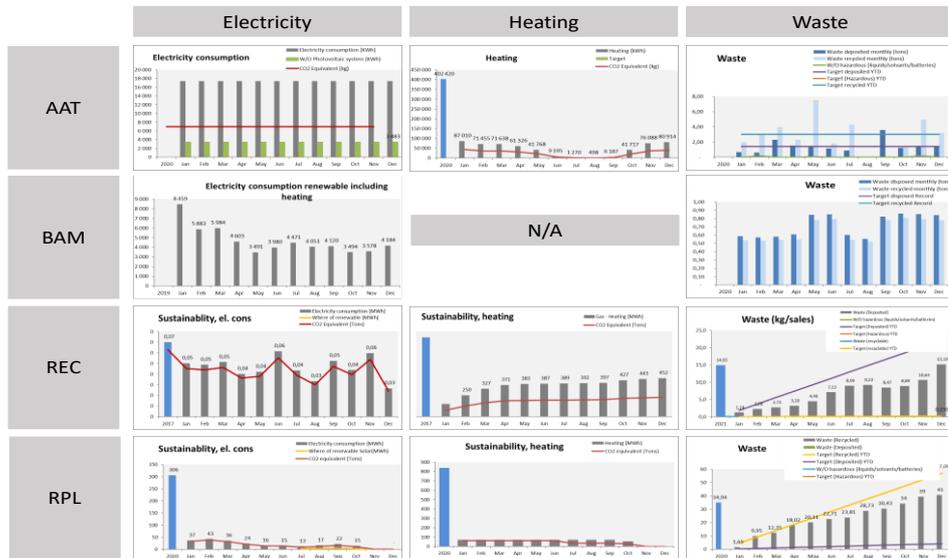


Figure 7: A summary of our KPIs related to the environmental ambition Data YTD December 2021.

MS Group is translating the results from the KPIs into an understanding on CO2-emissions. These CO2 emissions are reported from own operations, based on scope 1 and 2. For 2022 we are starting to involve key suppliers in this reporting.

	2019	2020	2021 Q1	2021 Q2	2021 Q3
Energy (MWh)	4723	4614	1458	1107	1321
% Renewable	10%	8%	8%	10%	10%
CO2 scope 1 (Tonnes)	2000	1550	406	292	416
CO2 scope 2 (Tonnes)	950	950	516	424	477
TOTAL	2950	2500	922	716	893

Figure 8: Summary of internal MS Group energy usage and CO2 emissions

Comments on the environmental KPIs:

- RAB is now deleted from the follow up as the production plant has been closed.
- Batec KPIs are aligned and operational.
- All plants in the group confirm that electricity usage is 100% based on “green” sources.
- RPL has relocated to the new plant during 2021 and thus improved energy efficiency for operations and the facility a lot.

3.4.3 Achievements related to the targets in 2021: Profit

Profitable growth remains a leading principle for our long-term business model. Internal focus on efficiency and lead times is high on the agenda. MS Group include sustainability priorities in the strategic review. Latour define clear financial targets for all subsidiaries, see figure below.

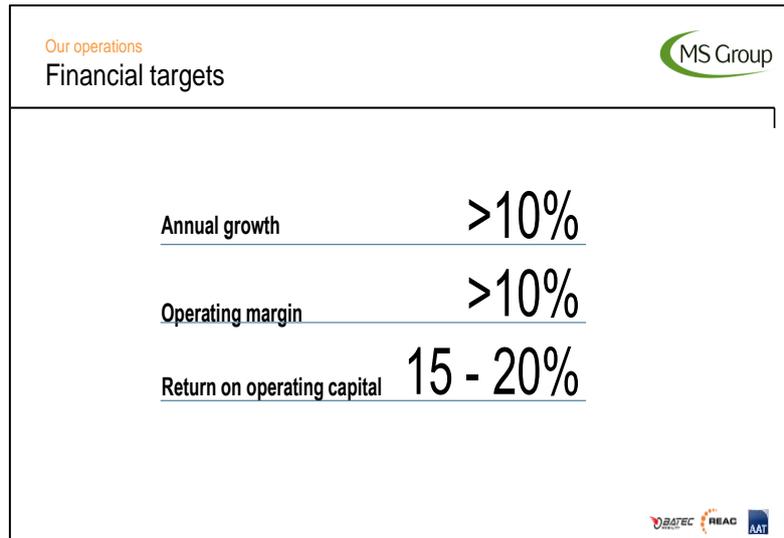


Figure 9: Financial targets for MS Group.

Part of “profit” is also to have a high degree of ethics and a good understanding of customer satisfaction. Within MS Group a code of conduct training is continuously done. Customer satisfaction is measured with a frequent result. Our product development is focused on creating value for the final consumer including sustainability targets.

4. Sustainability Targets 2022

MS Group sustainability targets are defined on a yearly basis, and they are key in realising the Group’s strategic ambition on sustainability.

Overall, the ambition is to improve on all measured KPIs and to develop according to Latour overall targets as defined in Latour’s environmental policy as well as financial targets.

The targets are followed up regularly in the management team as well as Board meetings. Based on the input from the materiality analysis, the management team have selected targets for 2022. Sustainability is now pushed from both management (top down) and also locally (bottom up) within each entity and division.

Policy	Target proposal 2022 per division	Resp	Target
People	Winningtemp participation	Div Head	>75%
	Digital leadership training done	MS Group	Done
	Leadership training done	MS Group	2 of 5 modules
	Improve on all HR related KPIs	Div Head	Acc to KPIs on share-p
Planet	Implement scope 1&2 with main suppliers	COO	Implemented Q2
	Implement Transport and business travel	COO	Implemented Q1 -22
	Minimum 2 CAPEX prop for Latour funding	MS Group	>2
	Improve on all energy related KPIs	Div Head	Acc to KPIs on share-p
	LCA/ EPD pre study (Timing & Cost)	Div Head	>2
	Energy efficiency action plans defined	Div Head	Plan defined Q1
Profit	Achieve budget OP %	Div Head	CAPEX with Sust ind. done
	Innovation	Div Head	Weight focus in projects
	Customer satisfaction	Div Head	REAC div H1 -22

Figure 10: Result of the internal poll on social aspects within MS Group



5. Summary and Conclusion

MS Group has delivered well on commitments and targets defined for 2021. We have added KPIs, created clear initiatives, and delivered. The future is challenging but it also offers opportunities. MS Group is committed to contributing to a more sustainable society in medical technology and related market segments. We aim to make long-term economic, social, and environmental decisions with responsibility for how our business affects our stakeholders.

One of our values is "Caring". We aim to achieve our sustainability objectives within our focus areas: Care for our Business, Care for our People, and Care for our responsibility towards the environment.

We realize that our ambitions are not enough to solve all challenges. That said, the ambitions are balanced based on where we are and taking all stake holder input into our sustainability process. We continue to develop our group in a continuous way.

Stay tuned for more results and achievements in 2022.

Gothenburg 28 January 2022

Mauritz Sahlin / CEO MS Group

6. Latour KPIs. Summary of reported

MS Group report some KPIs to Latour via the Aaro financial consolidation tool. Other KPIs are measured and followed up locally and reported to Latour via the board structure. A summary of the reporting and some KPIs can also be find below in this sustainability report.

LATOUR MINIMUM REQUIREMENTS - SUSTAINABILITY KPI'S

Target	External communication	Aspect	Unit	Result
Environmental				
-5% annually * in relation to sales *as share of added value	Yes	Energy consumption:	MWh. Scope 1 & 2 own operations.	See this report
Vision to reach 100% (5% improvement)	Yes	Energy mix	Renewable. Scope 1 & 2 own operations.	See this report
-5% relative improvement annually	Yes	CO2 emission:	ton CO2 equivalents. Scope 1 & 2, own operations.	See this report
Measure	No	Waste	tonnes. Scope 1 & 2, own operations.	Reported as part of each site KPIs
100%	No	Environmental certified production sites:	% . Scope 1 & 2, own operations.	50%
Social				
Social				
0	No	Workplace accidents	accidents per 1000 FTE	Reported as part of each site KPIs
40-60%	Yes	Gender equality, Managers in company	% (Managers = Salary setting)	35%
40-60%	Yes	Gender equality in management team	%	40%
40-60%	Yes	Gender equality in Board of Directors	%	0%
0	Yes	LTI	accidents/ 1000 FTE	Reported as part of each site KPIs
0%	No	Sick leave	No. FTE long term sick leave /total no. FTE	Reported as part of each site KPIs
tbd	No	Engagement	Define index per area in accordance with board.	Using Winningtemp as tool. 83% participation
Business Ethics				
Business Ethics				
100%	Yes	Code of conduct implemented, internally	% No. Signed. Each company should define how this is measured.	90% of 64 selected employees have concluded the training
100%	No	Code of Conduct, Supply (environmental and social responsibility)	No. Signed as share of supplier value. Each company should define how this is measured.	MS Group: Material incl CoC sent to suppliers as part of supplier assessment. 2022 will be part of audit process. MS Group has 351 suppliers. 180 received requirement on CoC and 120 have signed
100%	No	Distributor & Agents screening (Code of conduct):	% of distributors & agents . Each company should define how this is measured.	REAC: N/A, AAT: ??, Batec: ??