

MS GROUP SUSTAINABILITY REPORT 2022

MS GROUP AB
2023 February

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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 feels right.

1.2 About this report

This is the third sustainability report from MS Group. It covers the period from January 1st to December 31st of 2022. The report has been approved by the MS Group Board of Directors and pertains to the entire Group, unless otherwise stated. Central KPIs 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.

2. We are MS Group

MS Group is a global provider of motion system products and services. We improve quality of life for users of 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 defined in the Group’s cultural booklet and incorporated into the Code of Conduct model. All MS Group companies share a mission and vision statement as well as a common strategy. The strategy is updated on a yearly basis and includes sustainability priorities. The output of the strategic process is partly the financial targets from our owner but also the desired position in terms of customer and stakeholder value resulting from customer feedback and internal dialogue on targets.

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. To manage requirements imposed on the company and create a platform for our operations, we base what we do on our Company/Quality Policy which is integrated as part of the local quality systems in each site. This policy is present next 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 work to achieve a higher level of certification over time, ahead of market requirements.

Site	ISO 9001	ISO 14001	ISO 45001	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 2024	Pending 2024	OK	OK	Pending 2024/25	OK	OK
Batec Mobility (BAM)	Pending TBD	Pending 2023	Pending 2023	OK	OK	Pending 2024	N/A	Pending 2023

Figure 1: Summary of certification ambitions within MS Group

2.2 Group governance model

To ensure that each division and 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.
- Regular follow-ups of performance to ensure activities against targets are in place.
- Customer surveys conducted in a structured way to get input on continuous improvements.
- Employee surveys conducted digitally and followed up monthly during business review.

2.3 Key events in 2022

The group focus during 2022 has been to improve our performance despite challenging market conditions. Energy costs, increased inflation, the pandemic situation and supply chain disruptions have impacted operations. We have focused to keep a high customer service during the period. The organisation has managed to withstand these challenges and delivered well on strategical and tactical priorities. Some highlights in terms of results with reference to sustainability:

- **AAT and Batec**
AAT launched an upgrade of the V-max product during 2022. It marks a key event in the total renewal of the product offering. The V-max2 is better in performance and also lower in weight (-10% in the lead version and -25% using a Lion battery) and therefore represents a clear contribution to our sustainability efforts, as less weight means less raw material consumption, and less energy usage per distance travelled.
- **Reac**
Reac continues to develop products, which will have an impact on sustainability. Two major projects that relate to this area are a low weight combo system, which will have 15% less weight, and a product redesign on a current actuator range, which will lower the weight and improve cost. These products will be launched during 2023. During the year a LCA (Life Cycle Analysis) study was performed on one of the major products. This was the first LCA study made in the division. The purpose was to understand the impact our product has, and to educate the organisation on sustainability.
- **Code of Conduct training:**
Code of Conduct training was done with newly hired employees during Q4 of 2022.
- **Certifications:**
During 2022 all ISO standards (9001, 14001, 45001 and 13485) were either recertified or exposed to follow up audits according to the overview Fig 1.
- **Leadership training process:**
A digital leadership training for all managers on all levels was launched and implemented during the year with good results.

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 2: 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 highly relevant. MS Group has a strong team, a strong set of assets and a clear strategy to guide the company forward into the future.

Second, we make decisions every day and cannot put everything we do into written procedures. Therefore, we have *values*. Our values support the way we make decisions and captures the DNA of the company. Our culture is all 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 cultural values, but we allow for local dialects of our common cultural language.

Third, our *Code of Conduct*, which is a policy / training program from Latour, outlines how we do business. MS Group companies comply with the Latour Code of Conduct, according to which 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 and sustainability development. 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 and refined the same during 2021. Material aspects were agreed with all major stake holders as well as the understanding of the impact of our aspects on all these aspects.

The aim was to agree on the **aspects** that are most important for our different stakeholders as well as to understand the **impact** of our business on these aspects.

From these aspects, MS Group conduct a **materiality analysis** on a frequent basis among stake holders. In 2020 as well as in 2021, an internal materiality analysis was done among 40+ employees

within the group including representation from our owners and board. Input was also received 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, most sustainability topics are common for most stakeholder groups. The latest materiality analysis can be found in the annual sustainability report from 2021.

3.4 Discussion on targets and achievements in 2022

In early 2022 and with reference from the latest materiality analysis, MS Group defined a set of targets for each “pillar” of the sustainability policy to help guide the organization and the sustainability work. These targets and results can be seen in the figure below.

Policy	Targets for 2022	Target Value 2022	Comment on results
People	Winningtemp participation Digital leadership training done Leadership training done Improve on all HR related KPIs	>75% Done 2 of 5 modules According to KPIs	79% Done Postponed Managed locally
Planet	Implement scope 1&2 with main suppliers Implement Transport and business travel Minimum 2 CAPEX prop for Latour fund. LCA/ EPD pre study (Timing & Cost) Energy efficiency action plans defined Improve on all energy related KPIs	Implemented Q2 Implemented Q1 >2 >2 Plan defined Q1 According to KPIs	Done Done 1 Done within Reac Done Managed locally
Profit	Achieve budget OP % Innovation Customer satisfaction analysis	Achieve budget Reduce, Reuse, Recycle Done in both divisions	Done Done (LWT, Vmax 2) Reac: Done, Mobility: Postponed

Figure 3: Sustainability targets for 2022

More comments and input on these targets are covered below in section 3.4.1 – 3.4.3.

3.4.1 Achievements related to the targets in 2022: People

Employee satisfaction is a key factor to develop the company. Winningtemp is a group wide digital tool to initiate and follow up activities to improve the employee experience and working climate. MS Group was able to keep the participation score well over the targeted 75% (The group reported 79% over the last 5 months during January 2023).

A code of conduct training was executed for new employees during Q4 2022.

During the year, the framework on leadership training process was defined. The leadership process was kicked off starting with digital training. It is an add-on to the normal competence planning/ 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 Latour. Solvatten help families to access safe and hot water. The collaboration contributes to improved health, hygiene, equality and increased use of solar energy, enabling a brighter future for all. Solvatten represent a direct link to the mission and vision of MS Group.

KPIs related to employee performance and safety are measured as a part of the Visible Management System (VMS) system. As an example, KPIs related to incidents and accidents are followed up during monthly business reviews. 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.

3.4.2 Achievements related to the targets in 2022: Planet

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

KPIs related to the environment are followed up on a monthly basis in each plant. These KPIs are partly reported to Latour on a quarterly basis (see section 6). The KPIs serve as input for each plant when defining activities on how to improve energy consumption, waste management and more.

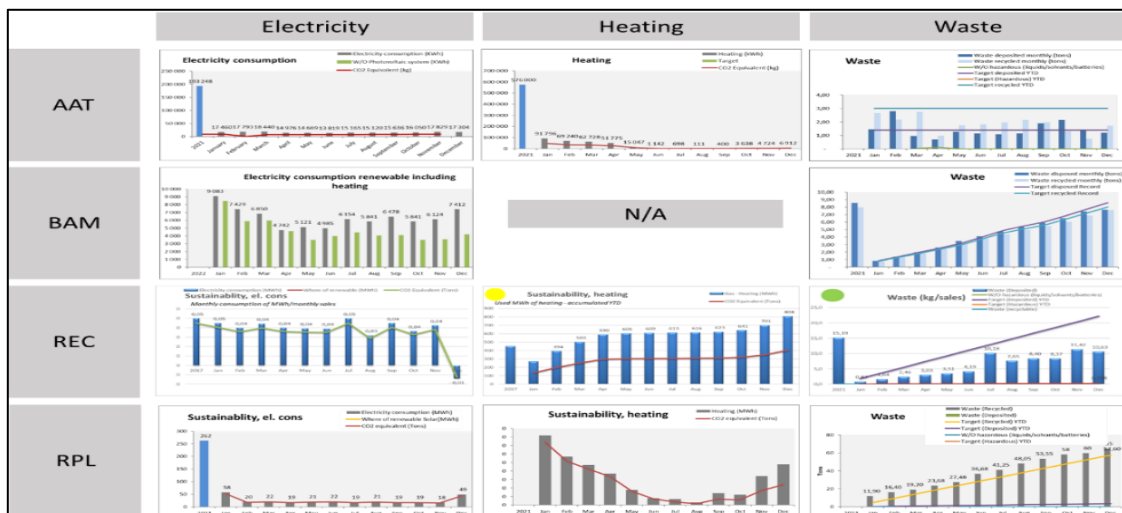


Figure 4: A summary of our KPIs related to sustainability and status YTD December 2022.

MS Group is reporting the internal energy consumption divided in electricity and heating with corresponding CO₂-emissions. These CO₂ emissions are reported from own operations, based on scope 1 and 2. For 2022 we started to involve key suppliers to collect also our scope 3.

Generated waste is classified ranging from hazardous to deposited and recycled goods. Each plant monitors the development on the overall minimization of the generated waste and higher ratio of recycling vs deposition.

Behind the progress per KPI one finds a multitude of smaller and larger improvements locally such as change from normal lights to LED, automatic shut off of lights, reduction of indoor temperatures and regeneration of used cleaning liquids.

During 2023 we aim to initiate a deeper dialogue with selected suppliers to learn and take part of their sustainability action programs.

	2019	2020	2021	2022 Q1	2022 Q2	2022 Q3
Energy consumption total (MWh)	4723	4614	5527	1950	906	619
Electricity (MWh)				570	546	457
% Renewable electricity *	10%	8%	10%	100%	100%	100%
CO ₂ scope 1 (Tonnes)	2000	1550	1407	249	31	34
CO ₂ scope 2 (Tonnes)	950	950	2317	1128	597	370
TOTAL CO₂	2950	2500	3724	1377	627	403

Figure 5: Summary of internal MS Group energy usage and CO₂ emissions

Historical data from previous years are not accurate. From 2022 data reporting is more reliable and less volatile.

On a yearly basis, MS Group is participating in Latour sustainability day. During 2022 we were able to compare and learn what other companies within Latour are doing to improve on all sustainability areas. MS Group also started to gather data on business travel CO2 levels (Swedish organization only) as well as creating a model to follow inbound transport.

Within the group we kicked off an investment on solar panels in one of our polish plants. This capex will be operational during the first part of 2023. A mentioned earlier, REAC division carried out LCA workshop for better understanding of the CO2 foot print generate by our products and operations.

Comments on the environmental KPIs in REAC:

- RAB is deleted from the reporting. The plant is completely closed.
- Both REC and RPL confirm electricity usage is 100% based on “green” sources.
- RPL relocated to the new plant during 2021. Energy efficiency improved substantially during 2022.
- During the cold season measures were implemented to reduce energy consumption.

Comments on the environmental KPIs in Mobility:

- In AAT gas consumption was reduced by lowering temperature in offices and production, enabling flexible work from home, and turning off heating in rooms not occupied.
- In AAT, electricity was reduced by replacing old electrical appliances and reducing lighting.
- In Batec, IT based QMS system was worked on during 2022 and was launched during Q1 -23. It will reduce the usage of paperwork within the company.

3.4.3 Achievements related to the targets in 2022: Profit

Profitable growth remains the leading principle for our long-term business model. Focus on internal efficiency and lead times is high on the agenda. MS Group includes sustainability priorities in its strategic review. Latour defines clear financial targets for all subsidiaries, see figure below.

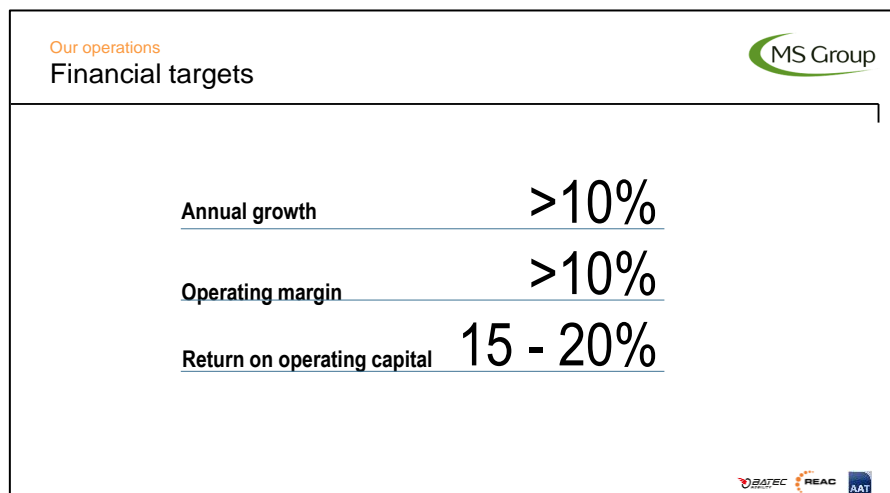


Figure 6: Financial targets for MS Group for 2022. Note that Latour has updated the financial targets in 2023.

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 frequently in both divisions via customer survey initiatives.

Our product development is focused on creating value for the end consumer including sustainability targets. Both divisions have sustainability targets in product development projects. AAT has introduced

a sustainability template to secure that ambitions on weight-reduction, reuse and recycle are taken into consideration. This way of working will be implemented in REAC during 2023.

REAC division delivered on the commitment to do a customer survey via an external digital partner. Mobility division will do a customer survey during Q2 -23

Comments on achievement KPIs in REAC:

- The financial targets have been achieved in Reac Division for 2022.
- The current customer base has nominated new businesses to Reac.
- Reac have initiated business with new customers during the year outside the PWC segment.

Comments on achievement KPIs in Mobility:

- Mobility increased revenue and order intake, especially in the second half of the year
- Profitability remained the key improvement area

4. Sustainability Targets 2023

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 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 in the board meetings. Based on the input from the materiality analysis, the management team has selected targets for 2023. Sustainability is now pushed from both management (top down) and also locally (bottom up) within each entity and division.

Aspect	Target areas for 2023	Unit/Target level
People	Winningtemp participation (Group) Winningtemp score (AAT, Batec) Work force fluctuation (AAT) Training days /empl (AAT, Batec) Lost time incidents (Batec) Marketing of sustainability work (REAC) Improve on all HR related KPIs (Group) Suppliers signed Code of Conduct	>75% (Batec>65%) >7,0 (Batec >6,5) <12% 1,5 days/empl (2 days/empl) 0 4 times during 2023 (social media/news letter) Acc to KPIs REAC (From 58 -22 to 60 -23), Mobility (From 82 to 90)
Planet	Increase supplier participation scope 1&2 (REAC) Increase supplier participation scope 1&2 (AAT) Implemented sustainability Mngmt system (REAC) Improve on all energy related KPIs (REAC) Innovation. Sust targets in projects (REAC) Scope 2 and Scope 1 (AAT, Batec) Freight of goods (Batec)	From 8 to 14 and 8 suppliers with sust. actions From 2 to 4 and 2 suppliers with improvement plans Q2 Improve 2% 2 more targets added. Implement sust. follow up matrix AAT: -5% vs -22, BATEC: -5% electr., -15% comp car emissions vs -22 <5% Less fright of goods impact with less emissions
Profit	Achieve budget OP % Customer satisfaction analysis (REAC) Customer satisfaction analysis (AAT, Batec)	>Budget H1 2023 H1 2023

Figure 7: Target areas and units/levels for 2023 within MS Group

5. Summary and Conclusion

MS Group has delivered well on commitments and targets defined for 2022. 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.



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.

Gothenburg February 2023

Mauritz Sahlin / CEO MS Group

6. Appendix 1: Latour KPIs. Summary of reported KPIs

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

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. 79% participation
Business Ethics				
		Business Ethics		
100%	Yes	Code of conduct implemented, internally	% No. Signed. Each company should define how this is measured.	100% of 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 in 2022. MS Group has 351 suppliers. In total some 140 suppliers signed the document representing a substantial part of purchases
100%	No	Distributor & Agents screening (Code of conduct):	% of distributors & agents. Each company should define how this is measured.	REAC: NA, Mobility: 74% of sales is covered by signed CoC policy from own staff or external distr. AAT: All reps (ext. + int.) in Germany have signed CoC policy. 100% distributors have received CoC policy but not signed, Batec: All sales reps in Spain have signed the CoC policy. All distributors (14 st) have received the CoC policy and it is part of the yearly agreement

Figure 8: Target areas and units/levels for 2023 reported to Latour.